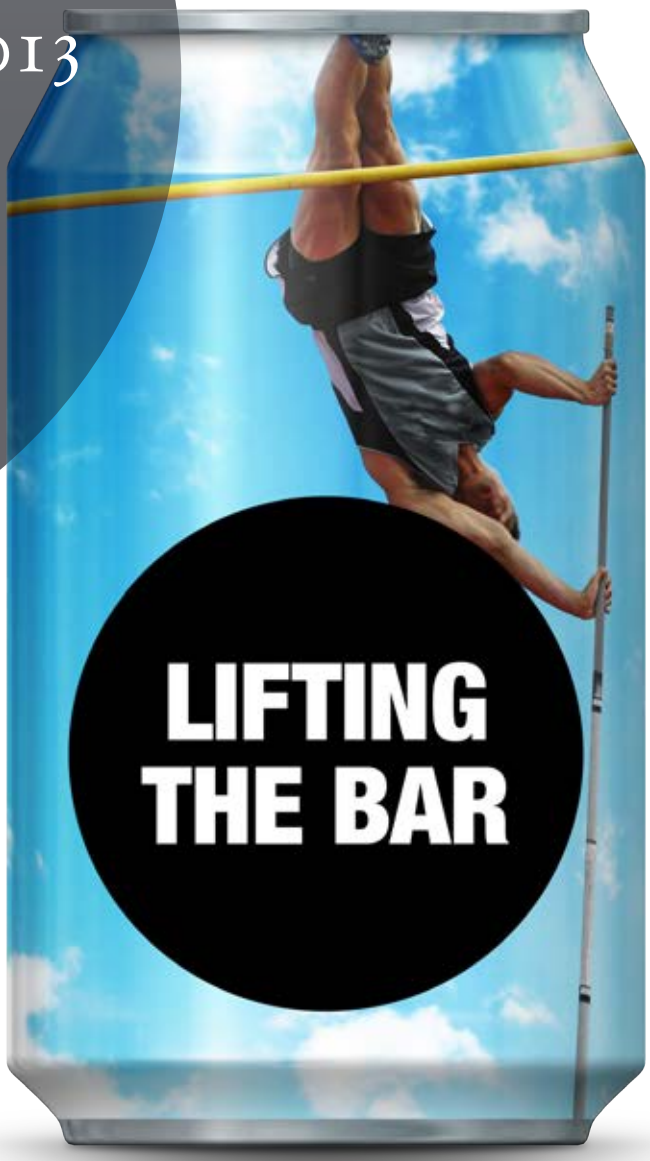
HYDRO

Annual Report – 2013



Key figures

Amounts in NOK million unless other unit indicated	2013	2012
Revenue	64 880	64 181
Underlying EBIT: (a)		
Bauxite & Alumina	(1 057)	(791)
Primary Metal	1 422	335
Metal Markets	594	210
Rolled Products	627	637
Energy	1 653	1 459
Other and eliminations	(502)	(553)
Total	2 737	1 297
Net Income	(839)	(1 331)
Underlying return on average capital employed (RoaCE), percent	2.2%	0.9%
Investments (b)	3 586	3 382
Total assets	115 235	117 357
Share price year-end, NOK	27.07	27.88
Dividend per share, NOK	0.75	0.75
Number of employees, year-end (c)	12 564	21 566
Recordable injuries, per million hours worked	3.4	3.4
Greenhouse gas emissions, million tonnes CO2e (d)	6.9	7.3

Highlights

WELL POSITIONED

The financial crisis and subsequent weak global economic conditions have led to an industry-wide poor financial performance for the past several years. A robust financial position, focus on cash generation and ongoing improvements have enabled Hydro to view the industry challenge as an opportunity. Hydro has succeeded at defining and delivering significant improvements over and above cost inflation. In September Hydro and Orkla completed the Sapa joint venture creating a new global leader in extruded aluminium solutions.

LIFTING THE BAR

A deeply rooted improvement culture has strengthened Hydro's position among the global leaders in the aluminium industry. Going forward, the company intends to increase the robustness of its businesses within all parts of the value chain. Hydro will leverage its strong technological orientation toward innovative solutions in close collaboration with customers. Efforts to increase energy efficiency, enhance product benefits and increase recycling will further lower operating costs, provide market opportunities and further reduce the environmental impact of our operations.

(a)

Underlying EBIT
Underlying EBIT increased to NOK 2,737 million compared with NOK 1,297 million in 2012, reflecting lower costs, improved results from Qatalum and higher product premiums partly offset by lower realized aluminium and alumina prices and production disruptions at Alunorte.

(b)

Investments
During 2013, 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 significant decrease in the number of employees in 2013 resulted mainly from the transfer of 8,200 Hydro employees to the new Sapa joint venture from September 1, 2013.

(d)

Greenhouse gas emissions
The greenhouse gas emissions from Hydro's current consolidated activities decreased by 4 percent in 2013, compared with 2012. The total emissions from our ownership equity – including indirect emissions from electricity generation – decreased by 7 percent.

Annual Report – 2013

HYDRO'S REPORTING 2013

The enclosed Board of Directors' report, together with the Financial Statements and accompanying notes and an index prepared according to the Global Reporting Initiative's (GRI) G4 protocol, 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 – 2013" is available in PDF-format on our website www.hydro.com/reporting2013 in English. The "Board of Directors' report and Financial Statements – 2013" is also available in PDF-format as a separate document in both English and Norwegian. The GRI index is only available on web, please see www.hydro.com/gri. 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.

RESULTS IMPROVE

Lower costs, higher premiums and improved Qatalum results strengthen Hydro's underlying EBIT

Hydro had underlying EBIT of NOK 2,737 million in 2012 compared with NOK 1,297 million in the previous year. Lower operating costs for Hydro's smelters, improved results for Qatalum and higher product premiums had a positive influence, partly offset by lower realized alumina and aluminium prices together with production disruptions relating to external power outages at Alunorte.

Alumina production declined to 5.4 million metric tons although production was back to an annualized level of around 6 million mt by year end. Bauxite production declined, amounting to 7.6 million metric tons, due to lower off-take by Alunorte. Primary aluminium production was 2.1 million metric tons and we delivered 3.2 million metric tons of casthouse products to internal and external customers. Downstream, we shipped roughly 941 thousand metric tons of rolled products to the market. Our energy business produced around 10.2 TWh of hydroelectric power.

Board of Directors' report p.10

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

01: Business description p.23

Detailed operating information is provided for each of Hydro's businesses including industry overview. Key regulatory and taxation issues are also outlined.

02: Viability performance p.53

The Hydro Way forms the basis for our viability reporting which includes energy and climate change, resource management, integrity and human rights, community impact, organization and work environment and innovation.

03: Financial and operating performance p.93

Financial and operating results are discussed per business segment and sub-segment as well as financial income/expense and income tax for Hydro. In addition disclosures about liquidity and capital resources and return on capital are provided.

04: Risk review p.111

Hydro's risks are described in relation to financial and commercial risk, operational risk, strategic risk, compliance risk and market risk.

05: Shareholder information p.119

Read about our share price development, dividend policy, funding and credit rating policy, the Annual General Meeting and the financial calendar for 2014.

06: Corporate governance p.125

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

07: Financial statements p.F1

Hydro prepares its financial statements according to International Financial Reporting Standards (IFRS). Both Hydros's consolidated financial statements and the financial statements for the parent company Norsk Hydro ASA are provided.

08: Appendix p.A1

Terms and definitions.

Our Business

Hydro is a resource rich, fully integrated aluminium company with operations in all major activities along the aluminium industry's value chain. Our operations include one of the world's largest bauxite mines and the world's largest alumina refinery, both located in Brazil. We have primary metal production facilities in Europe, Canada, Australia, Brazil and Qatar. We are a leading worldwide supplier of value-added casthouse products, such as extrusion ingots, sheet ingots and foundry alloys. In 2013, we delivered about 3.2 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 that was completed in 2013, we aim to transform our extrusion operations and generate 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

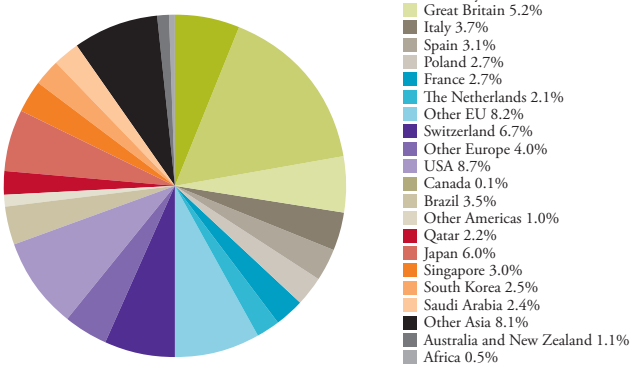
The Hydro Way is our approach to business, an approach that has existed within our company from the beginning and that has underpinned our success over the years. The Hydro Way defines our identity - our distinct set of characteristics - and constitutes a unique way of doing things that differentiates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

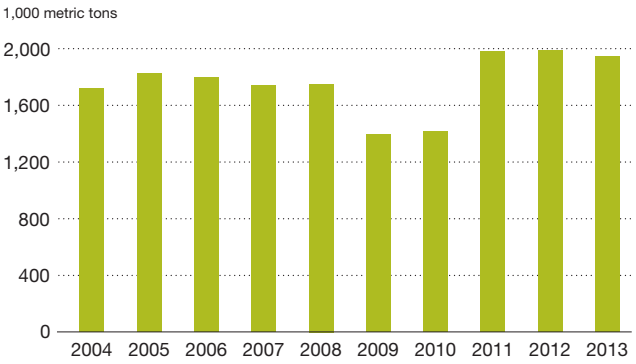
Hydro's organization is made up of about 13,000 employees involved in activities in 50 countries. These employees represent great diversity, in terms of competence, gender, age and cultural background. We see this diversity as a significant resource, not least to encourage innovation. To be able to pull 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 64,880



Primary aluminium production



Key Developments

Underlying EBIT improved to NOK 2,737 million from NOK 1,297 million in 2012, influenced by lower operating costs for Hydro's smelters, improved results for Qatalum and higher product premiums. Positive developments were partly offset by lower realized alumina and aluminium prices together with production disruptions relating to external power outages at Alunorte.

Dedicated improvement programs in all business areas have enabled Hydro to weather an environment of continued low aluminium prices. In 2013 Primary Metal successfully completed its USD 300 improvement program, and is targeting additional savings of USD 180 per metric ton (mt) for its global portfolio of part-owned smelters. Despite temporary setbacks, Bauxite & Alumina's From B to A program is expected to achieve its overall target by 2015. Rolled Products' Climb program has contributed to significant savings.

On September 1, 2013, Hydro and Orkla completed the Sapa joint venture transaction transforming their respective extrusion businesses. The transaction has improved the global reach of the combined operations and created a stronger foothold for Hydro in North America and several important emerging markets. It is also expected to generate substantial synergies amounting to roughly NOK 1 billion annually by the end of 2016.

Hydro did not meet its most important target in 2013 following one fatal contractor accident. Although Hydro's safety performance is among the best in the industry, the company did not meet its improvement target for total recordable injuries (TRI rate).

Strategic Direction

The financial crisis and subsequent weak global economic conditions have led to an industry-wide poor financial performance for the past several years. A robust financial position, focus on cash generation and ongoing improvements over and above cost inflation have enabled Hydro to view the industry challenge as an opportunity.

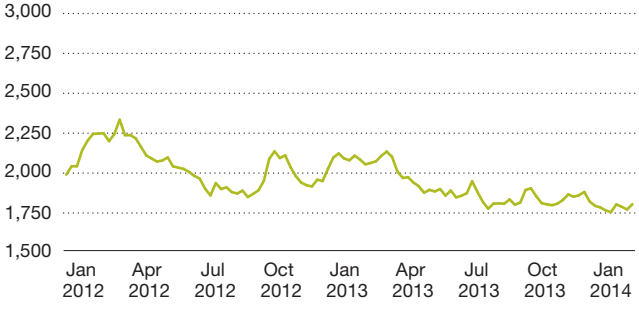
A resource-rich, global aluminium company, Hydro is aiming to continuously improve the performance and profitability of its business without compromising on safety and compliance. The ambition of no fatal accidents remains Hydro's top priority, and the company is targeting further improvement of its TRI rate for 2014.

Hydro intends to increase the momentum of Bauxite & Alumina's improvement program From B to A and make significant progress toward reaching the NOK 1 billion target by the end of 2015. Primary Metal is targeting savings of USD 180 per mt for its global portfolio of part-owned smelters by the end of 2016. Rolled Products is aiming for revenue and cost improvements of NOK 800 million by 2016.

Exploiting our favorable long alumina position continues to be an important goal together with optimizing metal product premiums which have become a relatively larger share of total aluminium prices. Capturing the full value potential from Hydro's Norwegian hydropower assets remains at the top of our agenda.

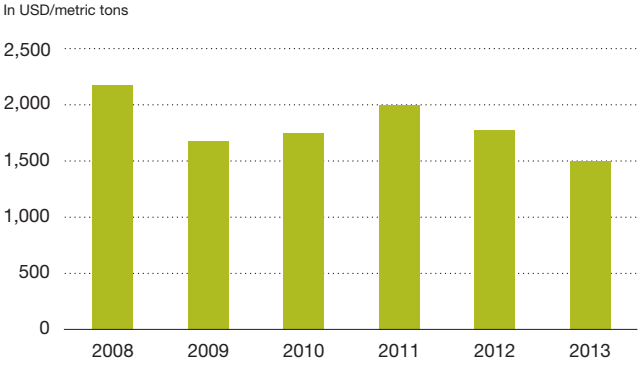
The aluminium market price is softening

LME 3-month in USD/metric tons



Source: Ecowin

Implied primary aluminium cost



Lifting the bar

If you want to become better, you need to raise the bar, again and again. Always stretching for more is at the heart of Hydro's strong improvement culture.

Now it's official. Since 2009 we have managed to reduce the cost of producing one tonne of aluminium by 300 US dollars in our fully owned primary aluminium plants. This program has made us the industry's improvement benchmark. When Hydro started the program four years ago, the goal seemed out of reach and many thought it was mission impossible. I want to congratulate our determined operators, leaders and technical experts for making the impossible possible – The Hydro Way.

Even with aluminium prices touching low levels not seen since the financial crisis, Hydro's ambitious improvement programs throughout the value chain, aiming to reduce costs and increase effectiveness, have strengthened our robustness in the current weak market conditions, and improved Hydro's relative industry position.

Do things right – and do the right things

Continuous improvement is an infinite process and the drive to optimize is a Hydro talent. In addition to the USD 300 program, we have re-confirmed the overall improvement targets of Bauxite & Alumina's 'From B to A' program and we've realized significant savings through the 'Climb' program in Rolled Products. Primary Metal has also launched a USD 180 program for Hydro's part-owned smelters in close cooperation with our partners.

I would like to add a special tribute to Qatalum, our joint-venture smelter in Qatar, which is performing very well and already producing value-added aluminium products at a rate above nameplate capacity. Not only is Qatalum in the best quartile on the global cost-curve, as was our aim, but is now ranking among the top 10 percent worldwide, delivering dividends even at today's low prices.

Even though two power outages offset much of this year's improvement efforts at our Brazilian alumina refinery Alunorte, Hydro has also achieved significant improvements in Brazil. New systems will ensure continued production even if the external power supply should fail, and a new pump station on the bauxite slurry pipeline between Paragominas and Alunorte will secure stable and highly efficient transportation. Alunorte is back on production levels seen before the power outages and the Paragominas bauxite mine continues to deliver steady production improvements.

The Sapa transaction will also contribute to saving costs, with an expected NOK 1 billion in synergies by the end of 2016. But more important, the merger between Hydro's and Orkla's extrusion businesses has created the world's leading provider of aluminium solutions, with global reach and solid market positions. I wish our Hydro Extrusion colleagues all the best in the efforts to build a global champion in which Hydro holds a 50 percent stake.

Hydro is now, for the first time, the largest provider of primary foundry alloys (PFA) in the Asian market outside China. Every fourth car produced in Asia outside China now contains aluminium from Hydro. Also in Europe, we are increasing the capacity for producing automotive parts to accommodate a rapidly growing market for aluminium in cars.

Aiming to set new standards

In parallel, the company continues its drive for technological leadership and setting new industry standards in safety, climate ambitions and corporate social responsibility. We are aiming to lift the bar in all areas and aspects of operations to further strengthen the company's relative position in an industry with a strong longer-term potential.

Social responsibility is an integrated part of all we do. It is all about assessing risks, planning ahead and doing our homework. In this light, CSR becomes an investment for a stronger Hydro – strategically, financially and commercially, because it reduces risk and builds trust and confidence and positions us for future business opportunities and long-term partnerships.

Our R&D efforts are key to achieve continuous improvement, and Hydro has taken steps towards taking technological leadership in the industry. The average smelter uses above 14 kWh to produce one kilo of aluminium. Hydro's HAL4e test cells in Årdal have been running on 12.5 kWh for several years. In a new test cell, HALsee, integrating all the best theories and ideas of our researchers in one cell,

we managed to break the magic 12.0 kWh barrier. We are now evaluating to build a 70,000tonne smelter technology pilot at our Karmøy plant, increasing energy-effectiveness, lowering its carbon footprint and strengthening its ability to meet customer demands on quality, reliability and innovative solutions – in short, aiming to test and develop the world's most energy-efficient electrolysis on an industrial scale. Saving energy is an excellent example that profitability and environment are not opposites, but may very well go hand-in-hand.

Unfortunately, in 2013 we did not reach our most important goal of no fatalities. In March last year, a contractor employee working at our extrusion plant in France died following an accident. Safe operations continue to be the most important factor for us, and the ambition of zero fatal accidents remains our most important goal. Hydro has never recorded fewer major accidents, environmental and security cases than in 2013, hopefully because our focus and efforts on inherent high risks are paying off.

As part of our work in social responsibility, 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 Indexes and FTSE4Good list for 2013.

Hydro has launched an ambitious climate strategy, aiming to make the company carbon-neutral from a life-cycle perspective by 2020. By continuously working to reduce energy consumption and emissions in our own processes, helping our customers reduce their energy consumption and emissions through lighter and smarter aluminium solutions and bringing more post-consumed metal back into the loop, I believe that Hydro can help save more greenhouse gases than we emit. With good help from our captive hydropower production, Hydro's carbon footprint is already among the best in our industry, and we want to stretch further.

More tunnel – but light at the end

Despite challenging market conditions since the financial crisis of 2008-09, aluminium demand has continued to grow and by 2013 had risen above pre-crisis levels. Going forward, world demand outside China is expected to grow by 3-4 percent a year over the next decade, and 4-6 percent including China. The future is energy-efficient and will need more aluminium.

The aluminium market is still influenced by historical overproduction. So we will keep up the cost focus in all parts of Hydro and continue the good work performed by the business areas and staffs, characterized by determination, foresight and cooperation, enabling Hydro to move forward with better operational capabilities than ever.

Continuous improvements do work. Our electrolysis cells perform much better today than when they were brand new – 40, 20 or even 10 and 5 years ago. Imagine aiming for that with your car.

Aluminium prices continued to be low last year, but 2013 was a solid year when it comes to the quality and efficiency in our operations. I firmly believe that the continuous improvement efforts will pay off accordingly.

"The future is energy-efficient and will need more aluminium."

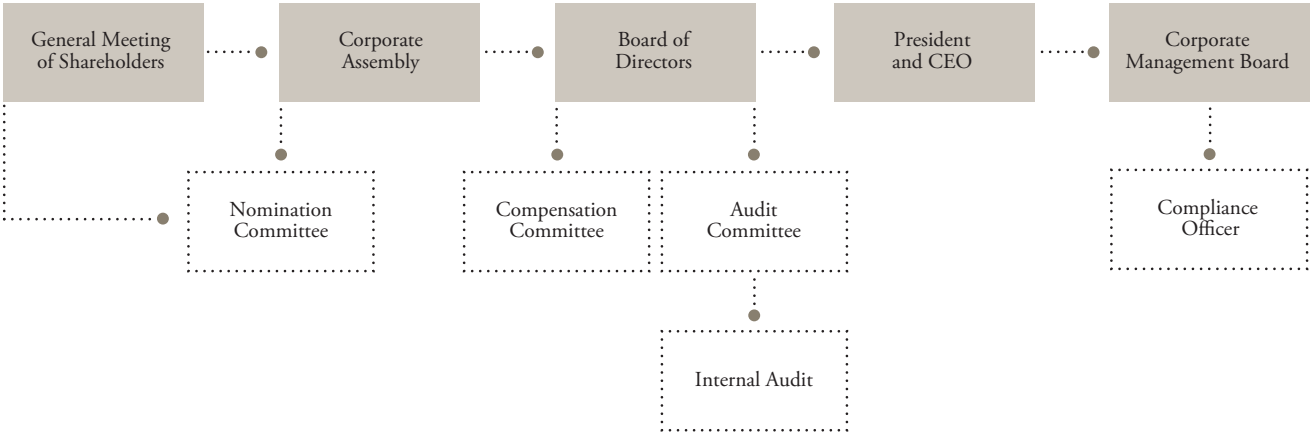
Svein Richard Brandtzæg
President & CEO

Board and Management

Board of Directors

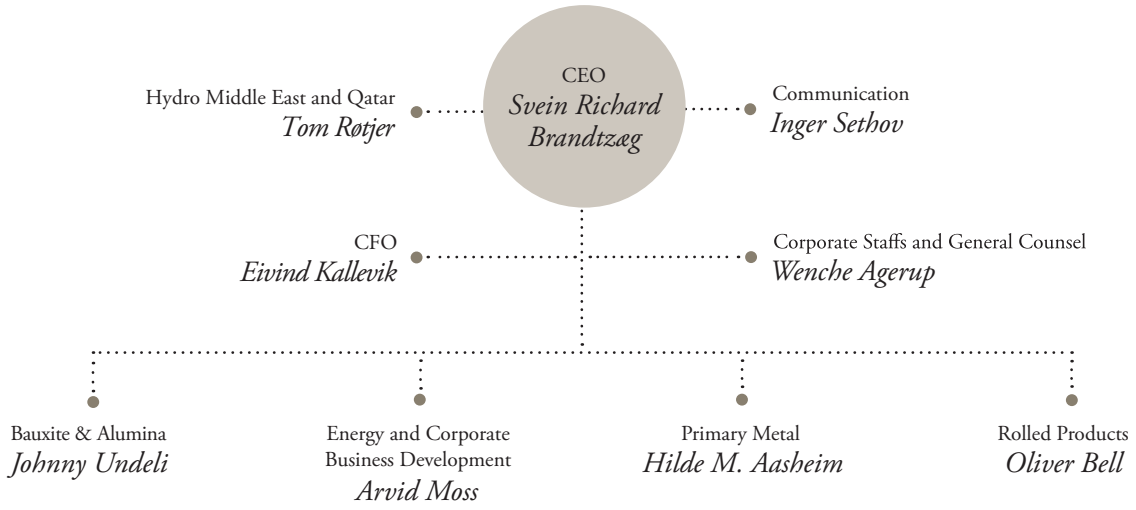
From left to right: Billy Fredagsvik, Eva Persson, Ove Ellefsen, Pedro José Rodrigues, Dag Mejdell, Terje Vareberg, Sten Roar Martinsen, Victoire de Margerie, Finn Jebsen, Inge K. Hansen, Liv Monica Bargem Stubholt

Governance bodies in Hydro



Corporate Management Board

From left to right: Hilde Merete Aasheim, Eivind Kallevik, Oliver Bell, Svein Richard Brandtzæg, Arvid Moss, Wenche Agerup, Johnny Undeli



Key developments and strategic direction

Well positioned in an industry with attractive long-term potential

A deeply rooted improvement culture and relentless focus on cost reduction have strengthened Hydro's position among the global leaders in the aluminium industry.

Dedicated improvement programs in all business areas have enabled Hydro to weather an environment of continued low aluminium prices. In 2013 Primary Metal successfully completed its USD 300 improvement program generating roughly NOK 1.5 billion in annual improvements compared to 2009 cost levels. Primary Metal is targeting additional savings of USD 180 per metric ton (mt) for its global portfolio of part-owned smelters. Despite temporary setbacks, Bauxite & Alumina's From B to A program is expected to achieve its overall target by 2015. Rolled Products' Climb program has contributed to significant savings. In total, these programs are expected to generate NOK 3 billion of annual improvements going forward.

On September 1, 2013, Hydro and Orkla completed the Sapa joint venture transaction transforming their respective extrusion businesses. The transaction has improved the global reach of the combined operations and created a stronger foothold in North America and several important emerging markets. It is also expected to generate substantial synergies amounting to roughly NOK 1 billion annually by the end of 2016. Initiatives include optimization of production and sourcing activities, restructuring and rationalization of operations and increasing margins through high grading the product portfolio.

Following several years of challenging market conditions, the global aluminium market balance (excluding China) has improved somewhat. The market is expected to remain balanced in the coming year, based on expected demand growth 2-4 percent which is uncertain.

Pursuing a clear direction in a challenging industrial landscape

The financial crisis and subsequent weak global economic conditions have led to an industry-wide poor financial performance for the past several years. A robust financial position, focus on liquidity and ongoing improvements over and above cost inflation have enabled Hydro to view the industry challenge as an opportunity.

Hydro has succeeded at defining and delivering significant improvements. Going forward, the company intends to increase the robustness of its businesses within all parts of the value chain. Hydro will leverage its strong technological orientation toward innovative solutions in close collaboration with customers. Efforts to increase energy efficiency, enhance product benefits and increase recycling will further lower operating costs, provide market opportunities and further reduce the environmental impact of our operations.

Hydro has the ambition to be among the industry leaders within health, safety, environment and corporate social responsibility. In 2013, Hydro launched a new climate strategy with the aim to become carbon-neutral by 2020. Key strategic goals include reducing direct and indirect emissions, increasing the share of recycled metal in the company's production and delivering more aluminium to markets and products which contribute to CO_2 savings.

Operating performance

Underlying EBIT improved to NOK 2,737 million from NOK 1,297 million in 2012, influenced by lower operating costs for Hydro's smelters, improved results for Qatalum and higher product premiums. Positive developments were partly offset by lower realized alumina and aluminium prices together with production disruptions relating to external power outages at Alunorte. Lower alumina production and higher alumina sourcing costs had a negative impact on underlying results for the company's bauxite and alumina operations. Bauxite production declined due to lower off-take by Alunorte. The improvement program From B to A was also affected and Hydro did not achieve the improvements targeted for 2013. However, measures were introduced to restore production and prevent future disruptions lifting average production in the final quarter to an annualized level of 5.8 million mt.

Hydro did not meet its most important target in 2013 following one fatal contractor accident. Although Hydro's safety performance is among the best in the industry, the company also did not meet its improvement target for total recordable injuries (TRI rate). Hydro's climate strategy was strengthened, but the company experienced a setback in its reforestation program in Brazil. A new third-party grievance mechanism was successfully developed in Brazil and training in the company's revised code of conduct was completed according to plan. Implementation of Hydro's enhanced people performance and development system and the company's diversity program were on schedule.

Priorities for 2014

As a resource-rich, global aluminium company, Hydro is aiming to continuously improve the performance and profitability of its business without compromising on safety and compliance. Priorities in 2014 include:

- Strengthening performance within health, safety, security and environment (HSE) and corporate social responsibility (CSR)
- Providing customers with innovative and differentiated products
- Delivering on targeted cost reduction and improvement programs
- Pursuing recycling opportunities to improve earnings and reduce environmental impact
- Maximizing energy asset potential and strengthen the global support function
- Maintaining capital discipline

The ambition of no fatal accidents remains Hydro's top priority, and the company is targeting further improvement of its TRI rate for 2014 based on leadership, employee involvement and defined risk mitigating activities. The biodiversity and reforestation program in Paragominas will be further developed and strengthened.

During 2014, Hydro intends to increase the momentum of the improvement program From B to A and make significant progress toward reaching the NOK 1 billion target by the end of 2015 compared to 2011 cost levels. The program encompasses all major operating activities focusing on increased production, higher productivity, lower operating costs and lower manning as well as more effective procurement activities and increased commercial earnings. Measures to strengthen safe and sustainable business practices are also planned. Optimizing the company's global bauxite and alumina positions will continue including increased utilization of alumina index pricing.

Continuous improvement of smelter efficiency while constantly addressing cost challenges continues to be a key strategy for Primary Metal. Going forward, the company plans to maintain the improvements achieved and identify new improvement potentials.

Building on the recent success, Primary Metal is targeting additional savings for its global portfolio of part-owned smelters by the end of 2016. These programs are expected to generate annual improvements of roughly NOK 1.2 billion (Hydro's share) compared to 2011 cost levels. In particular, the company will focus on operational improvements at Albras in Brazil together with further streamlining of production and cost optimization at Qatalum in Qatar.

Product premiums have become a relatively larger share of total aluminium metal prices, and optimizing product premium margins will continue to be high on the company's agenda.

Hydro aims to be a leading player in recycled aluminium to pursue opportunities in this growing market segment and reduce the environmental impact of its operations. Recycling is an important element underlying the company's ambition to become carbon-neutral by 2020. Plans include increasing its 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 used beverage can line in Hydro's Rheinwerk smelter in Neuss, Germany and increased recycling capacity in the Clervaux, Luxembourg remelter.

Securing increased returns for Rolled Products continues to be a priority under the Climb improvement program. The goal is to generate revenue and cost improvements of NOK 800 million by 2016 compared to cost levels at the end of 2011. Measures aimed at reducing operating costs and the cost-effective procurement of materials and supplies will continue in the coming years together with efforts to further increase the efficiency of production systems. Hydro intends to improve margins through high-grading its product portfolio and differentiation through innovation, quality and reliability.

Capturing the full value potential from Hydro's Norwegian hydropower assets and using its competence to secure competitive energy sources for the company's global activities is a key element of Energy's Aspiration 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, efficiency improvements and product innovation. The company will continue to focus on securing its financial position through exercising strong capital discipline to ensure an optimal level of operating capital, and to maintain 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.

Within the CSR area, implementation of the new third-party grievance mechanisms for Hydro's activities in Brazil will be prioritized together with further strengthening supply chain management and a continued strong effort within integrity to ensure the zero-tolerance corruption target. Further implementation of Hydro's people strategy will continue in 2014 emphasizing the revitalized people performance and development process "My Way", diversity roadmaps to achieve long-term ambitions and programs to further develop our leadership pipeline.

Shaping the future

The current industry environment and uncertain global economic conditions represent a significant challenge in obtaining a satisfactory return on capital for the industry as a whole. However, Hydro is well positioned for growth 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. In 2013, the company announced it was evaluating the construction of a 70,000 mt pilot plant at Karmøy with the aim of full scale industrial testing of the world's most energy efficient smelter technology. In February, 2014, Hydro approved the construction of a new production line for aluminium car body sheet with a capacity of 150,000 mt at its rolling mill in Grevenbroich, Germany. Hydro has an attractive project portfolio including a potential new alumina refinery in Barcarena, close to Alunorte; the possible expansion of the Paragominas bauxite mine; the potential of doubling the capacity of the Qatalum smelter and the possibility to expand the Alouette smelter in Canada. Partnerships and joint ventures across the value chain provide the potential for further developing Hydro's asset portfolio. However, investments in these projects will require an improvement in the balance between industry production capacity and market demand.

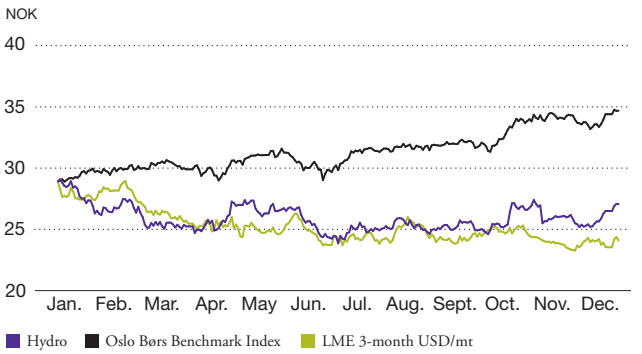
Hydro is committed to maintaining the viability of the company's global business operations and is working systematically to ensure stable, predictable framework conditions in the countries where it operates.

Investor information

Hydro's share price closed at NOK 27.07 at the end of 2013.

Hydro's Board of Directors proposes to pay a dividend of NOK 0.75 per share for 2013 reflecting the company's strong commitment to provide a cash return to its shareholders. The dividend reflects our operational performance for 2013 and a strong financial position, also taking into consideration the uncertain market outlook.

Share price development in 2013



Financial results

Underlying operating results

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.

Key financial information

NOK million, except per share data	**Year 2013**	Year 2012
Revenue	**64 880**	64 181
Earnings before financial items and tax (EBIT)	**1 674**	571
Items excluded from underlying EBIT [1]	**1 063**	725
Underlying EBIT	**2 737**	1 297
Underlying EBIT :		
Bauxite & Alumina	**(1 057)**	(791)
Primary Metal	**1 422**	335
Metal Markets	**594**	210
Rolled Products	**627**	637
Energy	**1 653**	1 459
Other and eliminations [2]	**(502)**	(553)
Underlying EBIT	**2 737**	1 297
Underlying EBITDA	**7 119**	5 827
Underlying income (loss) from discontinued operations [2]	**220**	(5)
Net income (loss)	**(839)**	(1 331)
Underlying net income (loss)	**1 610**	408
Earnings per share [3]	**(0.45)**	(0.65)
Underlying earnings per share [3]	**0.65**	0.21
Financial data:		
Investments [4]	**3 586**	3 382
Adjusted net interest-bearing debt [5]	**(9 503)**	(8 304)

Key Operational information [6]

	Year 2013	Year 2012	% change prior year
Alumina production (kmt)	**5 377**	5 792	(7) %
Primary aluminium production (kmt)	**1 944**	1 985	(2) %
Realized aluminium price LME (USD/mt)	**1 902**	2 080	(9) %
Realized aluminium price LME (NOK/mt) [7]	**11 160**	12 047	(7) %
Realized NOK/USD exchange rate [7]	**5.87**	5.79	1 %
Metal products sales, total Hydro (kmt) [8]	**3 164**	3 254	(3) %
Rolled Products sales volumes to external market (kmt)	**941**	909	4 %
Power production (GWh)	**10 243**	10 307	(1) %

1) See section Items excluded from underlying EBIT and net income in Hydro's Annual Report - 2013 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.

5) See note 35 Capital Management in Hydro's Financial statements - 2013 for a discussion of the definition of adjusted interest bearing debt. From the third quarter 2012, net interest bearing debt in equity accounted investments is excluded from our reported adjusted interest bearing debt following the termination of Hydro's guarantee of Qatalum debt.

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

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

8) Includes sales from integrated casthouses, liquid metal from Karmøy, Neuss, remelters, 100 percent of Albras, and third party sources.

Bauxite & Alumina incurred an underlying loss in 2013, increasing from the previous year. Developments were impacted by lower LME-linked alumina prices and production disruptions at Alunorte resulting in lower alumina production and higher alumina sourcing costs. Bauxite production declined due to lower off-take by Alunorte.

Underlying EBIT for Primary Metal increased significantly for the year influenced by improved results for Qatalum and lower operating costs also impacted by currency developments. Lower realized aluminium prices had a negative impact on underlying EBIT. However, this was mostly offset by a higher margin contribution from casthouse operations and improvements relating to Hydro's USD 300 program. Lower operating costs and higher casthouse margins had a positive effect on Qatalum underlying results for the year.

Metal Markets underlying EBIT increased in 2013 due to higher margins from our remelt operations, together with significant positive currency and ingot inventory valuation effects compared with substantial negative effects for 2012. Metal product sales excluding ingot trading declined compared with 2012 mainly due to plant closures and curtailments completed during 2012. Sourcing and trading activities delivered continued good results in 2013.

Underlying EBIT for Rolled Products was stable compared to 2012 which included significant positive currency effects on export sales.[9] Excluding currency effects, underlying EBIT improved due to higher volumes and improvements relating to Rolled Products' Climb program. Shipments increased for most product applications supported by improved market demand. Average net margins excluding currency effects were stable. Hydro divested its rolling mill in Malaysia at the end of 2013.

Underlying EBIT for Energy increased in 2013 due to higher prices, somewhat offset by higher sourcing costs. Direct production costs decreased slightly in 2013 due to lower transmission costs. In 2013, Hydro acquired the Vigeland Brug hydro power station (180 GWh) located in southern Norway.

Other and eliminations underlying EBIT in 2013 included four months of underlying results from Sapa. Developments for the period were impacted by the seasonally weak market and charges related to impairment of inventories and accounts receivable. Major improvement initiatives are underway to optimize capacity, reduce costs and improve profitability.

Reported results

Reported Earnings before financial items and tax amounted to NOK 1,674 million in 2013. In addition to the items discussed above, reported earnings included net unrealized derivative losses and negative metal effects of NOK 598 million in total. Reported earnings also included charges of NOK 479 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 primarily related to rationalization activities in Sapa. In addition, reported earnings included pension curtailment gains of NOK 390 million relating to the transition to defined contribution plans in Norway.

In the previous year, reported Earnings before financial items and tax amounted to NOK 571 million including net unrealized derivative gains and negative metal effects of positive NOK 982 million. Reported EBIT also included impairment and rationalization charges of NOK 1,832 million mainly relating to the closure of Kurri Kurri.

In 2013 Hydro incurred a loss from continuing operations of NOK 1,029 million including net foreign exchange loss of NOK 2,245 million. In the previous year Hydro incurred a loss from continuing operations of NOK 817 million including net foreign exchange loss of NOK 280 million. The net currency loss in 2013 related mainly to debt denominated in US dollars and intercompany balances denominated in Euro.

Net financial expense amounted to NOK 2,550 million in 2013 compared to NOK 629 million in the previous year.

Income taxes amounted to a charge of NOK 153 million in 2013, compared with a charge of NOK 759 million in 2012. Deferred tax credits arising from increased currency losses contributed to a reduction of income tax expense for 2013 which primarily related to power surtax in Norway.

Income from discontinued operations amounted to NOK 189 million in 2013. In the prior year, Hydro incurred a loss from discontinued operations amounting to NOK 514 million including impairment and rationalization charges of NOK 358 million and a loss on disposal of Portalex amounting to NOK 144 million.

In total, Hydro incurred a net loss of NOK 839 million in 2013, compared with a net loss of NOK 1,331 million in 2012.

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 2013, cash provided from continuing operating activities of NOK 5.1 billion was sufficient to cover investments of NOK 2.9 billion, as well as dividend payments of NOK 2.0 billion including 1.5 billion to Hydros shareholders and 0.5 billion relating to minority shareholders in the company's joint ventures. Net loan repayments amounted to NOK 0.8 billion. Proceeds from sale of long-term investments and property, plant and equipment of NOK 0.4 billion represented additional sources of cash. Net cash used in discontinued operations amounted to NOK 0.4 billion.

Net cash was reduced by NOK 1.0 billion, compared to the previous year, amounting to NOK 0.7 billion at the end of 2013. Adjusted net interest bearing debt excluding equity accounted investments increased by NOK 1.2 billion to NOK 9.5 billion.[1)] Development for the year reflected a further increase in net pension liabilities mainly due to changes in actuarial assumptions, partly offset by curtailment gains, and lower operating lease commitments. Hydro's adjusted net interest bearing debt to equity ratio was 0.21, well below its targeted maximum ratio of 0.55. The adjusted funds from operations/adjusted net interest bearing debt ratio was 0.34, somewhat below the targeted minimum of 0.40 over the business cycle.

Investments amounted to NOK 3.6 billion in 2013, compared with NOK 3.4 billion in the previous year.

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 2014.

Market developments and outlook

The global alumina market was fairly balanced at the end of 2013. Average spot prices increased slightly from 2012. Prices as a percentage of LME increased to around 17.3 percent compared with 15.6 percent in 2012. At the end 2013 spot prices represented 18.5 percent of LME.

China imported 3.8 million mt of alumina in 2013, down 24 percent from 2012. Bauxite imports into China reached record levels amounting to roughly 72 million mt, an increase of 79 percent compared to 2012. This was in response to announced restrictions on Indonesian exports that took effect beginning January 2014.

Global demand for primary aluminium (excluding China) increased around 1 percent compared to 2012. Corresponding production declined slightly, mainly due to closures and curtailments. As a result, the market was slightly under-supplied in 2013. Demand for primary aluminium is expected to grow by about 2-4 percent in 2014. Corresponding production is expected to grow at a somewhat lower rate. Three-month LME prices were volatile but with a downward trend, ending the year around USD 1,810 per mt.

Ingot premiums remained at record levels for the first half of 2013 before falling in the third quarter, influenced by potential changes in LME warehousing rules. However, ingot premiums strengthened significantly by the end of the year. LME stocks were stable throughout the year amounting to 5.6 million mt at the end of 2013.

Demand for extrusion ingot and foundry alloys in Europe improved gradually during the year. Consumption of sheet ingot also developed positively, ending the year on a higher level than in 2012. The market for wire rod was weaker than expected and remained on a level similar to 2012. Market demand for metal products in Europe is expected to strengthen somewhat in 2014. Consumption of extrusion ingot and foundry alloys improved in the U.S. and was stable in Asia (excluding China) during 2013 and is expected to remain so in 2014. Further improvements are expected in the U.S.

The European market for flat rolled products increased by 2 percent in 2013. The automotive segment demonstrated the strongest growth during the year. Demand in the building and construction segment remained on a low level but recovered somewhat compared to the previous year. Consumption in the beverage can and foil markets was stable. General engineering showed a solid growth. Demand in the European flat rolled products market is expected to increase further in 2014.

Demand for general extruded products improved slightly in North America compared to 2012 but declined in Europe. Market conditions for building systems continued to deteriorate, in southern Europe in particular. Demand for precision tubing increased somewhat.

Nordic electricity prices increased significantly compared to 2012 driven by a negative hydrological balance throughout the year. By the end of 2013, water reservoirs in Norway were

1) The adjustments are mainly comprised of net unfunded pension obligations after tax and the present value of operating lease obligations. From the third quarter 2012, net interest bearing debt in equity accounted investments is excluded from our reported adjusted interest bearing debt following the termination of Hydro's guarantee of Qatalum debt.

68 percent of full capacity, which is at normal levels. In 2013, total power consumption in the Nordic market declined by 5 TWh to 380 TWh. Total power production declined by 22 TWh to 380 TWh. Power production in Norway reached 133 TWh, 12 TWh lower than 2012.

Hydro's Alumina refinery Alunorte will be subject to ICMS taxation on fuel oil beginning February 1, 2014 resulting in additional costs.

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.

Hydro faces risks and uncertainties within its worldwide business operations and in the global marketplace. The company is exposed to changing economic and market conditions and there has been continued uncertainty regarding economic developments within the countries and geographic regions in which Hydro operates. Most of Hydro's operations are located in countries that have experienced strong currencies and/or inflationary pressures, which can weaken the competitive position of some of its businesses. Compensating for future market declines is dependent on the company's ability to sufficiently reduce operating costs. Hydro may not realize the benefits expected from the Sapa joint venture. Hydro's operations in Brazil represent a significant portion of the company's capital employed and Hydro may not realize the benefits expected. A deterioration of Hydro's financial position or downgrade of the company's credit rating could increase its borrowing cost and cost of capital. Hydro faces an ongoing risk of counterparty default. Price volatility can have a significant impact on Hydro's reported results. Hydro's reported and operating results and competitive position are influenced by developments in currency-exchange rates and in particular the U.S. dollar, Brazilian Real, Euro and Norwegian krone. Hydro is exposed to changing legislation and regulations in countries where it operates. Major accidents, legal proceedings or investigations and incidents relating to HSE and corporate responsibility could impose significant costs and substantially damage the company's reputation. Hydro may not be successful in attracting and retaining sufficient skilled employees.

Hydro's main strategy for mitigating risk related to volatility in cash flows is to maintain a solid financial position and strong creditworthiness. In order to protect processing and manufacturing margins against raw material price fluctuations, Hydro's downstream and other margin-based operations are hedged to a certain extent. Hydro also uses derivatives to reduce its overall financial and commercial risk exposures. Forward U.S. dollar currency contracts have been used and Hydro has, to a limited extent, entered into forward contracts in other currencies to hedge certain revenue and cost positions.

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.

Hydro follows the Norwegian Code of Practice on Corporate Governance of October 2012 with the amendments for 21 December 2012. 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 2013, research and development costs recognized as an expense amounted to NOK 216 million compared to NOK 247 million in 2012.

The greater part of our R&D expenses relates to our in-house research organization, while the remainder supports work carried out at external institutions. See note 14 Research and development for more information. Our main R&D centers are in Årdal (primary aluminium technology) and Sunndal (alloys and casting) in Norway and Bonn in Germany (Rolled Products). The new joint venture Sapa has its own research centers.

In Hydro, research and development go hand-in-hand with full-scale production. Our technology efforts are concentrated on these three areas:

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

In our industry, we must start developing today the technology we will be using 10 or 20 years down the road. Smelter technology, alloys with special properties and buildings that are energy-neutral during operation are among the areas we are developing together with optimized operations throughout our value chain. All business areas are responsible for their own technology development and execution of their respective technology strategies. A corporate technology office 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.

We aim at developing improved beneficiation and refinery processes for our Bauxite & Alumina business in order to enhance efficiency in the use of raw materials as well as allowing us to utilize a greater portion of the marginal bauxite ore. We are continuously working to reduce energy costs and carbon footprint through process improvements, heat recovery and alternative energy sources. Bauxite residue (also known as red mud) is an environmental concern for the alumina industry. We use state of the art dry stacking technology for our bauxite residue depositing. Hydro is planning to convert to the method of pressure filtration in order to reduce moisture further and thus reducing total volumes and run-off. Final decision is expected in 2014.

Hydro's next generation electrolytic process technology, HAL4e, has been thoroughly tested in six full-scale production cells. We are now developing this technology further. Our latest HALsee (super-efficient energy) full-scale electrolytic cell has been tested at the reference center in Årdal for about a year, with an energy consumption below 12 kWh/kg aluminium produced and with a significantly reduced anode effect. Hydro is currently studying the potential for testing our next generation electrolysis technology and the world's most energy-efficient aluminium technology in a full-scale industrial environment at a pilot plant with annual production capacity of 70,000 metric tons (mt) at Karmøy in Norway. In September 2013, Hydro asked Enova for financial support in connection with the pilot plant. If realized, the production can start in 2017 at the earliest. The R&D in Primary Metal is also key in strengthening competitiveness by helping improve the cost position at our existing primary plants. Prioritized tasks are operational support and implementation of new technology in existing activities.

Implementing and commercializing innovative product ideas and concepts are core activities. Innovation often takes place in joint projects with the customer once needs have been identified, or we develop new or improved products based on customer demands. Numerous new products are launched every year. The carbon footprint of our solutions is gaining increasing attention and relevance, especially when looking at new applications of aluminium and when improving the environmental performance of existing ones.

Society

Hydro has zero tolerance for corruption and human rights violations and an ambition to avoid all accidents in all our operations worldwide.

Hydro's integrity program (HIP) is our main means to prevent corruption and human rights violations. The program includes risk mapping, tools and training. HIP is based on Hydro's code of conduct which is approved by the board of directors. The code was last updated in 2012, and in 2013 we performed relevant training for all level 1, 2 and 3 leaders.

Hydro's current whistle blower channel, AlertLine, secures that employees can report breaches or perceived breaches of compliance or other integrity issues. 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 some countries, e.g. Spain and Portugal, there are, however, legal restrictions on such reporting lines.

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 be implemented in 2014. The system will work as a pilot for a systematic approach for all of Hydro.

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 minority-owned companies and with our suppliers. This is based on our commitment to ILO's eight core conventions. Hydro's policy on freedom of association, child and forced labor has also been anchored in an international frame agreement with four unions. Through joint ventures we have activities in countries where trade unions are restricted. These include Qatar, Vietnam and China, where we look for alternative forums to empower employees.

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

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.

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 in September 2013 we were selected for inclusion in the new UN Global Compact 100 stock index.

Our most important voluntary commitments are the support of the principles set out in the Universal Declaration of Human Rights and the UN Global Compact. We also support the OECD's Guidelines for Multinational Enterprises and report voluntarily on payments to host governments, in connection with exploration and production of bauxite and alumina, based on the principles in the Extractive Industries Transparency Initiative. Since 2011 we have been a member of the International Council on Mining and Metals (ICMM) and are committed to following the ICMM's 10 principles and position statements. We report in accordance with the Global Reporting Initiative (GRI) G4 Guidelines for voluntary reporting of sustainable development and use the "Core" option. See the full report on www.hydro.com/gri

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 CO_2 emissions through the use of our products
- Increasing the recycling of aluminium

The greenhouse gas emissions from Hydro's current consolidated activities decreased by 4 percent in 2013. The total emissions from our ownership equity - including indirect emissions from electricity generation - decreased by 7 percent.

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 CO_2 savings. Specific direct emissions from our alumina refinery Alunorte in Brazil was 0.693 metric tons (mt) CO_2 per mt alumina in 2013. The specific emissions from electrolysis decreased from 1.62 mt CO_2 equivalents (CO_2e) per mt primary aluminium in 2012 to 1.59 in 2013. Still, we did not achieve our target of 1.58.

Our ambition is to take a strong position in aluminium recycling. We have improved utilization of our existing capacity during the last years, and in 2013 we recycled more than 800,000 mt aluminium including 177,000 mt post-consumer scrap. We achieved a utilization rate of 96 percent

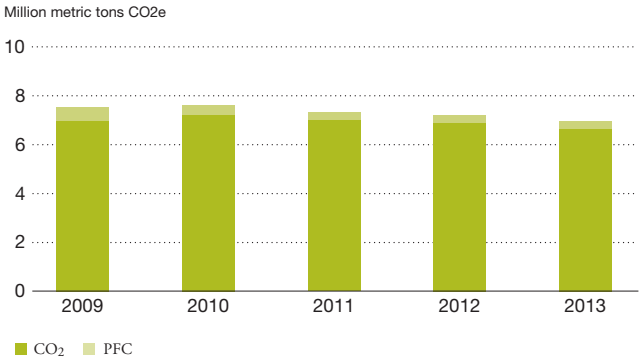
Total payments (taxes, fees, etc.) to host governments 1)

NOK million	**2013**	2012	2011	2010	2009
Australia	-	-	-	-	(0.7)
Brazil 2)	68	80	48	98	160

1) Total payments to host governments in connection with the exploration and production of bauxite and alumina. Payments include benefit streams, profit tax, royalty, license fees, rental fees, entry fees, etc. The reporting is based on the principles in the Extractive Industries Transparency Initiative (EITI). The table is included in auditor's review of Hydro's viability performance reporting 2013, but not in the financial audit.

2) The number for 2013 represents Paragominas entirely. Only Paragominas has other payments to host government than profit tax. Both Paragominas and Alunorte had a loss in 2013 and hence paid no profit tax.

Direct greenhouse gas emissions from Hydro's consolidated activities



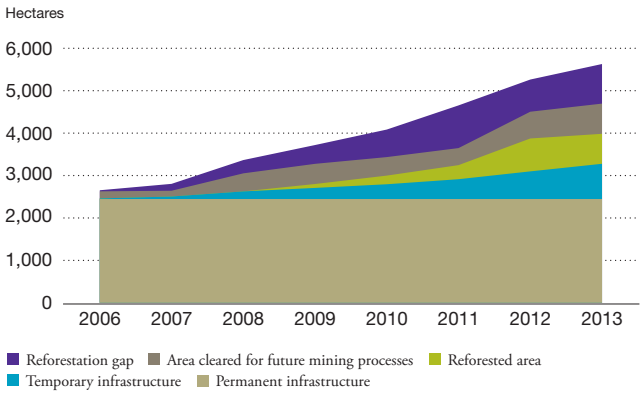
of our recycling facilities and thus reached our goal for 2013 to stabilize at above 90 percent. In 2014 an ambition is that the company's two main recycling projects progress within schedule and cost. The projects include a used beverage can line in Rheinwerk in Neuss, Germany and increased recycling capacity in Clervaux, Luxembourg.

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

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

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.

Land use and reforestation – Paragominas



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

Hydro's bauxite mining involves removing vegetation, topsoil and overburden by machinery to extract the bauxite deposits below. When bauxite extraction is finished in an area, rehabilitation starts. The reforestation program started in 2009 and will continue beyond 2040 in the present area. In total 366 hectares of land were affected during 2013 compared to 609 hectares in 2012. About 5,600 hectares have been affected since the start of the mining operations in 2006 of which 707 hectares have been reforested so far. This is a decrease from 776 hectares in 2012 when we had a setback in the reforestation program, including 177 hectares of the rehabilitation area that was part of a new method for reforestation. This area was not satisfactory due to specific local conditions, and the area has been reclassified as an area to be rehabilitated. The method has been adjusted and is being implemented in new areas with promising results so far.

Within 2017, our ambition is to achieve an area balance of 1:1 in opening of mine compared to reforestation, and to close the gap within 2020.

An annual review of our water use in 2013 revealed that about 4 percent of the 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.

With the assets in Brazil, Hydro's waste production includes significant amounts of tailings from bauxite extraction as well as bauxite residue, or red mud, from alumina refining. Waste amounts are linked to the amount of produced bauxite and alumina. Tailings consist of mineral rejects from the extraction process mixed with water. The tailings at the Paragominas bauxite mine in Brazil are stored in dedicated tailing ponds where the particles settle. Separated water is transferred to a clarification dam before being reused in the process. There is a minor run-off to the river downstream of the tailings, which is required to maintain an ecological flow. The run-off is monitored and the water quality satisfies the requirements set by the authorities. In 2013, Hydro generated 3.3 million mt of tailings compared to 4.2 million mt in 2012. The decrease was mainly due to reduced bauxite production.

Bauxite residue is a by-product of the alumina refining process. The residue is washed with water to lower the alkalinity and recover caustic soda for reuse. Residue is dry-stacked, which transforms it into a clay-like substance with a low moisture content. When full, deposit areas are reforested. Hydro is planning the conversion to pressure filtration to reduce moisture further and thus reducing total volumes and run-off. Final decision is expected in 2014. In total, 5.4 million mt (35 percent humidity) was disposed in 2013 compared to 6.1 million mt in 2012. The reduction was mainly due to reduced alumina production.

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.

Employees

We did not achieve our most important target in 2013 - no fatal accidents - and our TRI rate (total recordable injuries per million hours worked) did not improve. In March a contractor employee lost his life following an accident at an extrusion plant in France. Hydro's TRI rate was 3.4 in 2013 and 2012, and not reaching our target of 2.85. Even though our safety results are among the best in our industry, Hydro's clear ambition is to improve further. Internal independent investigations are routinely initiated after fatal accidents and other serious incidents to identify the causes and reduce risk for recurrences. Our approach to improving safety performance is based on risk management, leadership qualities and shop floor engagement. An example is a company-wide, harmonized high-risk incident investigation and communication tool that was implemented in 2013.

We work continuously to avoid new occupational illnesses. The occupational illness rate in 2013 was 1.7 cases per million hours worked, down from 1.9 in 2012. Most of the reported cases are related to noise. We expect an increase in 2014 following improved reporting. To encourage further improvement of the physical environment, we have established a performance indicator based on risk assessments of the work environment.

Hydro had 12,564 permanent employees at the end of 2013, a decrease from 21,566 in 2012. In addition, we had 765 temporary employees compared to 1,161 the year before. Contractor employees represented about 7,000 full-time equivalents during 2013, down from 8,200 in 2012. The significant decrease in permanent employees followed mainly the merger between Hydro's Extrusion business with Sapa. In addition came divestments as well as improvement programs in all business areas. Following the demerger of our Extrusion business, the large majority of employees are concentrated in Brazil, Germany and Norway.

Hydro's people strategy is built on five pillars: our performance culture, competence management, leadership pipeline, diversity and mobility. In 2013 we mainly concentrated on revitalizing our people performance and development process, launching new leadership development initiatives, and initiating the implementation of a company-wide diversity program.

We emphasize diversity with regard to nationality, culture, age, gender and competence when recruiting and when forming working groups and management teams. While 87 percent of top management are Norwegian or German, only 54 percent of Hydro's employees are the same. With three women among the eight share-holder elected members in the board of directors, Hydro complies with the Norwegian legal requirements. The share of women was 29 percent in Hydro's Corporate Management Board and 25 percent among the

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 2013

leaders at the level below. We aim at further diversity at all levels. In 2013 we performed high-level awareness workshops on diversity, and all business areas and corporate staffs developed diversity targets and roadmaps towards 2020.

In 2013, 13 percent of Hydro's employees globally were women, compared to 15 percent in 2012. The reduction is a consequence of the demerger of Extruded Products which had a higher ratio of women than Hydro on average.

We are continually adjusting working conditions so that all employees, regardless of their operability, have the same opportunities in their work place.

Registered sick leave in Hydro was 3.7 percent in 2013, up from 3.2 percent in 2012. Legal systems and compensation regarding sick leave vary from country to country. This impacts reporting and makes comparison between countries difficult, even though we introduced common reporting definitions in 2012. Norwegian national reporting requirements are similar, but not identical, to our reporting requirements, and the national average is significantly higher than the average of Hydro in Norway. Sick leave for Hydro in Norway, according to Norwegian reporting requirements, was 5.1 percent in 2013, up from 4.6 percent in 2012.

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.

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 10 and 11 to the consolidated financial statements for more information.

The board of directors acknowledges the invaluable efforts of Hydro's employees to turn their knowledge and experience into continuous operational improvements. The successful completion of the USD 300 program in fully owned smelters is as important to the group as it is impressive and exemplary. The board would also like to thank the employees of former Hydro Extruded Products that are now taking part in shaping the world's largest aluminium solutions provider, Sapa, in which Hydro continues to take considerable interest.

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 downstream business, the board of directors visited in 2013 Hydro's Rolled Products business in Germany including its R&D activities in Bonn, the joint venture Alunorf and a large customer.

In 2013, the board was trained in conflict of interest. The training included both general and specific examples.

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. The review is facilitated by the corporate advisory firm Lintstock. Both assessments are submitted to the nomination committee, which in turn assesses the board's composition and competence.

The board of directors held nine meetings in 2013 with an attendance of 94 percent. The compensation committee held nine meetings and the audit committee six meetings. There were no changes in the board composition in 2013.

Net income and dividend - Norsk Hydro ASA

Norsk Hydro ASA (the parent company) had net income of NOK 2,000 million in 2013 compared with a net loss of NOK 378 million in 2012.

Hydro's Board of Directors proposes to pay a dividend of NOK 0.75 per share for 2013 reflecting the company's strong commitment to provide a cash return to its shareholders. The dividend reflects our operational performance for 2013 and a strong financial position, also taking into consideration the uncertain market outlook.

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 11, 2014

Terje Vareberg
Chair

Inge K. Hansen
Deputy chair

Liv Monica Bargem Stubholt
Board member

Ove Ellefsen
Board member

Billy Fredagsvik
Board member

Finn Jebsen
Board member

Victoire de Margerie
Board member

Sten Roar Martinsen
Board member

Dag Mejdell
Board member

Eva Persson
Board member

Pedro José Rodrigues
Board member

Svein Richard Brandtzæg
President and CEO

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01: Business description

QUICK OVERVIEW

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

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

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

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

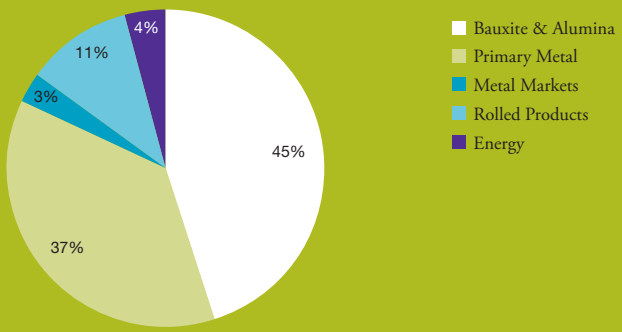
Underlying EBIT 2013

NOK MILLION

2,737

Capital employed – upstream focus

December 31, 2013: 74 553 MNOK



History and development

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

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

An era of diversification

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

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

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

Decades of global expansion

Hydro expanded globally in the 1980s. We developed our fertilizer operations into one of the leading suppliers in Europe. We also entered a new era as an oil company, becoming operator of the Oseberg offshore oil field. Research continued to drive our development as we introduced new technologies for deep-water oil and gas production and horizontal drilling. In 1986-87, we acquired the Norwegian state-owned aluminium company, Årdal og Sunndal Verk, and several European aluminium extrusion plants from Alcan and Alcoa, establishing Hydro Aluminium as a major business within Hydro and an important player in the European aluminium industry.

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

Throughout this period, we have continued to focus on improving working conditions, and have developed principles and directives underlying our global commitment to a viable society.

Restructuring and concentration

The first decade of the new millennium also encompassed a major restructuring of our downstream operations, the closure of higher cost smelters, and ultimately, the transformation of Hydro into a focused aluminium and energy company. In 2004, we demerged our fertilizer business through the creation of Yara, and we merged Hydro's petroleum activities with Statoil to form StatoilHydro in 2007, now called Statoil. We completed the divestment of our Polymers activities in 2008 and our automotive structures business in 2009.

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

Transforming transactions

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

On September 1, 2013, Hydro completed the agreement with Orkla ASA to combine their respective extrusion profile, building systems and tubing businesses within a new joint venture company owned 50 percent by each party. The new company, Sapa, includes all of Hydro's Extruded Products business activities and has significant operations in Europe, North America, South America and Asia. The agreement allows either party to initiate an initial public offering about three years from closing where each partner has the option to retain a 34 percent interest in the company. See note 5 to the consolidated financial statements later in this report for more information on this transaction.

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

Operating segments

Hydro is a fully integrated aluminium company with attractive positions in alumina and power, two of the most important raw materials in the production of primary metal. We are one of the world's largest producers and suppliers of alumina and primary aluminium. Substantial production of alumina in excess of own requirements gives us a favorable position in a market with prices trending upwards. Substantial self-generated hydroelectric capacity in Norway and a dedicated gas-fired plant in Qatalum, provides secure access to energy at competitive prices.

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

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

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

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

Metal Markets includes all sales and distribution activities relating to products from our primary metal plants and operational responsibility for our stand-alone remelters. Metal Markets also includes metal sourcing and trading activities, which provides operational risk management through LME hedging activities.

Rolled Products consists of rolling mills which are located in Europe and the Rheinwerk primary aluminium smelter in Nuess, Germany. Rolled Products also includes our 50 percent interest in the AluNorf rolling mill in Germany.

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

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

Aluminium upstream production facilities

Business and operating information

The following section includes a description of the industry developments impacting our business, our strategies and key performance targets and a description of operations for each of our business areas including key revenue and cost drivers. See section - Financial and operating review - later in this report for comparative production and sales volume information for our different business areas.

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

Bauxite & Alumina

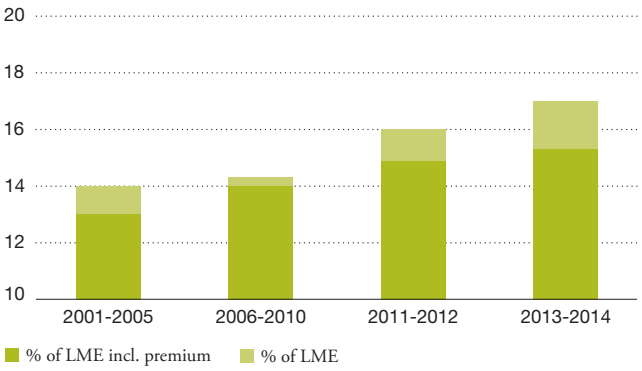
Industry overview

Bauxite rock is composed mainly of aluminium oxide and aluminium hydroxide containing minerals. There are three main qualities: Gibbsite, Boehmite and Diaspore. The qualities determine the processing requirements, with corresponding influence on operating costs and the eventual quality of the resulting alumina. Gibbsite, the highest quality bauxite, is found mainly in Brazil. Bauxite is typically mined in open pits and either processed into alumina in close proximity to the mining operations or shipped to alumina refineries around the world for processing. Around 80 percent of global alumina refining, excluding China, is based on integrated bauxite sources. In China, about 55 percent of alumina refining is based on integrated sources.

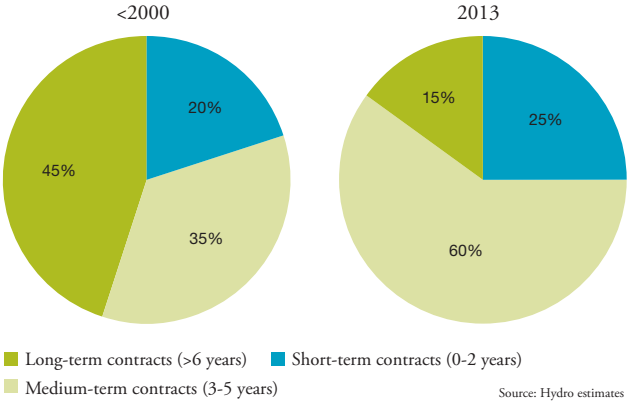
Excluding China, the largest bauxite producing countries are Australia, Indonesia, Brazil and Guinea accounting for 75 percent of global production. Within the bauxite mining industry sector, five of the largest mines represented around 35 percent of global production last year, which amounted to about 280 million mt.

Alumina price

% of LME per tonne alumina for long-term contracts



Alumina contract durations



Source: Hydro estimates

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

Bauxite and alumina price developments

Bauxite and alumina prices have been strongly influenced by developments in China, which is heavily dependent on imported bauxite. Bauxite imports to China increased by 79 percent in 2013 as Chinese alumina producers continued to build inventories in anticipation of announced restrictions on Indonesian exports which became effective in January 2014. Imports amounted to almost 72 million mt of bauxite, about double the amount of actual requirements by importers.

China is facing supply challenges in the Pacific region and higher freight costs for bauxite sourced from the Atlantic region. In 2013, China sourced about 88 percent of its imported bauxite from Indonesia and Australia. The equivalent percentage for the years 2009 - 2011 was 98 percent. During 2013, the price of imported bauxite fluctuated based on the country of origin.

Alumina prices, as a percentage of LME have been increasing. Since 1990, average annual contract prices have risen from a level of around 12 percent of LME reference prices to above 17 percent in 2013. The Platts alumina price index has gained further support in the industry and represents the main reference for short and medium term contracts. This trend is expected to continue.

Strategy and targets

Delivering on its ambitious improvement program, "from B to A", will be a key priority for Bauxite & Alumina in the coming year. Focus on safe, cost-effective and stable operations will continue. Optimizing and enhancing the commercial value of our attractive product portfolio will be an important item on our agenda.

Deliver significant savings and improvements on operating costs

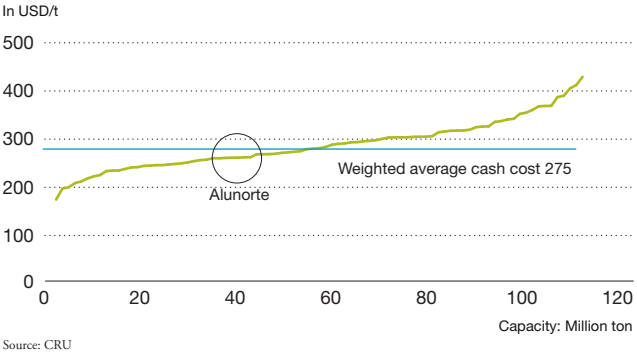
We are targeting NOK 1 billion of improvements for our Bauxite & Alumina operations by the end of 2015. Our main focus in the coming year will be increase momentum and make significant progress toward reaching our goal. The program encompasses all major operating activities focusing on increased production, higher productivity, lower operating costs, and lower manning as well as procurement activities and commercial operations. Initiatives include improved ore extraction, increased recovery, more efficient pipeline operations, stabilizing key alumina production lines and ensuring a stable power supply.

Reinforce safe and sustainable business practices

Important HSE initiatives for the coming year include competence sharing, increased training, risk perception and

World cash cost curve

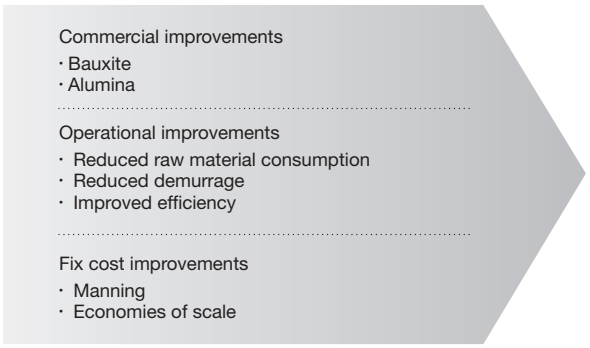
Site cost curve 2013



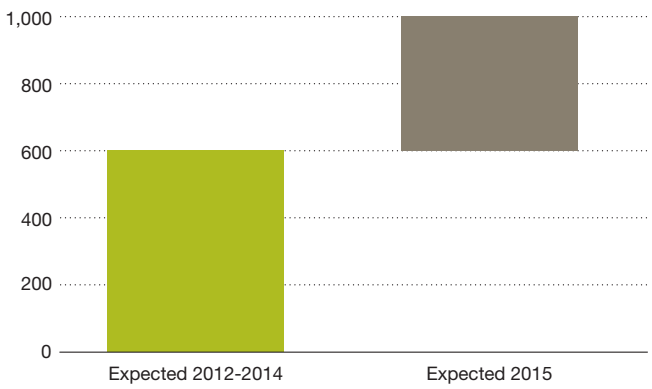
Source: CRU

Bauxite & Alumina improvement program

Improvement categories



Improvements in NOK billion



stronger focus on process safety and safeguarding the environment. Key actions for CSR include strengthening the dialog with all major stakeholders.

Improve the commercial value of our attractive product portfolio

We will continue to optimize our global bauxite and alumina positions. Measures include sourcing arrangements aimed at reducing logistical costs and improving margins, establishing a premium for our high quality alumina and increasing margins on bauxite sales to external parties. We also intend to increase our utilization of alumina index pricing.

Expand our bauxite and alumina capacity

Hydro has attractive positions enabling the potential expansion of low-cost alumina refining. These include the CAP joint venture for a potential new alumina refinery and possible expansion of the Paragominas mine. These activities are on hold due to the current market situation.

2013 targets

- Continue to improve production stability with the ambition to reach nameplate capacity
- Deliver approximately NOK 500 million on "from B to A" improvement program
- Implement CSR stakeholder engagement and action plan
- Further HSE improvements based on continued reinforcement of safety culture

2013 results

- Temporary production set-back at Alunorte triggered by external power outages
- Contribution "from B to A" significantly below target due to Alunorte production issues
- Good progress in implementation of CSR stakeholder engagement and action plan
- Reduction of recordable injuries for own employees and contractors

2014 targets

- Reduction of recordable injuries by 20 percent for own employees and 30 percent for contractors
- Accelerate operational improvements
- Deliver "from B to A" contribution of 600 MNOK
- Complete the implementation of the CSR stakeholder engagement and action plan as well as further development of social projects

Ambitions going forward

We are strongly committed to safety and to eliminating high-risk incidents in our operations. Going forward, we intend to capitalize on our strong position in bauxite and alumina in a resource constrained world. This will increase our attractiveness as a partner in new ventures and our ability to exploit other opportunities which may arise.

Operations

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

Cost and revenue drivers

The main cost drivers for bauxite are labor, maintenance/ consumables and energy, representing around 80 percent of the cash cost of mining activities. Labor, the largest cost factor, accounting for about 25 percent, is influenced by Brazilian wage levels and productivity developments. Maintenance/consumables are influenced by inflation and efficiency in operations.

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

Realized alumina prices, the key revenue driver, are increasing and currently represents around 14.5 percent of LME reference prices for Hydro's combined internal and external sales portfolio. Based on existing contract terms, similar percentages are expected through 2015, with only minor additional volumes available for sale before 2016. Over time, we expect market mechanisms for our core products to drive an increasing use of index pricing which will better reflect the cost fundamentals and the supply and demand balance of the industry.

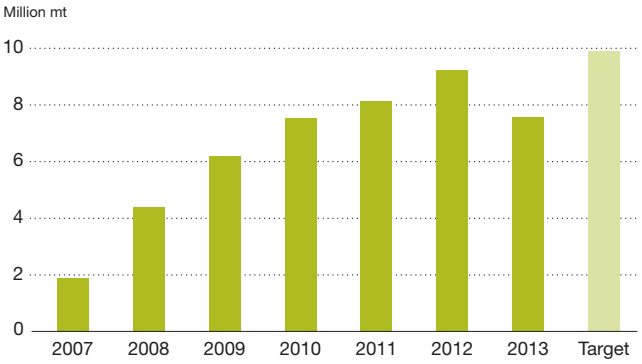
Competitive strengths

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

Bauxite mining

Paragominas is located in the Brazilian state of Pará. The mine has a nominal production capacity amounting to 9.9 million metric tons, 12-percent moisture bauxite on an annual basis, which represents about 4 percent of global

Bauxite production



capacity. Operations include a mining fleet of about 170 vehicles and 850 employees. We own 100 percent of Paragominas.

Operations at Paragominas commenced in the first quarter of 2007, and began supplying raw material to the Alunorte alumina refinery at the same time. An expansion - Paragominas II - was completed in the second quarter of 2008. The potential for further expansion is estimated to be 5 million mt per year and up to 15 million mt in total.

The site is connected to a 244-kilometer slurry pipeline with an annual capacity of 14.9 million mt. It is the only bauxite slurry pipeline in the world, and has significant integration advantages combined with a very low environmental impact.

Paragominas supplies all of its production to Alunorte. In 2013, Paragominas provided about 70 percent of Alunorte's bauxite requirements. The remainder was provided by MRN, in which Hydro has a 5 percent ownership interest.[1)]

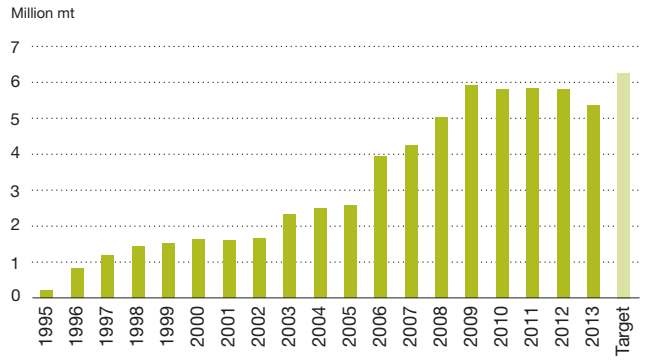
Alumina refining

Hydro's major alumina asset is its 92 percent interest in Alunorte. Following the completion of a third expansion in 2008, the Alunorte refinery has an annual capacity of approximately 6.3 million mt of alumina. Alunorte is competitive due to the high quality of its alumina, advantages in scale and technology, low energy consumption and labor costs. The plant has several cost advantages, including an efficient energy mix of heavy fuel oil and coal, competitive caustic soda consumption due to high quality bauxite and a potential for lower transport costs through higher pipeline throughput.

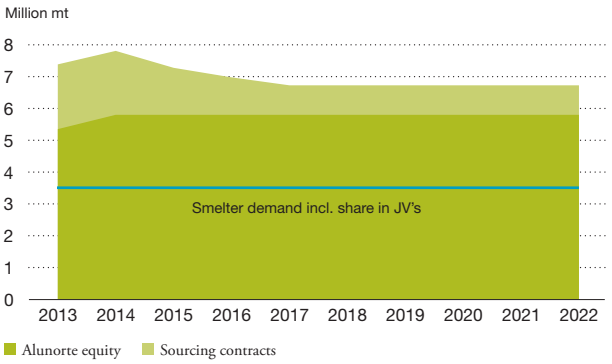
CAP, a potential new alumina refinery to be located in Barcarena, close to Alunorte, has been under evaluation for

1) Earnings from our investment in MRN are included in "Financial income."

Alumina production



Alumina position



development in a joint venture between Hydro and Dubai Aluminium Company Limited (Hydro's share, 81 percent). The refinery is expected to have an initial annual capacity of 1.9 mt, with the potential for expansions up to 7.4 million mt over four phases. Development of CAP has been postponed due to the market situation.

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

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

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

We use state of the art dry stacking technology for disposing of bauxite residue, a by-product of alumina refining. Hydro is planning the conversion to more advanced pressure filtration technology to reduce moisture content resulting in lower deposited volumes and reduced run-off. A final decision is expected in 2014. We will also continue to investigate options for residue utilization.

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

Commercial operations
Hydro sources bauxite from Paragominas and MRN. In addition to our own equity interests in these mines, we have a volume off-take agreement for Vale's 40 percent interest in Paragominas and a contract for 40 percent of the volume produced by MRN, which amounted to 9.9 million mt in 2013. In addition to Alunorte, we buys alumina from a number of external sources. The main external source is Hydro's contract with Rio Tinto for the supply of 900,000 mt of alumina annually until 2030. We have other short and medium-term purchase contracts based on LME reference pricing formulas and, increasingly, based on index pricing.

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

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

Primary Metal

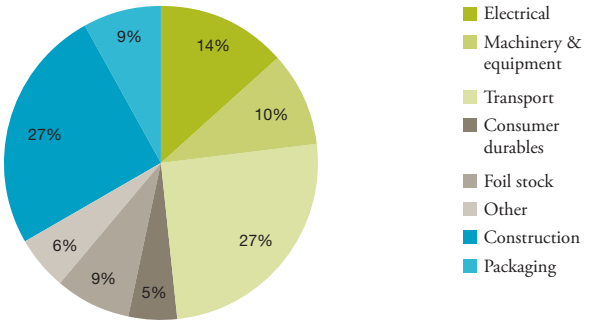
Industry overivew

Primary aluminium is derived from bauxite, which is refined into alumina. Aluminium smelting is a capital-intensive, technology-driven industry. Geographically, China is the largest consumer and producer of aluminium, impacting market fundamentals. India, Russia and the Middle East are also growing in importance in the production of aluminium.

Secondary aluminium is derived from remelting and recycling aluminium scrap. Scrap is generated both in the

2013 Global aluminium consumption* by end use

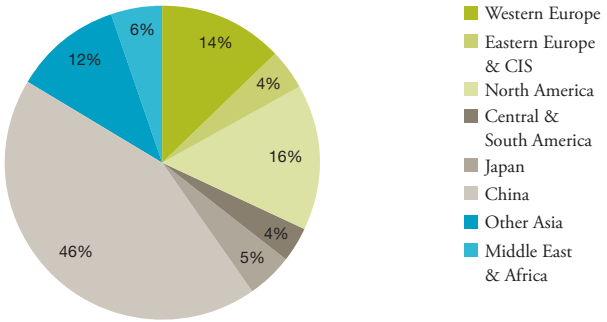
Total market 69,703 mt



* Consists of semi fabricated products (included recycled aluminium)
Source: CRU LT 2013

2013 Global aluminium consumption* by region

Total market 69,703 mt



* Consists of semi fabricated products (included recycled aluminium)
Source: CRU LT 2013

production and use of aluminium products. Recycling of old scrap only requires about 5 percent of the amount of energy that is needed for electrolysis. Globally 20-25 percent of aluminium products are made from used consumer scrap . Roughly 75 percent of all aluminium produced since the Hall-Heroult process was discovered in 1886 is still in use.

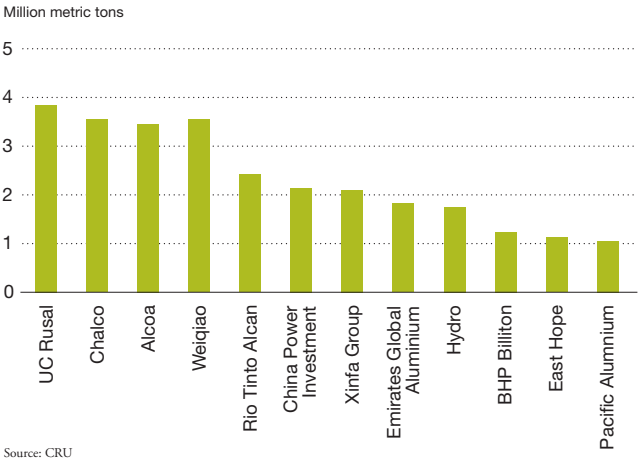
Aluminium is used in a variety of applications in several industries. The major consumer segments are transportation, building and construction, and packaging and foil stock. The major consuming areas are China, North America, Western Europe and Japan.

Demand for aluminium products in mature markets like North America and Europe is normally in line with economic developments, although with greater volatility. We expect a demand growth in the world outside China of 2 to 4 percent in 2014 and global growth of 3 to 6 percent over the coming 10 years, driven primarily by infrastructure investments and economic development in China and other large, developing economies.

Structural developments

As a result of industry consolidation, relatively few companies are producing a substantial portion of primary metal on a global basis. Hydro increased its capacity by nearly 50 percent in 2011, with the full ramp up of Qatalum in Qatar and the integration of the Albras smelter in Brazil. Following the merger of Dubai Aluminium and Emirates Aluminium in 2014, Hydro will be the sixth largest western producer. There are now four large operators in China, which are presently focusing on supplying the Chinese market and several important smaller producers that exhibit strong growth ambitions. However, access to sufficient bauxite resources appears to be a constraint.

Top world primary aluminium producers in 2013



Source: CRU

Aluminium price in USD/mt

Aluminium price developments
Primary aluminium is traded on various metal exchanges, primarily the London Metal Exchange (LME).The Shanghai Futures Exchange (SHFE) has grown in importance for international trade of standard ingots with China. However, China has followed a policy of promoting a balanced internal market, and has used incentives to discourage the export of primary metal, while encouraging the export of higher-value added fabricated and semi-fabricated products.

Aluminium prices are heavily influenced by economic and market developments. During the financial crisis of 2008/2009, prices exhibited an historic decline as turmoil in the financial markets spread into the general economy. Prices were volatile but improved continuously until the first half of 2011, before falling to around USD 2000 at the end of the year. Since then, prices have continued to be low averaging USD 2,050 per mt and USD 1,887 per mt for 2012 and 2013 respectively.

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

The increase in inventories of standard ingot and a relatively long lead time to move metal out of certain LME warehouses has resulted in a tight physical market and historically high ingot premiums. We expect this situation to continue under the present economic conditions into first half of 2014 despite changes to LME warehousing rules aimed at increasing the supply of physical ingots. See section Financial and operating review - Market developments - Primary metal later in this report for more information on developments in ingot premiums.

Cost developments
World average production costs for 2013 were comparable with cost levels in 2007, just before the financial crisis. Energy and carbon cost have increased driven by strong demand for raw materials in emerging economies. However, these have been largely offset by lower LME-linked alumina prices and higher value added through casting operations. Compared to the previous year, world average production costs declined due to lower alumina, power and carbon costs. Stable cost developments combined with the significant fall in aluminium prices has led to an industry-wide weak financial performance for the past several years.

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

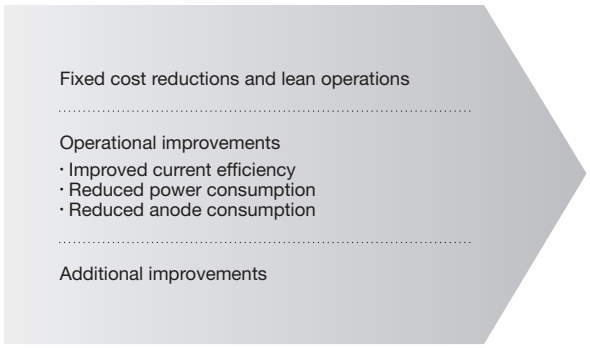
Further improve our average smelter-cost position
Our core strategy has been the continual upgrading of our smelter portfolio, replacing higher cost, less-competitive production with new capacity in more efficient smelters. To further improve Hydro's competitiveness we have targeted significant improvements in efficiency and reduced costs in our wholly owned smelters. Substantial savings have been achieved and we have completed the final phase of our USD 300 program. Further savings are planned to compensate for expected cost inflation. Working with our joint venture partners, we are also targeting additional savings of USD 180 per mt by the end of 2016. In particular, we will continue to focus on operational improvements in Albras together with further streamlining of production and cost optimization at Qatalum.

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

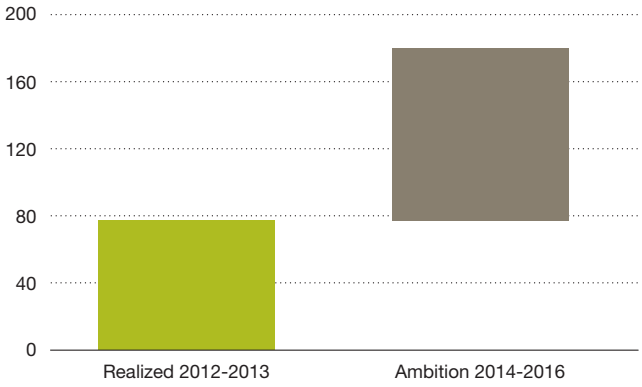
Advance our operational excellence and technological leadership
We focus on extracting measurable benefits from the application of our AMPS system (Aluminium Metal Production System), a methodology designed to ensure best practices and operating efficiencies across our portfolio. We are developing new proprietary smelting technology with the aim at raising our cost competitiveness, strengthen our environmental standards and support our long-term growth ambitions. In 2013, Hydro announced that it was evaluating the construction of a 70,000 mt pilot plant at Karmøy with the aim of full-scale industrial testing of our proprietary smelter technology HAL4e, the world's most energy-efficient smelter technology.

Primary Metal joint ventures improvement program

Improvement categories



Improvements in USD per mt



Focus on selective growth projects

Our growth ambitions are directed toward projects with the potential to improve Hydro's cost position, while maintaining a strong focus on sustainable development. A second phase of the Qatalum smelter has the potential to increase the plant's annual capacity to 1.2-1.5 million mt (Hydro share, 50 percent). There is also potential to expand the low-cost Alouette smelter in Canada from 600,000 mt to 900,000 mt (Hydro share, 20 percent). However, due to the current market uncertainty these projects are on hold.

2013 targets

- Safe and efficient operations
- Complete USD 300 cost reduction program and maintain strong cost discipline in all smelters
- Increase improvement efforts within joint venture operations
- Further streamlining and cost optimization at Qatalum
- Optimize casthouse operations through further integration of sales and production organizations
- Continue strong capital discipline; capital expenditure and net operating capital

2013 results

- TRI further improved compared with 2012
- USD 300 cost reduction program completed
- Global joint venture improvement program in place and partly executed
- Qatalum cost and operational stability achieved
- Casthouse operations integrated with commercial organization and joint strategies established
- Capital expenditure within budget. Net operating capital further reduced

2014 targets

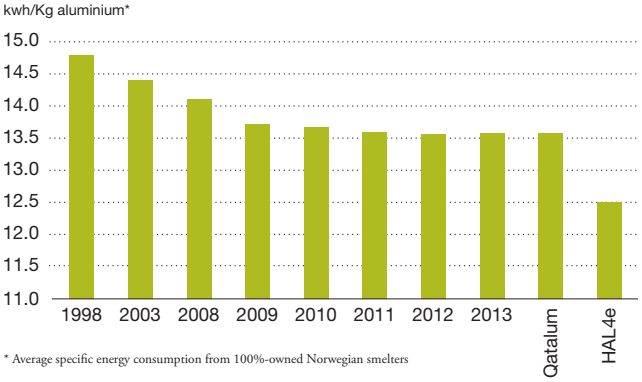
- Continued effort to improve safety performance
- Strong cost discipline in all smelters with further improvements to offset cost inflation
- Continue focus on operating capital
- Further progress on joint venture USD 180 per mt improvement program
- Maximize Qatalum cash generation and secure first-decile business operating cash cost position

Ambitions going forward

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

Strong performance culture

Reduced specific energy consumption



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

Operations

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

Cost and revenue drivers

The main cost drivers for the production of primary aluminium include alumina, power and carbon, which together comprise about 80 percent of the cash costs of electrolysis metal. Approximately two metric tons of alumina are required to produce one metric ton of aluminium, representing about 30 percent of the production cost of primary aluminium.[1)] Energy represents on average about 25-30 percent of the operating costs. Carbon anodes consumed in the smelting process account for approximately 15-20 percent of the total production cost of primary aluminium.

Realized aluminium prices are the most important revenue driver although premiums are becoming increasingly important. From February 2013 we have changed our pricing formula for metal sales in order to correspond more closely to customer pricing behavior. Prices are now fixed mainly one month prior to production. As a result, and due to the hedging of product inventories, Hydro's realized aluminium prices lag LME spot prices by around 1.5 to 2 months.

Competitive strengths

- Worldwide production network of modern, cost efficient primary aluminium facilities including the Norwegian plant in Sunndal, which is the largest and most modern primary metal plant in Europe, and Qatalum, our new, world-class smelter in Qatar
- Competitive position on the industry cash-cost curve
- Culture of continuous improvement and solid track record of continually upgrading efficiency of smelter portfolio
- Most primary aluminium output sold in the form of value-added casthouse products
- Captive alumina position with 100 percent coverage
- Robust power position, largely based on hydro power. Substantial coverage of current production until 2020 and beyond
- Technological leadership and world-class smelter technology

Aluminium smelter system

Hydro is one of the world's largest producers of primary aluminium, with installed capacity in 12 wholly or partly owned plants in 2013. In 2013, we produced 1.944 mt of primary aluminium. Actual electrolysis production continued to be impacted by curtailments that were completed at several plants in the first half of 2009. See the section, Financial and operating performance, for actual electrolysis and casthouse production for the years 2013 and 2012.

Internal supply contracts between our hydropower production operations and our aluminium metal business covered about half of the energy consumption of our wholly owned Norwegian smelters in 2013. The remainder was mainly covered by an external supply contract with Statkraft, a Norwegian electricity company. These contracts will expire in 2020.

Energy for Qatalum is provided by an integrated natural gas-fired power plant supplied with gas by Hydro's joint venture partner, Qatar Petroleum. Albras purchases electricity from the Tucurui hydroelectric power plant under a long-term agreement from Eletronorte. Approximately two thirds of our energy requirements are provided by hydropower. Energy for the remainder of our smelter system is covered under medium to long-term contracts.

In 2012, long-term energy contracts between Hydro, Adger Energi, Lyse and Statkraft were concluded for the annual supply of 2.6 TWh to the Søral smelter over an eight year period starting in 2013. In addition, a new long-term contract was signed for the potential expansion of Alouette and extension of the existing contract. In 2013 Slovalco entered into a new power contract for the supply of energy in the period 2014 - 2021.

Anodes

Most of our smelters produce anodes on-site, and several of these facilities have been upgraded and expanded over the years.

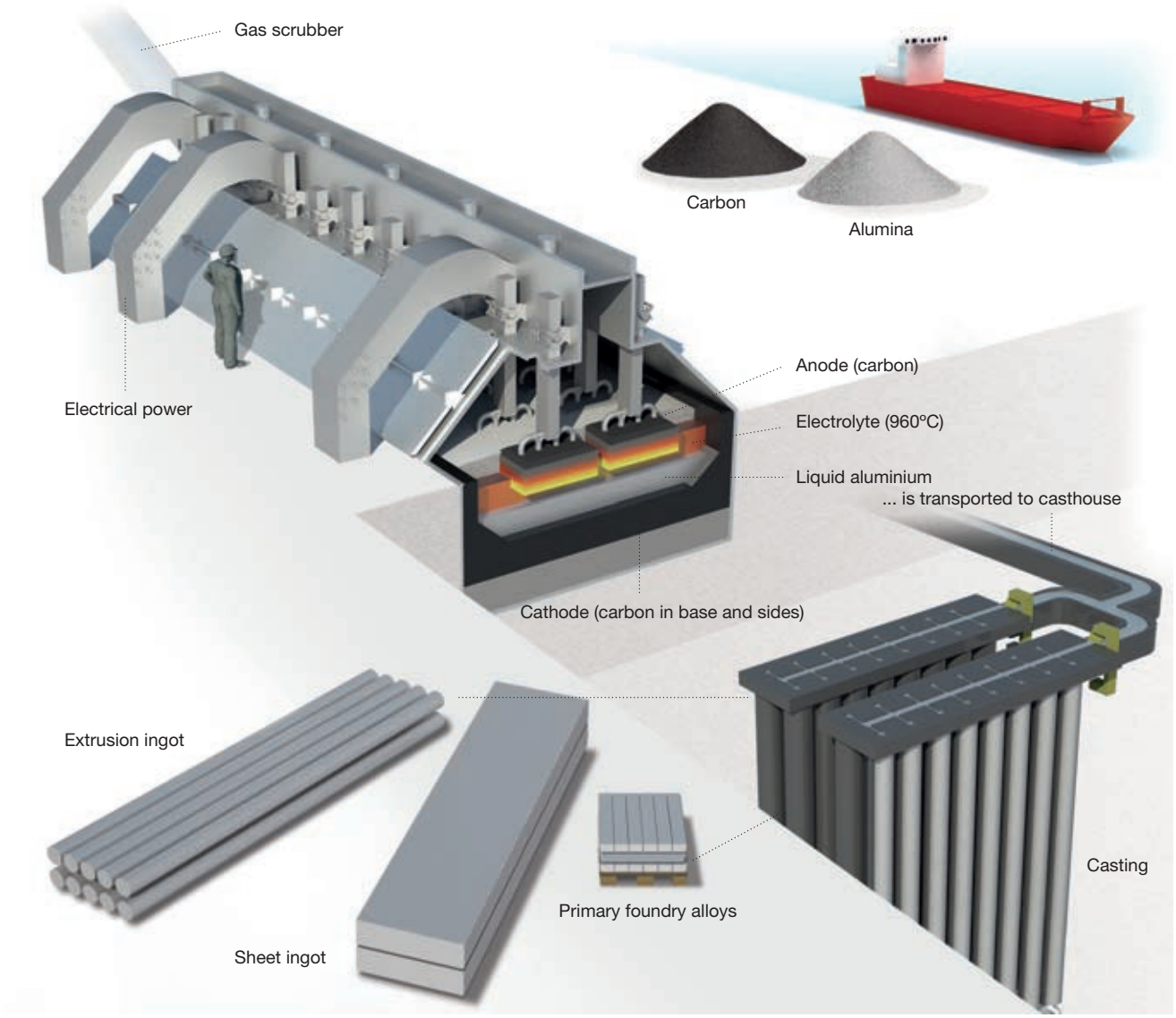
Technology and innovation

Energy efficiency is one of the most important ways to reduce costs, while at the same time reducing emissions. Our proprietary technology plays an important role in securing our competitive position. We believe our technology serves as an industry benchmark for environmental performance, and enables high standards of safety and productivity.

Our aluminium plants in Sunndal, Norway and Qatalum, Qatar utilize our enhanced HAL 300 technology with an energy consumption of 13.5 kWh/kg of aluminium produced. Our next generation technology, HAL4e, has been tested in full-scale production cells delivering an energy consumption of 12.5 kWh/kg. This technology is being further developed (HAL super-efficient energy or HALsee)

1) We purchase alumina from Alunorte based on prices linked to the LME, with a lag of one month. Prices are adjusted monthly based on the average monthly LME three-month prices, applied with a one-month delay.

Aluminium smelting process



Primary aluminium is produced in reduction plants where pure aluminium is formed from alumina by an electrolytic process. This process is carried out in electrolytic cells, in which the carbon cathode placed in the bottom of the cells forms the negative electrode. Anodes, which are made of carbon, are consumed during the electrolytic process when the anode reacts with the oxygen in the alumina to form CO_2. The process requires electric energy, about 13 kWh per kilo aluminium produced in modern production lines.

targeting a maximum of 12 kWh/kg in in addition to improved cell productivity. Our long-term vision is to develop affordable reduction cell technology that approaches an energy consumption of 10 kWh per kg aluminium.

We engage in R&D activities to strengthen our competitive position by improving the cost position of our metal plants. These efforts have resulted in significant reductions in electricity and anode consumption and lower CO2 emissions for our Norwegian smelters. Knowledge and experience gained has been transferred to fully and part-owned smelters outside of Norway.

HSE

We have a strong commitment to safety including a systematic review and follow up of several key performance indicators. One of these, the TRI rate (total recordable injuries per million hours worked), decreased in 2013 to 2.0 from a level of 2.1 in 2012.

Plant	Country	Employees (per Dec. 31)	Electrolysis capacity (000 mt) [1]	Casthouse capacity (000 mt)	Main products	Key characteristics [2]
Karmøy	Norway	404	190	230	extrusion ingot, wire rod	• Two prebake lines • R&D center, rolling mill and other downstream activities
Årdal	Norway	524	192	330	sheet ingot, foundry alloys [3]	• Two prebake lines • Substantial anode production • Technology and competence center
Sunndal	Norway	694	390 [4]	515	extrusion ingot, foundry alloys	• Two prebake lines • Major expansion completed 2004 • Largest and most modern plant in Western Europe • Casthouse expansion and other enhancements completed in 2007
Høyanger	Norway	156	63	120	sheet ingot	• One prebake line • New casting furnace installed 2009
Søral (49.9%)	Norway	234 (100% basis, per Dec. 31)	90 [5]	95	extrusion ingot	• Joint venture with Rio Tinto Alcan (RTA). • Plant expansions in 1997 and 2003 • Long term power contract expiring end of 2020
Slovalco (55.3%)	Slovakia	479 (100% basis)	165 (100% basis)	179 (100% basis)	extrusion ingot, foundry alloys	• Joint venture with Penta (Slovakia) • One prebake line • New long-term power contract expiring end of 2021
Kurri Kurri	Australia	11	180 [6]	185	extrusion ingot, foundry alloys	• Three prebake lines • Completed substantial plant upgrade in 2006 • Long-term power contract expiring end of 2017
Tomago (12.4%)	Australia	953 (100% basis)	68	67	standard ingot, extrusion ingot, sheet ingot	• Joint venture with RTA and GAF • Three prebake lines • Largest producer in Australia • Among world's lowest cost smelters • Expansions in 1992, 1998, 2002 and 2006
Qatalum (50%)	Qatar	1 218 (100% basis)	303	313	extrusion ingot, foundry alloys	• Joint venture with Qatar Petroleum • Two prebake lines • Worlds largest one-step smelter construction • Among world's lowest cost smelters • Long term power contract expiring end of 2028
Alouette (20%)	Canada	898 (100% basis)	119	116	standard ingot	• Joint venture with RTA, AMAG and SGF/Marubeni • Two prebake lines • Largest producer in North America • Among the world's lowest cost smelters • Expansion completed May 2005 • Long term power contract expiring end of 2030
Albras (51%)	Brazil	1 174 (100% basis)	460 (100% basis)	425 (100% bais)	standard ingot	• Joint venture with NAAC • 4 prebake lines • Largest producer in South America • Long term power contract expiring end of 2024

1) Production and casthouse capacity for part-owned companies represents our proportional share. For financial reporting, Søral and Qatalum are accounted for as an equity investment while Tomago and Alouette are consolidated on a proportional basis. Slovalco and Albras are fully consolidated in terms of volumes and financial results.

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

3) Curtailment of foundry alloys from the middle of 2012

4) Actual production impacted by curtailment of about 100,000 mt of capacity in the second quarter of 2009. About half of the curtailed capacity has been restarted by the end of 2012.

5) Actual production impacted by curtailment of about 43,000 mt of capacity (Hydro share) in the first quarter of 2009.

6) Actual production impacted by curtailment of 60,000 mt of capacity in January, 2012, followed by shut-down of remaining 120,000 mt in June 2012

Metal Markets

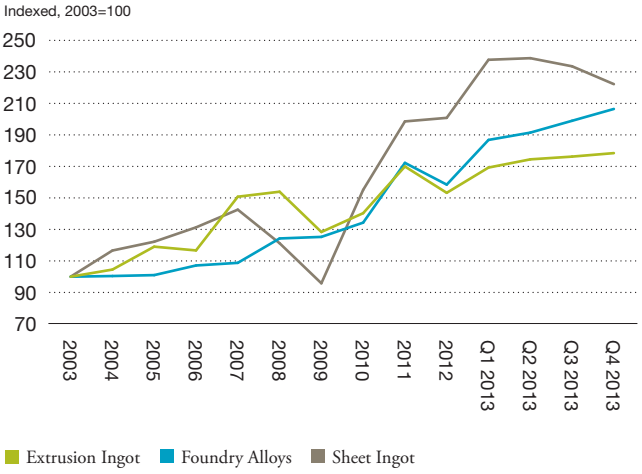
Strategy and targets

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

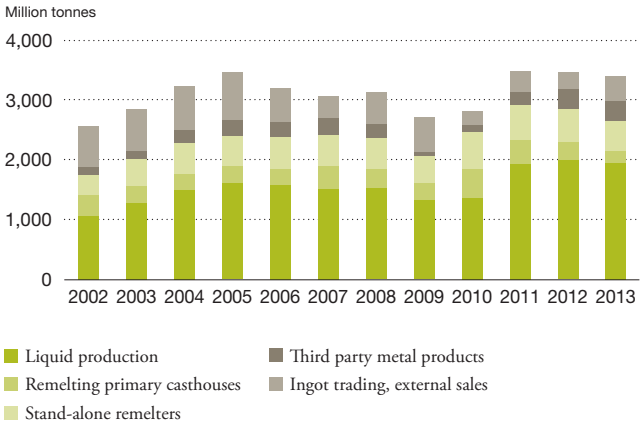
Focus on strong margin management

Product premiums have become a relatively larger share of total aluminium metal prices. Optimizing product premium margins in our primary casthouses and stand-alone remelters will continue to be at the top of our agenda. This includes shifting production toward higher premium alloys, optimizing remelting activities in response to market

Solid premium development



Sales of casthouse value added products and ingot trading



developments, shorter duration premium pricing and global optimization of product sales towards stronger markets.

Grow in recycling

We have built a strong position in the metal products markets to optimize the capacity of our integrated casthouses and stand-alone remelters offering value-added products to the marketplace. We plan to increase our capability to use post-consumed and other types of contaminated scrap and to increase sales of recycling friendly alloys.

Risk management

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

2013 targets

- Safe and efficient operations with further reduction of TRI rate
- Further integration of production and market organizations for improved value creation
- Optimization of regional and global metal balances to exploit market opportunities and improve margins
- Realization of increased volumes from new high purity aluminium products contracts

2013 results

- Stable safety performance following significant improvements in 2012
- Aligned production and market organizations enhancing potential to deliver on market ambitions
- Increased margins through improved optimization of global metal balance
- Successful implementation of new high purity aluminium product contracts

2014 targets

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

Ambitions going forward

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

Operations

Metal Markets includes all sales and distribution activities relating to products from our primary metal plants, our stand-alone remelters and our high purity aluminium business. We operate eight remelters, which recycle mainly scrap, but also standard ingot[1)] into new products. We also market metal products from our part-owned smelters and third parties, and engage in other sourcing and trading activities, including hedging activities on behalf of all business areas in Hydro.

Cost and revenue drivers

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

Revenues for our stand-alone remelters are influenced by volumes and product premiums over LME. Costs are driven by the cost of scrap and standard ingot premiums over LME, freight costs to customers and operational costs, including energy consumption and prices.

Our results can be heavily influenced by currency effects[2)] and ingot inventory valuation effects[3)]

Competitive strengths

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

Remelting

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

Sourcing and trading

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

Our main risk management objectives are to secure margins in our midstream and downstream businesses, and to obtain the prevailing average LME price for our smelting system. Our sourcing and trading operation acts as an internal broker for all LME-hedging transactions by our business units in order to consolidate Hydro's exposure and reduce transaction costs.[4)]

Markets, products and customers

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

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

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

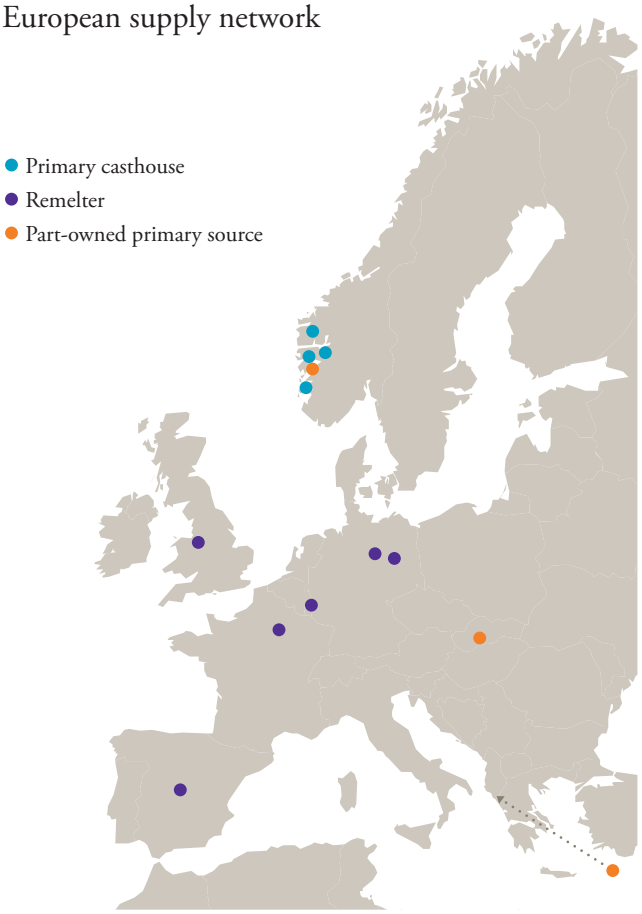
1) Aluminium standard ingot is a global aluminium product traded on the London Metal Exchange (LME).

2) Currency effects are comprised of the effects of changes in currency rates on sales and purchase contracts denominated in foreign currencies (mainly U.S. dollars and Euro for our Norwegian operations) and the effects of changes in currency rates on the fair market valuation of dollar denominated derivative contracts (including LME futures) and inventories, mainly translated to Norwegian kroner. These amounts can be very substantial. Hydro manages its external currency exposure on a consolidated basis in order to take advantage of offsetting positions.

3) Ingot inventory valuation effects are comprised of hedging gains and losses relating to standard ingot inventories in our metal sourcing and trading operations. Increasing LME prices result in unrealized hedging losses, while the offsetting gains on physical inventories are not recognized until realized. In periods of declining prices, unrealized hedging gains are offset by write-downs of physical inventories.

4) These hedging activities, which are designed to mitigate cash exposures, can generate significant underlying accounting effects, partly due to asymmetrical accounting treatment.

European supply network



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

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

Technology and innovation
Innovation and development is carried out in close collaboration between our customers, production units and R&D. We emphasize three main areas including the quality of our products, the efficiency of our production system and the development of new alloys to enhance the functional characteristics of our products. Our casthouse production process is based on our advanced proprietary casting technology, developed by the fully-owned equipment producer Hycast and our R&D center.

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

Recycling is an important activity to enable reduced costs and emissions and increased capacity utilization. Post-consumed and other types of contaminated scrap processing and scrap utilization are two main areas under development. Our casting and alloy expertise enables us to produce products that can be recycled and used as raw material for high quality semi-finished products. Developing products that optimize the use of recycled material is another area of focus.

Rolled Products

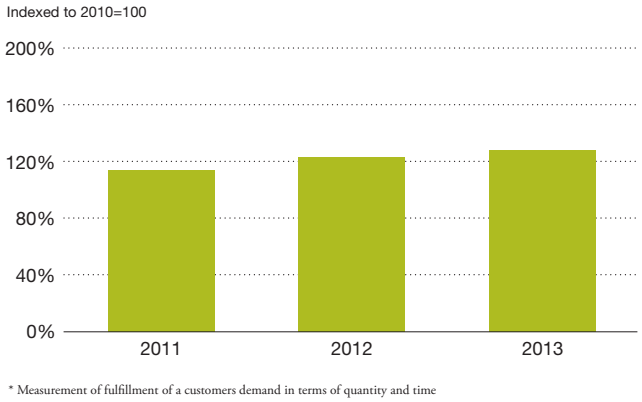
Industry overview
The aluminium rolled products industry is characterized by economies of scale, with significant capital investments required to achieve and maintain technological capabilities and to meet customer qualification standards. Worldwide consumption amounted to approximately 21.3 million mt in 2013.

Europe and North America represent 22 and 21 percent of world consumption respectively. The five largest producers in Western Europe supply about 80 percent of the market. China has become the largest single market, representing roughly 30 percent of global consumption. Chinese production capacity continues to increase despite existing overcapacity in the Chinese market. This represents a potential threat to producers in other regions.

Strategy and targets
Securing increasing returns for our Rolled Products business operations continues to be a key priority. Margins will remain in focus, and measures aimed at increasing efficiency and reducing costs will continue. At the same time we will pursue innovative product development in close cooperation with our customers.

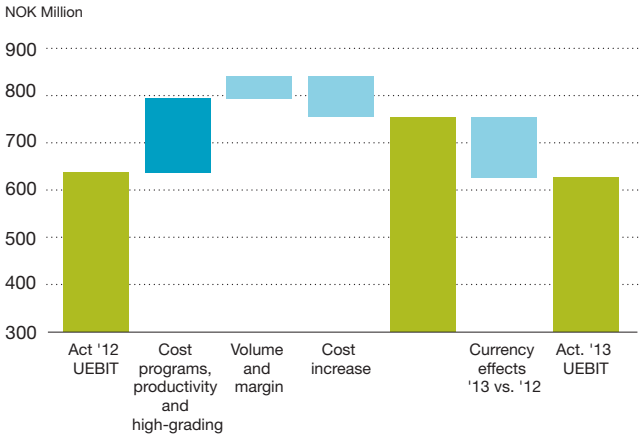
Build on our strong position
We intend to develop and improve our market share by leveraging our preferred supplier position in the market. With a focus on our strong position within packaging, lithography, automotive and general engineering, we will

Delivery performance*



* Measurement of fulfillment of a customers demand in terms of quantity and time

"Climb" improvement program contribution



continue to emphasize the quality of our products and services to our customers in order to drive the performance of our business and pursue growth opportunities. Differentiation through innovation remains a key strategy, supported by our dedicated R&D facilities.

Achieve targeted improvements within "Climb" program

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

In addition, further development of recycling activities is an important element to improve our cost position. We aim to increase the content of recycled metal in our products to optimize our metal supply portfolio and metal flow.

2013 targets

- Continue to improve HSE performance
- Continue to defend margin levels within challenging market environment
- Further operational performance improvements with focus on productivity and cost efficiency
- Drive cost programs in all plants
- Improve inventory turnover rate despite market uncertainty
- Maintain strong focus on counterparty risk

2013 results

- Despite numerous ongoing initiatives TRI-rate below target
- Average margin maintained on 2012 level
- Positive productivity and cost development, harvesting from continuous development and plant cost programs
- Inventory turnover rate further improved from 2012 level
- No significant counterparty default

2014 targets

- Reduction of TRI rate by 20 percent compared to 2013 level
- Manage margin and shipment level in uncertain Euro-zone and macro environment
- Deliver targeted improvement in the Climb program through product portfolio development, efficiency improvements and cost reductions
- Further performance enhancements in delivery reliability and lead time
- Capitalize on innovation capabilities achieving one step change during 2014

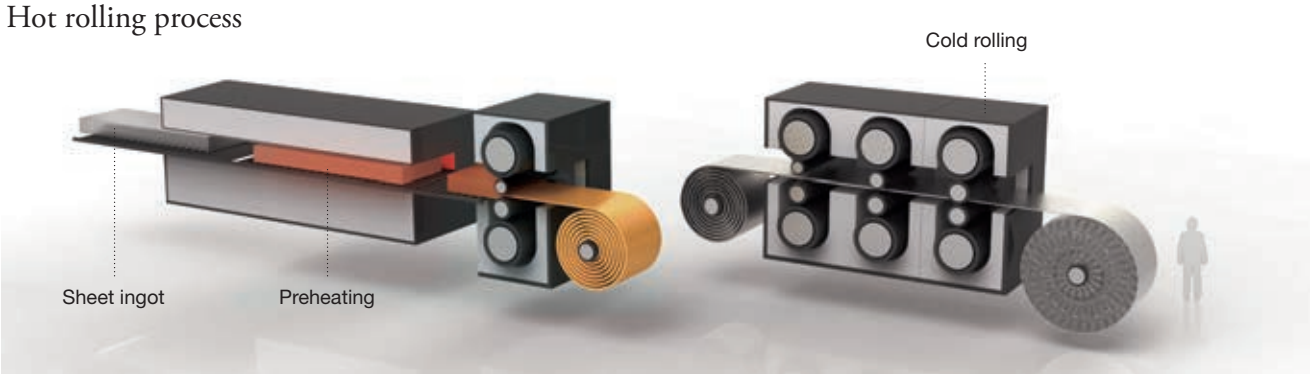
Ambitions going forward

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

Operations

The rolling process consists of heating 600 millimeters (mm) sheet ingot to about 500 degrees Celsius and gradually rolling it into thicknesses of 3-13 mm for further processing. An alternative process, continuous casting, converts molten metal directly into coiled strip, typically 4-8 mm thick. Once

Hot rolling process



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

Plant	Country	Capacity (000 mt)	Main products	Other characteristics
Grevenbroich AluNorf 50%	Germany	650	Packaging, lithographic sheet, automotive	• Supplied by nearby Alunorf rolling mill • The world's largest rolling mill • 50/50 joint venture with Novelis • Partly supplied with sheet ingot from nearby Neuss Rheinwerk smelter • Integrated cast house, based on remelting and recycling
Hamburg	Germany	180	General engineering, automotive, heat exchanger	• Integrated casthouse
Slim	Italy	95	General engineering, packaging	• Integrated casthouse
Karmøy	Norway	95	General engineering	• Continuous casting
Holmestrand	Norway	83	Building, general engineering	• Integrated casthouse
AISB[1)]	Malaysia	30	Packaging	• Continuous casting

1) Divested at the end of 2013

cool, the thinner metal is further processed in cold rolling mills, producing various types of products including foil, lithographic sheet, sheet and strip.

Cost and revenue drivers

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

Competitive strengths

- Largest producer in European rolling industry with estimated 16 percent market share in Europe
- Global reach with 30 percent export for high-end markets, serving key customers in the Americas, Middle East and Asia-Pacific
- World class assets including Alunorf, (50 percent) the world's largest rolling mill, and Grevenbroich, the world's largest multi-product finishing mill
- World leading positions in high-end products foil and lithographic sheet

Rolling mills

Our flat rolled products operations are located in Europe, where we generated approximately 73 percent of our total sales volume in 2013. More than half of our European production was produced in the Grevenbroich/AluNorf rolling system in Germany, one of the most modern and efficient rolling operations in the world. Grevenbroich is the center of our packaging, lithographic and automotive sheet operations. Our production network mainly comprises the so-called "wall-to-wall" processing, including an integrated casthouse combined with both hot and cold rolling mills.

Business unit	Shipments in %	Key characteristics
Lithography, automotive and heat exchanger	31	• Largest producer in the lithographic products market • Serving OEMs and their suppliers with strip and sheet for body, component and chassis applications • Automotive and non-automotive heat-transfer applications
Packaging and Building	42	• Main markets include beverage can, foil packaging and lacquered building products • Global player with lead leadership position in the high value-added liquid packaging market segment
General engineering	27	• General engineering products mainly used in industrial applications

Around half of the metal we purchase is sourced internally, based on arm's-length prices related to the LME price and sheet ingot premium. External supplies of sheet ingot, standard ingot and scrap collected from the market amounted to approximately 52 percent of our total requirements in 2013. In addition, we recycle process scrap from customers, together with our own process scrap.

Markets, products and customers

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

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

Lithography, Automotive and Heat Exchanger

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

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

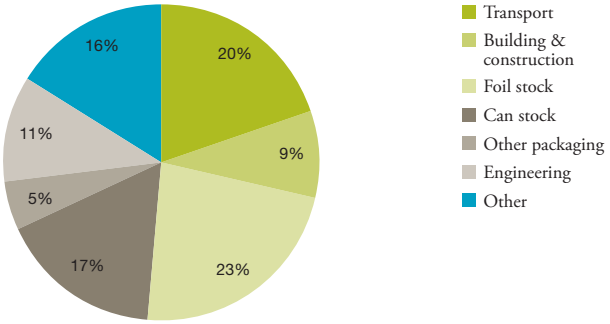
Heat Exchanger: We produce a wide variety of strip and sheet used in the manufacture of heat exchangers for passenger and commercial vehicles as well as other product applications. We are a main supplier in Europe, working with key tier one suppliers such as Behr, Denso and Modine to develop specially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

Packaging & Building

Packaging: ISO certified, we serve customer needs in the rigid and semi-rigid packaging industry, offering plain and converted strip and foil in thicknesses ranging from 0.006 - 0.500 mm. We provide packaging solutions combining high-quality manufacturing with innovation, cost effectiveness and sound ecological characteristics. We also offer a wide range of services relating to our packaging products in terms of consulting and technical support. In addition, we are specialists in thin-gauge foil for flexible packaging, offering foil as thin as 6.0 µm for the packaging of food as well as for technical applications, including converted qualities with a variety of lacquered, laminated and coated finishing. Tetra Pak, Amcor Flexibles and Constantia Flexibles are key customers. Production of packaging is mainly concentrated in our Grevenbroich rolling mill.

Flat rolled products consumption
Western Europe 2013

Total market 3,816 Kmt



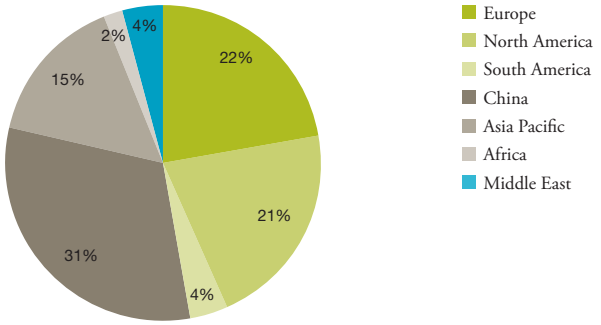
Source: CRU quarterly November 2013

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

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

Global flat rolled products consumption 2013

Total market 21,282 Kmt



Source: CRU quarterly November 2013

General Engineering

Hydro is a leading supplier of hot and cold rolled aluminium strip and sheet, offering a comprehensive range of products tailored to meet the individual requirements of a variety of applications in the industrial and consumer products sectors. Examples include coil and sheet for wholesalers; aluminium coil for transformers and electrical-technical applications; and coil, sheet and circles for household applications such as cookware, baking trays and ladders. We operate modern and efficient manufacturing processes, offering quality products and extensive technical support.

Technology and innovation

Differentiation through innovation in products, processes and services is an important means to grow our market share and margin contribution by offering higher value products to our customers. We work closely with customers to develop products that save energy and reduce emissions. There is an increasing interest to substitute other materials with aluminium in order to improve product performance. Drivers for this include reduced weight and cost reduction as well as improved corrosion properties. This trend is very strong within automotive, where weight reductions contribute to reduced emissions and a reduced carbon footprint. Our HA6016-X clad alloy enables substantially improved formability, a main challenge in automotive applications. Greater formability of our rolled products enables new, innovative designs and generates costs savings by reducing the number of joining operations in the production process at no downgrading of recycling characteristics. We are also working with manufacturers to improve packaging materials to provide high functionality while improving recycling rates. Developing recycling-friendly alloys and products is an important part of our research and development work.

Energy

Industry overview

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

There has been a common Nordic electricity market since the late 1990s. Nordic system prices are set in day-ahead auctions at the Nord Pool Spot market. The system price is normally the main reference price for financial contracts traded bilaterally and at the Nasdaq OMX. Area prices are calculated for physical delivery to constrain flows when available transmission capacity would otherwise be exceeded. There are five price areas in Norway, four in Sweden, two in Denmark, and one in Finland.

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

Implementation of EU energy and climate regulations has and will continue to have a significant influence on energy prices and energy and climate policy in all EU/EEA countries. Emission trading has increased electricity prices by up to 50 percent in periods with high emission allowance cost in Europe, including the Nordic market where electricity is predominantly generated by non-emitting sources. Under current allowance prices the effect is about 10 percent, however, there is an ongoing EU legislative process aimed at increasing allowance prices. In order to prevent carbon leakage, the EU established guidelines in 2012 allowing national governments to support industries exposed to global competition. Actual compensation, which is dependent on national implementation, is well under way in Norway and Germany with conditions corresponding closely to the EU guidelines. Please see section Regulation and taxation - Aluminium regulation - climate gases later in this report for more information on this matter.

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

Strategy and targets

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

Develop our captive power capacity

Our ambition is to continually increase Hydro's share of captive power from renewable sources, and further explore opportunities within our existing concession areas in Norway. Securing and increasing the value of our energy assets is a key priority. The new Holsbru and Vasstøl power stations came on stream in 2012 and a major upgrading at Rjukan is ongoing. In 2013 we acquired the Vigeland power station, adding 180 GWh to our portfolio. These capacity increases are the main contributors lifting our normal annual production capacity by 0.5 TWh to 10 TWh.

Optimize power asset management and operational excellence

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

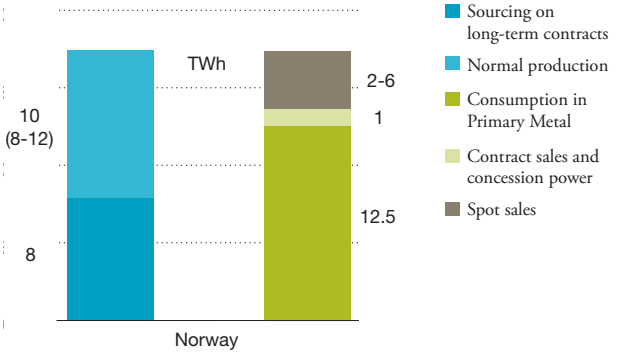
Sourcing competitive energy for our global operations

Access to competitive energy is a major success factor in our value chain. We have large energy exposures on nearly every continent. We are engaged in a number of initiatives to identify and secure competitive energy supplies for Hydro's operations. We are actively involved in promoting a responsible energy policy in the regions where we operate.

2013 targets

- Continued operational excellence and strong focus on safe operations
- Cost and improvement focus in operations and projects
- Continue maturing new equity growth options supported by electricity certificates
- Continued work on securing competitive energy sourcing for aluminium operations
- Development of strategic options and energy solutions in Brazil

Generation and power sourcing in Norway



2013 results

- Stable and efficient operations however two recordable injuries
- Maintenance projects on power stations on track
- Improvement projects within commercial activities fully implemented
- Acquisition of Vigeland power plant completed
- Energy sourcing secured for aluminium operation in Slovalco
- Active contribution to improve robustness of Energy supply in Brazil

2014 targets

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

Ambitions going forward

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

Operations

Hydro is a global energy player, purchasing and consuming substantial quantities of energy for its smelters, rolling mills and alumina refinery operations. We are the largest publically owned power producer in Norway with operating and ownership interests in 24 hydroelectric power plants.

Installed capacity was approximately 2,000 MW in total at the end of 2013 representing normal annual production of 10 TWh.[1] We also purchase around 8 TWh annually under long-term contracts, mainly with the Norwegian state-owned company, Statkraft.

Annual hydro power production can vary by as much as 20 percent in either direction, depending on variations in hydrological conditions.

Cost and revenue drivers

Production volumes and market prices are strongly influenced by hydrological conditions. Seasonal factors affect both supply and demand. We have a relatively stable cost base and annual contribution to underlying EBIT, but with the potential for large quarterly revenue variations due to volatile spot volumes and prices. There is potential for optimization of our total power portfolio in the market and in cooperation with smelters.

Competitive strengths

- Power coverage until 2020
- Substantial captive power through equity hydro power in Norway and natural gas fired power in Qatar
- High share of renewable energy
- Strong earnings with stable and solid cash generation

Norwegian power assets

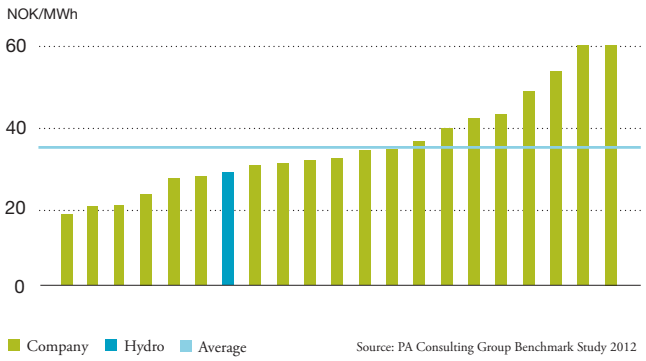
Our power plants are located in three main areas - Telemark, Sogn and Røldal-Suldal - and managed from a common operations center at Rjukan in Telemark. We also have a 33 percent interest in Skafså Kraftverk ANS in Telemark.

Ownership percent	Rated capacity (MW) (100%)	Normal annual production (TWh) (Hydro share)	Key characteristics / concession period
Sogn (100 %)			• Total catchment area 803 km^2 • New Tyin power station opened 2004 • New Holsbru power station opened 2012 • Concession expiration Tyin 2051 and Fortun 2057
Tyin	374		
Holsbru	48		
Skagen	252		
Fivlemyr	2		
Herva	40		
Total Sogn		**3.2**	
Røldal-Suldal Kraft (95.2%)			• Total catchment area 793 km^2 • Vasstøl power station opened 2012 • Concession expiration 2022
Middyr	1		
Svandalsflona	18		
Novle	48		
Røldal	160		
Suldal I	170		
Suldal II	148		
Vasstøl	5		
Kvanndal	45		
Total Røldal-Suldal Kraft		**3.0**	
Telemark (100%) [1]			• Total catchment area 4 094 km^2 • No reversion except for Frøystul 50% 2044, Moflåt and Mæl 2049
Frøystul	47		
Vemork	204		
Såheim	187		
Moflåt	29		
Mæl	38		
Svelgfoss	92		
Total Telemark		**3.5**	
Skafså (33%)			• No reversion
Åmdal	21		
Osen	15		
Skree	7		
Gausbu	7		
Total Skafså		**0.1**	
Vigeland (100%)			
Vigelandsfoss kraftverk	27	**0,2**	• No reversion
Total		**10,0**	

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

Solid operational performance

Production cost 2012



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

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

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

Sapa

Sapa is a 50/50 joint venture owned by Hydro ASA and Orkla ASA. A world leader in aluminium solutions, Sapa employs around 23,000 people in more than 40 countries. The company's headquarters are located in Oslo, Norway.

Joint venture transaction

On October 15, 2012 Hydro announced an agreement with Orkla ASA to combine their respective extrusion profile, building systems and tubing businesses. The transaction transformed Hydro's extrusion operations, improving the global reach of the combined operations and created a stronger foothold for Hydro in North America and several important emerging markets. The transaction is expected to generate substantial synergies amounting to NOK 1 billion by the end of 2016. Initiatives include optimization of production and sourcing activities, restructuring and rationalization of operations and increasing margins through high-grading the product portfolio. See note 5 to the consolidated financial statements later in this report for further information on the Sapa transaction.

Industry Overview

Over the past several years there has been significant overcapacity in the extrusion industry in Europe and in southern Europe in particular. Combined with weak economic developments, this has lead to increased market competition and restructuring activities within the industry including the Sapa transaction. Weak markets and margin pressure are expected to continue in 2014 and further restructuring is expected. Despite these developments, companies with high quality products and services and competitive costs, are able to defend margins that lead to sustainable returns.

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

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

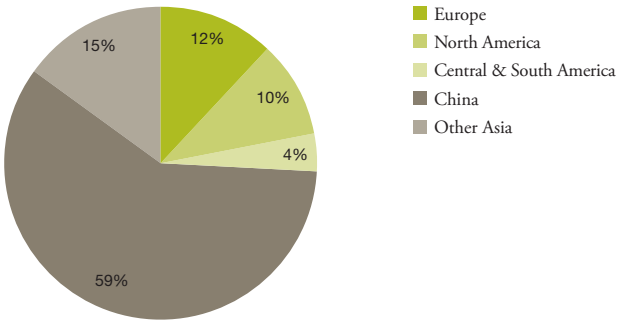
Precision tubing is a global business mainly focused on heat transfer applications for the automotive market is relatively fragmented.

Operations

Sapa is a world leading supplier of extrusion based aluminium solutions. Market share at the end of 2013 was 26.2 percent in Europe and 29.9 percent in North America. Sapa's extrusion operations consist mainly of general soft alloy extruded products and building systems for a diverse customer base within the transportation, building, electrical and engineering market sectors. General extrusion activities

2013 Global extrusion consumption* by region

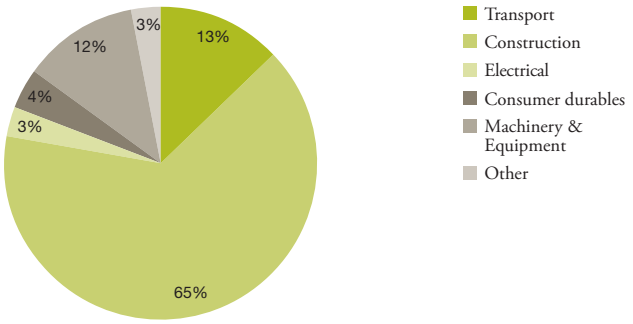
Total market 22,909 mt



* Consists of semi fabricated products (included recycled aluminium)
Source: CRU LT 2013

2013 Global extrusion consumption* by end use

Total market 22,909 mt



* Consists of semi fabricated products (included recycled aluminium)
Source: CRU LT 2013

are organized into three geographic business areas - Extrusion Asia, Extrusion Americas and Extrusion Europe. Building systems and precision tubing operations are organized as separate business areas.

Sapa has an extensive production system that ensures a global reach combined with a local presence. Facilities include around 190 extrusion presses within more than 100 production sites. Operations are based in 25 countries in Europe,12 countries in the Middle East, Africa and Asia and in Brazil, Argentina, the United States, Canada and Mexico. The majority of operations are located throughout Europe and in North America. Sapa also has a solid foothold in emerging markets with extrusion capacity in South America and in Asia

Markets, products and commercial activities

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

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

Sapa Precision Tubing (PT) produce and sell specialized products used in heat transfer applications, mainly for the automotive market, which represents about 75 percent of the total market segment. PT is also active in the general heat transfer applications, a growing market segment, and applications for transporting liquids and gases. PT operates globally and has leading market positions in Europe, North America and South America, and a smaller, developing market position in Asia.

Regulation and taxation

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

Aluminium - regulation

Environmental matters

Hydro's aluminium operations are subject to a broad range of environmental laws and regulations in each of the

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

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

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

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

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

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

Integrated pollution prevention and control

Under the EU Directive on Integrated Pollution Prevention and Control 1996/61/EC (the "IPPC Directive"), industrial installations require national operating permits based on best available techniques (BAT) for pollution prevention and control. The European Commission has issued a guidance document relevant for the aluminium industry: BAT Reference Document (BREF) for the Non-Ferrous Metals Industries (2001). In 2000, the Norwegian authorities established stricter emission limits for the aluminium industry in Norway from January 1, 2007, in line with the IPPC Directive. Hydro's aluminium production facilities comply with the new requirements. The IPPC Directive has been amended by Directive 2010/75/EU on Industrial Emissions (IED), while the related BREF note is in the process of being revised at the European level. The new IED requirements will be applicable from 2013. We expect Hydro to be in a position to comply with the new rules.

Climate gases

The EU Emissions Trading Directive 2003/87/EC (the ETS Directive) established an internal emission trading system (ETS) in CO2 emission allowances for the period 2005-2012. During this period, the aluminium industry was not included in the scope of the scheme, but was indirectly affected by the scheme, through the pass-through of CO_2 allowance costs by power producers into the power prices ("indirect effects"). The significant increases in the cost of electricity in the various member states, have again necessitated restructuring throughout, among others,

Germany's aluminium industry. This EU Directive is also relevant for the EEA, and Norway joined the EU ETS in 2008.

In April 2009, the European Union adopted a new law amending these rules (Directive 2009/29/EC) to include primary and secondary aluminium production where combustion units have a total rated thermal input exceeding 20 MW in the ETS for the period from 2013-2020 for the direct emissions of CO_2 and PFC gases from aluminium plants. Aluminium production is qualified as an industrial sector exposed to a significant risk of "carbon leakage" (i.e. risk of European operations losing market share to less carbon-efficient installations outside the EU).

This means aluminium producers would, in principle, receive a high percentage of the emission allowances they need free of charge. The free allocation of emission allowances is agreed until 2020, but the list of sectors exposed to the risk of carbon leakage will be amended in 2014. Hydro's target is to be as close as possible to the benchmark values, thus minimizing the financial impact of these regulations.

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

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

EU aluminium tariffs

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

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

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

Chemicals legislation - REACH

The European Union Regulation (EC) No. 1907/2006 concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (known as "REACH") was adopted in late 2006 and entered into force in the EU on June 1, 2007. Aluminium is covered by this regulation and the regulation has also been applicable in Norway since June 2008 through the EEA agreement.

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

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

Energy - regulation and taxation

The Norwegian regulatory system for hydropower production

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

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

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

Taxation of hydropower production in Norway

Profits from Hydro's hydropower production in Norway are subject to ordinary income tax, at 28 percent for the income year 2013, being reduced to 27 percent from the income year 2014. Revenue for ordinary income tax purposes is based on realized prices. Dams, tunnels and power stations are, for tax purposes, depreciated on a linear basis over 67 years, and machinery and generators over 40 years. However, such fixed assets are depreciated over the concession period if that is shorter. Transmission and other electrical equipment are depreciated at a 5 percent declining balance.

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

In addition, a special resource rent tax, at 30 percent for the income year 2013, being increased to 31 percent from the income year 2014, is imposed on hydropower production in Norway. Unlike the ordinary income tax, financial costs are not deductible against the basis for the resource rent tax. Uplift is a special deduction in the net income, computed as a percentage of the average tax basis of fixed assets (including intangible assets and goodwill) for the income year. The percentage, which is determined annually by the Ministry of Finance, essentially provides for a certain return on fixed assets above which income becomes subject to the resource rent tax. The percentage used to calculate the uplift for 2013 was 1.5 percent.

Revenue for resource rent tax is, with certain exceptions, calculated based on the plant's hourly production, multiplied by the area spot price in the corresponding hour. However, revenues from sales under certain long-term contracts are valued at contract price, and power supplied to Hydro's own industrial production facilities is for tax purposes valued according to a price formula in historical Statkraft contracts, the so-called "St. Prp. 104 price", which for 2013, was 266.69 NOK/MWh. As a substantial part of Hydro's hydropower production is used for our own industrial production or sold under qualifying contracts, only part of our production has been subject to spot-price taxation.

Bauxite and Alumina - regulation and taxation

Environmental regulation

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

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

Under Brazilian environmental legislation, any activity that has the potential to pollute the environment must obtain an environmental license before the activity can start. Such licenses are generally granted by the state environmental agency, SEMA. It is common that licenses granted are subject

to a number of conditions to ensure regulatory compliance or to mitigate effects of the operations on the environment or local communities.

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

Mining regulation

Current framework

Exploration of minerals requires an exploration license from the federal mining agency DNPM. The license grants an exclusive right to explore an area, subject to several requirements including compensation to the land owner and payment of an annual exploration fee to the DNPM. Currently, the annual exploration fee is BRL 2.02 per hectare for the initial term of the license, and BRL 3.06 per hectare for any renewal periods.

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

Proposed new framework

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

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

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

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

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

It is highly uncertain whether the revised framework will be the final proposal or when a possible new law based on the framework could become effective.

Taxation in Brazil

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

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

State value added taxes (ICMS) vary from 7 to 25 percent. Hydro's main operations in Brazil are located in the state of Para which grants a deferral for certain types of mining and refining operations which effectively exempts Hydro's operations from ICMS taxes on interstate transactions. See

discussion on Hydro's operations in Brazil in the Risk factor section later in this report for further information on taxation in Brazil.

Other information

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

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02: *Viability performance*

QUICK OVERVIEW

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

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

We have an integrated approach to our reporting, and our Viability performance should be seen in context with the other parts of Hydro's Annual Report 2013.

Here we first describe The Hydro Way, a set of guiding principles that govern our activities and underpin our approach to viability. Next, we report on our viability performance in 2013 based on a thorough materiality analysis and according to a set of areas that capture our most important viability issues while corresponding to generally acknowledged domains of reporting.

Direct greenhouse gas emissions from Hydro's consolidated activities

Figures include historical emissions from current operations.

Viability - The Hydro Way

The Hydro Way is our approach to business. It's an approach that has lived within Hydro since 1905 and guided our development over the years.

The Hydro Way originates from our company's identity - our unique set of characteristics - and constitutes a way of doing things that differentiates us from other companies.

The Hydro Way explains how we run our business through:

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

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

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

In order to ensure a uniform high standard, Hydro's global directives lay down requirements for our operations, see page 126.

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

FTSE4Good

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

Hydro has been listed on the Dow Jones Sustainability Indices (DJSI) each year since the index series started in 1999. We are also listed on the corresponding UK index, FTSE4Good, and in September 2013 we were selected for inclusion in the new UN Global Compact 100 stock index.

Our reporting approach

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

- Energy and climate change
- Resource management
- Integrity and human rights
- Community impact
- Organization and work environment
- Innovation

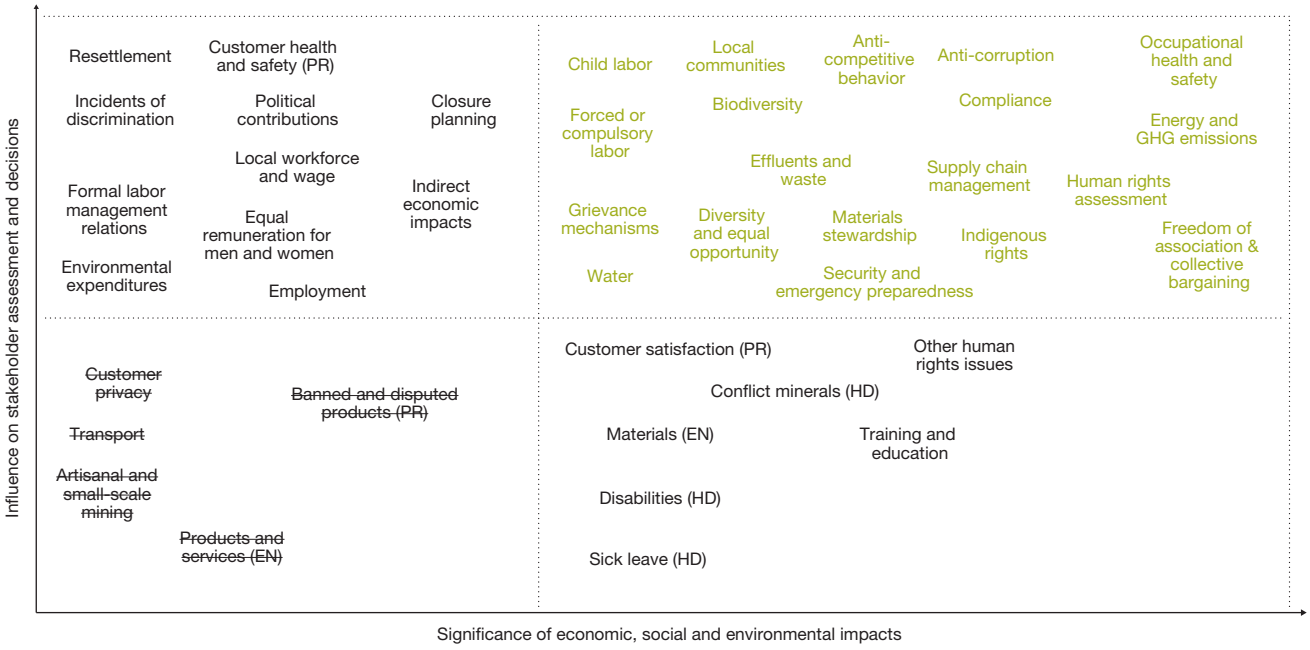
In connection with transition to the Global Reporting Initiative's (GRI) G4 protocol, we have reviewed our reporting strategy. The main elements are unchanged, but through a thorough review of our materiality analysis we have identified what is most material to report on as well as other material indicators. The most material aspects related to our viability performance are all included in the board of directors' report, which thus gives a high-level overview of Hydro's strategic direction, strengths and challenges. This information is further elaborated in the Viability performance section. Other material information is either included in this section, under Facts and figures at page 83 or in the GRI index at www.hydro.com/gri
The information has been reviewed by Hydro's Corporate Management Board who has also approved the Viability performance section of this report. The GRI index is approved by the board of directors.

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

- Letter to shareholders on page 6
- Board of directors' report on page 10
- Business description on page 23
- Risk factors on page 112
- Corporate governance on page 125

Materiality analysis

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



The green aspects represent those that are most material to Hydro, while aspects that are striked through, are considered not material. In certain cases, we have chosen to merge and rename two or more aspects in the matrix to make the titles more relevant for our stakeholders. Please see www.hydro.com/gri for more information.

The underlying details in the reporting are based on different reporting frameworks that are important to us, including the UN Global Compact, the Global Reporting Initiative (GRI) and the International Council on Mining and Metals' (ICMM) 10 principles and Position Statements. The GRI index at www.hydro.com/gri also shows Hydro's adherence with the UN Global Compact and ICMM - and shows how the different frameworks connect with each other. Read more about our reporting principles on page 79.

Energy and climate change

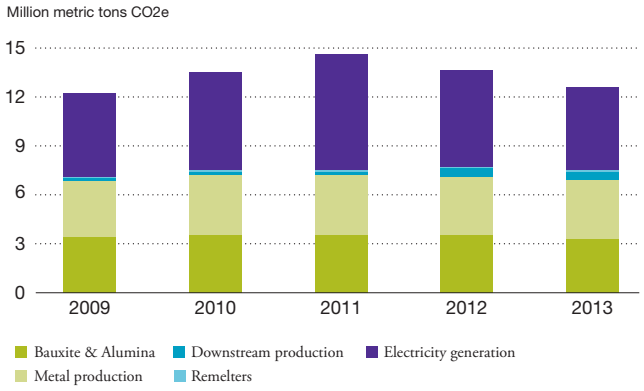
Alumina refining and electrolysis of primary aluminium are energy and greenhouse gas (GHG) emissions intensive. On the other hand, aluminium can save significant amounts of energy and GHG emissions in the use phase. Lighter cars result in fuel savings and lower emissions on the road. Aluminium façades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

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 CO_2 savings.

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

Direct greenhouse gas emissions from Hydro's consolidated activities

Greenhouse gas emissions from Hydro's ownership equity



Greenhouse gas emissions based on Hydro's ownership equity as per December 31, 2013. For ownership equity, direct emissions from production in Bauxite & Alumina, Primary Metal, and downstream operations as well as from the remelters are comparable to Scope 1 emissions as defined by WBCSD/WRI GHG Protocol. Emissions from electricity generation are based on electricity consumption and IEA "CO_2 emissions from Fuel Consumption 2008 factors", and are comparable to Scope 2 emissions from purchased electricity. In addition, the reported emissions from electricity include emissions from Hydro's ownership equity in the Qatalum gas-fired power plant. All figures include historical emissions from current operations.

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

- Using viable energy sources
- Reducing energy consumption and emissions in production
- Reducing CO_2 emissions and energy consumption through the use of our products
- Increasing recycling of aluminium

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

2013 target

- Stabilize at above 90 percent capacity utilization in recycling
- Emission of 1.58 metric tons (mt) CO_2e/mt aluminium from production
- Revise Hydro's climate strategy and develop new long-term ambitions

2013 results

- 96 percent capacity utilization in recycling
- Emission of 1.59 mt CO_2e/mt aluminium from aluminium production. *Target not reached.*
- Hydro's climate strategy updated. Launch of ambition to be carbon neutral in 2020

2014 targets

- The two main recycling projects in Germany and Luxembourg shall both be within schedule and total cost estimates
- Emission of 1.56 mt CO_2e/mt aluminium from production

Strategic goals 2018-2020

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

Using viable energy sources

About two-thirds of the electricity used in our primary aluminium production comes from hydropower, and we are the second-largest hydropower operator in Norway. With the acquisition of the Vigeland power plant in southern Norway in 2013, our normal production increased to 10 TWh per year. In 2013 we produced 10.2 TWh, see page 96.

Our strategy is to secure and expand our hydropower capacity and we are currently upgrading several of our hydropower plants in Norway to secure future production. We are also working to increase production from existing plants through refurbishments and expansions.

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

Reducing energy consumption and emissions in production

Energy efficiency is an important part of Hydro's ongoing efforts to reduce costs and CO_2 emissions. Our Alunorte refinery in Brazil consumed 8.68 GJ per mt alumina in 2013 and is among the most energy efficient refineries in the world. On average, our fully-owned smelters consumed 13.76 kWh of electricity per kilogram (kg) of aluminium produced in 2013, a decrease of 0.9 percent compared to the previous year. Our new HAL4e technology has achieved an energy consumption level of 12.5 kWh per kg aluminium

produced under full scale testing and we are targeting levels under 12.0 kWh per kg at new test cells at our Årdal smelter. This represents potential reductions of about 10-14 percent. Hydro is currently evaluating to build a full-scale pilot plant at Karmøy, Norway to test this technology. See page 76.

Greenhouse gas emissions from Hydro's consolidated activities decreased by 4 percent in 2013, compared with 2012. Total emissions from our ownership equity, including indirect emissions from electricity generation, decreased by 7 percent in 2013.

Specific direct emissions from our alumina refinery Alunorte in Brazil was 0.693 mt CO2 / mt alumina in 2013. The specific emissions from electrolysis decreased from 1.62 mt CO_2 equivalents (CO_2e) per mt primary aluminium in 2012 to 1.59 in 2013.

Reducing CO_2 emissions and energy consumption through the use of our products

We work closely with customers to develop products that save energy and reduce emissions. Examples include lighter transportation and better packaging as well as aluminium façades that lead to lower operating costs and enable buildings to produce as much energy as they consume during operation. Hydro is one of the sponsors of SAVE FOOD, an initiative from the United Nations' Food and Agriculture Organization. Our specific contribution is packaging, in which aluminium helps to conserve food more effectively so it stays fresh longer with less cooling and is better protected for transport and storage.

Increasing recycling of aluminium

Aluminium can be recycled over and over again without degradation in quality. Aluminium recycling requires 95 percent less energy than primary aluminium production. Hydro is a large remelter and recycler of aluminium. We remelt process scrap from our own production and from other companies. Our expertise in remelting is a good basis for further expansion.

Our ambition is to take a strong position in aluminium recycling. We recycled in total more than 800,000 metric tons (mt) aluminium in 2013. In 2012 the aluminium industry agreed on a new definition for recycling which was implemented in Hydro in 2013. The new definition includes pre-consumer scrap downstream casthouses in addition to post-consumer scrap. The change in definition makes the 2013 recycling volumes incomparable with that of last year.

Almost 177,000 mt of the recycled volume was post-consumed scrap, an increase of about 5 percent compared to 2012. However, developments in 2013 were impacted by temporary curtailments due to difficult market conditions and the divestment of a remelter in Taiwan as well as the merger of Hydro Extruded Products with SAPA. If corrected for those effects post-consumed scrap volume increase would have been almost 15 percent year-on-year.

We have improved utilization of our existing capacity during the last two years and achieved 96 percent capacity utilization in our recycling facilities in 2013 compared with the old definition, thus meeting our goal to stabilize at above 90 percent.

We are targeting specific post-consumer scrap projects in additional capacity to process contaminated industrial and end-of-life scrap. A partnership with a scrap processor in Spain has given us access to more than 70 new suppliers. Another partnership with a German scrap processor gives us access to superior sorting technology that has the potential to grow our post-consumed scrap volume by more than 30.000 mt per year. Following our R&D projects from the years 2011 through 2013 two major investment projects - in Germany and Luxembourg - will be brought forward for final approval to add post-consumer scrap recycling capacity of almost 100,000 mt by 2016.

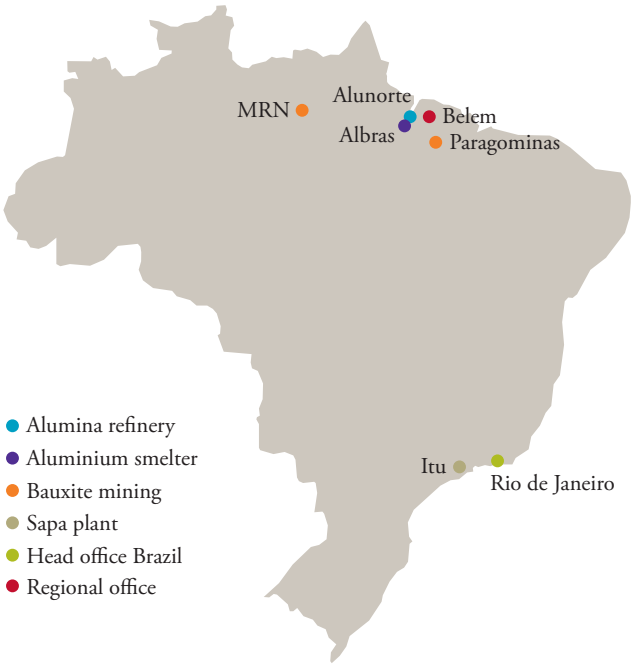
We have developed processes to combine clean scrap with used scrap and we plan to invest in existing remelters with a potential of up to 20 percent capacity increase. We expect around 70 percent of the required new raw material to come from post-consumer scrap. A scrap portal has been developed to facilitate Hydro's access to scrap. See page 78.

In Europe, approximately 95 percent of the aluminium in automotive applications and 96 percent of the aluminium in commercial buildings is recycled at end-of-life. The recycling rate for used aluminium cans has continued to grow and is now above 66 percent for the whole of Europe. The recycling of other aluminium packaging has increased as well. It is estimated that at least 60 percent of all aluminium packaging used in Europe is recycled today, and further growth is expected. Hydro and our partners in the market are supporting aluminium packaging recycling initiatives throughout Europe. We team up with producers of beverage cans, drinks and food, and other interest groups and industries, to develop specific activities aimed at raising public awareness about the importance of recycling. In 2013 Hydro entered into an agreement with Norsk Resirk to recycle all used beverage cans collected in Norway at our Holmestrand recycling plant.

Resource management

Hydro's bauxite mining and alumina refining activities in Pará in Brazil include open pit mining and the handling of significant amounts of tailings and bauxite residue, also known as red mud. Biodiversity is an important issue related to Hydro's activities in Pará and also to the water reservoirs for our hydropower production in Norway.

Operations in Brazil



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

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

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

2013 targets
- Finalize biodiversity strategy for the Paragominas mine

2013 results
- Biodiversity strategy for the Paragominas mine finalized

2014 targets
- Perform ecosystem services assessment for Hydro

Strategic goals 2018-2020
- New mining areas equal reforested areas by 2017. The long-term aspiration is No Net Loss
- Best Available Technology for treating, storage and use of bauxite residue
- 60 percent reduction in land-filled waste (excluding tailings and bauxite residue) compared to a 2010 baseline
- Increase water efficiency by 15 percent in water scarce areas, compared with a 2010 baseline

Ecosystems and biodiversity

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

We have mining and alumina refining operations in Brazil, and aluminium production plants in Brazil, Canada, Europe, Qatar and Australia. In Norway, we are also responsible for large water reservoirs connected to our hydropower plants.

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

Land management and reforestation

Hydro's bauxite mining at Paragominas involves removing vegetation and a layer of topsoil and overburden to extract bauxite deposits eight to ten meters below. Once the bauxite has been extracted, the area is refilled and a process of rehabilitation can begin.

Hydro uses open pit mining. All overburden moved for mining purpose is used to reconstruct the topography of the strip previously mined, as a part of rehabilitating the mined areas. Part of the overburden (laterite) is also used to paving roads and in constructing the tailing ponds. In total 42 million m^3 of overburden were moved in 2013.

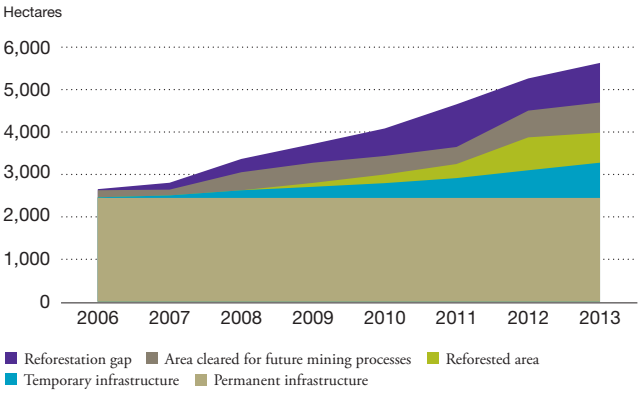
The Paragominas mine is located in the municipality of Paragominas, in an area that is normally recognized as the deforestation belt around the central Amazon region. In terms of land use, the municipality of Paragominas has seen, over a period of almost 20 years, more than 30 percent reduction in its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

In total 366 hectares of land were affected during 2013 in Hydro's Paragominas mine compared with 609 hectares in 2012. About 5,600 hectares have been affected since the start of the mining operations in 2006, of which 707 hectares have been reforested. This is a decrease from 776 in 2012. From January 2013 a total of 177 hectares of the rehabilitation area was part of a new method for reforestation, the so called nucleation method (see description below). This area was not satisfactory due to specific local conditions, and the area has been reclassified as an area to be rehabilitated. The method has been adjusted and is now being implemented in new areas with promising results so far. In 2013, we reforested 108 hectares compared with 444 hectares in 2012.

We have identified improvement potential related to reforestation and wildlife management at Paragominas, and in 2013 a biodiversity strategy for Paragominas was established. The most important targets are to achieve an area balance of 1:1 in opening of mine compared to reforestation by 2017, and to close the reforestation gap within 2020. Since registration started in 2003 we have identified in total 38 animal species and eight plant species that are defined as red list species by either IUCN or by the Brazilian or Pará state authorities. See www.hydro.com/gri indicator G4-EN14 for further information.

To increase our knowledge and to secure a science-based approach, we entered in 2013 into a partnership with the University of Oslo, Norway, and its Brazilian partners Museu Paraense Emílio Goeldi, Federal University of Pará and Federal Rural University of the Amazon to create a research program connected to our mining operations. The aim is to strengthen Hydro's ability to preserve the natural biodiversity

Land use and reforestation – Paragominas



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

of the areas where we mine bauxite. Furthermore, together with MRN (in which Hydro holds a 5 percent share) and Alcoa's Juruti mine, Hydro has established a forum for exchange of best practice for reforestation. Since January 2013 Hydro in Paragominas has used the nucleation method that has been tested out by Alcoa in Juruti for several years and which MRN also has tested. Top soil is unevenly distributed to simulate natural landscape and trap rainwater. Piles of cut wood are distributed to increase biodiversity - creating shelters for animals and improving growing conditions for some plant species. The ambition is to establish a forest system of the same structure that is typical in the pristine forest in the areas. The method has been approved for testing by the federal environmental authorities IBAMA as well as by SEMA, the environmental authorities of Pará.

In 2008, Paragominas ranked among the most critical Brazilian municipalities in terms of deforestation. In order to avoid penalties from the federal government, the municipality made a strong effort involving the main social actors in a commitment to improve environmental performance. Due to the initiative, Paragominas was the first municipality in Brazil to leave the Brazilian deforestation black-list. Based on the experiences in Paragominas, the Green Municipalities program was developed. In order to become a "green municipality," it is necessary to reduce deforestation, assure compliance with social and environmental legislation, foster the recovery of degraded areas, make better use of areas already opened and properly manage the native forest. Hydro cooperates with the Green Municipalities and the environmental organization Imazon on the training of 90 technicians who are surveilling illegal deforestation.

In 2013, the criminal investigation against Hydro for having been involved in illegal logging in a preservation area in Minas Gerais in Brazil, was closed without any reaction against neither individuals nor the company.

In 2013 we reviewed the status on biodiversity related to Hydro's regulated water reservoirs for the hydropower production in Norway. All reservoirs are within or abut to national parks and other protected areas at or nearby mountain plateaus in Southern Norway, including Hardangervidda and Jotunheimen. See www.hydro.com/gri indicator G4-EN11. Remedial actions include limitations of traffic related to operation and maintenance of reservoirs that are within protected areas, limitations on snowplowing to protect the reindeer core, and follow up the impact on aquatic life in related rivers. Stone tips following tunnel constructions are registered and rehabilitation is performed or planned except for those that are protected as cultural heritage. Rehabilitation projects also include several rivers to improve fish habitats and for esthetic reasons. About 86,000 fish fries are launched annually in almost 40 lakes and rivers as part of the concession requirements to mitigate the impacts from the regulation of the water going to the power plants. New action plans for the Årdal river and Fortun river were developed in 2013 and will continue so in the years to come.

Set ambitious goals - yet take into account how demanding they are!
"Hydro is doing the right thing in setting clear, ambitious goals to conserve biodiversity in areas affected by the company's bauxite mining in Brazil's rainforest. It is good to set the bar high, but be aware that success requires excellent organization and systematic, long-term follow-up. It also costs money."

Fridtjof Mehlum, Head of Department of Research and Collections
Natural History Museum, University of Oslo
Read full interview at www.hydro.com/reporting2013

Water use

Our annual review of water use showed that in 2013 about 4 percent of our overall fresh water input came from water-stressed areas, with regard to annual renewable water supply (according to the definition used by WBCSD). These areas include Germany and southern Europe, where water supply is well-regulated. Qatalum in Qatar relies on public water supply produced by desalination. Sea water is used for wet cooling towers at the power plant.

Our operations in Alunorte obtain an important part of its water supply through the bauxite slurry that is transported from Paragominas by pipeline. In 2013 a multidsciplinary team was formed to improve the existing water balance studies for both the Alunorte and Paragominas sites.

In 2013 Hydro initiated an investigation of the Gunneklev fjord in Norway, where Hydro formerly had industrial activities. The investigations are done by the Norwegian Institute of Water Research (NIVA) and the Norwegian Geotechnical Institute (NGI). The objective is to investigate the resipient and the ecosysyem in order to assess mitigative measures. The Gunnekleiv fjord has historically received contamination of mercury and chlorinated hydrocarbones (dioxines) which is trapped in the sediments. The contamination is currently not representing a source of contamination to the attached fjords.

Learn more about water management in Hydro at www.hydro.com/gri (Water aspect, indicators G4-EN8-10).

Waste and efficient resource use

Our goal is to minimize the amount of waste produced when technically and economically feasible and then reuse or recycle it. When this is not possible, we shall deposit it in a secure way to minimize adverse effects to people and the environment.

Tailings and bauxite residue

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

The current tailing ponds at Paragominas are expected to be full by 2017 and the area will then be reforested. We are evaluating establishing a new tailing pond on a plateau to secure natural drainage. The total amount of tailings in 2013 was 3.3 million metric tons (mt), down from 4.2 million mt in 2012. This was 43 percent and 46 percent of production volume respectively.

Bauxite residue, also known as red mud, is a by-product of the alumina refining process. The residue is washed with water to lower the alkalinity and recover caustic soda for reuse. Residue is dry-stacked as a clay-like substance with a low moisture content. When full, deposit areas are reforested. We planning the conversion to the method of pressure filtration in order to reduce moisture further and thus reducing total volumes and run-off. Final decision is expected in 2014.

In total, 5.4 million mt (35 percent humidity) was disposed in 2013 compared to 6.1 million mt in 2012. The reduction was mainly due to reduced alumina production. Total alumina production was 5.4 million mt in 2013 and 5.8 million mt in 2012. We participate in international collaboration projects investigating possibilities to use bauxite residue as a resource, see page 76.

In 2009, an overflow of storm water from the bauxite residue deposits occurred at Alunorte. Corrective actions were taken, including strengthening the drainage system and improving the surveillance of the water treatment facility. However, there are legal issues pending following the incident. In the second quarter of 2012, 5,343 claims were filed in a local small claims court related to the overflow. By the end of 2013, a total of 1,317 cases had been decided by the first level civil court in Barcarena, Pará, all in Alunorte's favor. So far, 388 of these decisions have been appealed to the second level civil court, located in Belem, Pará.

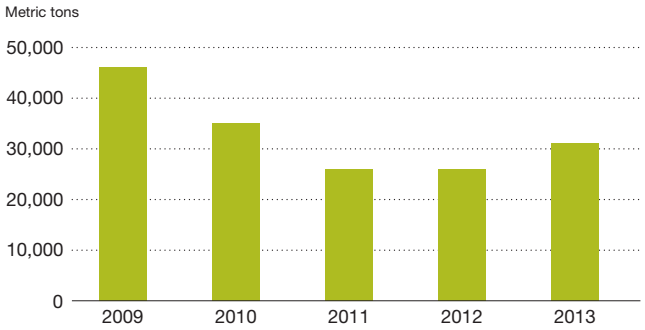
Other waste

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

Spent potlining (SPL) from the electrolysis cells used in primary aluminium production is defined as hazardous waste. In 2013, we generated 30.7 mt of SPL, which was up from 25.9 mt in 2012. The production of SPL varies with the relining of smelter cells which is normally done every 4-7 years for established smelters. New plants will get a relining peak at the same interval after start-up.

SPL and carbon waste from anode production is a substantial part of the hazardous waste generated in Hydro. Since the summer of 2012 anode waste is used by Norcem cement plant in Brevik, Norway (part of Heidelberg Cement) and from mid-2013 the carbon fraction of SPL has been exported to Rockwool in Germany. In both cases the carbon material from Hydro is being used as a fuel in the production process and high temperature incineration ensures destruction of hazardous components. The delivery to Norcem has a three year timeframe and the Rockwool contract is valid for the next two years (2014 and 2105) with an option for two additional years. Heidelberg and Hydro have also signed an agreement to develop alternatives to increase the use of aluminium process waste in cement production. In addition, we have initiated projects with two different refractory suppliers with the aim of recycling anode bake furnace as well as cast house refractories. These agreements are examples of efficient resource use that is sound for the environment by substituting fuel or raw materials while saving landfill costs.

Spent potlining



Figures include historic SPL production from current operations.

Qatalum is aiming at "no-SPL-to-landfill", together with other aluminium plants in the Arabian Gulf, with a view to using SPL in the cement industry. Albras delivers all SPL to the cement industry.

Emissions

Hydro has achieved significant reductions in emissions over many years including emissions of greenhouse gases as well as dust and particle emissions. Hydro's SO_2 emissions increased by 8 percent to 33,307 mt in 2013, while NO_x emissions went down 6 percent to 7,993 mt.

Dust emissions and noise are monitored on a regular basis, see www.hydro.com/gri *Environmental: Emissions.*

Hydro registered one permit breach in 2013 compared to seven in 2012.

Product stewardship

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

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

Respect and thorough assessments are key
"There are few areas of pristine nature left on the planet. So we need to preserve whatever primary forest that is still left in the tropics. We are not opposed to all industrial activity, but high standards must be set for anyone establishing themselves in the rainforest."

Lars Løvold, director
Rainforest Foundation Norway
Read full interview at www.hydro.com/reporting2013

Over the past two decades, Hydro and other aluminium companies have developed a pan-European network of national initiatives to promote and recycle aluminium packaging. Many of these national activities are emphasizing education and have developed projects with primary and secondary schools and universities to stimulate the next generation to make their contribution to a better environment. In Norway, we cooperate with among others World Wildlife Fund and Ikea to learn children and their families about the importance of aluminium recycling through collecting empty tea lights.

In January 2013, Hydro joined 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.

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

Integrity and human rights

As a global aluminium company with mining interests and about 13,000 suppliers, Hydro is at risk of being exposed to corruption and human rights violations. Hydro's approach is zero tolerance for such, and in the event of violations, our policy is first to correct, then act in an open manner and learn.

We require adherence with external laws and regulations as well as internal directives relating to corruption and human rights violations. Our compliance systems are based on prevention, detection, reporting and responding. Combating corruption and respecting human rights are integral to our supplier requirements, see page 65. Some of the measures we pursue to ensure integrity and responsible behavior include:

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

We support the principles underlying the Universal Declaration of Human Rights, the UN Global Compact and ILO's eight core conventions. We also support the OECD's Guidelines for Multinational Enterprises, Transparency International's Business Principles for Countering Bribery, the World Economic Forum's Partnering Against Corruption Initiative, and the Extractive Industries Transparency Initiative (EITI). We report payments to host governments related to exploration and extraction activities for bauxite, as well as operations for the production of alumina, based on EITI's principles. In addition, we cooperate with Transparency International and Amnesty International, and we are committed to the Voluntary Principles on Security and Human Rights. We are a member of the International Council on Mining and Metals (ICMM) and are committed to following their principles and position statements. See www.hydro.com/gri general disclosure G4-15a-16a for full overview. According to our global directives, Hydro may not make financial contributions to political parties.

2013 targets
- No instances of corruption
- No instances of human rights violations
- Development of grievance mechanisms for Hydro's activities in Barcarena, Brazil, as pilot for a Hydro-wide solution
- Revision of Hydro's Integrity Program
- Training in Code of Conduct and Integrity Program completed for all level 1, 2 and 3 leaders

2013 results
- No known instances of corruption
- No known instances of human rights violations
- Grievance mechanisms for all Hydro's activities in Pará (including Barcarena), Brazil developed
- Revision of Hydro's Integrity Program postponed till 2014. *Target not reached*
- Training in Hydro's code of conduct and CSR completed for level 1,2 and 3 leaders

2014 targets
- No instances of corruption
- No instances of human rights violations
- Revision of Hydro's Integrity Program
- Grievance mechanisms for Hydro's activities in Pará, Brazil fully implemented
- Preventing bribery and corruption e-learning completed by more than 3000 relevant employees

Total payments (taxes, fees, etc.) to host governments 1)

NOK million	**2013**	2012	2011	2010	2009
Australia	-	-	-	-	(0.7)
Brazil [2)]	68	80	48	98	160

1) Total payments to host governments in connection with the exploration and production of bauxite and alumina. Payments include benefit streams, profit tax, royalty, license fees, rental fees, entry fees, etc. The reporting is based on the principles in Extractive Industries Transparency Initiative (EITI).

2) The number for 2013 represents Paragominas entirely. Only Paragominas has other payments to host government than profit tax. Both Paragominas and Alunorte had a loss in 2013 and hence paid no profit tax.

Strategic goals 2018-2020

- Maintaining zero tolerance on corruption
- Positive contribution to local social-economic development
- All high risk suppliers are commited to complying with Hydro's CSR principles

Ensuring a robust compliance environment

Hydro maintains a board sanctioned code of conduct that was updated in December 2012. 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. The compliance system is based on the four pillars prevention, detection, reporting and responding, In addition to financial compliance, priority areas are anti-corruption, competition and HSE. Internal audits are used as a tool for improvements. Compliance is a line responsibility in Hydro supported by corporate staffs including Legal and HSE & CSR. A compliance officer coordinates processes and activities throughout the organization.

In 2013, about 1,050 employees, including more than 80 management teams, participated in training related to compliance issues within integrity and CSR, and nearly 150 relating to competition law. Hydro's code of conduct was distributed to all employees in local language. In 2014, a confirmation process was initiated to check that all employees have received, read and understood the code of conduct. Together with anti-corruption and basic employee rights, information about Hydro's whistleblowing procedure is also given through "You and Hydro" - a brochure and an e-learning program available to all employees in 12 languages.

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. An annual compliance report is submitted to the board of directors, see page 134.

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 local compliance officer (where relevant) or the Corporate Legal Department. If the employee is uncomfortable using any of the above channels for any reason, Hydro's whistleblower channel, AlertLine, can be used. All employees and contractors have anonymous access in their own language at all times via toll-free phone numbers, Hydro's intranet or the Internet. In certain countries, e.g. Spain and Portugal, there are, however, legal restrictions on such reporting lines. AlertLine is publicized throughout the organization. In 2013, 60 cases were reported, compared to 45 in 2012. All reported cases were investigated with periodic updates to Hydro's board audit committee and corporate management board. Most cases are related to management behavior and HSE. Also a number of cases related to contract management were reported of which three helped detect two cases of non-compliance caused by breach of procurement, contract and warehouse management procedures. These cases resulted in the dismissal of 13 employees in total. In addition, six cases of alleged discrimination and/or harassment were received, two of which resulted in the dismissal of a total of three employees. All reported cases were investigated or are still in the process of being investigated.

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

The new 50/50 joint venture Sapa has a code of conduct that is aligned with the corresponding policies of both owners. It is translated into 17 languages, and Sapa's top 100 leaders have confirmed in writing that they have read and understood the code of conduct. Training at lower levels have also started, e.g. anti-corruption training and discussions in the management teams around the organization.

Anti-corruption: "Still more to be done"
"In the past it was easier to say that you had to adapt to the prevailing business culture. In many cases this would be tantamount to saying that you had to adapt to a negative culture. Today there is not much need to discuss what is right and wrong. Most people know the difference, but there is still more to be done - even for Norwegian companies. Recent cases covered in the media and the courts confirm this."

Guro Slettemark, Secretary General,
Transparency International Norway
Read full interview at www.hydro.com/reporting2013

Try to be best in the class
"Given some of the conditions Hydro has to deal with, it is even more important for Hydro to be best in the class when it comes to those things the company can actually influence."

Beate Ekeløve-Slydal, Political adviser,
Amnesty International Norway
Read full interview at www.hydro.com/reporting2013

Combating corruption

Hydro's Integrity Program is based on the Code of Conduct, and is an important tool to prevent corruption and human rights violations. It was last updated in 2009, and is planned updated again in 2014. About 5,500 employees has been trained in the program since it was established in 2006. In addition, more than 95 percent of the employees in our Bauxite & Alumina business area have been through basic parts of the integrity program in connection with the integration of Vale aluminium operations into our business.

Other procedures are in place or planned relating to assessing the integrity risk of counterparties and detecting fraud.

During 2013, approximately 300 potential and existing counterparties were screened for records relating to corruption, financing terrorists, money-laundering, politically exposed persons and violations relating to sanctions and export. This led to a number of issues which were further investigated. Regular transaction based screening of vendors and suppliers is also carried out, see page 67.

Respecting human rights

As an employer, owner and purchaser, our most important contribution toward respecting human rights is to secure decent working conditions in our organization, in minority-owned companies and with our suppliers. Information pertaining to Hydro's human rights, policies and compliance is regularly communicated to the board of directors, the corporate management board, business area management teams, and other relevant parties including union representatives. See also page 68 for our approach in new projects and dialog with affected parties. We do not tolerate discrimination on the basis of gender, race, national or ethnic origin, cultural background, social group, disability, sexual orientation, marital status, age or political opinion. See page 72.

Child and forced labor

It is essential for us to avoid the use of child labor and forced labor, both in Hydro's activities and in those of our suppliers and partners. While child and forced labor has very low risk within our own operations, the risk is higher in the supply chain, see page 67.

Freedom of association and collective bargaining

We are concerned about fundamental labor rights, such as freedom of association, minimum wage requirements and the regulation of working hours. We support the principle of freedom of association and collective bargaining, and have a long tradition of maintaining a good dialog with employee organizations. Almost all our production sites in Europe and Brazil - representing 98 percent of our employees - are unionized. No strikes occurred in Hydro's consolidated operations in 2013. See also page 68.

Through joint ventures we have activities in countries where trade unions are restricted. These include Qatar, Vietnam and China, where we look for alternative forums to empower employees. Since 2011, Hydro has operated under an international frame agreement with four unions, aiming to secure the development of good working relations in Hydro's worldwide operations. We have also signed a corporate agreement with the main unions regarding the European Works Council. The new joint venture Sapa has a similar agreement.

Risk analysis

In 2012 Hydro completed a human rights risk mapping and gap analysis of our worldwide activities in collaboration with the Danish Institute of Human Rights (DIHR). No serious issues were discovered, however several gaps were identified. Most were closed during 2012 and remaining significant gaps were completed in 2013. During 2014 we will continue our cooperation with DIHR in order to further develop our Human Rights due diligence system. This work will include development of human rights due diligence measuring mechanism as well as evaluation of the third party grievance mechanism in Brazil.

Where necessary, Hydro employs security staff for the protection of personnel, property and business activities. There were no reported incidents in connection with our use of security staff in 2013, see page 75.

Vulnerable individuals and groups

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

Since 2011 Hydro has been operator of the Paragominas bauxite pipeline that crosses areas inhabited by a traditional Quilombola group in Jambuacu Territory in Brazil. Hydro has established contact with Quilombola representatives and enhanced dedicated resources to improve and follow up the dialog. The company concluded in 2013 the planned investment of BRL 100,000 in Casa Familiar Rural Project, which aims to increase income generation by enhancing education, training on agricultural activities, etc. Only a small part of the budget set for the partnership with Tome-Açu Mixed Agricultural Cooperative and National Service of Rural Learning were spent in the Quilombola's territory due to hesitation from their leaders about the implementation of the activities. We continue our efforts to obtain a good dialogue with the Quilombolas.

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

In Canada, Hydro's part-owned Alouette smelter is engaged in dialogue with representatives of the indigenous Innu Community as well as promoting and hiring of Innu employees.

Relocation of people can be necessary in connection with our operations. No relocations took place in 2013 from sites owned by Hydro. However, the government of Pará state in Brazil is in the process of resettling about 160 families who live in close proximity to the industry port of Barcarena. The port is owned by a state owned port company and operated by Alunorte. The larger companies in Barcarena, including Albras and Alunorte, are the dominant users of the port. The resettlement process has not yet been completed.

There is still one legal dispute between five of the 120 relocated families and the alumina refinery project CAP. These families claim to have the right to remain on the land that is occupied by CAP. However, after a preliminary analysis, the Trial Court denied their requests, which was confirmed by the Court of Appeals. The case is still pending final court decision, but there were no developments in 2013. See also "Dialogue with affected parties" at page 68.

Grievance mechanisms

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

Both Alunorte and Albras in Barcarena in Brazil have grievance mechanisms in place. However, the mechanisms in existence are not well known among our stakeholders, and the functionality is limited. To improve this, we have developed a new system for third party grievances for all operations in Brazil, which will be implemented in 2014. The system will work as a pilot for a systematic approach in all of Hydro. Channels for submitting grievances may vary depending on local needs. In Brazil, the system includes several channels including a phone number, e-mail and dedicated and specially trained field workers. Third party grievances may be of any kind, including social and environmental issues.

Working conditions in Qatar

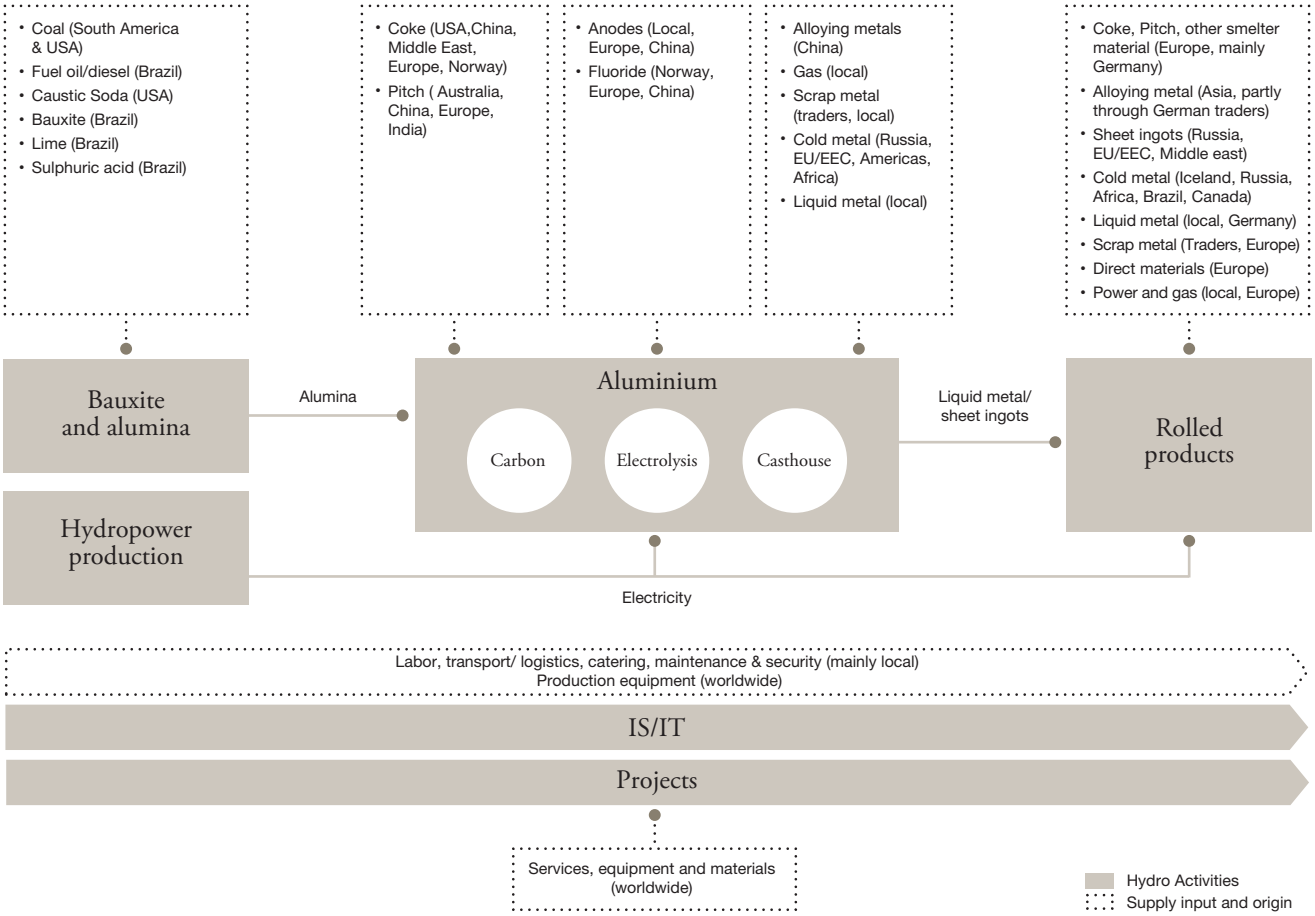
In 2013 several NGOs and media reported about poor working conditions for migrant workers in Qatar, in particular related to the construction industry. Hydro has taken such risk into account during the construction and currently the operation of the 50/50 joint venture Qatalum. One of the reports, from the Building and Wood Workers' International (BWI), emphasised good practices in two projects, of which one was Qatalum.

Promoting CSR in our supply chain

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

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

Implementation of our CSR requirements is risk based and takes contractual value and country risk into consideration. The requirements applies to all new contracts with a value above USD 3 million. They also apply to all new contracts, irrespective of value, which are conducted in high-risk



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

countries or which have high strategic importance. Our CSR requirements also apply when existing suppliers are re-qualified.

In 2013 we launched a new procedure for integrity risk management of Hydro's business partners including agents and consultants and revised the procedure for CSR in the supply chain. The procedure sets new requirements for integrity due diligence of suppliers in addition to contractual requirements. The CSR requirements are either included in the contract itself or in a separate declaration that must be signed by the supplier. The contractual clauses and declaration require the supplier to comply with local environmental and labor rights legislation, to minimize environmental impacts and to prohibit child, forced or compulsory labor. The contract furthermore includes auditing rights and the contractors' responsibility for implementing CSR requirements with its subcontractors.

There are local suppliers ready to meet the industry's demands

"The procurement functions in the large companies need to understand that there are local suppliers ready to meet their requirements, or are in a development phase to do so in the future. Hydro is involved at every point in the aluminium value chain in the state of Pará, thereby facilitating an exchange of knowledge between technology owners and local suppliers."

Marcel Souza, general coordinator
REDES (supplier network and industry federation of the state of Pará, Brazil)
Read full interview at www.hydro.com/reporting2013

The business areas have different systems in place - based on their different business needs - to comply with the corporate requirements. A supplier management system provides a formal risk assessment in accordance with Hydro's corporate directives and ISO 9001 requirements. This also includes a process for identifying critical suppliers, based on matters such as corruption and human rights risks. All new critical suppliers were screened in 2013 using environmental, labor practices and human rights criteria. For e. g. Rolled Products, we have developed procurement risk management guidelines.

Energy follows established procurement guidelines in their sourcing of goods and services. Projects screen all critical suppliers on CSR issues through a prequalification process. IS/IT performs supplier risk assessments and due diligence in addition to quarterly risk and compliance evaluations.

All suppliers in consolidated activities are checked routinely against the UN sanction list for matters related to anti-terror and money laundering. Furthermore, audits and site visits are performed by Hydro personnel based on risk analysis. Audit findings and corrective action plans are reported and handed over to the visited site. Proposed corrective actions are then checked in connection with the next audit performed at the site in question. Suppliers who fail to implement corrective actions in relation to identified child, forced or compulsory labor will be excluded. In 2013, we entered into dialog with certain suppliers and customers about possible inconsistencies with certain Hydro standards.

Hydro is a member of REDES, a supplier development network developed by the Industry Federation of Pará, Brazil with support of the state government. Learn more about local procurement at www.hydro.com/gri indicator G4-EC9.

The risk of incidents of child, compulsory or forced labor in our supply chain is considered to be low in the majority of Hydro's business areas. We do however recognize a risk of forced or compulsory labor among suppliers in South America and the Far East, which is followed up through supplier audits etc. See also page 65 about labor conditions in Qatar.

Community impact

Ensuring responsible conduct in relation to society at large is an important element throughout all phases of our activities. The construction of new plants, acquisitions and divestments as well as closing down capacity, are particularly important in this respect. Hydro has a long tradition for responsible restructuring.

2013 targets

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

2013 results

- Grievance mechanisms for all Hydro's activities in Pará (including Barcarena), Brazil developed
- Restructuring processes were carried out in cooperation with employees and their communities

2014 targets

- Grievance mechanisms for Hydro's activities in Pará, Brazil fully implemented
- Carry out restructuring processes in cooperation with employees and their communities

Strategic goals 2018-2020

- Positive contribution to local social-economic development

We will be judged by our results

"It is by what we achieve that we can confirm the quality of the Norwegian model of industrial democracy. As representatives of our fellow employees, we will be judged by our concrete results. Without a doubt the last few years have been difficult. Hydro has undergone major changes, and we operate in industries still severely impacted by the downturn in many of the world's largest economies. An important part of our job as employee representatives is to show that cutting costs is not always the right solution in all situations and at all times. We take this challenge very seriously - both from a Norwegian and an international perspective."

Sten Roar Martinsen, Billy Fredagsvik, Ove Ellefsen,
Employee elected members of the board of directors, Norsk Hydro ASA
Read full interview at www.hydro.com/reporting2013

Continued restructuring

In September 2013, the merger of Hydro's Extruded Products and Sapa, a fully-owned subsidiary of Orkla, was completed. The new company, named Sapa, has about 23,400 employees, of which about 8,200 came from Hydro. Sapa is a 50/50 joint venture owned by Hydro and Orkla. See page 46 in Hydro's Annual Report 2013. The integration of the two businesses was performed in close cooperation with employee representatives. The board of directors of Sapa includes two employee representatives, one appointed by the Swedish Trade Union Confederation and one by the Norwegian Trade Union Confederation, as well as two observers that also are union representatives. Integration of all formal systems have been completed, and Sapa is working on further restructuring measures in close dialogue with unions and employee representatives. As one of the remedies to obtain EU competition clearance, Hydro's former extrusion plant at Raufoss, Norway and its affiliated fabrication plant in Vetlanda, Sweden with totally about 210 employees, were divested by Sapa immediately following the merger. Sapa has also announced that one plant in the UK, one in the Netherlands and two in France will be affected by closures or other restructuring measures.

At our primary metal plant Rheinwerk in Neuss, Germany, production capacity was temporarily reduced from 235,000 metric tons (mt) to 50,000 mt in 2009, affecting 700 employees who consequently have had different levels of reduced working hours. Competence development and the inclusion of employees in different meeting places was important means to keep up the spirit during difficult times.

Following the signing of a five-year electric power supply agreement and the German implementation of CO_2-compensation under the EU guidelines, we restarted capacity early in 2013 and reached a capacity level of 137,000 mt per year at the end of 2013. Increased primary production has also resulted in increased remelting capacity at the plant. Rheinwerk was internally transferred from Primary Aluminium to Rolled Products in 2012 to link it closer to Hydro's other activities in the vicinity (Grevenbroich and part-owned Alunorf). In 2014 the plant is planned to supply Alunorf and Hamburg with a total of about 220,000 mt sheet ingots and 40,000 mt liquid metal from recycling.

In addition to Rheinwerk, part-owned Søral in Husnes, Norway, and the oldest production line in Sunndal, Norway, have had reduced capacity since 2009, even though some capacity at Sunndal was restarted in 2011 and 2012.

Hydro's rolling mill in Malaysia with about 170 employees was divested to Nippon Foil Mfg. Co, Ltd. (NFM). Through an agreement with Rio Tinto Alcan, we acquired its 50 percent ownership share in the Vigeland Metal Refinery AS and 100 percent ownership share in the AS Vigelands Brug hydropower station with totally 40 employees. Both are now fully owned Hydro subsidiaries. We also secured in 2013 power supply in the period 2014-2021 for the majority-owned aluminium plant Slovalco in Slovakia.

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

New projects

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

In September 2013, Hydro asked the Norwegian public enterprise Enova for financial support in connection with a project to test next-generation aluminium electrolysis technology at a 70,000 mt pilot plant in Karmøy, Norway. See also page 77.

At its rolling mill Grevenbroich in Germany, Hydro approved in February 2014 the construction of a new line for aluminium car body sheet with a capacity of 150,000 mt. This followed a decision in 2013 to expand an existing line from 20,000 to 50,000 mt.

We are refurbishing and upgrading several power plants in Norway, see page 46.

The first phase of the CAP project covers the CAP alumina refinery project of 1.86 million mt per year as well as the expansion of the Paragominas mine to 14.85 million mt per year. Through the Vale transaction, Hydro's ownership in the project increased from 20 percent to 81 percent. The refinery was originally approved and project execution commenced in 2008. Construction has been postponed several times, most recently in 2012.

Dialogue with affected parties

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

Dialog with the employees' representatives includes involvement at an early stage in restructuring processes. In our Bauxite & Alumina operations in Brazil, we seek to bring with us our tradition for open and successful collaboration between management and unions. Around the time of the closing of the acquisition, top union representatives from Norway met with local union representatives in Pará to carve out a way forward, formalizing and coordinating union dialog across new and old parts of Hydro. The part-owned aluminium plants Albras and Slovalco are part of the global meeting structure between management and union representatives in our Primary Aluminium business area.

Creating a forum for effective agreements in Barcarena
"The institutional strengthening of organizations from local society was essential in building a public space where discussions could take place on a social environmental agenda for the municipality."

Manuel Amaral, regional office coordinator
Instituto Internacional de Educação do Brasil
Read full interview at www.hydro.com/reporting2013

In 2013 we started implementation of the stakeholder communication and engagement plan developed in 2012, including formation of an intersectorial forum. The forum is a communication platform between the local stakeholders, the municipality and Hydro's operations in Barcarena. A pre-forum agreement was signed in August 2013, and a charter for the forum has been developed. The first formal meeting of the forum will take place in March 2014. We have also started to implement a new system for handling of grievances and systematic stakeholder dialogue, see page 65.

We have established contact with local authorities and representatives for our neighbors. This includes dialog with traditional Quilombola groups, see page 65.

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

Public affairs and lobbying

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

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

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

Hydro subscribes to the Code of Conduct for Lobbying in the European Parliament, and is registered since 2010 in the European Register of Interest Representatives, set up by the European Commission. Hydro also is a member of a series of think-tanks, especially in Brussels, and engages regularly in discussions with various NGOs.

Most resources are dedicated to lobbying activities within the EU, Norway and Brazil. Such activities within the EU are publicly reported through the EU Transparency Initiative. In 2013 we spent about NOK 1 million on such activities in the EU excluding indirect costs like salaries, office rent etc. Two full-time equivalents are dedicated to lobbying activities in the EU while in Norway, Germany and Brazil, about one full-time equivalent is dedicated to such activities in each country.

Community investments and sponsorships

In 2013, Hydro spent NOK 27 million on community investments, charitable donations and sponsorships, down from 39 million in 2012. More than half was related to community investments. Main outcome of the investments is a strengthening of local communities in addition to increased goodwill for Hydro and pride in the organization, in addition to creating dialogue and interaction with stakeholders.

Hydro's sponsorship and partnership strategy builds on:

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

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

As a mine operator in Paragominas in Pará, Brazil, some of our most important community investments have been performed there. These can be divided into three main categories: mitigating actions or legal conditions, to which the Quilombola program is an example, other value added projects for the local community, where Hydro's activities related to Caseca, a recreation center in Paragominas for about 1,000 school children and youngsters from vulnerable families is an example, and sponsorships for company profiling. Our activities in Pará also include building schools,

training for income generation, support for community organizations, community infrastructure, cultural and sports facilities as well as health care.

In 2013 our cooperation with the University of Oslo to improve our knowledge about biodiversity in Paragominas, was extended to also to universities in Pará, please see page 59. In Barcarena, also in Pará, Alunorte has since 2001 cooperated with the municipality of Barcarena in an extensive program to improve educational performance, including higher enrollments and lower school truancy. The program aims at improving the children's and youngsters' environmental and citizenship knowledge using sport as an important incentive. In 2013 we measured the program and established an action plan to improve further. About 3,000 students aged 12 to 20 participated in one or several parts of the program in 2013.

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

Several Hydro plants donate energy to the local communities. This include the 50/50 joint venture Alunorf in Germany, which through the cooperation project District Heating Allerheiligen supplies energy from exhaust air free of charge using equipment invested by Neuss Utilities.

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

All sites must report annually on all social investments, charitable donations and other initiatives. This includes amounts / time spent and benefits to the company as well as to the communities. Outcomes for Hydro and the society are also included in the reporting requirements.

Organization and work environment

We did not achieve our most important target in 2013 - no fatal accidents - and our TRI rate (total recordable injuries per million hours worked) did not improve. Even though our safety results are among the best in industry, our clear ambition is to improve further.

We aim to be highly competitive when it comes to recruiting and keeping the best-qualified personnel. We emphasise developing a healthy and safe work environment, providing each employee with proper conditions for continuous development of her or his expertise.

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

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.

2013 targets

- No fatal accident
- Total recordable injuries per million hours down by 16 percent to 2.85
- Revitalize the appraisal dialog system (HLDP) - pilot testing should be completed and roll-out plan prepared
- Enable diversity: Diversity ambitions should be communicated and awareness workshops conducted

2013 results

- One fatal accident. *Target not reached*
- Total recordable injuries per million hours 3.4 and the same as in 2012. *Target not reached*
- Revitalize the people performance and development system (HLDP) - pilot testing completed and roll-out plan prepared for the new system "My Way"
- Enable diversity: Diversity ambitions communicated and awareness workshops conducted

2014 targets

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

Strategic goals 2018-2020

- No serious accidents
- Total recordable injuries per million hours below 2
- All employees participate in the people performance and development process "My Way" by 2015
- Hydro scores in the top 25 percent on the employee engagement index in Hydro Monitor

Effective organization

Hydro had 12,564 permanent employees at the end of 2013, a decrease from 21,566 in 2012. In addition, we had 765 temporary employees compared to 1,161 the year before. Contractor employees represented about 7,000 full-time equivalents during 2013, down from 8,200 in 2012. The significant decrease in permanent employees followed mainly the merger between Hydro's Extrusion business with Sapa. In addition came divestments as well as improvement programs in all business areas, see page 28, 33, 40 and 44. Following the demerger of our Extrusion business, the large majority of employees are concentrated in Brazil, Germany and Norway.

Hydro's people strategy is built on five pillars: performance culture, competence management, leadership pipeline, diversity and mobility. In 2013 we mainly concentrated on revitalizing our people performance and development process, launching new leadership development initiatives and initiating the implementation of a company-wide diversity program.

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. See page 68.

"This differentiates Hydro"
"Hydro seeks to discuss with all the unions involved in the company, even allowing workers' leaders to participate in important decisions in Norway. This differentiates Hydro."

Josenildo Rodrigues de Vilhena, president
Albras Workers Union
Read full interview at www.hydro.com/reporting2013

Developing and retaining the right competence

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

In 2013, we revitalized our common process for people performance and development. It includes appraisal dialog, individual development and follow-up, as well as talent planning and succession management. Implementation of the new process has started and should be completed by the end of 2015 when all employees should be included.

Hydro Monitor is carried out for all employees every second year. In 2012 we scored 65 percent on the employee engagement index (EEI) while the long-term ambition is to be among the top 25 percent performers, which is currently equivalent to 74 percent. EEI measures the extent to which employees are motivated to contribute to organizational success,and are willing to apply discretionary effort to accomplishing tasks important to the achievement of organizational goals. The performance excellence index (PEI) for 2012 was 72 percent, which is considered a good level. PEI measures among other things to which degree systems and processes are in place. The most important part of Hydro Monitor is follow-up. All units had action plans by the end of September 2012, based on their survey results and worked on implementing the actions in 2013. A new survey was performed during first quarter 2014 when more than 90 percent of Hydro's employees participated.

In order to have a healthy pipeline of senior leaders with the required breadth of experience, we emphasize rotating employees early in their careers so that they gain skills from different parts of the organization. This is also reflected in our diversity ambitions. In addition to running the Hydro Executive Program and a program for new leaders, we have in 2013 launched both the Hydro Leadership Program for middle managers, and the Hydro Mentor Program to ensure competence transfer between experienced leaders and young high potentials.

In 2014, we will commence work to develop a Hydro Academy. This will primarily be a virtual corporate university, seeking to better visualize learning opportunities in the organisation and developing targeted course portfolio based on business needs.

The employee turnover rate (excluding Brazil) in 2013 was 5.6 percent, significantly down from 10 percent in 2012, including resignations, retirements and manning reductions, but excluding closures and divestments. For more information, see www.hydro.com/gri indicator G4-LA1.

Diversity

We see diversity as a source of potential competitive advantage for Hydro and emphasize diversity with regard to nationality, culture, gender and competence when recruiting and when forming management teams and other working groups. While 87 percent of top management are Norwegian or German, only 54 percent of Hydro's employees are the same. With three women among the eight share-holder elected members in the board of directors, Hydro complies with Norwegian legal requirements. The share of women was 29 percent in Hydro's Corporate Management Board and 25 percent among the leaders at the level below. We aim at further diversity at all levels. In 2013 we performed high-level awareness workshops on diversity, and all business areas and corporate staffs developed diversity targets and roadmaps towards 2020.

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 5 to 19 in 2013, but we are still far from the target. A course aiming to train disabled people is 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, more than 4 percent of the employees are disabled people and further efforts are in progress in order to reach the target.

An example of diversity commitment is Hydro's Rolled Products plant in Grevenbroich, Germany. To make work and private life for its 2,000 employees more compatible it received in 2013 a "Job and Family" certificate from the German government. More than 300 German institutions have been certified, but only 6 percent of these - including Hydro - are from the industry. Flexible agreements, such as changing shifts, are often made with superiors to enable employees to handle situations such as sick children or an ailing relative. Holiday bottlenecks are being bridged by a local holiday program for employee children. In addition, there are far more employees today than in the past who make use of the option to nurture their newborns. Therefore the first German Hydro kindergarten for employee children was opened by the plant ultimo 2013. While Hydro has had kindergartens for employee children for more than 30 years in Norway, this is not common in Germany.

In 2013, 13 percent of Hydro's employees globally were women, compared to 15 percent in 2012. The reduction is a consequence of the demerger of Extruded Products which had a higher ratio of women than Hydro on average. See www.hydro.com/gri indicator G4-LA12 for further diversity information.

Hydro employs locals when necessary competence and capacity is available, and normally uses expatriates only to secure employee development and the transfer of values and competence. See www.hydro.com/gri indicator G4-EC6 for further diversity information.

Compensation

All employees shall receive a total salary that is fair, competitive and in accordance with the local industry standard. Only relevant qualifications such as performance, education, experience and other professional criteria shall be taken into account when making appointments, or when providing training, settling remuneration and awarding promotion. There are no significant gender-pay differentials for employees earning collectively negotiated wages in Norway and Germany. Salary conditions in the Norwegian organization are reviewed on a regular basis. If significant

Share of women leaders

The total share of women at all levels in Hydro was 13 percent in 2013

Share of non-Norwegian leaders

differences are found at any level, we have a tradition for closing the gaps within short time. We have also controlled if gender-related salary differences exist our operations in Brazil in 2013. We found that female employees' average salary represented 96 percent of men's salary at manager level and higher. At the operator and technician level, women's average salary represented 104 percent of men's salary. The reported differences are not directly comparable as age and detailed position category are not included in the evaluation.

The annual bonus of Hydro executives shall reflect achievements in relation to pre-defined financial targets, achievements of operational and organizational key performance indicators (KPIs). Targets relating to safety and environment and corporate social responsibility, and compliance with and the promotion of Hydro's core values (The Hydro Way) constitute a substantial part of the KPIs. Please see Note 10 and 11 to the consolidated financial statements for more information.

Health and work environment

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

We work continuously to avoid new occupational illnesses. Since 2013, we have had a common definition for reporting of occupational illnesses, and require as a minimum that all potential cases are to be reported. The majority of the reports are from our Norwegian sites, showing that there is room for further improvement in our global reporting. The development is tracked through a corporate reporting tool. The occupational-illness rate in 2013 was 1.7 cases per million hours worked, down from 1.9 in 2012. Most of the reported cases are related to noise. We expect an increase in 2014 following improved reporting.

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 and the tool is under implementation in our Bauxite & Alumina business area. 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 for 2013 based on identified risk-reducing measures. These targets are tracked through a corporate reporting tool. We are working on further implementation, including introduction of the indicator in Bauxite & Alumina.

Hydro Monitor (see page 71) is another tool we use to track the organizational work environment, and the results are followed up through local action plans.

Through our activities in Brazil, we have significant activities in areas where some tropical diseases are present. Malaria is only present to a limited degree in our consolidated operations. Minority-owned MRN has a program to limit malaria both within its premises and in the neighboring communities. This includes information given to employees, their families and riverside dwellers. The number of malaria cases is recorded. No epidemics took place in 2013. Dengue fever occurs from time to time at several of our operations in Brazil, but no cases were reported in 2013. Employees are informed about the risk, and treatment is given through the operations' health service. HIV/AIDS is an increasing concern in Brazil. Hydro has paid for the construction of an HIV/AIDS center in the city of Paragominas, which is operated by the authorities. The center gives information about how to prevent the disease as well as treatment to the infected. Several of our Brazilian sites participate annually in campaigns to prevent sexually transmitted diseases.

Registered sick leave in Hydro was 3.7 percent in 2013, up from 3.2 percent in 2012. Legal systems and compensation regarding sick leave vary from country to country. This impacts reporting and makes comparison between countries difficult, even though we introduced common reporting definitions in 2012. Norwegian national reporting requirements are similar, but not identical to our reporting requirements, and the national average is significantly higher than the average of Hydro in Norway. Sick leave for Hydro in Norway, according to Norwegian reporting requirements, was 5.1 percent in 2013, up from 4.6 percent in the previous year. Men's sick leave was 4.8 percent, up from the 2012 level of 4.4 percent, while women's sick leave was 6.6 percent, up from 5.7 percent in 2012. The increased sickness rate is partly a consequence of an ageing work force and thereby more aggregated exposure time. A better economical situation in Germany than in the crisis years before, may also be a reason. Counter measures in place include workshops on absentiism together with experts from academia in our Rolled Products business area.

Safety

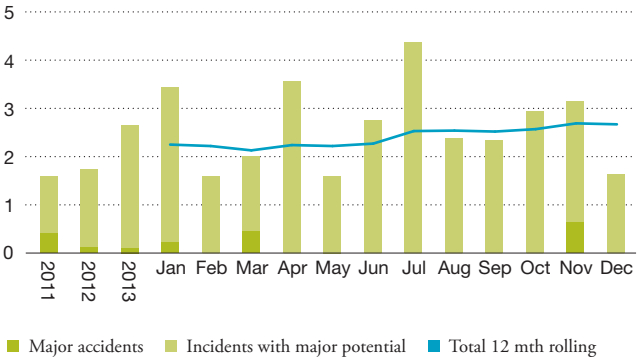
Our ambition is to avoid all serious accidents. Accidents cause human suffering and inefficient organizations. We work continuously to avoid damage to property and loss of production. This applies to all our activities.

Fatal accidents

Number

High risk incidents

Per million hours worked (employees and contractors combined)



We did not reach our most important target in 2013 - no fatal accidents. In March a contractor employee lost his life following an accident that occurred while moving a punch press at an extrusion plant in France. Our TRI rate (total recordable injuries per million hours worked) was 3.4 in 2013 and 2012, and we did not reach our target of 2.85. Even though our safety results are among the best in industry, our clear ambition is to improve further. Internal independent investigations are routinely initiated after fatal accidents and other serious incidents to identify the causes and reduce risk for recurrences.

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

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

Our approach to improving safety performance is based on risk management, leadership qualities and shop floor engagement. An example is a company-wide, harmonized high-risk incident investigation and communication tool that was implemented in 2013. We have defined the priority areas man/machine interface, traffic and contractors as well as leadership behavior. Designing the interface between employees and technical equipment is important to avoid dangerous situations and accidents and is an important area in the Primary Metal and Rolled Products business areas.

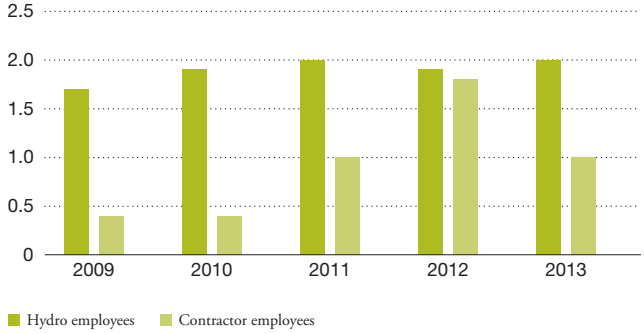
REACH and CLP

The EU regulation on chemicals, REACH, entered into force on June 1, 2007. Aluminium is covered by the regulation.

Hydro is on track with our implementation of REACH, having successfully completed the second stage in the legal process, i.e. the registration of substances produced and/or imported into the EU in volumes above 1,000 metric tons (mt) per year. The final step in the implementation of REACH is the registration substances produced and imported above 1 mt, which is June 1, 2018. See page 49.

Lost-time injuries

Per million hours worked



Total recordable injuries

Per million hours worked

The Regulation on Classification, Labeling and Packaging (CLP) transposes in European law the Globally Harmonized System (GHS) for classification and labeling adopted by the United Nations. It covers substances and mixtures, and replaces the previous EU Dangerous Substances Directive and Dangerous Preparations Directive.

CLP is about the hazards of chemical substances and mixtures and how to inform others about them. It is the task of industry to identify the hazards of substances and mixtures before they are placed on the market, and to classify them in accordance with the identified hazards.

Importers and manufacturers must provide notification about substances subject to registration under the REACH Regulation and hazardous substances, irrespective of volumes, prior to placing them on the market. The first notification deadline was January 3, 2011, which was successfully met by Hydro. The next deadline is June 1, 2015.

Security

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

To prepare for and respond to intentional, unintentional and/or naturally caused disasters, and to protect people and critical assets, security measures are adapted and commenced pending on the evolving risk picture. Security guards are employed on a regular basis to protect our personnel and assets. No armed guards were engaged in our mining activities in 2013, and there were no significant incidents reported in connection with the use of security guards. Hydro is committed to the Voluntary Principles on Security and Human Rights.

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

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

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

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

Innovation

We believe that the key to Hydro's 108-year-long stretch of industrial progress is the combination of production and innovation, where research and development have gone hand-in-hand with full-scale production.

Our technology efforts are concentrated on these three areas:

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

In our industry, we must start developing today the technology we will be using 10 or 20 years down the road. That's why we are working to maintain progress, unaffected by the fluctuations of the business cycle. Smelter technology, alloys with special properties and buildings that are energy-neutral during operation are among the areas we are developing together with optimized operations throughout our value chain.

In 2013, research and development costs recognized as an expense amounted to NOK 216 million compared to NOK 247 million in 2012. 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, see Note 14. 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 new joint venture Sapa has their own research centers.

All business areas are responsible for their own technology development and execution of their respective technology

strategies. A corporate technology office 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. We also have our own hydropower production in Norway.

An important part of Hydro's overall technology strategy is to utilise our researchers and experts in optimising operations in existing plants, i.e. turning competence into cash. The competence base in Hydro's technology environments is on a very high level and in core areas world-class. In later years we have emphasised utilizing this competence in operational improvements. Examples of such improvements are a model for optimising the beneficiation process in Paragominas, Brazil, productivity increases in strip casting at Karmøy rolling mill in Norway, improved die design resulting in improved productivity in extrusion, new cathode solutions for electrolysis cells and optimised recipe for composition and performance of anodes for the electrolysis process.

Upstream R&D and other innovation efforts are mainly emphasising 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.

Sustainable packaging - with aluminium
"Rexam wants to create sustainable supply chains, and our suppliers play a critical role in this. Innovation continues to be an engine for creating better product and technology solutions developed in close collaboration with our suppliers. Beverage cans today are 90 percent lighter than they were when they first appeared on the market 75 years ago. We believe there is still more to do to bring the 'ultimate can' to market."

John Revess, director of Group Sustainability
Rexam PLC
Read full interview at www.hydro.com/reporting2013

Bauxite & Alumina

Hydro is working on improved bauxite mining and beneficiation processes at Paragominas and robust alumina refining processes at Alunorte, building capability to increase the economic utilization of marginal bauxite ores. These initiatives will increase the value of Hydro's reserves while reducing the extent of land affected per ton of bauxite extracted.

Paragominas is pioneering the introduction of continuous mining technology, which will enable significant productivity gains over time.

We are continuously working to reduce our energy usage and costs through process optimization, low grade heat recovery systems and steam/electricity co-generation. Improved energy efficiency also reduces our CO_2-emissions.

Bauxite residue (also known as red mud) is an environmental concern for the alumina industry. We use state of the art filtration and dry stacking technology for disposal of bauxite residue, a by-product of alumina refining. We are planning the conversion to more advanced press filter technology to reduce even further the moisture content of the residue, resulting in reduced deposited volumes and hence reduced environmental impact. We participate in international collaboration projects investigating possibilities to use bauxite residue as a resource. Additions to cement and soil remediation are promising areas that will be pursued further.

As a fully integrated aluminium company, we are now establishing a closer collaboration between the alumina refinery and the smelter customers in order to increase our understanding of how alumina quality affects smelter performance.

Energy

Our power plants are operated in a cost efficient way emphasizing preventive HSE work, and we have developed extensive competence within operational risk control and income optimization. In addition our Energy business area supports other business areas in their energy agenda. In Norway we are increasing our production capacity by optimizing existing hydropower plants and are looking for new opportunities especially within existing concession areas. We cooperate with suppliers and participate in industry-wide R&D programs, but do not run our own specific R&D programs.

A project that developed efficient processes and IT systems for bidding and delivering power into the markets and maintaining control of sales obligations in all markets, won the Hydro President's Innovation Award 2013.

Primary Metal

Our vision is to develop a electrolysis cell technology at world-class capital, operational expenditure level and world-class productivity that approaches an energy consumption of 10 kWh per kg aluminium.

In our Primary Metal business, R&D is important to strengthening competitiveness by improving the cost position

of our metal plants. Prioritized tasks are reducing energy consumption, improving cell efficiency, reducing operating costs and reducing capital expenditure, while limiting the environmental impact. Because energy constitutes a significant part of total production costs and is expected to become an increasingly valuable global scarcity factor, energy efficiency is one of the most important ways to reduce costs, while at the same time reducing the climate footprint.

Our next generation technology, HAL4e, has been thoroughly tested in six full-scale production cells. We are now developing this technology further through our so called HAL ultra development program. HALsee (HAL super-efficient energy) is targeting a maximum of 12 kWh/kg aluminium produced. This is a pure demonstration cell that would be too costly and specialised to implement in a real plant, but still gives a motivating indication that our understanding is bringing us closer to our vision of 10 kWh. Good collaboration between our R&D units, operations and academic partners is a pre-requisite for the development.

Improved and new technology elements have been introduced for almost all parts of the cell. The HALsee cell has been developed by a team of experts based in Årdal and Porsgrunn in Norway, Neuss in Germany, and Canada, and has been financially supported by the Norwegian public enterprises Enova, the Research Council of Norway and Innovation Norway.

Hydro is currently studying the potential for testing our next-generation electrolysis technology and the world's most energy-efficient aluminium technology in a full-scale industrial environment at a pilot plant with annual production capacity of about 70,000 metric tons (mt) in a pilot plant at Karmøy in Norway. In September 2013, Hydro submitted an application to Enova for financial support of the pilot. The main purpose is to verify the latest technology version, HAL4e, at an industrial level in order to reduce risk in future smelter projects. We are targeting an energy consumption below 12.3 kWh/kg aluminium and also to test new technology elements that can bring the energy consumption well below 12 kWh/kg. Another important purpose of the pilot is to validate technology elements that can also be implemented in existing smelters. If realized, the production can start in 2017 at the earliest.

Through R&D efforts we have improved the operations of Hydro's Norwegian smelters since 2009, giving CO_2 savings of more than 200,000 mt, reduced specific electricity and anode consumption as well as reduced anode effect. These smelters represent about half of our consolidated smelter capacity. Improved operational capabilities are also transferred to Hydro's fully- and part-owned smelters outside Norway, but not included in the figures above. The current average anode effect in Hydro's Norwegian smelters has become very low. Further reductions in CO_2 emissions will thus mainly come from reduced specific anode consumption. The reduced electricity consumption has not resulted in significant CO_2 reductions, as the vast majority of electricity consumed in Norway is from hydropower.

Casting

Improvement work is carried out in close collaboration between our customers, production units and R&D, emphasizing three main topics: Quality of our products, efficient production and new alloys to cover specific market needs. Quality improvements are closely linked to our customer technical service, listening to our customers' needs while improving our own casthouse process. The casthouse production process relies on our cutting edge proprietary casting technology, developed by our fully-owned equipment producer Hycast and our R&D center.

We develop new alloys with tailor made properties to meet future needs within the automotive, building, electronics industries etc. This work starts with a deep understanding of metallurgical phenomena that occur on an atomic level. Based on this, sample compositions and production are made in our laboratory or reference cast house, and properties mapped out. Finally, full scale tests are done, often together with customers, or even with the end users, to verify the performance of the new compositions.

Product development

Implementing and commercializing innovative product ideas and concepts are core activities in Hydro. Innovation often takes place in joint projects with the customer once needs have been identified, or we develop new or improved products based on customer demands. Numerous new products are launched every year. The carbon footprint of our solutions is gaining increasing attention and relevance, especially when looking at new applications of aluminium and when improving the environmental performance of existing ones.

Our approach to involve customers and key stakeholders in developing better solutions helps us to differentiate and become a partner of choice. One example is a customer which we have supported with the development of a more efficient aluminium bus bar system to replace a copper system. Another example is an automotive customer for which we are working to further improve crash systems in cars.

We also work closely with customers to develop products that save energy and reduce emissions. There is an increasing

interest to substitute other materials with aluminium in order to improve product performance. Drivers for this include reduced weight and cost as well as improved corrosion properties. This trend is very strong within automotive, where weight reductions contribute to reduced emissions and reduced carbon footprints. Progress is also made within electrical and electronics products, where partly heat conductivity, design and cost drives aluminium consumption forward. Aluminium is still important for reducing energy consumption in buildings, like façades integrating energy-saving technology. The marine sector also approaches the aluminium industry in order to obtain weight and maintenance advantages.

Aluminium façades, developed by our joint venture SAPA, can lower operating costs and help buildings produce all the energy they consume during operation. Heat pumps, integrated photovoltaic systems and intelligent building design all contribute to energy neutrality. Another example is our Rolled Products business area which works with packaging manufacturers to improve certain packaging materials, to provide high functionality while improving recycling rates. With a novel laser-cutting facility at Hydro's site in Dormagen, Germany, we enable carmakers to construct much larger and more complex body parts from one single sheet of aluminium, taking yet another step forward in the growing market for automotive light-weighting with aluminium.

Recycling

We aim at further increasing our recycling capacity of used and contaminated process scrap. This can only be achieved by evaluating the whole recycling chain, from collection of aluminium scrap from industry and consumers to identifying applications for recycled materials. Scrap collection is mainly business development, but includes also support from R&D

Scrap processing is one of the two main areas in our recycling technology strategy, in particular to refine the scrap so that it can be used to produce the needed high-quality semi-finished products. In this area we are benefiting from our extensive alloy and casting expertise. Scrap utilization is the other main area, to find optimal products for recycled aluminium. Developing recycling-friendly products to prepare for future recycling is also an important part of this work.

Hydro's Scrap Portal, which was made fully operational primo 2012, is an electronic tool used to raise competence and efficiency within the organization. All of our remelters are using the portal for all scrap procurement. The portal provides access to real-time LME quotations and automatically benchmarks every single purchase versus LME settlement and LME plus ingot premium. The portal is also used to coordinate scrap collection with customer deliveries. All information pertaining to the scrap procurement process is readily available to all stakeholders in Hydro. Work processes and data definitions have been harmonized, and order handling has become more efficient with better system integration and reduced risk for errors. The system also facilitates knowledge sharing between scrap buyers and improved performance monitoring and reporting. Additional APICS software has been further upgraded and is used for batch calculation to identify lowest cost raw material on all charges produced in our recycling plants. Further integration with our customer and scrap portal solutions will be developed during 2014 to allow optimum planning and forecasting as well as supporting our commercial teams in their day-to-day work.

Our recycling-related projects also include reduction of total process waste and waste sent to landfill. Hydro participates in national and EU-funded projects to support our ambition as a company and industry, please see below.

Cooperation with other institutions

In Norway, we receive support from several public institutions to further develop our smelter and casthouse technology as well as downstream activities. These include The Research Council of Norway, Enova, Innovation Norway and Prosessindustriens Miljøfond. In 2013, we received in total NOK 55.2 million from these institutions, while we have been granted NOK 85.1 million to be paid out in the years to come if certain projects are implemented. The majority of the support from The Research Council of Norway is paid directly to projects administered or partnered by Hydro at NTNU, SINTEF or Institute for Energy Technology.

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

Zellerfeld on SPL inertization for alternative fuel usage, and one with RWTH Aachen on aluminium recovery from incinerator ashes. The BMBF funding amounts to about 100,000 Euro per year.

Within Bauxite & Alumina and Energy, we mostly base technical R&D on our suppliers as well as industry cooperation. See for example page 59 on how we cooperate with other companies and the University of Oslo to improve reforestation and secure biodiversity in Brazil.

Best practice sharing

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

All employees in the organizations are included in the processes, which include establishing standardized practises, training through e-learning, classroom training, on-the-job training and job observation. AMPS training is organized as an ongoing training academy, which also includes a leadership development program for all employees in management or supervisory positions. So far, about 800 managers and supervisors have taken part in the leadership program, while all employees in the relevant business areas have participated in different academy training sessions. Implementation of AMPS was an important part of our USD 300 per metric tons (mt) primary aluminium cost-reduction program for our fully owned smelters, concluded by the end of 2013.

The production system has been implemented at all our metal plants, including the joint-venture plants Qatalum, Slovalco and Albras. Albras (acquired in 2011) has introduced an "AMPS para todos" - AMPS for all - program. So far, 1,200 employees and the most important contractors have participated.

Our rolling activities have similar systems adapted to their business needs.

Hydro recognition program

The objective of the Hydro Recognition Program is to energize all employees by recognizing excellent work and best-practice sharing. The winner is an organization or a team that has demonstrated outstanding effort within the areas of HSE, innovation or performance. Winners should clearly demonstrate the spirit of The Hydro Way, emphasizing the values of Hydro in the way they work. The winners of the Hydro Recognition Program in 2013 were:

- Innovation Award: Energy for its IT system for commercial and operational control in power markets (see page 76)
- HSE Award: Energy Power Operations and the Karmøy aluminium smelter, both in Norway
- Performance Award: Primary Metal for its USD 300 program (see page 33)

About the reporting

Hydro's main reporting for 2013 on Viability Performance is included in the Annual Report. In the web version of the Annual Report, we have included supplementary information on reporting principles (scope, definitions, explanations) and our adherence to the voluntary AA1000 AccountAbility Principles Standard (AA1000APS), drawn up by the Institute of Social and Ethical Accountability. An index referring to the Global Reporting Initiative's Sustainability Reporting Guidelines and the requirements of the International Council on Mining and Metals in addition to a Communication on Progress report in accordance with the United Nations Global Compact is also on the Internet, with links to the relevant information.

Principles for reporting on viability performance

The purpose of Hydro's reporting is to provide stakeholders with a fair and balanced picture of relevant aspects, engagements, practices and results for 2013 at a corporate level. We believe that the reporting in total satisfies this purpose. Our reporting on viability performance is aligned with the main reporting principles of the Sustainability Reporting Guidelines from the Global Reporting Initiative and the requirements of the International Council on Mining and Metals. The selection of elements reported is based on extensive dialog with stakeholders and proposals from them. In addition, the reporting builds on processes that are part of our daily operations. Important stakeholders include authorities, investors and financial analysts, employees and their representatives, potential employees, customers, non-governmental organizations and local communities affected by major development projects or restructuring processes. Reporting is not necessarily the target of the dialog process, but when relevant, we use the outcome to improve our reporting, see page 68.

We believe this approach is consistent with the principles of inclusiveness, materiality and responsiveness required by AA1000APS.

We have endeavored to provide information that is in accordance with the principles of sound reporting practice. The absence of generally accepted reporting standards and practices in certain areas may nevertheless make it difficult to compare results with reports compiled by other companies, without the availability of further data, analyses and interpretations.

Reporting scope and limitations

The scope of the report is Hydro's global organization for the period January 1 to December 31, 2013. In general, operations sold or demerged during the year have not been included. All consolidated operations that have been part of Hydro during parts of 2013 are still included in our health and safety data for the period the unit was owned by Hydro.

Data relating to health, environment and safety have been prepared by individual reporting units in accordance with corporate procedures. This applies to all Hydro's operations, including consolidated subsidiaries and units for which we have operator responsibility. This applies if not otherwise stated.

Non-operated, minority-owned operations are not included in the reported data, except for greenhouse gas emissions from Hydro's ownership equity, as reported on page 56 and 87. In addition, we include some examples and other qualitative information that demonstrate how we promote our policies toward these operations.

It is not the intention to include detailed information that is primarily of significance for individual sites, processes, activities and products.

Information in the reporting is based on input from many units and sources of data. Our emphasis has been to ensure that the information is neither incomplete nor misleading. However, the scope of the report, and the varying certainty of data in connection with diversity and HSE matters, for example, may mean that there are uncertainties regarding some of the figures reported.

Environmental and financial data relating to acquired operations are included in our statistics, and historical data have been recalculated to reflect current operations. Correspondingly, historically data of divested activities are taken out of our reported data. Headcount, safety and work environment data are included from/to the closing date of acquisitions/divestments.

Assurance principles and scope

We have requested our company auditor to review the information relating to viability performance in accordance with the AA1000 Assurance Standard (2008) (AA1000 AS). This is an assurance standard for this type of reporting, and the review considers both the accountability principles and performance information. The review was conducted in accordance with the international audit standard ISAE 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information. This year, we have adopted a limited level of assurance, which is deemed as being equal to a moderate level of assurance as defined by AA1000AS. For the underlying systems, the reader is referred to Hydro's steering documents as described under Corporate Governance, see page 126 in Hydro's Annual Report 2013. The auditor's review report is presented on page 81. Based on the AA1000 AS the auditor has commented on our adherence to the AA1000 APS. We describe our adherence to the AccountAbility principles in our Annual Report 2013 on the web, see www.hydro.com/reporting2013

Learn more:
www.hydro.com/gri
www.hydro.com/globalcompact
www.hydro.com/principles
www.hydro.com/reporting2013

Auditor's report

Auditor's Review Report on Hydro Viability Performance 2013

To the readers of Hydro Viability Performance 2013:

Introduction

We have been engaged by Hydro´s Board of Directors to review the Viability Performance presented on page 10-22 and 53-91 in Hydro´s Annual Report 2013 and the documents GRI Index and Hydro adherence to AA1000 2013 found on www.hydro.com/reporting2013 under the heading Viability Performance. The Board of Directors and Corporate Management Board are responsible for ongoing activities related to viability performance, and for the preparation and presentation of the Viability Performance in accordance with the applicable criteria. Our responsibility is to express a conclusion on the Viability Performance based on our review.

Scope of review

We have performed our review in accordance with ISAE 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board as well as AA1000 Assurance Standard (2008), type 2, as issued by AccountAbility. A review[1] is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Norway. The procedures performed consequently do not enable us to obtain an assurance that would make us aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our assurance does not comprise the assumptions used by Hydro or whether or not it is possible for Hydro to reach certain future targets described in the report (e.g. goals, expectations and ambitions).

The criteria on which our review is based are the sections of the "G4 Sustainability Reporting Guidelines" published by the Global Reporting Initiative (GRI) and the requirements of the International Council on Mining and Metals (ICMM), which are applicable to the Viability Performance. We consider these criteria suitable for the preparation of the Viability Performance. IFAC requires us to act in accordance with IFAC Code of Ethics for Professional Accountants. In accordance with AA1000AS (2008), we confirm that we are independent of Hydro. Our review has been performed by a multidisciplinary team specialized in reviewing economic, environmental and social issues in sustainability reports, and with experience from the industry Hydro operates within.

Our review has, based on an assessment of materiality and risk, among other things included the following main procedures:

- Assessment of the suitability and application of certain criteria in respect to the information provided to stakeholders.
- Update of our knowledge and understanding of Hydro´s organization and activities.
- Interviews with responsible management, at different levels within the Group, with the aim of assessing whether the qualitative and quantitative information stated in the Viability Performance is complete, correct and sufficient.
- Reading of internal documents to assess whether the information stated in the Viability Performance is complete, correct and sufficient.
- Evaluation of routines used for the collection and reporting of information and data.
- Analytical review of reported information.[1)]
- Review of underlying documentation, on a test basis, to assess whether the information and data in the Viability Performance is based on that documentation.
- Pre-announced visits to Hydro facilities located in Norway and Germany.

1) A review provides a limited level of assurance which is deemed as being equal to a moderate level of assurance as defined by AA1000AS.

- Assessment of Hydro's self declared commitment to ICMM's 10 Principles and Position Statements.
- Assessment of the consistency of the claimed GRI core level of reporting with the indicators and other information included in the Viability Performance.
- Overall impression of the Viability Performance, and its format, considering the information's mutual conformity with the applicable criteria.
- Reconciliation of the reviewed information with the viability information in the Hydro Annual Report 2013.

Conclusion

Based on our review procedures, nothing has come to our attention that causes us to believe that Hydro´s 2013 Viability Performance has not, in all material respects, been prepared in accordance with the above stated criteria and that Hydro has not adhered to the AA1000APS principles inclusivity, materiality and responsiveness to the extent reported on Hydro´s website www.hydro.com/reporting2013 under the heading Viability Performance, Hydro adherence to AA1000 2013.

Other information

The following is other information that has not affected our conclusion above. The principles inclusivity, materiality and responsiveness apply to the extent reported in the description on www.hydro.com/reporting2013 under the heading Viability Performance Hydro adherence to AA1000 2013 which includes the following points that requires further attention:

- In relation to inclusiveness, Hydro will ensure that the stakeholder participation process and the grievance mechanisms being developed are relevant, applied equally across the organization, on-going and active.
- In relation to materiality, areas such as safety, climate change, supply chain management, freedom of association & collective bargaining, compliance, anti-corruption, biodiversity and traditional peoples' areas will continue to be high on the agenda in the coming years.
- In relation to responsiveness, Hydro will work to ensure timeliness in responses and work further on implementation in large projects, new countries, new operations and new issues. Hydro will stay committed to and have understanding for cultural differences and that change takes time.

Oslo, March 11, 2014

KPMG AS

Arne Frogner
State Authorized Accountant

Åse Bäckström
Head of Climate Change & Sustainability

Facts and figures

Society

For geographical distribution of total assets, investments and revenues, see note 7 in the consolidated financial statements.

Total workforce by region and gender and payroll

	Number of employees [1]					Payroll (NOK million)				
	2013	2012	2011	2010	2009	**2013**	2012	2011	2010	2009
Norway	**3 355**	3 859	4 045	4 146	4 421	**2 508**	2 596	2 692	2 915	3 023
Women	**610**									
Men	**2 745**									
Germany	**3 462**	4 304	4 352	4 373	4 417	**1 682**	1 855	1 908	1 950	1 937
Women	**327**									
Men	**3 135**									
Italy	**402**	1 084	1 129	1 159	1 211	**129**	352	393	365	381
Women	**20**									
Men	**382**									
Slovakia	**481**	487	480			**77**	71	78		
Women	**37**									
Men	**444**									
Other Europe	**231**	4 463	4 951	5 573	5 741	**113**	1 685	1 830	1 865	2 096
Women	**42**									
Men	**189**									
Total Europe	**7 931**	14 197	14 957	15 251	15 790	**4 509**	6 559	6 901	7 095	7 437
Brazil	**4 443**	4 922	4 722	459	411	**1 076**	1 182	999		
Women	**502**									
Men	**3 941**									
Rest of the world	**190**	2 447	3 134	3 643	3 459	**96**	1 230	1 007	1 046	1 032
Women	46									
Men	144									
Total	**12 564**	21 566	22 813	19 353	19 660	**5 681**	8 971	8 907	8 141	8 469

1) Per 31 December

The main reason for the decrease in the number of employees in 2013 is the merger between Hydro's former extrusion business and Sapa, see page 67. The increase in number of employees from 2010 to 2011 was mainly due to the acquisition of Vale's former aluminium business in Brazil. The total share of women among Hydro's employees was 13 percent by end 2013.

Highest paid and average paid employee per country in 2013

NOK thousand	Highest paid employee[1]	Average paid employee[1]
Brazil	2 179	281
Germany	10 032	509
Norway	10 270	860

1) Including fixed salary, pension, health insurance (Brazil) and other benefits, but excluding bonuses.

Current income tax

NOK million	**2013**	2012	2011	2010	2009
Norway	**798**	755	1 256	1 198	568
Germany	**200**	229	134	98	35
France	**11**	8	32	47	34
Italy	**3**	(4)	15	17	32
Great Britain	**2**	-	-	-	(4)
Spain	**(1)**	16	-	(1)	7
The Netherlands	**-**	-	3		
Slovakia	**103**	75	129		
Other	**14**	46	61	168	37
Total EU	**332**	371	374	329	141
Switzerland	**7**	43	24		
Other Europe	**-**	-	1	3	4
Total Europe	**1 137**	1 169	1 655	1 529	713
USA	**-**	-	4	(1)	11
Canada	**148**	37	89		
Brazil	**111**	42	102		
Other Americas	**-**	15	7	93	19
Asia	**16**	1	7	5	4
Australia and New Zealand	**13**	8	28	27	(44)
Total outside Europe	**288**	103	237	123	(10)
Total	**1 425**	1 272	1 892	1 652	703

People

Health and safety

Lost-time injuries, fatality and sick leave

	2013	2012	2011	2010	2009
Lost-time injuries (LTI) [1]					
Employees	**2.0**	1.9	2.0	1.9	1.7
Contractors	**1.0**	1.8	1.0	0.4	0.4
Total fatal accident rate [2]	**2.7**	2.8	3.2	2.4	2.8
Fatality rate, employees [2]	**0.5**	1.6	1.4	2.1	1.5
Fatality rate, contractors [2]	**4.0**	4.8	5.9	3.1	5.2
Total number of fatal accidents	**1**	-	3	-	3
Number of fatal accidents, employees	**-**	-	1	-	-
Number of fatal accidents, contractors	**1**	-	2	-	3
Sick leave, percent	**3.7**	3.2	3.1	3.3	3.7

1) Per million working hours. The numbers include discontinued operations.

2) Per 100 million working hours, five-year rolling average

Total recordable injuries

	2013	2012	2011	2010	2009
Total recordable injuries (TRI) employees [1]					
Employees	**3.4**	3.4	3.8	3.7	2.9
Contractors[2]	**4.9**	4.4			
TRI Norway					
Employees	**2.4**				
Contractors	**18.2**				
TRI Germany					
Employees	**4.9**				
Contractors	**25.1**				
TRI Brazil					
Employees	**2.8**				
Contractors	**4.1**				
TRI Other countries					
Employees	**3.8**				
Contractors	**6.4**				

1) Per million working hours. The numbers include discontinued operations.

2) We do not have reliable data before 2012.

Workforce

Total workforce by employment type

	2013
Permanent - total	**12 564**
Women	**1 584**
Men	**10 980**
Temporary - total	**765**
Women	**157**
Men	**608**

Part-time employees

	2013	2012	2011	2010	2009
Norway					
Women	**5.6%**	10%	11%	4.8%	10%
Men	**0.7%**	1.5%	1.9%	0.4%	1.5%
Total workforce					
Women	**6.4%**				
Men	**0.2%**				

Hydro employees normally work full-time. The opportunity to work part-time is considered a benefit for which a special application must be made.

Age distribution total workforce (permanent employees)

Age	2013
Under 30	**13%**
30-50	**58%**
50 +	**29%**

Diversity

Diversity in management

	Women					Non-Norwegians				
	2013	2012	2011	2010	2009	**2013**	2012	2011	2010	2009
Board of directors (11 members) [1]	**27%**	27%	30%	33%	33%	**27%**	27%	20%	11%	-
Corporate assembly	**35%**	35%	33%	33%	33%	**-**	-	-	-	-
Corporate management board	**29%**	25%	20%	20%	18%	**14%**	25%	20%	20%	-
Top 50 managers	**25%**	17%	19%	21%	19%	**35%**	28%	27%	25%	-
Top 200 managers	**23%**	19%	18%	16%	18%	**44%**	53%	50%	43%	-

1) Three of the board members are employee representatives. All are men.

New employee hires by age group, gender and country

	Age		
Region and gender	Under 30	30-50	50+
Brazil	141	137	10
Women	25	12	
Men	116	125	10
Germany	9	10	2
Women	1	2	
Men	8	8	2
Norway	20	28	11
Women	2	5	1
Men	18	23	10
Other	6	7	1
Women		1	
Men	6	6	1
Grand total	176	182	24

Employee turnover by age group, gender and country

		Age		
Region and gender	Total	Under 30	30-50	50+
Brazil[1)]	N/A	N/A	N/A	N/A
Germany	3.3%	1.8%	1.4%	6.7%
Women	2.1%	-	1.0%	5.4%
Men	3.4%	2.0%	1.5%	6.8%
Norway	7.5%	2.4%	5.2%	11.4%
Women	8.0%	2.0%	5.4%	14.0%
Men	7.4%	2.5%	5.1%	11.0%
Other	6.6%	5.9%	3.8%	13.6%
Women	10.2%	-	5.6%	20.4%
Men	6.1%	6.5%	3.6%	12.5%
Grand total[2)]	5.6%	2.6%	3.3%	9.7%

1) We currently do not have reliable employee turnover data for Brazil

2) Excluding Brazil

The employee turnover rate includes resignations, retirements and manning reductions, but excluding closures and divestments.

Women and men at different levels in Norway

	Women					Men				
	2013	2012	2011	2010	2009	**2013**	2012	2011	2010	2009
Managers	**23%**	21%	20%	20%	20%	**77%**	79%	80%	80%	80%
Salaried employees	**30%**	31%	31%	32%	41%	**70%**	69%	69%	68%	59%
Hourly paid	**12%**	14%	13%	12%	12%	**88%**	86%	87%	88%	88%
Total	**18%**	19%	18%	19%	19%	**82%**	81%	82%	81%	81%

An adjustment in the wage system in 2010 moved a large number of technical positions, including first line supervisors, from hourly paid to salaried employees. The greater proportion of them is men, causing a significant increase in the proportion of men in the category salaried employees. The change had only limited effect on the salary level.

Recruitment in Norway

	Women					Men				
	2013	2012	2011	2010	2009	**2013**	2012	2011	2010	2009
Managers	**25%**	47%	30%	-	29%	**75%**	53%	71%	100%	71%
Salaried employees	**25%**	33%	13%	35%	29%	**75%**	67%	71%	65%	71%
Hourly paid	**3%**	21%	14%	16%	5%	**97%**	79%	95%	84%	95%
Total	**14%**	28%	19%	20%	21%	**86%**	72%	81%	80%	79%

Environment

Greenhouse gases

Million tons CO_2e	**2013**	2012	2011	2010	2009
CO_2	**6.6474**	6.8857	6.9892	7.2365	6.9669
CH_4	**0.0001**	0.0001	0.0001	0.0001	0.0002
N_2O	**0.0002**	0.0002	0.0003	0.0003	0.0002
PFC	**0.2905**	0.3126	0.3535	0.3975	0.5400
Total	**6.9382**	7.1986	7.3431	7.6344	7.5073

The reductions of climate gas emissions since 2010 is a result of process improvements and reduced production in our consolidated activities. Greenhouse gas emissions in this table include plants owned more than 50 percent by Hydro.

Greenhouse gas emissions from Hydro's ownership equity

Million tons CO_2e	**2013**	2012	2011	2010	2009
Bauxite & Alumina	**3.3**	3.5	3.5	3.5	3.4
Metal production	**3.6**	3.6	3.7	3.7	3.4
Downstream production	**0.5**	0.5	0.2	0.2	0.2
Remelters	**0.1**	0.1	0.1	0.1	0.1
Electricity generation	**5.1**	5.9	7.1	6.0	5.1
Total	**12.6**	13.6	14.7	13.6	12.2

Greenhouse gas emissions based on Hydro's ownership equity as per December 31, 2013. Direct emissions from production in Bauxite & Alumina, Primary Metal, and downstream operations as well as from the remelters are comparable to Scope 1 emissions as defined by WBCSD/WRI GHG Protocol. Emissions from electricity generation are based on electricity consumption and IEA "CO_2 emissions from Fuel Consumption 2008 factors", and are comparable to Scope 2 emissions from purchased electricity. In addition, the reported emissions from electricity include emissions from Hydro's ownership equity in the Qatalum gas-fired power plant. All figures include historical emissions from current operations.

Energy consumption (PJ, Ownership >50%)

PJ	**2013**	2012	2011	2010	2009
Coal	**15.6**	16.8	19.0	18.9	15.1
Coke	**18.6**	18.5	19.7	19.6	13.1
Electricity	**90.8**	88.9	94.5	92.5	93.6
Natural gas	**6.6**	6.8	7.9	8.5	7.5
Natural gas liquids	**1.8**	1.9	1.4	1.4	1.3
Oil	**27.6**	28.9	26.1	26.9	29.9
Other	**4.3**	4.5	5.0	5.1	3.5
Total	**165.3**	166.3	173.5	172.9	164.1

Energy consumption per sector

PJ	**2013**	2012	2011	2010	2009
Bauxite and Alumina	**45.7**	48.6	47.6	47.4	47.1
Electrolysis/Carbon/Casting	**108.2**	107.6	114.5	114.3	107.1
Remelt	**2.4**	2.3	2.3	2.5	2.0
Rolled Products	**5.3**	5.3	5.3	5.4	4.6
Other	**3.6**	2.4	3.7	3.3	3.2
Total	**165.3**	166.3	173.5	172.9	164.1

Reduction in energy consumption is mainly due to reduced production in Bauxite & Alumina as well as improved operations.

Hydro does not purchase heating, cooling or steam. This is produced internally in Hydro and is reported as "other" energy consumptions.

Resource use

1 000 metric tons	**2013**	2012	2011	2010	2009
Alumina	**2 941**	2 910	3 079	3 032	3 108
Aluminium fluoride	**27**	28	28	27	28
Lime	**52**	53	61	65	58
Sodium hydroxide	**526**	626	665	630	569
Sulphuric acid	**16**	20	17	14	12
Recycled metal [1)]	**800**				

1) Hydro adopted a new definition of recycled metal in 2013, please see page 57.

Other Emissions

	2013	2012	2011	2010	2009
Dust and particles	**3 282**	3 116	2 904	3 344	2 130
Fluorides to air	**596**	522	558	608	656
NM VOC	**197**	197	219	247	245
Nitrogen oxide	**7 993**	8 526	8 886	8 975	8 183
PAH to air	**10.5**	9.3	8.8	6.2	11.9
PAH to water (Borneff 6 PAH)	**0.4**	0.3	0.4	0.7	0.8
Sulphur dioxide (SO2)	**33 307**	30 849	29 345	30 429	26 275

PAH to air is reported according to NS 16 PAH and PAH to water is reported according to Borneff 6 PAH.

Hydro uses ozone depleting substances in certain applications in its Brazilian operations. There were no emissions from these applications in 2013. All such substances are registered and reported according to Brazilian legal requirements.

Total water withdrawal by country

Mill m3	**2013**	2012	2011	2010	2009
Brazil	**28.25**	29.83	31.97	34.75	-
Germany	**2.01**	1.52	1.42	1.69	1.37
Italy	**1.02**	1.12	1.19	1.25	1.34
Norway	**173.37**	161.11	152.26	111.49	120.69
Others	**0.69**	0.68	0.80	0.80	0.75
Total	**205.34**	194.26	187.63	149.98	124.15

Total water withdrawal includes fresh water, sea water, ground water, municipal water and rainwater. For more details, please see table below.

Total water withdrawal by source

	Total		Brazil		Germany		Italy		Norway		Other	
2013	mill m3	%	mill m3	%	mill m3	%	mill m3	%	mill m3	%	mill m3	%
Surface water (fresh water)	59.48	27%	17.32	44%	1.81	90%	1.02	100%	38.73	22%	0.59	85%
Surface water (sea water)	134.17	62%	-	-	-	-	-	-	134.17	77%	-	-
Ground water	10.83	5%	10.71	27%	0.12	6%	-	-	-	-	-	-
Municipal water	0.63	0.3%	-	-	0.07	4%	-	-	0.46	0.3%	0.10	15%
Waste-water from another organization	11.30	5%	11.30	29%	-	-	-	-	-	-	-	-
Rain water	0.23	0.1%	0.22	1%	-	-	-	-	-	-	-	-

The water volumes in the table above cannot be added as "Waste-water from another organization" is used by both Paragominas and Alunorte (and counted twice in the overview). The systematic mapping of Hydro's water situation in 2013 showed that about 4 percent of our overall fresh water input came from water-stressed areas, with regard to annual renewable water supply (according to the definition used by WBCSD).

Total water discharge by destination

	Total		Brazil		Germany		Italy		Norway		Other	
2013	mill m3	%	mill m3	%	mill m3	%	mill m3	%	mill m3	%	mill m3	%
River	38.94	18%	21.93	54%	0.44	28%	1.02	100%	15.41	9%	0.14	32%
Sea	158.12	73%	-	-	-	-	-	-	158.12	91%	-	-
Sewage	0.03	-	-	-	0.03	2%	-	-	-	-	-	-
Cooling water to river	0.94	0.4%	-	-	0.94	60%	-	-	-	-	-	-
Rain water rins	0.15	0.1%	-	-	0.15	10%	-	-	-	-	-	-
Reused	11.30	5%	11.30	28%	-	-	-	-	-	-	-	-
Other (not specified)	7.76	4%	7.45	18%	-	-	-	-	-	-	0.30	68%

This is the first year we disclose water discharge by destination. The information may thus contain some uncertainties.

Endangered species registered within the influence area of Hydro's mining activities (Paragominas)

	MMA [1]		SEMA [2]		IUCN	
Conservation status	Fauna	Flora	Fauna	Flora	Fauna	Flora
Critically endangered	1	-	1	-	1	-
Endangered	8	-	2	-	3	-
Vulnerable	5	1	9	6	11	-
Threatened	8	-	8	-	-	-
Near threatened	-	-	-	-	8	-
Least concern	-	-	-	-	-	-
Data deficient	-	2	-	-	3	-

1) Federal Brazilian Red list
2) State Brazilian Red list

Some species included in the overview are covered by two or more lists. In total 46 different species (38 fauna and eight flora) are covered by the overview. The overview includes species identified since registration started in 2003.

Tailings and bauxite residue

1 000 metric tons	**2013**	2012	2011	2010	2009
Bauxite residue (red mud)	**5 415**	6 071	6 389	6 222	5 899
Tailings	**3 313**	4 215	4 407	4 933	3 818
Total	**8 728**	10 286	10 796	11 155	9 717

The reduction in tailings and bauxite residue in 2013 was mainly due to reduced production.

Hazardous and other waste

1 000 metric tons	**2013**	2012	2011	2010	2009
Spent potlining	**31**	26	26	35	46
Other hazardous waste	**118**	107	112	118	85
Other waste	**177**	172	271	216	91
Total	**326**	305	409	369	222

Treatment hazardous and other waste

	2013	2012	2011	2010	2009
Energy recovery	**4%**	3%	3%	4%	4%
Landfill	**51%**	54%	43%	47%	40%
Other treatment	**14%**	15%	22%	16%	14%
Reuse/recycling	**31%**	28%	32%	33%	42%

Tailings and bauxite residue are deposited in landfills and are not included in the table above. Combustion without energy recovery is included under other treatment.

Spillages

Nine spillages were reported in 2013. None caused damage to people or the environment, but two involved risk for such damage.

Financial provisions

Provisions for future environmental clean-up measures amounted to NOK 272 million as of December 31, 2013, while asset retirement obligations constituted NOK 1,440 million. The latter includes costs related to disposal of spent potlining, closures of mines and bauxite residue (red mud) deposits, and Norwegian power plant concessions to be reverted to the Norwegian government. See also note 31 in the consolidated financial statements (Hydro's Annual Report 2013).

GRI index

We use the Global Reporting Initiative's (GRI) G4 guidelines for voluntary reporting of sustainable development. The guidelines comprise economic, environmental and social dimensions relating to an enterprise's activities, products and services. GRI collaborates with the United Nations Environment Programme and UN Global Compact.

We believe that our reporting practice is consistent with GRI's reporting principles in all material respects. We report in adherence "Core" as defined by the GRI G4 guidelines, and include the GRI Mining & Metals supplement in our reporting. Hydro's external auditor KPMG has reviewed the consistency of our claimed core level of reporting with the indicators and other information included in our viability reporting, see page 81. The GRI Index, including the full definition of each indicator and references to specific sections in this report as well as additional information, can be found on www.hydro.com/gri

UN Global Compact Communication on progress

We support the principles of the UN Global Compact. Human rights, international labor standards, working against corruption and environmental considerations are fundamental to our approach to corporate responsibility.

The Global Compact was formed at the initiative of the former UN Secretary General, Kofi Annan, in 1999, because the UN wants business and industry to be more closely associated with the UN's work. Companies that sign the Global Compact agree to support 10 principles regarding human rights, labor standards, the environment, anti-corruption, and to communicate annually on progress.

Hydro has played an active role in the Global Compact since its formation. Our commitment is expressed by the President & CEO in his letter to shareholders on page 7 of this report. Our Communication on progress (COP) in relation to the Compact's 10 principles is at the Advanced level and thus also reflects the Global Compact's 21 advanced criteria. The COP has been reviewed by our external auditor, see page 81. A complete report can be found at www.hydro.com/globalcompact

ICMM

Hydro is a member of the International Council on Mining and Metals and reports according to the ICMM requirements. That includes Hydro's reporting in accordance with the Global Reporting Initiatives G4 protocol for voluntary reporting on sustainable development, see the section about GRI above. The complete report is - according to the ICMM requirements - verified by our external auditor, please see page 81.

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03: Financial and operating performance

QUICK OVERVIEW

Hydro had underlying EBIT of NOK 2,737 million in 2013 compared with NOK 1,297 million in the previous year. Lower smelter costs, improved results for Qatalum and higher product premiums had a positive impact on underlying results for the year partly offset by lower realized alumina aluminium prices and production disruptions at Alunorte. Dedicated improvement programs made a substantial contribution to underlying EBIT in 2013.

We delivered 3.2 million metric tons of casthouse products to internal and external customers from casthouses that are integrated with our primary aluminium plants, and from remelt facilities close to our customers in Europe and the United States.

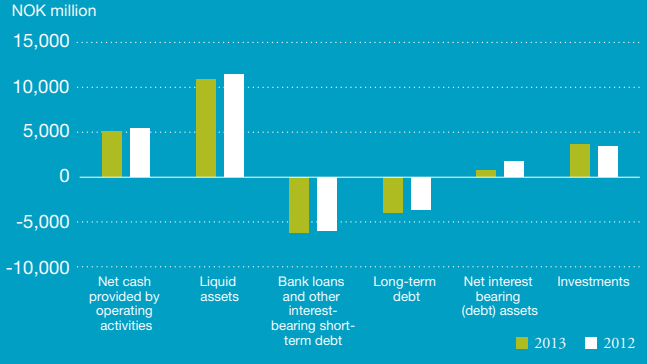
In 2013, we shipped approximately 940,000 mt of rolled products from six European plants and our plant in Malaysia. Our energy business produced around 10.2 TWh of hydroelectric power during the year.

In 2013, cash provided by operating activities was NOK 5.2 billion compared with NOK 5.4 billion in the previous year.

Underlying EBIT

NOK million	2013	2012
Bauxite & Alumina	**(1 057)**	(791)
Primary Metal	**1 422**	335
Metal Markets	**594**	210
Rolled Products	**627**	637
Energy	**1 653**	1 459
Other and eliminations	**(502)**	(553)
Underlying EBIT	**2 737**	1 297

Liquidity and financial position



Financial and operating review

Summary of underlying financial and operating results and liquidity

Key financial information

NOK million, except per share data	**Year 2013**	Year 2012
Revenue	**64 880**	64 181
Earnings before financial items and tax (EBIT)	**1 674**	571
Items excluded from underlying EBIT [1]	**1 063**	725
Underlying EBIT	**2 737**	1 297
Underlying EBIT :		
Bauxite & Alumina	**(1 057)**	(791)
Primary Metal	**1 422**	335
Metal Markets	**594**	210
Rolled Products	**627**	637
Energy	**1 653**	1 459
Other and eliminations [2]	**(502)**	(553)
Underlying EBIT	**2 737**	1 297
Underlying EBITDA	**7 119**	5 827
Underlying income (loss) from discontinued operations [2]	**220**	(5)
Net income (loss)	**(839)**	(1 331)
Underlying net income (loss)	**1 610**	408
Earnings per share [3]	**(0.45)**	(0.65)
Underlying earnings per share [3]	**0.65**	0.21
Financial data:		
Investments [4]	**3 586**	3 382
Adjusted net interest-bearing debt [5]	**(9 503)**	(8 304)

1) See section Items excluded from underlying EBIT and net income later in this section for more information on these items.

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

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

4) Investments exclude amounts relating to Extruded Products for all periods presented. Investments for the full year 2013 include non-cash elements relating to capitalized lease obligations and the Vigeland acquisition.

5) See note 35 Capital Management in Hydro's Financial statements - 2013 for a discussion of the definition of adjusted interest bearing debt. From the third quarter 2012, net interest bearing debt in equity accounted investments is excluded from our reported adjusted interest bearing debt following the termination of Hydro's guarantee of Qatalum debt.

For the full year 2013, underlying EBIT improved to NOK 2,737 million from NOK 1,297, influenced by lower costs for our smelters, improved results for Qatalum and higher product premiums. Positive developments were partly offset by lower realized alumina and aluminium prices together with production disruptions relating to external power outages at Alunorte.

Bauxite & Alumina incurred an underlying loss in 2013, increasing from the previous year. Developments for the year were impacted by lower LME-linked alumina prices and production disruptions at Alunorte.

Underlying EBIT for Primary Metal increased significantly for the year 2013 compared to the previous year influenced by improved results for Qatalum and lower operating costs also impacted by currency developments. Higher product premiums and improvements relating to the USD 300 program also contributed to the improved underlying EBIT for the year.

Metal Markets underlying EBIT increased in 2013 due to higher margins from our remelt operations, together with significant positive currency and ingot inventory valuation effects compared with substantial negative effects for 2012.

Underlying EBIT for Rolled Products was stable compared to 2012 which included significant positive currency effects on export sales. Excluding these currency effects, underlying EBIT improved due to higher volumes and improvements relating to Rolled Products' Climb program.

Underlying EBIT for Energy increased in 2013 due to higher prices, somewhat offset by higher sourcing costs. Direct production costs decreased slightly in 2013 due to lower transmission costs.

Other and eliminations underlying EBIT in 2013 included four months of underlying results from Sapa. Developments for the period were impacted by the seasonally weak market and charges related to impairment of inventories and accounts receivable.

Operating cash flow was NOK 5.2 billion for the year. Net cash used for investment activities amounted to NOK 2.5 billion. Hydro's net cash position amounted to around NOK 0.7 billion at the end of the year.

Hydro's Board of Directors proposes to pay a dividend of NOK 0.75 per share for 2013 reflecting the company's strong commitment to provide a cash return to its shareholders. The dividend reflects our operational performance for 2013 and a strong financial position, also taking into consideration the uncertain market outlook.

Reported EBIT and Net income

Reported Earnings before financial items and tax amounted to NOK 1,674 million in 2013 including net unrealized derivative losses and negative metal effects of NOK 598 million in total. Reported earnings also included charges of NOK 479 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 primarily related to rationalization activities in Sapa. In addition, reported earnings included pension curtailment gains of NOK 390 million relating to the transition to defined contribution plans in Norway.

In the previous year, reported Earnings before financial items and tax amounted to NOK 571 million including net unrealized derivative gains and negative metal effects of positive NOK 982 million. Reported EBIT also included impairment and rationalization charges of NOK 1,832 million mainly relating to the closure of Kurri Kurri.

In 2013 Hydro incurred a loss from continuing operations of NOK 1,029 million including net foreign exchange loss of NOK 2,245 million. In the previous year Hydro incurred a loss from continuing operations of NOK 817 million including net foreign exchange loss of NOK 280 million. The net currency loss in 2013 related mainly to debt denominated in US dollars and intercompany balances denominated in Euro.

Income from discontinued operations, amounted to NOK 189 million in 2013. In the prior year, Hydro incurred a loss from discontinued operations amounting to NOK 514 million including impairment and rationalization charges of NOK 358 million and a loss on disposal of Portalex amounting to NOK 144 million.

In total, Hydro incurred a net loss of NOK 839 million in 2013, compared with a net loss of NOK 1,331 million in 2012.

Operational review

Key Operational information [6]	Year 2013	Year 2012	% change prior year
Alumina production (kmt)	**5 377**	5 792	(7) %
Primary aluminium production (kmt)	**1 944**	1 985	(2) %
Realized aluminium price LME (USD/mt)	**1 902**	2 080	(9) %
Realized aluminium price LME (NOK/mt) [7]	**11 160**	12 047	(7) %
Realized NOK/USD exchange rate [7]	**5.87**	5.79	1 %
Metal products sales, total Hydro (kmt) [8]	**3 164**	3 254	(3) %
Rolled Products sales volumes to external market (kmt)	**941**	909	4 %
Power production (GWh)	**10 243**	10 307	(1) %

6) Amounts include Hydro's proportionate share of production and prices in equity accounted investments.
7) Including the effect of strategic hedges (hedge accounting applied).
8) Includes sales from integrated casthouses, liquid metal from Karmøy, Neuss, remelters, 100 percent of Albras, and third party sources.

Bauxite & Alumina

Bauxite & Alumina generated total revenues of about NOK 13 billion in 2013. Bauxite production in Paragominas amounted to 7.6 million mt for the year. Alumina production from Alunorte was 5.4 million mt for the year. Production levels for both operations were impacted by disruptions at Alunorte related to external power outages in the second quarter of 2013. Bauxite & Alumina sourced roughly 2.0 million mt of alumina in 2013. The business area employs around 3,300 people.

Primary Metal

Primary Metal generated about NOK 23 billion in total revenues in 2013. Production of electrolysis metal amounted to 1.9 million mt, from our plants in Australia, Brazil, Canada, Norway, Qatar and Slovakia. We delivered 2.1 million mt of casthouse products to internal and external customers, from casthouses which are integrated with our primary aluminium plants. Deliveries included about 0.7 million mt of extrusion ingot, 0.3 million mt of sheet ingot and 0.4 million mt of foundry alloys and wire rod. We also sold about 0.7 million mt of standard ingot. The Primary Metal segment employs around 3,700 people.

Metal Markets

Metal Markets generated total revenues of around NOK 38 billion in 2013. The business area employs around 700 people at plants and offices in Asia, Europe and North America. Our six remelters in Europe and two in the U.S. produced approximately 520,000 mt of metal products in 2013. We sold 2.7 million mt of metal products last year, including deliveries from the casthouses integrated with our primary smelters.[9] Of this figure, we sold approximately 2.4 million mt to external customers.

Rolled Products

Rolled Products generated total revenues of approximately NOK 20 billion in 2013 and had locations in 15 countries and employed about 3,800 people in its rolling mills 4,300 people in total in 2013. Approximately 941,000 mt of rolled products were shipped from six European plants and our plant in Malaysia which was divested at the end of 2013.

Energy

Energy generated about NOK 6 billion in total revenues in 2013. The business area employs around 190 people, mainly in Norway. We produced 10.2 TWh of renewable hydroelectric power, above our normal annual production and in line with the level for 2012.

9) Includes sales from integrated casthouses, remelters, Hydro's 51 percent share of Albras, and third party sources

Market developments and outlook

Market statistics [1)]	Year 2013	Year 2012	% change prior year
NOK/USD Average exchange rate	**5.88**	5.82	1 %
NOK/USD Balance sheet date exchange rate	**6.08**	5.57	9 %
NOK/BRL Average exchange rate	**2.73**	2.99	(9) %
NOK/BRL Balance sheet date exchange rate	**2.58**	2.72	(5) %
NOK/EUR Average exchange rate	**7.81**	7.47	4 %
NOK/EUR Balance sheet date exchange rate	**8.38**	7.34	14 %
Bauxite & Alumina:			
Average alumina price - Platts PAX FOB Australia (USD/t)	**326**	319	2 %
Global production of alumina (kmt)	**100 752**	96 044	5 %
Global production of alumina (ex. China) (kmt)	**53 987**	54 802	(1) %
Primary Metal and Metal Markets:			
LME three month average (USD/mt)	**1 887**	2 050	(8) %
LME three month average (NOK/mt)	**11 070**	11 908	(7) %
Global production of primary aluminium (kmt)	**50 114**	47 981	4 %
Global consumption of primary aluminum (kmt)	**50 154**	47 596	5 %
Global production of primary aluminium (ex. China) (kmt)	**25 690**	25 784	-
Global consumption of primary aluminum (ex. China) (kmt)	**26 229**	25 922	1 %
Reported primary aluminium inventories (kmt)	**8 143**	8 138	0 %
Rolled products and extruded products:			
Consumption rolled products - Europe (kmt)	**4 267**	4 182	2 %
Consumption rolled products - USA & Canada (kmt)	**4 219**	4 228	-
Consumption extruded products - Europe (kmt)	**2 681**	2 791	(4) %
Consumption extruded products - USA & Canada (kmt)	**1 884**	1 839	2 %
Energy:			
Average southern Norway spot price (NO2) (NOK/MWh)	**290**	218	33 %
Average nordic system spot price (NOK/MWh)	**297**	234	27 %

1) Industry statistics have been derived from analyst reports, trade associations and other public sources unless otherwise indicated. Recent information is based partly on estimates and is subject to revision as new information becomes available. As a result, differences between general market developments and actual Hydro volumes are not necessarily indicative of significant changes in market share. Amounts presented in prior reports may have been restated based on updated information. Currency rates have been derived from Norges Bank.

Bauxite and alumina

The global alumina market was fairly balanced at the end of 2013. Platts alumina spot prices started the year at USD 333 per mt and ranged from USD 310 - 350 per mt, ending the year at USD 333 per mt. Prices averaged USD 326 per mt for the year, increasing slightly from 2012. Average prices as a percentage of LME increased and represented 17.3 percent for the year compared with 15.6 percent in 2012. Spot prices at the end 2013 represented 18.5 percent of LME.[2)]

Chinese alumina imports amounted to 3.8 million mt, down 24 percent from 2012. Bauxite imports into China were high in 2013 in advance of announced restrictions on Indonesian exports that took effect beginning January 2014. For the year 2013, bauxite imports reached record levels amounting to roughly 72 million mt, an increase of 79 percent compared to 2012. Of this amount, approximately 49 million mt was sourced from Indonesia and 14 million mt from Australia.

Primary aluminium

Three-month LME aluminium prices were relatively weak throughout the year, averaging about USD 1,960 per mt in the first half of 2013 and falling to an average of roughly USD 1,820 per mt in the second half of 2013. Prices were volatile but with a downward trend for most of the year. The year ended with a price around USD 1,810 per mt.

Average North American and European standard ingot premiums increased by 12 percent and 13 percent respectively

2) Due to existing sales contracts, Hydro has limited volumes available for sale for the next few years. As a result, short-term alumina market developments have limited influence on Hydro's earnings for the period.

compared to 2012. Ingot premiums remained at record levels for the first half of 2013 before falling significantly in the third quarter, influenced by potential changes in LME warehousing rules. However, by the end of the year, ingot premiums strengthened in North America, ending at the highest level of the year and continued increasing into January 2014. In Europe, ingot premiums also improved significantly by the end of the year. The positive developments resulted from stronger demand in the physical markets combined with announced and expected closures and curtailments. Continued ownership of metal in warehouses by financial investors also influenced developments of ingot premiums.

Global demand for primary aluminium (excluding China) increased around 1 percent compared to 2012. Corresponding production declined slightly, mainly due to closures and curtailments. As a result, the market was slightly under-supplied in 2013. Demand for primary aluminium is expected to grow by about 2-4 percent in 2014 excluding China. Corresponding production is expected to grow at a somewhat lower rate.

Demand for primary metal in China increased around 10 percent to 23.9 million mt in 2013. The market was relatively balanced for the year and is expected to remain so in 2014 due to strong demand growth and closures and curtailments offsetting new capacity.

LME stocks were stable throughout the year amounting to 5.6 million mt at the end of 2013. Most of the metal in warehouses continues to be owned by financial investors. Total inventories, including unreported inventories, were estimated to be around 12.1 million mt at the end of 2013.

Demand for extrusion ingot and foundry alloys in Europe improved gradually during the year. Consumption of sheet ingot demonstrated positive developments during 2013 and ended the year on a higher level than in 2012. The market for wire rod performed weaker than expected in 2013 and remained on a level similar to 2012. Market demand for metal products in general is expected to strengthen somewhat in 2014.

Consumption of extrusion ingot and foundry alloys improved in the U.S. and was stable in Asia (excluding China) during 2013 and is expected to remain so in 2014. Further improvements are expected in the U.S.

Rolled products

The European market for flat rolled products increased by 2 percent in 2013. The automotive segment demonstrated the strongest growth during the year reflecting the growing substitution of steel by aluminium in the production process, in particular for exports of premium cars to China and the US. Demand in the building and construction segment remained on a low level but recovered somewhat compared to the previous year supported by mild winter weather conditions. Consumption in the beverage can market was flat with a relatively healthy development during the first half of the year offset by customer destocking activities in the second half. Foil consumption was stable. General engineering showed a solid growth as industrial activity increased. Demand in the European flat rolled products market is expected to increase further in 2014.

Extruded products

Demand for general extruded products improved slightly in North America compared to 2012 but declined in Europe. Market conditions for building systems continued to deteriorate, in southern Europe in particular. Demand for precision tubing increased somewhat.

Energy

Nordic electricity prices increased significantly compared to 2012 driven by a negative hydrological balance throughout the year. A delayed spring thaw led to low water reservoirs in April and corresponding high prices. This was followed by a dry summer which supported prices. Wet, mild weather conditions in December, however, pushed winter prices down and returned the hydrological balance to normal levels by the end of the year. These factors contributed to lower volatility in electricity prices throughout 2013.

In 2013, total power consumption in the Nordic market declined by 5 TWh to 380 TWh. Total power production declined by 22 TWh to 380 TWh. Power production in Norway reached 133 TWh. This was 12 TWh lower than 2012.

Additional factors impacting Hydro

Hydro's alumina refinery, Alunorte in Brazil, will be subject to ICMS taxation on fuel oil beginning February 1, 2014. This will result in an additional cost of approximately NOK 150 million per quarter impacting underlying EBIT for Bauxite & Alumina. Hydro is evaluating measures to mitigate the effects of the additional charges.

The Alunorte alumina refinery and Albras aluminium smelter have entered into USD currency forward contracts in Brazil for second half 2013 and all of 2014. The remaining program value at the end of 2013 amounted to roughly USD 850 million. The achieved average exchange rate for the program is USD/BRL 2.41 for 2014.

On October 8 2013, Hydro announced that its part-owned aluminium smelter Slovalco signed a power agreement for the supply of electricity in the period 2014 to 2021. This will increase energy costs for Slovalco by roughly NOK 75 million per quarter.

Underlying EBIT - Business areas

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

Bauxite & Alumina

Operational and financial information	**Year 2013**	Year 2012	% change prior year
Underlying EBIT (NOK million)	**(1 057)**	(791)	(34) %
Underlying EBITDA (NOK million)	**662**	959	(31) %
Alumina production (kmt) [1)]	**5 377**	5 792	(7) %
Sourced alumina (kmt)	**2 009**	1 390	45 %
Total alumina sales (kmt) [2)]	**7 408**	7 227	3 %
Realized alumina price (USD/mt) [3)]	**275**	286	(4) %
Apparent alumina cash cost (USD/mt) [4)]	**256**	259	(1) %
Bauxite production (kmt) [5)]	**7 567**	9 221	(18) %
Sourced bauxite (kmt) [6)]	**8 523**	8 692	(2) %

1) Including Alunorte on a 100 percent basis.
2) Including Hydro's own production and third party contracts.
3) Weighted average of own production and third party contracts, excluding hedge results.
4) Apparent integrated alumina cash production cost based on cost of produced alumina and cost of alumina sourced on contracts. Paragominas bauxite is included at cost. MRN bauxite is included at contract price.
5) Paragominas on wet basis (100 percent).
6) 40 percent MRN off take from Vale and 5 percent Hydro share on wet basis.

Bauxite & Alumina incurred an underlying loss in 2013, increasing from the previous year. Underlying results were impacted by lower LME-linked alumina prices,[7)] together with production disruptions at Alunorte.

Lower alumina production and higher alumina sourcing costs had a negative impact on underlying results following external power outages during the second quarter. As a result, bauxite production declined due to lower off-take by Alunorte. The improvement program From B to A was affected, and Hydro did not achieve the improvements targeted for 2013. However, measures were introduced to restore production and prevent future disruptions lifting average production in the final quarter to an annualized level of 5.8 million mt.

7) The majority of our alumina is sold linked to LME with a one month delay. New contracts are mainly linked to index with a one month delay.

Underlying results for commercial operations improved reflecting increased contract volumes based on index pricing and higher volumes of bauxite available for sales to external parties. Positive effects were partly offset by higher alumina sourcing costs for contract volumes.

Primary Metal

Operational and financial information [1]	**Year 2013**	Year 2012	% change prior year
Underlying EBIT (NOK million)	**1 422**	335	>100 %
Underlying EBITDA (NOK million)	**3 293**	2 332	41 %
Realized aluminium price LME (USD/mt) [2]	**1 902**	2 080	(9) %
Realized aluminium price LME (NOK/mt) [2]	**11 160**	12 047	(7) %
Realized premium above LME (USD/mt) [3]	**368**	298	23 %
Realized premium above LME (NOK/mt) [3]	**2 157**	1 726	25 %
Realized NOK/USD exchange rate	**5.87**	5.79	1 %
Primary aluminium production (kmt)	**1 944**	1 985	(2) %
Casthouse production (kmt)	**2 082**	2 248	(7) %
Casthouse sales (kmt)	**2 075**	2 266	(8) %

1) Operating and financial information includes Hydro's proportionate share of underlying income (loss), production and sales volumes in equity accounted investments. Realized prices, premiums and exchange rates exclude equity accounted investments, and includes effects of strategic currency hedges (hedge accounting applied).

2) Including effect of strategic LME hedges (hedge accounting applied). Realized aluminium prices lag the LME price developments by approximately 1.5 - 2 months.

3) Average realized premium above LME for casthouse sales from Primary Metal.

Operational and financial information Qatalum (50%)	**Year 2013**	Year 2012	Year 2012
Revenue (NOK million)	**4 351**	4 292	1 %
Underlying EBIT (NOK million)	**510**	(22)	>100 %
Underlying EBITDA (NOK million)	**1 523**	998	53 %
Underlying Net income (NOK million)	**343**	(217)	>100 %
Primary aluminium production (kmt)	**303**	302	-
Casthouse sales (kmt)	**321**	320	-

		Primary aluminium		**Casthouse production**	
Primary aluminium and casthouse production (kmt) [4]	**Location**	**2013**	**2012**	**2013**	**2012**
Albras	Brazil	**451**	446	**449**	444
Karmøy	Norway	**189**	190	**164**	194
Årdal	Norway	**204**	204	**212**	279
Sunndal	Norway	**342**	314	**407**	393
Høyanger	Norway	**63**	63	**110**	117
Søral (Hydro's 49.9%)	Norway	**44**	46	**60**	60
Slovalco	Slovakia	**163**	161	**179**	178
Kurri Kurri	Australia	**-**	73	**-**	83
Tomago (12.4%)	Australia	**68**	68	**67**	67
Qatalum (50%)	Qatar	**303**	302	**317**	314
Alouette (20%)	Canada	**116**	119	**116**	118
Total production Primary Aluminium		**1 944**	1 985	**2 082**	2 248

4) Production volumes for non-consolidated part owned companies represent our proportion of total production. For financial reporting purposes, Søral and Qatalum are accounted for as equity accounted investments, while Tomago and Alouette are consolidated on a proportional basis. Slovalco and Albras are fully consolidated in terms of financial results and volumes.

Underlying EBIT for Primary Metal increased significantly for the year 2013 compared to the previous year influenced by improved results for Qatalum and lower operating costs also impacted by currency developments. Higher product premiums and improvements relating to the USD 300 program also contributed to the improved underlying EBIT for the year.

Hydro successfully completed its USD 300 improvement program in the fourth quarter of 2013. The program has contributed to the improved results for 2013 and generated roughly NOK 1.5 billion in annual improvements compared to 2009 cost levels. Savings amounting to USD 180 per mt are targeted for our portfolio of part-owned smelters by the end of 2016.

Lower realized aluminium prices had a negative impact on underlying EBIT of about NOK 1.2 billion compared with 2012. This was mostly offset by a higher margin contribution from our casthouse operations and improvements relating to the USD 300 program. LME linked alumina costs declined, together with lower costs for power and carbon. Fixed costs declined impacted by the closure of the Kurri Kurri plant in Australia and cost savings related to the improvement programs.

Hydro's share of underlying results for Qatalum in 2013 were impacted by lower energy costs of roughly NOK 150 million and insurance proceeds of about NOK 150 million, both relating to the fire in a power plant cooling tower in 2012. Underlying results in 2012 included insurance proceeds of NOK 140 million relating to a power outage in 2010. Lower operating costs and higher casthouse margins also had a positive effect on underlying results for the year.

Metal Markets

Operational and financial information	**Year 2013**	Year 2012	% change prior year
Underlying EBIT (NOK million)	**594**	210	>100 %
Currency effects [1]	**136**	(145)	>100 %
Ingot inventory valuation effects [2]	**21**	(24)	>100 %
Underlying EBIT excl. currency and ingot inventory effects	**437**	379	15 %
Underlying EBITDA (NOK million)	**691**	308	>100 %
Remelt production (kmt) [3]	**517**	548	(6) %
Metal products sales excluding ingot trading (kmt) [4]	**2 709**	2 941	(8) %
Hereof external sales (kmt)	**2 382**	2 469	(4) %

1) Includes the effects of changes in currency rates on sales and purchase contracts denominated in foreign currencies (mainly U.S. dollar and Euro for our European operations) and the effects of changes in currency rates on the fair valuation of dollar denominated derivative contracts (including LME futures) and inventories, mainly translated into Norwegian kroner. Hydro manages its external currency exposure on a consolidated basis in order to take advantage of offsetting positions.

2) Comprised of hedging gains and losses relating to standard ingot inventories in our metal sourcing and trading operations. Increasing LME prices result in unrealized hedging losses, while the offsetting gains on physical inventories are not recognized until realized. In periods of declining prices, unrealized hedging gains are offset by write-downs of physical inventories.

3) Excludes Hannover casthouse production.

4) Includes internal and external sales from integrated casthouses, remelters, Hydro's 51 percent share of Albras, and third party sources

Remelt production (kmt)	**Location**	**Year 2013**	Year 2012	% change prior year
Europe				
Clervaux	Luxembourg	**88**	95	(8) %
Deeside	United Kingdom	**49**	50	(3) %
Rackwitz	Germany	**79**	80	(2) %
Luce	France	**50**	52	(5) %
Azuqueca	Spain	**71**	69	4 %
US				
Henderson	Kentucky	**86**	87	(1) %
Commerce	Texas	**95**	96	(1) %
Asia				
Hydro Aluminium Taiwan [5]	Taiwan	**-**	18	(100) %
Total remelt production Metal Markets		**517**	548	(6) %

5) Production volumes for the period ending September, 2012 when Hydro completed an agreement for the sale of its remelt plant in Taiwan.

Underlying EBIT for Metal Markets increased in 2013 due to higher margins from our remelt operations, together with significant positive currency and ingot inventory valuation effects compared with substantial negative effects for 2012.

Metal product sales excluding ingot trading declined compared with 2012 mainly due to plant closures and curtailments completed during 2012. These included the curtailment of Kurri Kurri, Australia, one production line in a casthouse in Årdal, Norway and the sale of the remelt plant in Taiwan.

Our sourcing and trading activities delivered continued good results in 2013 although slightly lower compared with 2012. Margins declined on physical standard ingot contracts were mostly offset by stronger LME trading results.

Rolled Products

Operational and financial information	**Year 2013**	Year 2012	% change prior year
Underlying EBIT (NOK million)	**627**	637	(2) %
Underlying EBITDA (NOK million)	**1 108**	1 090	2 %
Sales volumes to external market (kmt)	**941**	909	4 %

Sales volumes to external markets (kmt) - Customer business units			
Foil	**116**	117	(1) %
Can beverage	**208**	200	4 %
Other packaging and building	**74**	74	-
Automotive, heat exchanger	**116**	110	5 %
General engineering	**251**	226	11 %
Lithography	**176**	181	(3) %
Rolled Products	**941**	909	4 %

Rolled Products production sites Volumes to external market (kmt)	**Location**	**Year 2013**	Year 2012	% change prior year
Grevenbroich / 50% share in Alunorf	Germany	585	581	1 %
Hamburg	Germany	134	119	12 %
Slim	Italy	59	54	9 %
Malaysia (99.7% share)	Malaysia	9	11	(14) %
Karmøy	Norway	67	62	8 %
Holmestrand	Norway	88	81	8 %
Total, excluding internal sales		941	909	4 %

Underlying EBIT for Rolled Products was stable compared to 2012 which included significant positive currency effects on export sales.[1)] Excluding currency effects underlying EBIT improved due to higher volumes and improvements relating to Rolled Products' Climb program.

Shipments increased for most product applications supported by improved market demand. Increased automotive sales reflected the growing substitution of steel by aluminium in the production process. Lower imports into Europe had a positive impact on general engineering shipments in addition to the improved market demand. Average net margins excluding currency effects were stable.

Hydro divested its rolling mill in Malaysia at the end of 2013.

1) 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.

Energy

Operational and financial information	Year 2013	Year 2012	% change prior year
Underlying EBIT (NOK million)	**1 653**	1 459	13 %
Underlying EBITDA (NOK million)	**1 801**	1 588	13 %
Direct production costs (NOK million) [1]	**485**	493	(2) %
Power production (GWh)	**10 243**	10 307	(1) %
External power sourcing (GWh) [2]	**9 412**	8 608	9 %
Internal contract sales (GWh) [3]	**13 304**	12 500	6 %
External contract sales (GWh) [4]	**1 241**	1 164	7 %
Net spot sales (GWh) [5]	**5 110**	5 251	(3) %

1) Includes maintenance and operational costs, transmission costs, property taxes and concession fees for Hydro as operator.
2) Includes long-term sourcing contracts and industrial sourcing in Germany.
3) Internal contract sales in Norway and Germany, including sales from own production and resale of externally sourced volumes.
4) External contract sales, mainly concession power deliveries and volumes to former Hydro businesses.
5) Spot sales volumes net of spot purchases.

Underlying EBIT for Energy increased in 2013 due to higher prices, somewhat offset by higher sourcing costs. Direct production costs decreased slightly in 2013 due to lower transmission costs.

In 2013, Hydro acquired the Vigeland Brug hydro power station (180 GWh) located in southern Norway. The acquisition was approved by the Norwegian authorities without any time limitation.

Other and eliminations

Financial information NOK million	Year 2013	Year 2012	% change prior year
Sapa (50%)	**(130)**	-	-
Other	**(459)**	(504)	9 %
Eliminations	**88**	(50)	>100 %
Underlying EBIT Other and eliminations	**(502)**	(553)	9 %

Eliminations is mainly comprised of unrealized gains and losses on inventories purchased from group companies, which fluctuates with product flows, volumes and margin developments throughout Hydro's value chain.

Operational and financial information Sapa (50%) [1]	Year 2013
Revenue (NOK million)	**6 999**
Underlying EBIT (NOK million)	**(141)**
Underlying EBITDA (NOK million)	**55**
Underlying Net income (loss) (NOK million)	**(130)**
Sales volumes (kmt)	**218**

1) Includes amounts relating to the Sapa joint venture for the four mounts from September 1, 2013.

Underlying results for Sapa for the four month period were impacted by the seasonally weak market and charges related to impairment of inventories and accounts receivable. Major improvement initiatives are underway to optimize capacity, reduce costs and improve profitability. Net debt at the end of 2013 was NOK 1.8 billion (100 percent)

Items excluded from underlying EBIT and net income

Items excluded from underlying EBIT and net income

To provide a better understanding of Hydro's underlying performance, the items in the table below have been excluded from underlying EBIT (earnings before financial items and tax) and net income.

Items excluded from underlying EBIT are mainly comprised of unrealized gains and losses on certain derivatives, impairment and rationalization charges, effects of disposals of businesses and operating assets, as well as other items that are of a special nature or are not expected to be incurred on an ongoing basis.

Items excluded from underlying net income [1)]

NOK million	Year 2013	Year 2012
Unrealized derivative effects on LME related contracts [2)]	**202**	(109)
Unrealized derivative effects on power and raw material contracts [3)]	**107**	(937)
Metal effect, Rolled Products [4)]	**289**	64
Significant rationalization charges and closure costs [5)]	**479**	617
Impairment charges (PP&E and equity accounted investments) [6)]	**80**	1 215
(Gains)/losses on divestments [7)]	**-**	(57)
Other effects [8)]	**(311)**	(68)
Items excluded in equity accounted investment (Sapa) [9)]	**217**	-
Items excluded from underlying EBIT	**1 063**	725
Net foreign exchange (gain)/loss [10)]	**2 245**	280
Calculated income tax effect [11)]	**(889)**	222
Items excluded from continuing operations	**2 419**	1 227
Items excluded from discontinued operations [12)]	**30**	509
Items excluded from underlying net income	**2 449**	1 736

1) Negative figures indicate a gain and positive figures indicate a loss.

2) Unrealized derivative effects on LME contracts include unrealized gains and losses on contracts measured at market value, which are used for operational hedging purposes related to fixed-price customer and supplier contracts, but where hedge accounting is not applied. The amounts include net unrealized gains and losses on derivative contracts relating to operations in all our business areas except for Energy. Certain internal aluminium contracts between Metal Markets and other units are measured at market value by Metal Markets but considered for Hydro's own use by consuming units. The valuation effects are eliminated as part of Other and eliminations, and excluded from underlying results. Unrealized gains and losses on derivative contracts relating to trading activities are not excluded from underlying EBIT, as these are considered to be a normal part of the trading business performance.

3) Unrealized derivative effects on power and raw material contracts include unrealized gains and losses on embedded derivatives in power contracts for Hydro's own use, as well as financial power contracts used by Primary Metal, including Søral, and Energy for hedging of power prices. Hydro's Energy operations supply electricity for Hydro's own consumption, and have entered into long-term purchase contracts with external power suppliers. Energy accounts for embedded derivatives in certain sourcing contracts and for the corresponding internal supply contracts with consuming units at fair value. These internal purchase contracts are considered for Hydro's own use by the consuming units, while the embedded derivative is recognized at market value in Other and eliminations, and excluded from underlying results. Embedded derivatives in power contracts include exposures to changes in forward prices on aluminium and coal, as well as currency and inflation adjustments. Reported periodic effects are also influenced by changes in the contract portfolio. The majority of physical power-purchase contracts have a long duration and can result in significant unrealized gains and losses on embedded derivatives, impacting the reported results. Embedded derivatives in raw material contracts include exposures to changes in forward prices on aluminium and petroleum coke.

4) Metal effect: Rolled Products' sales prices are based on a margin over the metal price. The pricing, production and logistics process of Rolled Products normally lasts four to five months. As a result, margins are impacted by timing differences resulting from the FIFO (first in, first out) inventory valuation method, due to changing aluminium prices during the process. The effect of inventory write-downs is included. Decreasing aluminium prices in Euro results in a negative metal effect on margins, while increasing prices have a positive effect.

5) Rationalization charges and closure costs include costs that are typically non-recurring for individual plants or operations. Such costs involve termination benefits, dismantling of installations and buildings, clean-up activities that exceed legal liabilities, etc.

6) Impairment charges occur in the period when an asset or a group of assets is identified to have lost its value, causing a write-down to the recoverable amount. In most of our impairment situations, there is no single event directly causing the write-down. The loss is therefore not necessarily closely linked to performance in a single period.

7) Gains and losses on divestments include a net gain or loss on divested businesses and/or individual major assets.

8) Other effects include recognition of pension plan amendments and related curtailments and settlements, insurance proceeds, legal settlements, etc.

9) Items excluded in equity accounted investments reflects Hydro's share of items excluded from underlying net income in Sapa as of September 2013.

10) Realized and unrealized gains and losses on foreign currency-denominated accounts receivable and payable, funding and deposits, and forward-currency contracts purchasing and selling currencies that hedge net future cash flows from operations, sales contracts and working capital.

11) In order to present underlying net income on a basis comparable with our underlying operating performance, we have calculated the income tax effect of items excluded from underlying income before tax.

12) Items excluded from discontinued operations are comprised of items excluded from Extruded Products' underlying net income until end of August 2013.

Items excluded from underlying EBIT - Business areas

The following includes a summary table of items excluded from underlying EBIT for each of the operating segments and for Other and eliminations.

Items excluded from underlying EBIT [1)]

NOK million	**Year 2013**	Year 2012
Unrealized derivative effects on LME related contracts	**12**	(8)
Legal settlements	**109**	-
Bauxite & Alumina	**121**	(8)
Unrealized derivative effects on LME related contracts	**81**	98
Unrealized derivative effects on power contracts	**285**	(240)
Unrealized derivative effects on power contracts (Søral)	**189**	15
Unrealized derivative effects on raw material contracts	**36**	40
Impairment charges	**-**	1 045
Impairment charges (Qatalum)	**-**	30
Insurance compensation (Qatalum)	**(30)**	-
Rationalization charges and closure costs	**7**	600
Primary Metal	**568**	1 588
Unrealized derivative effects on LME related contracts	**(12)**	11
Impairment charges	**-**	76
(Gains)/losses on divestments	**(53)**	(15)
Pension	**(7)**	-
Metal Markets	**(73)**	73
Unrealized derivative effects on LME related contracts	**134**	(232)
Metal effect	**289**	64
Rationalization charges and closure costs	**85**	17
(Gains)/losses on divestments	**69**	-
Pension	**(45)**	-
Rolled Products	**532**	(151)
Unrealized derivative effects on power contracts	**(4)**	11
Energy	**(4)**	11
Unrealized derivative effects on power contracts	**(399)**	(764)
Unrealized derivative effects on LME related contracts	**(13)**	22
Impairment charges	**80**	64
Pension	**(338)**	(68)
(Gains)/losses on divestments	**(16)**	(42)
Rationalization charges and closure costs	**386**	-
Items excluded in equity accounted investment (Sapa)	**217**	-
Other and eliminations	**(81)**	(788)
Items excluded from underlying EBIT	**1 063**	725

1) Negative figures indicate a gain and positive figures indicate a loss.

Financial income (expense), net

Financial income (expense)			% change
	Year	Year	prior
NOK million	**2013**	2012	year
Interest income	**235**	286	(18)%
Dividends received and net gain (loss) on securities	**170**	133	28 %
Financial income	**405**	418	(3)%
Interest expense	**(419)**	(393)	(7)%
Capitalized interest	**2**	15	(87)%
Net foreign exchange gain (loss)	**(2 245)**	(280)	>(100)%
Net interest on pension liability [1)]	**(159)**	(282)	44 %
Other	**(133)**	(108)	(23)%
Financial expense	**(2 954)**	(1 047)	>(100)%
Financial income (expense), net	**(2 550)**	(629)	>(100)%

1) Reflecting implementation of IAS 19R. See note 2, Changes in accounting principals and new pronouncements, later in this report for more information.

The net currency loss in 2013 related mainly to debt denominated in US dollars and inter-company balances denominated in Euro.

Income tax expense

Income taxes amounted to a charge of NOK 153 million in 2013, compared with a charge of NOK 759 million in 2012. Deferred tax credits arising from increased currency losses contributed to a reduction of income tax expense primarily relating to power surtax in Norway.

Liquidity and capital resources

The table below includes information on Hydro's liquidity, debt, investments and financial position and performance for the years indicated. See note 35 to the consolidated financial statements for more information on Hydro's capital management practices. See the shareholder information section of this report for more information on Hydro's dividend policy, share buybacks and funding and credit rating.

Liquidity and financial position NOK million, except ratios and RoaCE	**Year 2013**	Year 2012
Net cash provided by continuing operating activities	**5 073**	5 434
Cash and cash equivalents	**8 412**	7 034
Short-term investments [1]	**2 480**	4 343
Liquid assets	**10 891**	11 377
Bank loans and other interest-bearing short-term debt	**(6 195)**	(5 956)
Long-term debt	**(3 986)**	(3 674)
Net interest-bearing (debt) assets	**711**	1 747
Adjusted net interest-bearing debt excluding equity accounted investments (EAI) [2]	**(9 503)**	(8 269)
Adjusted net interest-bearing debt including EAI [2]	**(16 154)**	(14 346)
Adjusted net interest-bearing debt including EAI / Adjusted equity [3]	**0,21**	0.19
Investments [4]	**3 586**	3 382
Capital employed	**74 553**	73 752
Return on average capital employed (RoaCE)	**1.1 %**	(0.5) %
Adjusted funds from operations / Adjusted net interest-bearing debt	**0,34**	0.39

1) Hydro's policy is that the maximum maturity for cash deposits is 12 months. Cash flows relating to bank time deposits with original maturities beyond three months are classified as investing activities and included in short-term investments on the balance sheet. See note 18 to the consolidated financial statements for more information on short-term investments.

2) Mainly comprised of net unfunded pension obligations after tax, the present value of operating lease obligations and interest-bearing debt held by equity accounted investees. From the third quarter 2012, net interest bearing debt in equity accounted investments is excluded from our quarterly reporting of adjusted interest bearing debt following the termination of Hydro's guarantee of Qatalum debt. We are presenting adjusted interest bearing debt including interest bearing debt held by equity accounted investees and excluding such debt in this annual report. See note 35 to the consolidated financial statements for more information on adjusted net interest-bearing debt and adjusted equity.

3) Adjusted net interest bearing debt ratio and other financial metrics included in this report are calculated including interest bearing debt held by equity accounted investees.

4) Additions to property, plant and equipment (capital expenditures) plus long-term securities, intangible assets, long-term advances and investments in equity accounted investments. Investments exclude amounts relating to Extruded Products for all periods presented.

Cash flow and Liquidity

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

In 2013, cash provided from continuing operating activities of NOK 5.1 billion was sufficient to cover investments of NOK 2.9 billion, as well as dividend payments of NOK 2.0 billion. Net loan repayments amounted to NOK 0.8 billion. Proceeds from sale of long-term investments and property, plant and equipment of NOK 0.4 billion represented additional sources of cash. Net cash used in discontinued operations amounted to NOK 0.4 billion.

Net cash was reduced by NOK 1.0 billion, compared to the previous year, amounting to NOK 0.7 billion at the end of 2013. The increase in adjusted net interest bearing debt excluding equity accounted investments reflected a further increase in net pension liabilities mainly due to changes in actuarial assumptions, party offset by curtailment gains, and lower operating lease commitments. Hydro's adjusted net interest bearing debt to equity ratio was 0.21, well below its targeted maximum ratio of 0.55. Our adjusted funds from operations/adjusted net interest bearing debt ratio was 0.34, somewhat below 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 2014.

Long-term borrowing and funding requirements

Norsk Hydro ASA has a USD 1.7 billion revolving multi-currency credit facility with a syndicate of international banks, maturing in November 2018, with the possibility of two one-year extensions. There was no borrowing under the facility as of December 31, 2013. See note 30 to the consolidated financial statements for additional information.

Potential financing requirements in 2014 will be covered by internally generated funds in addition to external funding.

Hydro has the ambition over time to access the national and international bond markets as its primary source for external funding of long-term capital requirements. There were no capital markets transactions in 2013. In 2012 Hydro issued a NOK 1.5 billion seven year bond in the Norwegian capital market to extend the maturity profile of its funding base. The revolving facility mentioned above was signed in November 2013, replacing a facility of similar size and maturing in 2014. The facility will continue to serve primarily as a back-up for unforeseen funding requirements.

Contractual and other obligations, commitments and off-balance sheet arrangements

A summary of Hydro's total contractual obligations and commercial commitments to make future payments is presented below. For further information, see notes 15 Operating leases, 30 Long-term debt, 39 Contractual commitments and other commitments for future investments and 31 Provisions to Hydro's consolidated financial statements.

Hydro is contingently liable for certain guarantees amounting to about NOK 2 billion, mainly in connection with the sale of companies. This amount is excluded from the table below. See note 37 Guarantees to Hydro's consolidated financial statements for a description of such guarantees.

		Payments due by period			
Amounts in NOK million	**Total**	Less than 1 year	1-3 years	3-5 years	Thereafter
Long-term debt including interest	**5 478**	578	1 243	945	2 712
Operating lease obligations	**2 831**	305	586	538	1 402
Unconditional purchase obligations [1)]	**89 239**	13 101	17 548	14 350	44 240
Contractual commitments for PP&E	**1 387**	1 330	57	-	-
Short-term and long-term provisions [2)]	**3 619**	998	695	578	1 349
Total contractual and non-contractual obligations	**102 554**	16 312	20 129	16 411	49 703

1) Unconditional purchase obligations exclude long-term contracts with part owned entities.

2) Short-term and long-term provisions includes certain accruals and provisions which are non-contractual, but related to liabilities or obligations that are measurable and expected to occur in future periods.

Employee retirement plans

Hydro's employee retirement plans consist of defined benefit and defined contribution pension plans. As of December 31, 2013, the defined benefit obligation associated with Hydro's defined benefit plans was NOK 17.1 billion. The fair value of pension plan assets was NOK 11.9 billion, resulting in a net unfunded obligation relating to the plans of NOK 5.2 billion. In addition, termination benefit obligations and other pension obligations amounted to NOK 0.5 billion, resulting in a total net unfunded pension obligation of NOK 5.6 billion. Hydro's pension expense for 2013 amounted to NOK 0.2 billion including curtailment gains of NOK 0.4 billion relating to the transition to defined contribution plans in Norway. Cash outflows from operating activities in 2013 regarding pensions amounted to approximately NOK 0.7 billion. See note 32 Employee retirement plans in the consolidated financial statements for more information on Hydro's employee retirement plans.

Minority interest and shareholders' equity

Minority interest was NOK 5,283 million as of December 31, 2013, compared with NOK 5,835 million as of December 31, 2012. Shareholders' equity amounted to NOK 75,264 million at the end of 2013, compared with NOK 75,498 million at the end of 2012. The main items impacting shareholders' equity in 2013 and 2012 included net income, currency-translation

adjustments and dividends declared and paid. See the consolidated statements of changes in equity and note 34 Shareholders' equity to Hydro's consolidated financial statements for a detailed reconciliation of shareholders' equity

Investments

Investments in 2013 amounted to NOK 3,586 million, compared with NOK 3,382 million in 2012.

Investments[1)]

Amounts in NOK million	Year 2013	Year 2012	% change prior year
Bauxite & Alumina	1 198	1 430	-16 %
Primary Metal	1 093	1 023	7 %
Metal Markets	74	37	100 %
Rolled Products	442	405	9 %
Energy	689	430	60 %
Other and eliminations	90	56	61 %
Total	3 586	3 382	6 %

1) Additions to property, plant and equipment (capital expenditures) plus long-term securities, intangible assets, long-term advances and investments in non-consolidated investees. Excludes amounts relating to Extruded Products. Investments include non-cash elements relating to capitalized lease obligations and the Vigeland acquisition.

In 2013, Hydro continued to focus on securing its liquidity position. Investments were mainly limited to maintenance activities to safeguard our production assets. A summary of the significant investments that were made in addition to maintenance activities for both 2013 and 2012 is included below.

Investments for Rolled Products ín 2013 included somewhat higher expenditures mainly related to re-lining and ramp up activities for our Rheinwerk smelter in Germany. Investments for Rolled Products in 2012 included expenditures related to the completion of upgrading activities in our Grevenbroich and Hamburg plants.

In 2013 Investments for Energy included the acquisition of Vigeland power plant, a major upgrade project at Rjukan as well as upgrades of power stations in Røldal-Suldal. Investments for Energy in 2012 included amounts relating to a new power stations at Holsbru and Vasstøl as well as a the major upgrade project at Rjukan.

Return on Capital Employed (RoaCE)

Hydro uses (underlying) RoaCE to measure the performance for the group as a whole and within its operating segments, both in absolute terms and comparatively from period to period. Management views this measure as providing additional understanding of the rate of return on investments over time in each of its capital intensive businesses, and in the operating results of its business segments.

(Underlying) RoaCE is defined as (underlying) "Earnings after tax" divided by average "Capital Employed." (Underlying) "Earnings after tax" is defined as (underlying) "Earnings before financial items and tax" less "Adjusted income tax expense." Since RoaCE represents the return to the capital providers before dividend and interest payments, adjusted income tax expense excludes the tax effects of items reported as "Financial income (expense), net" and in addition, for underlying figures, the tax effect of items excluded. "Capital Employed" is defined as "Shareholders' Equity", including minority interest plus long-term and short-term interest-bearing debt less "Cash and cash equivalents" and "Short-term investments." Capital Employed can be derived by deducting "Cash and cash equivalents," "Short-term investments" and "Short-term and long-term interest free liabilities" (including deferred tax liabilities) from "Total assets." The two different approaches yield the same value.

	Underlying		Reported	
NOK million	**2013**	2012	**2013**	2012
EBIT	**2 737**	1 297	**1 674**	571
Adjusted Income tax expense [1]	**(1 082)**	(629)	**(867)**	(935)
EBIT after tax	**1 655**	668	**807**	(363)

	31 December		
NOK million	**2013**	2012	2011
Current assets [2]	**19 829**	28 346	28 040
Property, plant and equipment	**50 670**	52 208	64 192
Other assets [3]	**33 844**	25 426	30 302
Other current liabilities	**(12 688)**	(15 010)	(16 968)
Other long-term liabilities [4]	**(17 103)**	(17 219)	(22 829)
Capital Employed	**74 553**	73 752	82 737

	Underlying		Reported	
Return on average Capital Employed (RoaCE)	**2013**	2012	**2013**	2012
Hydro	**2.2 %**	0.9 %	**1.1 %**	(0.5) %
Business areas [5]				
Bauxite & Alumina	**(2.2) %**	(1.6) %	**(2.5) %**	(1.5) %
Primary Metal	**3.7 %**	0.4 %	**2.3 %**	(3.1) %
Metal Markets	**19.9 %**	6.6 %	**22.3 %**	4.3 %
Rolled Products	**5.0 %**	5.3 %	**0.5 %**	6.7 %
Energy	**23.1 %**	23.2 %	**23.2 %**	23.0 %

1) Adjusted Income tax expense is based on reported and underlying tax expense adjusted for tax on financial items.
2) Excluding cash and cash equivalents and short-term investments.
3) Including deferred tax assets.
4) Including provisions for pension and deferred tax liabilities.
5) RoaCE at business area level is calculated using 30% tax rate. For Energy, 50% tax rate is used, adjusted for sale of SKS in 2011.

Additional information

See note 7 to the consolidated financial statements for additional financial information relating to Hydro's operating segments. Following is a table of underlying EBITDA for each of the operating segments:

Underlying EBITDA NOK million	**Year** **2013**	Year 2012	% change prior year
Bauxite & Alumina	**662**	959	(31) %
Primary Metal	**3 293**	2 332	41 %
Metal Markets	**691**	308	>100 %
Rolled Products	**1 108**	1 090	2 %
Energy	**1 801**	1 588	13 %
Other and eliminations	**(435)**	(452)	4 %
Total	**7 119**	5 827	22 %

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04: Risk review

QUICK OVERVIEW

Hydro faces many risks and uncertainties within its worldwide business operations and the global marketplace. We are exposed to changing economic and market conditions and price volatility can have a significant impact on Hydro's reported and operating results. Repositioning and restructuring activities are important in determining the viability of our future aluminium operations.

Our primary smelting operations are highly dependent on securing substantial amounts of energy at competitive prices. We are exposed to increasingly onerous legislation on CO2 emissions that impact Hydro directly, relating to aluminium production, and indirectly, through higher power prices.

Risk management in Hydro is based on the principle that risk evaluation and mitigation is an integral part of all business activities. Hydro's main strategy for mitigating risk related to volatility in cash flow is to maintain a solid financial position and strong credit worthiness. Hydro is also taking proactive measures to reduce credit risk, improve its financial position and further adjust the cost of its smelter operations.

Indicative price and currency sensitivities +10% [1)]

NOK million	EBIT	Financial items	Income before tax	Net income
LME	2 530	-	-	1 945
USD	2 080	(1 050)	1 030	970
BRL	(840)	820	(20)	(40)
EUR	(155)	(915)	(1 070)	(605)

1) Assumptions: Annual sensitivities based on expected business volumes for 2013, LME USD 1,800, NOK/USD 6.10, NOK/BRL 2.70 and NOK/EUR 8.20. Aluminium price sensitivity is net of aluminium price indexed costs and excluding unrealized effects related to operational hedging. Currency sensitivities relating to financial items include effects from intercompany positions. Rounded figures.

Risk factors

Risk management in Hydro is an integral part of all business activities. Business areas have the main responsibility for relevant risk management within their area. Corporate staff units establish policies and procedures for managing risk and coordinate an overall enterprise risk assessment.

Below is a description of certain risks that may affect our business, financial condition and the results of operations from time to time and, hence, our share price. All of the information in this report should be carefully considered, in particular, the risks described below.

Continued uncertainty in global economic and market conditions could have an adverse effect on our operating results and liquidity

Weak global economic conditions have contributed to low and volatile aluminium prices. Economic developments for Hydro's core European markets, in particular, have resulted in weaker downstream demand having a significant negative influence on Hydro's underlying EBIT for the year 2012. Economic conditions have improved somewhat in 2013, however future developments remain uncertain and aluminium prices remain low. Europe, in particular, continues to be impacted by industrial overcapacity and high levels of unemployment. Lower economic growth is expected in key emerging markets.

Based on operating revenues, around 44 percent of Hydro's business is generated within the EU and about 61 percent in Europe in total. Of this amount, Southern Europe represents about 10 percent of the total operating revenues. These amounts exclude Hydro's investment in Sapa, which is reported as an equity accounted investment.

Since 2008 the global production of primary aluminium, excluding China, has exceeded market demand despite significant curtailments of production capacity, and inventories have remained at high levels. New curtailments, together with production disruptions and delays of projects under construction contributed to a relatively balanced market in 2012 and 2013.The market is expected to remain balanced in the coming year but this is based on expected demand growth which is uncertain.

We may be unable to reduce operating costs sufficiently to compensate for an extended period of weak demand and low aluminium prices

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 currency developments have moderated to some extent in 2013, these factors can increase our operating costs significantly, and weaken our competitive position globally. In 2012, Hydro decided to close production at its Kurri Kurri plant in Australia due to the weak economic environment, low metal prices together with the effects of the strong Australian dollar.

In the last several years, the aluminium industry cost curve has increased on average about USD 300 per mt mainly due to higher costs for key raw materials driven by strong demand in emerging economies and in China in particular.

New initiatives have been implemented targeting significant cost savings and improvements for our operating segments while programs initiated earlier are ongoing. We may not succeed in making the cost reductions and improvements necessary on a timely basis, or they may be insufficient to achieve a sustainable level of profitability for our business operations in the event of an extended period of low aluminium prices, relatively high costs for key raw materials or weak market demand.

Price volatility can impact our operating costs and can also have a substantial effect on our reported operating results

Commodity price volatility in general has increased significantly in recent years and can have significant impact on our operating results. See Market and commercial risk – Prices and currency later in this section for Hydro's policies and practices relating to hedging price and currency risk. Commodity price volatility, including raw material commodities such as fuel oil, petroleum coke and coal, can significantly impact our operating costs directly and can also have a substantial effect on our reported operating results due to realized and unrealized gains and losses on derivative instruments. Underlying results for our trading and hedging operations are subject to substantial variations in periods of significant fluctuations of spot and forward prices for aluminium.

A deterioration of our financial position or a downgrade of our ratings by credit rating agencies could increase our borrowing cost and cost of capital and have an adverse effect on our business relationships

It is important for Hydro to maintain its investment grade credit rating for competitive access to capital and to support its business relationship with customers, suppliers and other counterparties. Our credit rating is also an important factor in making Hydro attractive as a joint venture partner for new growth initiatives. Any deterioration of our financial position

or downgrade of our credit rating could increase our borrowing costs and have an adverse effect on our business relationships and attractiveness for major projects, contracts and other agreements.

Hydro's reported results and competitive position are exposed to changes in currency exchange rates

Hydro has a substantial portion of its primary metal capacity based in Norway and its accounting and reporting currency is the Norwegian krone. Primary aluminium prices and a major part of the raw materials for producing aluminium are denominated in US dollars. Following the completion of the Vale aluminium acquisition, roughly half of Hydro's capital employed is located in Brazil. Much of Hydro's downstream business is based in Europe and a large portion of the production is sold in Euro while export sales are typically denominated in US dollars. As a result of these exposures, the relative value of the US dollar, Brazilian Real and Euro are of high importance to Hydro's operating results. Changes in the value of these currencies can be significant and volatile.

Periodic revaluation of foreign-denominated balances can have a significant impact on earnings. Revaluation upon realization of such balances can have a significant effect on both earnings and cash. The value of investments committed in foreign currencies is sensitive to currency movements.

Hydro may not realize the benefits expected from the Sapa joint venture

The Sapa joint venture is expected to provide a platform for improved profitability and potential for future growth for its extrusion business. The joint venture may fail to achieve a successful integration of the business operations and may not achieve the synergies expected.

Hydro may not realize the benefits expected from the acquisition of the Vale aluminium business

Hydro cannot be certain that it will realize the expected benefits from the acquisition of the Vale aluminium business or that such results can be achieved in the time frame expected. Weak economic and market conditions had a substantial negative influence on Hydro's bauxite and alumina business in 2013. In addition, production disruptions relating to external power outages resulted in increased sourcing costs, lower production, and temporary delays in execution of Bauxite & Alumina's improvement program.

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 Para which grants a deferral of ICMS taxes for certain types of mining and refining operations. This effectively exempts Hydro's operations from ICMS taxes on interstate transactions. The deferral must be renewed by July 2015. Due to changes in tax regulations in a neighboring state, Hydro's alumina refinery, Alunorte, in Brazil will be subject to ICMS taxation on fuel oil beginning February 1, 2014.

Costs associated with operating a mine may increase rapidly as a result of, among others, production interruptions or delays, increased or new license requirements and fees, new or increased royalties and/or indirect taxes, changes or variations in geologic conditions, environmental hazards and weather and other natural phenomena, mining and processing equipment failures and unexpected maintenance problems and interruptions due to transportation delays.

The acquisition of title to mineral concessions in Brazil is a detailed and time-consuming process. Failure to comply with the requirements of the Brazilian Department of Mines with respect to exploration permits and mining concessions may result in a loss of title. Third parties (including, but not limited to, indigenous persons) may dispute title to mineral concessions or the right to conduct mining or exploration activities. In addition, such properties may be subject to undetected or undisclosed defects.

The bauxite reserves acquired in the Vale transaction and the estimated quantities of bauxite that Hydro expects can be economically mined and processed are subject to material uncertainties.

Business development has occurred and is more likely to occur in emerging and transitioning markets

Following the acquisition of the Vale aluminium business and the completion of the Qatalum smelter, the geographic distribution of Hydro's business has changed significantly. New primary smelter, alumina and bauxite capacity is expected to be mainly located in countries characterized as emerging and transitioning markets.

Investing in emerging and transitioning markets is demanding in terms of organizational capacity, effort, knowledge and experience and Hydro may not be capable of succeeding in expanding its business in such markets.

Investments in emerging and transitioning markets may create exposure to economic structures that are generally less diverse and mature and may involve increased risks of severe inflation, fluctuation in currency rates, changing laws and judicial interpretations, disputes over ownership of land and

other property, diverging financial, commercial or disclosure practices and more volatile tax systems. Legal, fiscal and regulatory systems in emerging and transitioning markets may be less stable and have a lower degree of transparency and predictability, making investment evaluation and any eventual implementation more difficult. Lower transparency may also create exposure to actual or perceived corruption, increasing the risk to the reputation of companies operating in such markets.

Conducting business in emerging and transitioning markets may be affected by political instability or unpredictability resulting from national or regional political transitions. Conducting business in emerging and transitioning markets may also be affected by government regulations with respect to restrictions on production, price controls, export controls, restrictions on repatriation of profits, payment of dividends, direct and indirect taxes, expropriation of property, environmental legislation and mine safety. The Brazilian government has in the past intervened in the Brazilian economy and has occasionally made substantial changes in policy.

Hydro could be adversely affected by disruptions of our operations and may not be able to maintain sufficient insurance to cover all risks related to its operations

Hydro's business is subject to a number of risks and hazards which could result in damage to properties and production facilities, personal injury or death, environmental damages, monetary losses and possible legal liability. Breakdown of equipment, power failures or other events, including catastrophic events such as natural disasters and major military conflicts leading to production interruptions in our plants could have a material adverse effect on our financial results and cash flows. Although Hydro maintains insurance to protect against certain risks in such amounts as it considers reasonable, its insurance may not cover all the potential risks associated with Hydro's operations.

Our business is exposed to competition from China

China has in recent years imposed duties designed to reduce the export of aluminium metal, while also encouraging domestic production of more labor intensive semi-fabricated and finished aluminium products. This development exposes our downstream business to lower-priced exports from China. In addition, any reduction of such duties may have a significant negative effect on our primary metal business.

Emerging or transitioning markets present a competitive threat to our business

Emerging or transitioning markets in countries with abundant natural resources, low-cost labor and energy, and lower environmental and other standards, have posed and may continue to pose a significant competitive threat to our business.

Hydro is exposed to increasingly demanding legislation on reducing CO_2 emissions

An increasing number of countries have introduced, or are likely to in the near future to introduce, legislation with the objective of reducing CO2 emissions. Hydro has substantial smelter operations located in Europe. Legislation regulating CO_2 emissions has resulted in higher power prices for our European operations but to a lesser extent for our Norwegian smelters in the short to medium term, since most of the electricity consumption in Norway is covered by our own equity production or through long-term supply contracts. The EU has enacted emissions regulations that apply directly to CO_2 emissions from our smelter operations in Norway and in the EU from 2013 onward. Although there will be some compensation available to aluminium producers, these regulations are more demanding than those being contemplated in most other regions of the world and could negatively impact our competitive position. See also the section in this report on Regulation and taxation for more information pertaining to climate gases.

Our aluminium operations, and in particular our smelters, are dependent upon large volumes of energy

Our position could be materially affected by the inability to replace, on competitive terms, our long-term energy supply contracts when they expire, or our own equity production to the extent that concessions revert to the Norwegian state. See also the section in this report on Regulation and taxation for more information pertaining to the Norwegian regulatory system for hydroelectric production.

Future acquisitions, mergers, or strategic alliances may adversely affect our financial condition

Hydro may undertake additional acquisitions in the future and may not be able to realize benefits expected for such transactions. Acquisitions may contain significant unidentified liabilities which could have a material adverse effect on our financial position.

Increasing investments in jointly owned entities reduces Hydro's ability to manage its business portfolio

Investment as a minority partner in jointly owned entities and associates reduces Hydro's ability to manage and control this part of its portfolio. Investments in jointly owned entities, including those in which we hold a majority position also entail the risk of diverging interests between business partners, which could impede Hydro's ability to realize its objectives, repatriate funds from such entities and to achieve full compliance with its standards. At the end of 2013, around half of our smelter capacity was owned through interests in joint venture companies and our extrusion operations are owned through the 50/50 joint venture, Sapa.

We may not be successful in attracting and retaining sufficient skilled employees

In order to safeguard our operations and achieve future growth, we must recruit and retain qualified professionals.

We are highly dependent on the continuous development and successful application of new technologies and require substantial capacity and competence in terms of complex management and critical business processes. We also emphasize diversity with regards to nationality, culture, gender and educational background in our recruiting practices and policies. Demand for personnel with the range of capabilities and experience required in our businesses is high and we may not succeed in attracting and retaining such employees. A subsequent decline in competitiveness could have a negative impact on our operating results and financial condition.

We may not succeed in developing technological solutions to support our growth strategies

Being at the forefront of technological development is important to remain competitive. Hydro is engaged in the development of new "next generation" cell and smelter technology together with key suppliers. We may fail to develop these technologies on a timely basis or they may not be commercially feasible, thereby resulting in a negative impact on our competitive position.

Hydro faces the risk of counterparty default

A significant downturn in the business or financial condition of a key customer or group of customers exposes us to the risk of default on contractual agreements and trade receivables, which would have a negative impact on our operational results. Weak and deteriorating economic conditions on a global, regional or industry sector level increases the risk of defaulting counterparties and may reduce or make prohibitively expensive credit insurance to cover such risk.

Major accidents could result in substantial claims, fines or significant damage to Hydro's reputation

Some of our operations are located in close proximity to sizable communities. Major accidents due to human error, systems failures, deliberate sabotage, extreme weather or other natural disasters, could result in loss of life or extensive damage to the environment or communities. Such events could result in major claims, fines, penalties and significant damage to Hydro's reputation.

Hydro could be negatively affected by legal proceedings or investigations

Hydro could be negatively affected by criminal or civil proceedings or investigations related to, but not limited to product liability, environment, health and safety, alleged anti-competitive or corrupt practices or commercial disputes. See also the section of this report on Viability for more information on issues relating to integrity and transparency. Violation of applicable laws and regulations could result in substantial fines or penalties, costs of corrective works and, in rare instances, the suspension or shutdown of our operations and substantial damage to the company's reputation.

Hydro may be subject to unforeseen liabilities for environmental damage

Environmental laws may impose clean up liability on owners and occupiers of contaminated property, including past or divested properties, regardless of whether the owners and occupiers caused the contamination or whether the activity that caused the contamination was lawful at the time it was conducted. Many of our present and former operations are and were located on properties with a long history of industrial use. See also the section in this report on Regulation and taxation for more information pertaining to Environmental matters.

Hydro is subject to a broad range of laws and regulations

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

material compliance with currently applicable laws and regulations. However, these laws and regulations may change or new laws and regulations may be enacted requiring substantial costs for compliance, reducing profitability or having a negative impact on our competitive position.

Hydro may be subject to liabilities relating to businesses transferred to successor companies

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

Rights and legal remedies may be limited for certain classes of shareholders

The exercise of shareholder rights such as voting and preferential subscription rights may not be available to beneficial shareholders whose shares are registered in a nominee account, and not in the shareholders' own names with the Norwegian Central Securities Depository, *Verdipapirsentralen* (VPS). Hydro cannot guarantee that beneficial shareholders will receive the notice for a general meeting in time to instruct their nominees to affect a re-registration of their shares. Hydro is organized under the laws of the Kingdom of Norway. It may be difficult for investors to effect service of process outside Norway upon Hydro or its directors and executive officers, or to enforce against Hydro or its directors and executive officers judgments obtained in other jurisdictions. Norwegian courts are unlikely to apply other than Norwegian law when deciding on civil liability claims under securities laws.

Market and commercial risk

Financial position

Our main strategy for mitigating risk related to volatility in cash flow is to maintain a strong balance sheet. Specific key financial ratio levels are targeted over the business cycle reflecting a solid financial position and strong credit worthiness. These include an adjusted net interest-bearing debt/equity ratio below 0.55 and a ratio of funds from operations to adjusted net interest-bearing debt above a level of 0.40. In addition, we have close follow-up of liquidity reserves and of the profile of installment payments on debt in order to secure our financial position.

Liquidity risk

Hydro's liquidity position at the end of 2013 is considered to be solid. An undrawn credit facility of USD 1.7 billion has been replaced by a new facility maturing in 2018 with the possibility for two one-year extensions. The new facility, which also amounts to USD 1.7 billion, was undrawn at the end of 2013. Hydro continues to focus on cash flow and credit risk throughout the organization. We take a proactive approach toward customers to reduce credit risk and also monitor the financial performance of key suppliers in order to reduce the risk of default on operations and key projects.

Prices and currency

Our operating results are primarily affected by price developments of its main products, aluminium, alumina and power, and of raw materials, in addition to fluctuations in the value of U.S. dollar, Norwegian krone, Euro, and Brazilian Real which are the most significant currencies for Hydro. Our main risk management strategy for upstream operations is to accept exposure to price movements, while at the same time focusing on reducing the average cost position of our production assets. In certain circumstances, derivatives may be used to hedge certain revenue and cost exposures.

Downstream and other margin-based operations are to a certain extent hedged to protect processing and manufacturing margins against raw material price fluctuations. An operational hedging system has been established to protect commercial contracts from aluminium price fluctuations.

To mitigate the U.S. dollar exposure, Hydro's policy is to raise funding in U.S. dollars. To reduce the effects of fluctuations in the U.S. dollar and other exchange rates, Hydro has used foreign currency swaps and forward currency contracts. In 2013, we entered into forward currency contracts to hedge a portion of the USD/BRL currency exposure in our Brazilian assets for the second half of 2013 and the full year 2014.

An indication of the sensitivities regarding aluminium prices and foreign currency fluctuations for 2014 is provided in the table below. The table illustrates the sensitivity of earnings, before and after tax, to changes in these factors and is provided to supplement the sensitivity analysis required by IFRS, included in note 7 to the Consolidated Financial Statements.

In addition to the above sensitivities, the revaluation of derivative instruments and contracts classified as derivatives may influence reported earnings. For accounting purposes, derivative financial and commodity instruments are recognized at fair value, with changes in fair value impacting

Indicative price and currency sensitivities +10%1)

NOK Million	EBIT	Financial items	Income before tax	Net income
LME	2 530	-	-	1 945
USD	2 080	(1 050)	1 030	970
BRL	(840)	820	(20)	(40)
EUR	(155)	(915)	(1 070)	(605)

1) Assumptions: Annual sensitivities based on expected business volumes for 2013, LME USD 1,800, NOK/USD 6.10, NOK/BRL 2.70 and NOK/EUR 8.20. Aluminium price sensitivity is net of aluminium price indexed costs and excluding unrealized effects related to operational hedging. Currency sensitivities relating to financial items include effects from intercompany positions. Rounded figures.

earnings unless specific hedge criteria are met. This can result in volatility in earnings, since the associated gain or loss on the related physical transactions may be reported in earnings in different periods. Please see note 7 and 41 to the Consolidated Financial Statements for a detailed description of Hydro's commercial and financial risk exposures and hedging activities related to such exposures.

In accordance with IFRS requirements, Hydro has chosen to provide information about market risk and potential exposure to hypothetical loss from its use of derivative financial instruments and other financial instruments, and derivative commodity instruments through sensitivity analysis disclosures. Please see note 7 to the Consolidated Financial Statements for more information, and for additional information on these disclosures.

Legal proceedings

Hydro is involved in or threatened with various legal and tax matters arising in the ordinary course of business. Hydro is of the opinion that resulting liabilities, if any, will not have a material adverse effect on its consolidated results of operations, liquidity or financial position.

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05: *Shareholder information*

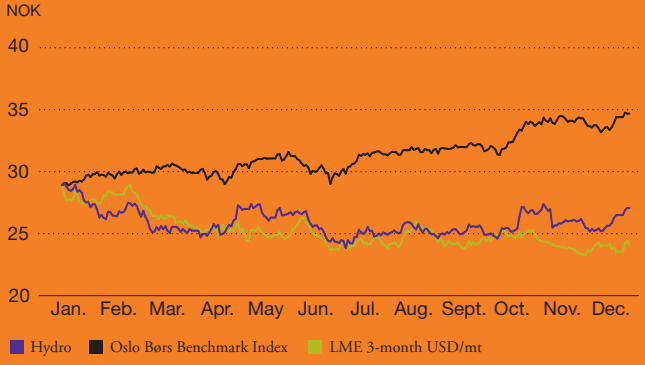
QUICK OVERVIEW

Hydro's share price closed at NOK 27.07 at the end of 2013. The return for 2013 was negative, amounting to NOK 0.81, or 2.91 percent. Hydro's Board of Directors proposes to pay a dividend of NOK 0.75 per share for 2013, for approval by the Annual General Meeting on May 7, 2014, reflecting the company's strong commitment to provide a cash return to its shareholders and strong financial position.

There were 2,038,789,033 outstanding shares at the end of 2013. Hydro had 51,450 registered shareholders as per the Norwegian Central Securities Depository. The Ministry of Trade, Industry and Fisheries of Norway was the largest of these with a shareholding of 34.26 percent of the total number of ordinary shares authorized and issued.

Hydro's shares are, in addition to the Oslo Stock Exchange, also listed in London while our American Depositary Shares (ADSs) trade on OTCQX International in the U.S., the premium over-the-counter market tier.

Share price development in 2013



Introduction

Hydro's share price closed at NOK 27.07 at the end of 2013. The return for 2013 was negative with NOK 0.81, or 2.91 percent. Hydro's Board of Directors proposes to pay a dividend of NOK 0.75 per share for 2013, for approval by the Annual General Meeting on May 7, 2014, reflecting the company's strong commitment to provide a cash return to its shareholders and strong financial position.

There were 2,038,789,033 outstanding shares at the end of 2013. A total of 1.7 billion Hydro shares were traded on the Oslo Stock Exchange during 2013, representing 5.3 percent of the total turnover on the exchange in terms of share value.

At the closing of the acquisition of Vale's aluminium assets on February 28, 2011, Hydro issued 447,834,465 new shares to Vale as part of the consideration in the transaction. Vale sold all of these shares through a book-building process which took place in November, 2013.

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, 30 percent of net income as ordinary dividend over time to our shareholders. 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 are relevant, our board of directors proposes buyback authorizations to be considered and approved by the Annual General Meeting. Authorizations are granted for a specific time period and for a specific share price interval during which share buybacks can be made.

Funding and credit quality

Maintaining a strong financial position and an investment grade credit rating are viewed as important risk mitigating factors, supporting Hydro's possibilities for strategic development of its businesses. Access to external financial resources is required in order to maximize value creation over time, balanced with acceptable risk exposure. To secure access to debt capital on attractive terms, we aim at maintaining an investment grade credit rating from the leading rating agencies.

Contributing toward this ambition to retain our credit rating, we intend to keep our funds from operations at a level no less than 40 percent of net adjusted interest-bearing debt, in addition to net adjusted interest-bearing debt at a ratio not higher than 0.55 to equity capital over time. In calculating these ratios, we include off-balance sheet pension obligations, operating lease commitments, share of net interest-bearing debt in joint ventures and certain other debt-like items. For a discussion of these adjustments see Note 35 - Capital Management in the Financial Statements section of this report.

Major shareholders and voting rights

As of December 31, 2013, Hydro had 51,450 registered shareholders as per the Norwegian Central Securities Depository (VPS). The Ministry of Trade, Industry and Fisheries of Norway was the largest of these with a shareholding of 34.26 percent of the total number of ordinary shares authorized and issued, and 34.77 percent of

the total shares outstanding. As of the same date, The Government Pension Fund - Norway (Folketrygdfondet) owned 5.63 percent of the total number of ordinary shares issued and 5.72 percent of the total shares outstanding. There are no different voting rights associated with the ordinary shares held by the state.

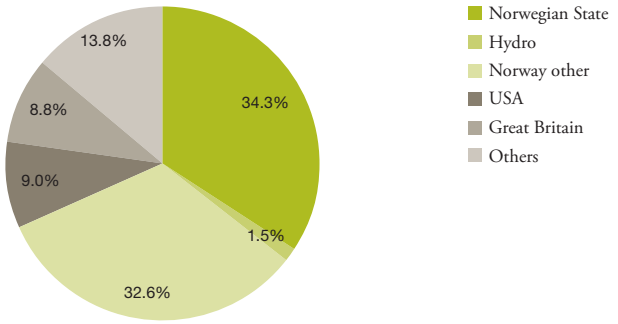
The Norwegian Ministry of Trade, Industry and Fisheries represents the Norwegian government in exercising the state's voting rights. The state has never taken an active role in the day-to-day management of Hydro and has for several decades not disposed of any of the ordinary shares owned by it, except when participating in the share buyback programs.

At the closing of the acquisition of Vale's aluminium assets on February 28, 2011 Hydro issued 447,834,465 new shares to Vale as part of the consideration in the transaction. On November 11, 2013, Vale announced an offering to sell shares in Hydro through a bookbuilding process, followed by an announcement on November 12, 2013, confirming the successful placement of 407,122,241 Hydro shares, with a remaining over-allotment option of 40,712,224 shares. On November 14, 2013, Vale announced that it had sold all of its shares in Hydro through the exercise of the over-allotment option. Vale sold all of its shares in Hydro at a price of NOK 25 per share, corresponding to approximately NOK 11 bn.

JPMorgan Chase & Co, as depositary of the ADSs, through its nominee company, Morgan Guaranty Trust Company, held interests in 8,430,177 ordinary shares, or 0.41 percent of the issued and outstanding ordinary shares as of December 31, 2013. The interests are on behalf of 385 registered holders of ADSs.

All shares basically carry one vote. It is, however, a requirement of Norwegian legislation that a shareholder can only vote for shares registered in their name. Shares registered with a nominee account must be re-registered in the Norwegian Central Securities Depositary before the Annual General Meeting in order to obtain voting rights. This requirement also applies to our US-traded ADSs.

Geographical ownership distribution of shares



Source: Norwegian Central Securities Depository (VPS)

Hydro's 20 largest shareholders, December 31, 2013

Shareholder	Number of shares	Ownership interest
Ministry of Trade, Industry and Fisheries	708 865 253	34,3%
Folketrygdfondet	116 579 766	5,6%
Silchester International Investors, L.L.P.	88 462 508	4,3%
Manning & Napier Advisors, LLC	66 600 750	3,2%
Skagen AS	42 291 427	2,0%
Dodge & Cox	34 046 472	1,7%
DNB Asset Management AS	30 226 549	1,5%
First Pacific Advisors, LLC	28 655 634	1,4%
SAFE Investment Company Limited	27 871 958	1,4%
Storebrand Kapitalforvaltning AS	25 618 853	1,2%
KLP Forsikring	24 346 086	1,2%
Keskinäinen eläkevakuutusyhtiö Varma	23 900 000	1,2%
BlackRock Institutional Trust Company, N.A.	23 217 903	1,1%
Baillie Gifford & Co.	20 144 096	1,0%
Rasmussengruppen AS	19 280 000	0,9%
Pareto Forvaltning AS	17 530 977	0,9%
EARNEST Partners, LLC	16 730 810	0,8%
The Vanguard Group, Inc.	16 775 809	0,8%
Nordea Investment Management AB, Norge	14 185 794	0,7%
Statoil Kapitalforvaltning ASA	14 075 677	0,7%

Source: The data is provided by Thomson Reuters through the Share Register Analyses service. The data is obtained through the analysis of beneficial ownership and fund manager information provided in replies to disclosure of ownership notices issued to all custodians on the Hydro share register. Whilst every reasonable effort is made to verify all data, Thomson Reuters can not guarantee the accuracy of the analysis. For a list of the largest shareholders as of December 31, 2013, from the Norwegian Central Securities Depositary (VPS), see Note 13 in Notes to the financial statements Norsk Hydro ASA. Due to lending of shares, an investor's holdings registered in it's VPS account may vary.

Key figures for the Hydro share

	2013	2012[1)]	2011	2010	2009
Share price high, Oslo (NOK)	29,09	34,24	48,24	50,30	49,25
Share price low, Oslo (NOK)	23,86	23,40	23,96	29,06	20,40
Share price average, Oslo (NOK)	25,89	27,84	36,92	38,75	33,65
Share price year-end, Oslo (NOK)	27,07	27,88	27,74	42,61	48,71
Earnings per share (EPS) (NOK)	(0.45)	(0.65)	3,41	1.33	0,25
EPS from continuing operations (NOK) [2)]	(0.54)	(0.39)	3,41	1.33	0,25
Dividend per share (NOK) [3)]	0,75	0,75	0,75	0,75	0,50
Pay-out ratio [4)]	-	-	22 %	56 %	200 %
Dividend growth	0%	0%	0 %	50 %	-
Pay-out ratio five year average [5)]	86%	176%	77 %	57 %	49 %
Adjusted debt/equity ratio [6)]	0.21	0.19	0.24	0.11	0,32
Credit rating, Standard & Poor's	BBB	BBB	BBB	BBB	BBB-
Credit rating, Moody's	Baa2	Baa2	Baa2	Baa2	Baa2
Non-Norwegian ownership, year-end	33%	42%	44 %	23 %	27 %
Outstanding shares, average	2 038 416 268	2 037 199 618	1 965 039 601	1 419 052 116	1 205 376 724
Outstanding shares, year-end	2 038 789 033	2 037 568 162	2 036 459 019	1 587 776 741	1 204 785 945

1) Figures for 2012 are adjusted reflecting IAS 19R
2) Extruded Products is included as discontinued operations from January 1, 2012 to August 31, 2013
3) 2013 dividend per share proposed by Board of Directors, dependant on approval from the Annual General Meeting May 7, 2014.
4) Dividend per share divided by earnings per share from continuing operations.
5) Dividend per share divided by earnings per share from continuing operations for last five years.
6) See note 35 to the Consolidated Financial Statements.

Information from Hydro

Hydro gives a high priority to communicating with the stock market, and aims to maintain an open dialogue with market participants. Our objective is to provide sufficient information on a timely basis to all market participants to ensure a fair valuation of our shares. Information that is considered price sensitive is communicated by news releases and stock exchange announcements. We host regular meetings for investors in Europe and the US. The major brokers in Oslo and London publish equity research reports on Hydro. All information about Hydro is published on our website: www.hydro.com

Our annual and quarterly reports are available on www.hydro.com, and our latest annual reports can also be ordered in printed versions from the website.

Two weeks before the announcement of quarterly results, Hydro practices a "closed period" meaning that contact with external analysts, investors and journalists is minimized. This is done to minimize the risk of information leaks and potentially unequal information in the marketplace.

Annual General Meeting

The Annual General Meeting will be held at the company's headquarters at Drammensveien 260, Oslo, Norway, on Wednesday, May 7, 2014, at 15:00 CET. Shareholders who wish to attend are asked to inform the registrar by 16:00 CET on Friday, May 2:

DNB Bank ASA
Verdipapirservice
Postboks 1600 Sentrum
0021 Oslo, Norway

Fax: + 47 22 48 11 71

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 2014

April 30	First quarter results
May 7	Annual General Meeting
May 9	Shares traded ex-dividend
May 13	Record date for dividend
July 22	Second quarter results
October 22	Third quarter results
November 27	Capital Markets Day

06: Corporate governance

– including compliance with the Norwegian code of practice for corporate governance

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QUICK OVERVIEW

Hydro is a public limited company organized under Norwegian law with a governance structure based on Norwegian corporate law. Our corporate governance has been designed to provide a foundation for value creation and to ensure good control mechanisms. We maintain common requirements in the form of corporate directives that are mandatory for all parts of our organization.

The corporate directives help ensure that all our employees carry out their activities in an ethical manner and in accordance with current legislation and Hydro standards. The board of directors has approved our Code of Conduct, which applies to all employees throughout the world, as well as to board members of Hydro and its subsidiaries. The code addresses compliance with laws and other matters such as handling of conflicts of interest and a commitment to equal opportunities for all employees. Our integrity program contributes to compliance with anti-corruption legislation and basic human rights.

Hydro follows the Norwegian code of practice for corporate governance of October 2012 with the amendment of December 2012.

Hydro present

Based in Norway, Hydro employs 13,000 people involved in activities in 50 countries.

Introduction

Hydro is a public limited company organized under Norwegian law with a governance structure based on Norwegian corporate law. Our main share listing is on Oslo Børs, which subjects us to Norwegian securities legislation and stock exchange regulations. Hydro has a secondary listing on London Stock Exchange.

We have developed our governance structure through cooperation between our corporate management board and our superior governance bodies to secure compliance with relevant laws and regulations and to reflect business needs. Further development is a continuous process.

We follow the Norwegian Code of Practice for Corporate Governance of October 2012 and with the amendment of 21 December 2012. A detailed description of our compliance - including deviations - is presented on page 134. Information regarding our shareholder policy can be found on page 119.

Hydro has been listed on the Dow Jones Sustainability Indices (DJSI) every year since the start of the index series in 1999. We are also listed on the corresponding UK index, FTSE4Good and was in 2013 selected for inclusion in the new UN Global Compact 100 stock index.

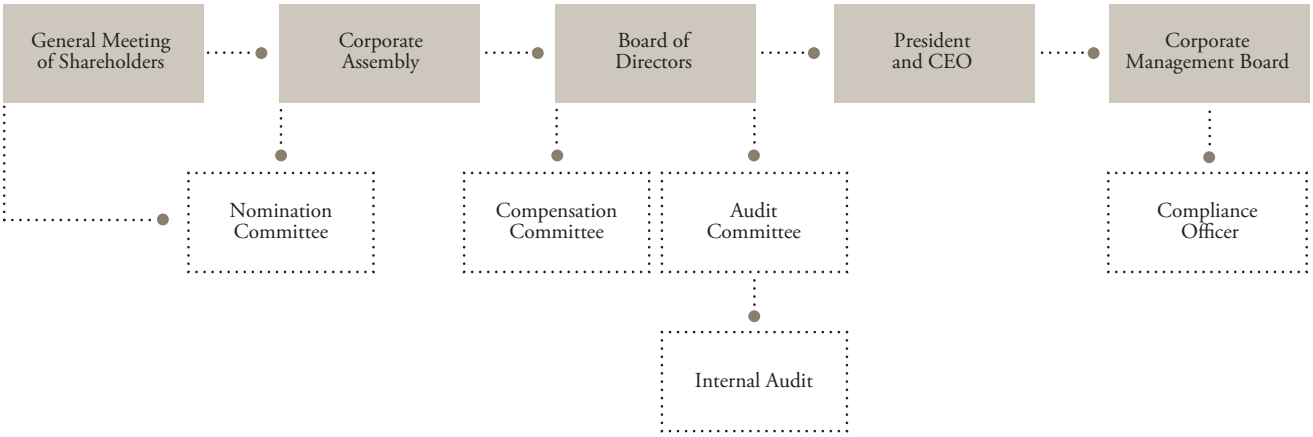
Hydro's strategic direction is described on page 10. More comprehensive information about our governance practices, policies and requirements can be found at www.hydro.com/governance

Global directives and Code of Conduct

The Hydro Way represents our framework for leadership, organization and culture and is the foundation of our governance system. See page 54 for further information. Our system is based on the delegation of responsibility to our business areas and to corporate functions whose duties include finance, tax and accounting. In order to maintain uniformly high standards, we set common requirements in the form of constituting documents and global directives. Constituting documents are approved by Hydro's board of directors, the corporate assembly or the general meeting of shareholders, while global directives are approved by the President and CEO. For legal entities where Hydro holds less than 100 percent of the voting rights, Hydro's representatives in the boards of directors shall act in compliance with Hydro's Code of Conduct and endeavor to implement the principles as laid down therein. These documents address a number of areas, including health, security, safety and environment (HSE), ethics and social responsibility, strategy and business planning, finance, risk management, and organizational and employee development. This information is made available to all employees.

Hydro's Code of Conduct is a constituting document and applies to all Hydro employees throughout the world, as well as to board members of Hydro and its subsidiaries. The code was last updated in 2012. See page 62 for more information about Hydro's Code of Conduct, whistle blowing procedure and integrity program, and www.hydro.com/principles for more information regarding our corporate directives.

Governance bodies in Hydro



In Hydro, compliance is defined as adherence to applicable laws and regulations as well as Hydro's steering documents. Guidelines have been established to assist line management to adhere to Hydro's compliance requirements. Special emphasis is made on reducing the risk of non-compliance within finance, anti-corruption, competition, and health, security, safety and environment.

Business planning and risk management

Hydro's overall goal is to create shareholder value through satisfied customers and motivated and competent employees. We have defined two main processes to ensure that short and long-term targets are achieved.

The portfolio, strategy and business planning process involves strategic and operative planning and results monitoring. The planning, which reflects our ambitions and values, is the basis for the strategies and measures that form the business plans at all levels of our organization. We have defined key performance indicators for each unit, including financial, human resource, ethical and HSE objectives, in addition to unit-specific operating targets.

The people process is designed to assess and develop our human resources, and is an integral part of our annual business planning. Its aim is to promote the potential of individual employees and of our organization as a whole.

Risk management is also an integrated part of our planning and reporting process. Risk management deals with all aspects of value creation, including strategy, finance, commercial matters, organization, HSE, reputation, corporate responsibility, regulatory and legal matters. Hydro's board of directors regularly reviews and evaluates the overall risk management systems and environment within Hydro. We carry out risk assessments for defined exposure areas. Exposure to certain risks, particularly those threatening life and health, has been consistently reduced to very low levels. See also page 111 for a more detailed discussion of Hydro's financial risk management.

Controls and procedures

Hydro's Internal Control over Financial Reporting (ICFR) framework is primarily designed to provide reasonable assurance to our management and the board of directors regarding the preparation and fair presentation of our Financial Statements.

We established our comprehensive ICFR framework in 2006 and continue to maintain it based on the principles established by "The Committee of Sponsoring Organizations of the Treadway Commission (COSO) internal control - integrated framework." The five interrelated COSO principles are: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring.

Our overall control environment relevant for financial reporting is covered by Hydro-Wide Controls (HWC). HWC reflects the tone set by the common attitudes, ethics, and values, and competence of top management and management, and all the rest of our employees.

Our ICFR model is implemented through a top-down and risk-based approach. Therefore, we emphasize four higher-risk areas: Hydro's financial reporting risk, fraud risk, general computer risk, and financial closing risk.

In addition, a standard and minimum level of controls is required for all reporting units, documented in an internal control handbook.

Hydro's disclosure committee assists the CEO and the CFO in ensuring fairness, accuracy, completeness and timeliness of Hydro's public reports and disclosures. The disclosure committee is an integral component of Hydro's disclosure controls and procedures and assesses Hydro's compliance initiatives pertaining to ICFR. The disclosure committee reports quarterly a summary of its activities to the audit committee.

Through reporting from the disclosure committee and internal audit, the audit committee takes an active role in ensuring the functioning of the ICFR framework. See page 133 and www.hydro.com/governance for additional details.

Hydro's portfolio, strategy and business planning process

Pre-approval of audit services

The audit committee has a pre-approval policy governing the engagement of primary and other external auditors to provide audit and non-audit services to Hydro or any entity within the group. Under this pre-approval policy, the audit committee has defined and pre-approved subcategories of audit and non-audit services. The audit committee's pre-approval policy includes annual monetary frames for each of the following categories of services:

- Audit-related
- Tax
- Non-audit related

Within the scope of the pre-approval policy, all services have been pre-approved and all amounts for audit-related, tax and other non-audit related services are within the monetary frames established by the audit committee.

Transparency and communication

Hydro's corporate culture embodies the principles of transparency and respect for others. Our ability to operate efficiently in the Norwegian market and internationally requires consistent and professional communication. We adhere, therefore, to the principles of transparency, honesty and sensitivity when interacting with our stakeholders.

Management compensation

Information concerning remuneration and remuneration policies, share ownership, loans outstanding and loan policy relating to Hydro's board of directors and corporate management board is disclosed in note 10, 11 and 44 of the consolidated financial statements.

Board of directors

Terje Vareberg, chairperson

- Position: Independent businessman
- Education: Master of Science in business, Norwegian School of Economics and Business Administration (NHH)
- Current directorships: Chair of the board in Helse Vest RHF, Bergli Rådgivning AS, Stangeland Maskin AS, Aarsland Møbelfabrikk AS, Malthus AS, Solstad Trading AS, Stangeland Gruppen AS, Nordan AS, Ipark AS, Fabrikkveien II AS, Aarsland Holding II AS, Lærdal AS and member of the board in Storebrand ASA, Energy Ventures III AS, Farsund Vekst AS, Solstad Offshore ASA, Energy Ventures IV AS, Lærdal Finans AS
- No. of Hydro shares: 28 391

Inge K. Hansen, deputy chairperson

- Position: Independent adviser
- Education: Master of Science in business, Norwegian School of Economics and Business Administration (NHH)
- Current directorships: Chairperson of Bertel O. Steen AS, Norsun AS, Gjensidige Forsikring BA, Hotell og Restauranthuset Continental, Core Energy AS and AIM Norway SF. Board member of Jiffy International AS, Master Marine AS, Johan G. Olsen AS, Sissener AS and the Fram Museum.
- No. of Hydro shares: 12 000

Ove Ellefsen, employee representative

- Position: Project Supervisor / full-time union official representing the Central Cooperative Council (Sentralt Samarbeidsråd)
- Education: Certificate of apprenticeship in electrochemistry. Work supervisor training
- Current directorships: None
- No. of Hydro shares: 3 211

Billy Fredagsvik, employee representative

- Position: Process operator / full-time union official. Represents the Norwegian Confederation of Trade Unions
- Education: Trade school (mechanics)
- Current directorships: None
- No. of Hydro shares: 2 826

Name	Place of residence	Year of birth	Position	Board committee	Meetings attended [1]	Director since	Term expires
Terje Vareberg	Stavanger, Norway	1948	Chairperson	Chairperson Compensation Committee	9	2007	2014
Inge K. Hansen	Oslo, Norway	1946	Deputy Chairperson	Chairperson Audit Committe	9	2008	2014
Ove Ellefsen	Håvik, Norway	1956	Director	Audit Committe	9	2011	2015
Billy Fredagsvik	Høyanger, Norway	1956	Director		9	2007	2015
Finn Jebsen	Oslo, Norway	1950	Director	Compensation Committee	9	2007	2014
Victoire de Margerie	Paris, France	1963	Director		7	2012	2014
Sten Roar Martinsen	Kopervik, Norway	1962	Director	Compensation Committee	9	2005	2015
Dag Mejdell	Oslo, Norway	1957	Director	Audit Committe	9	2012	2014
Eva Persson	Västra Frölunda, Sweden	1953	Director	Audit Committe	8	2010	2014
Pedro José Rodrigues	Rio de Janeiro, Brazil	1953	Director		6	2012	2014
Liv Monica Stubholt	Lørenskog, Norway	1961	Director	Compensation Committee	9	2010	2014

1) Total number of board meetings were nine. Jebsen abstained himself from discussions related to the Sapa agreement due to his former relationship with Orkla. Rodrigues abstained himself from discussions related to Vale due to his relationship with the company.

Finn Jebsen
- Position: Independent businessman
- Education: Master of Science in business from the Norwegian School of Economics and Business Administration (NHH). MBA from the University of California, Los Angeles
- Current directorships: Chairperson of Kongsberg Gruppen ASA and Kavli Holding AS. Board member of A. Wilhelmsen AS, Norfund, Future Subsea AS and his wholly-owned company Fateburet AS
- No. of Hydro shares: 53 406

Victoire de Margerie
- Position: Independent business woman
- Education: Master in Management from Ecole des Hautes Etudes Commercials, France. Political Sciences degree from Institut d'Etudes Politiques, France. PhD Management Science, Université de Paris, France
- Current directorships: Chairperson of Rondol Industrie SA. Board member for Arkema, Morgan Advanced Materials, Italcementi and Eurazeo
- No. of Hydro shares: 0

Sten Roar Martinsen, employee representative
- Position: Process operator / full-time union official representing the Norwegian Confederation of Trade Unions (LO)
- Education: Certificate of apprenticeship in electrochemistry. Work supervisor training
- Current directorships: None
- No. of Hydro shares: 3 882

Dag Mejdell
- Position: President and CEO of Posten Norge AS
- Education: Master degree in Business Administration from the Norwegian School of Economics & Business Administration (NHH)
- Current directorships: Chairperson of International Post Corporation and for the employers' association Spekter; deputy chairperson of Evry ASA and SAS AB
- No. of Hydro shares: 13 400

Eva Persson
- Position: Independent businesswoman
- Education: Master of Law from the University of Lund, Sweden
- Current directorships: Board member of Platzer Fastighets Holding AB, Deutz AG and member of the Swedish Securities Council (Aktiemarknadsnemnden)
- No. of Hydro shares: 0

Pedro Rodrigues
- Position: Global Director of Vale S.A.
- Education: Chemical Engineer
- Current directorships: None
- No. of Hydro shares: 0

Liv Monica Stubholt
- Position: Partner, Hjort DA
- Education: Master's degree in law (cand. jur.), University of Oslo
- Current directorships: Board member of Tankesmien Agenda AS, the German-Norwegian Chamber of Commerce and the Russian-Norwegian Chamber of Commerce
- No. of Hydro shares: 0

Number of Hydro shares is as per 31 December, 2013.

For more extensive biographical information, please see www.hydro.com/governance

Corporate management board

Name	Place of Residence	Year of birth	Employed in Hydro since	Current position since	Position
Svein Richard Brandtzæg	Oslo, Norway	1957	1985	2009	President and Chief Executive Officer
Wenche Agerup	Oslo, Norway	1964	1997	2010	EVP Corporate Staffs and General Counsel
Oliver Bell	Köln, Germany	1958	1985	2009	EVP Rolled Products
Eivind Kallevik [1)]	Oslo, Norway	1967	1998	2013	EVP and Chief Financial Officer
Arvid Moss	Oslo, Norway	1958	1991	2010	EVP Energy and Corporate Business Development
Johnny Undeli	Gjøvik, Norway	1953	1977	2010	EVP Bauxite and Alumina
Hilde Merete Aasheim [2)]	Oslo, Norway	1958	2008	2008	EVP Primary Metal

1) Kallevik joined the corporate management board February 15, 2013, following Jørgen C. Arentz Rostrup who resigned from Hydro at the same date.

2) Aasheim also was employed in Hydro 2005-2007

Svein Richard Brandtzæg, President and CEO

- Key experience: Executive vice president and head of Aluminium Products. Head of Rolled Products. Head of Metal Products. Head of Magnesium
- Education: PhD, Norwegian Institute of Technology. Degree from the Norwegian School of Management
- External directorships: Chairperson of the board of Sapa AS and of the Norwegian University of Science and Technology (NTNU). Council member of ICMM, member of the steering committee of Bilderberg Organisations, board member of International Aluminium Institiute
- No. of Hydro shares: 129 618

Wenche Agerup

- Key experience: Head of Hydro's bauxite exploration activities in Australia. Plant manager in Årdal, Norway. Head of Bauxite and Alumina. Head of Mergers & Acquisitions
- Education: Master's degree in law (cand. jur.), University of Oslo. MBA from Babson College in Boston, U.S.
- External directorships: Board member of the Arbitration Institute of Oslo Chamber of Commerce, Oslo Børs ASA and Oslo Børs VPS Holding ASA
- No. of Hydro shares: 42 387

Oliver Bell

- Key experience: Head of Rolled Products. Head of Automotive, Construction, Packaging and General Engineering in Rolled Products. Various management positions in VAW
- Education: Degree in business administration from the University of Cologne
- External directorships: President of the European non-ferrous metals association Eurometaux, President of the German non-ferrous metals association (WirtschaftsVereinigung Metalle, WVM) and Chairman of Metals pro Climate, the German industrial initiative for climate protection, energy and resource-efficiency
- No. of Hydro shares: 50 631

Eivind Kallevik

- Key experience: Head of Finance Bauxite and Alumina. Responsible for integration planning of all functional areas in the Vale deal. Head of Corporate Financial Reporting, Performance and Tax. Head of Finance Aluminium Products. Head of Business Controlling Hydro Aluminium. Responsible for Trade Finance & Cash Management. Prior to Hydro, 6 years of Oil and Gas Financing in Christiana Bank og Kreditkasse
- Education: Master of Business Administration from University of San Francisco
- External directorship: Deputy board member in Sapa AS
- No. of Hydro shares: 9 454

Arvid Moss

- Key experience: Executive vice president and head of Corporate Strategy and Business Development. Project leader for the oil and gas merger agreement with Statoil. Head of Metal Products. Head of Automotive Structures
- Education: Master of Science in business, Norwegian School of Economics and Business Administration (NHH)
- External directorships: Boligaksjeselskapet Bygdøy Alle 51
- No. of Hydro shares: 104 949

Johnny Undeli

- Key experience: Executive vice president and head of Extrusion. Various leadership positions within Hydro's extrusion business in Europe. Various positions in Hydro's former oil and gas business. Six years in Total, UK
- Education: Master of Science in petroleum technology, Norwegian Institute of Technology
- External directorships: None
- No. of Hydro shares: 38 605

Hilde Merete Aasheim

- Key experience: Head of Staff Functions and Corporate Services in StatoilHydro. Head of the integration between Statoil and Hydro's oil and gas activities. Head of Leadership and Culture in Hydro. 20 years of service in Elkem, three last years as head of the Silicon Division
- Education: Master of Science in business, Norwegian School of Economics and Business Administration (NHH). Certified public accountant from NHH
- External directorships: Board member in Yara International ASA, chairperson in the Board Audit committee in Yara
- No. of Hydro shares: 37 065

Jørgen D. Arentz Rostrup stepped down from the corporate management board on February 15, 2013. From the same date, Eivind Kallevik was appointed executive vice president and Chief Financial Officer. Hans-Joachim Kock stepped down from his position in the corporate management board on May 31, 2013.

Number of Hydro shares is as per 31 December, 2013.

For more extensive biographical information, please see www.hydro.com/governance

Governance bodies

Description	Developments and events in 2013	References
General meeting of shareholders Company shareholders exercise ultimate authority through the general meeting. Shareholders registered in VPS, the Norwegian Central Securities Depository, can vote in person or by proxy. Invitations are sent to shareholders or to the shareholder's security deposit bank. The general meeting of shareholders: • Elects the shareholders' representatives to the corporate assembly • Elects the external auditor and determines the auditor's remuneration • Approves the report according to Norwegian requirements and financial statements, including the dividend proposed by the board of directors and recommended by the corporate assembly • Elects the nomination committee and determines their remuneration • Deals with any other matters listed in the notice convening the meeting • Determines the remuneration of the corporate assembly Shareholders may, at least four weeks before an ordinary general meeting, request in writing that proposals for resolutions are submitted to the general meeting, or that items are added to the agenda.	General meeting in May	The protocols can be found at www.hydro.com/governance
Corporate assembly Normally eighteen members. Twelve are elected by the general meeting of shareholders, six are elected by and among the group's employees in Norway. In accordance with Norwegian law, the corporate assembly: • Elects the board of directors and determines their remuneration • Nominates the external auditor to be elected by the general meeting of shareholders • Based on recommendations from the board of directors, makes decisions in matters relating to investments that are substantial in relation to Hydro's resources, and when closures and reorganizations will lead to significant changes for the workforce • Provides recommendations to the general meeting of shareholders with respect to approval of the board of directors' proposal regarding the financial statements and dividend	Four meetings. 90 percent meeting attendance. Members*: Siri Teigum (chairperson), Leif Teksum (deputy chairperson), Anne Kverneland Bogsnes, Rolf Arnesen, Anne-Margrethe Firing, Idar Kreutzer, Bjørn Nedreaas, Birger Solberg, Unni Steinsmo, Svein Kåre Sund, Sten-Arthur Sælør, Eivind Torvik, Lars Tronsgaard, Terje Venold, Tove Wangensten, Bente Østlyngen, Bjørn Øvstetun Deputy members: Kristin Færøvik, Susanne Munch Thore, Shahzad Abid, Jan Fredrik Meling, Jørn Lilleby, Trygve Eriksen, Leif Sundstrøm, Odd Arne Fodnes, Gro Thorstensen, Line Melkild, Einar Øren, Jan Einan, Odd Asbjørnsen, Roar Jakobsen, Arne Eide * Ann Kristin Sydnes (elected by the shareholders) stepped down from the corporate assembly September 17, 2012 The position is covered by the deputy members until the next ordinary election in 2014.	Note 44 to the consolidated financial statements for remuneration and share ownership Articles of association § § 7-8 at www.hydro.com/governance
Nomination commitee Four members appointed by the general meeting of shareholders. The chairperson of the committee and at least one of the other members shall be elected among the shareholder-elected corporate assembly members. Nominates candidates to the board of directors, the corporate assembly and the nomination committee, and proposes remuneration to the board, its sub-committees, the corporate assembly and the nomination committee.	14 meetings. 95 percent meeting attendance. Members: Siri Teigum (chairperson), Terje Venold, Leif Teksum, Mette Wikborg	Articles of association § 5A and biographical information can be found at www.hydro.com/governance
Board of directors On May 25, 2012 the board increased from 10 to 11 members. Eight are elected by the corporate assembly, three elected by and among the company's employees in Norway, normally for a period of two years. In accordance with Norwegian law, the board of directors assumes the overall governance of the company, ensures that appropriate management and control systems are in place and supervises the day-to-day management as carried out by the President and CEO.	Nine meetings. 94 percent meeting attendance. The board has an annual plan for its work. It includes recurring topics such as a review of board procedures, competency, priorities, collaboration with the company's management, strategy review, business planning as well as HSE and CSR, including risk and compliance oversight. There were no changes in the composition of the board of directors in 2013.	The board's mandate can be found at www.hydro.com/governance Biographical information on the board members on page 128

Description	Developments and events in 2013	References
All shareholder-elected members are external. No members elected by employees are part of the company's executive management. Employee directors have no other service contractual agreements with the company outside of their employee contracts, though they are subject to their duties as board members. 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 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 downstream business, the board of directors visited in 2013 Hydro's Rolled Products business in Germany including its R&D activities in Bonn, the joint venture Alunorf and a large customer. In 2013, the board was trained in conflict of interest. The training included both general and specific examples. The board of directors conducted a self-assessment of its work, competence and cooperation with management and a separate assessment of the chairperson of the board. The review was facilitated by the corporate advisory firm Lintstock. Both assessments were submitted to the nomination committee. All shareholder-elected members except Rodrigues were in 2013 deemed to be independent according to the Norwegian standards. None of the company's non-employee board members had any other service contractual agreements with the company.	Note 44 to the consolidated financial statements for remuneration, share ownership and loans. Page 134
Compensation committee Consists of four of the board of directors' nine members. The committee reviews the performance of, and puts forward proposals regarding the compensation of the President & CEO to the board of directors. The committee assists in evaluating the compensation of the corporate management board and in determining performance-promoting schemes for management.	Seven meetings. Meeting attendance 93 percent. Members: Terje Vareberg (chairperson) Finn Jebsen Sten Roar Martinsen* Liv Monica Stubholt * Martinsen is employed in Hydro and represents the employees through the Norwegian Confederation of Trade Unions. We believe that such reliance does not adversely affect, in any material way, the ability of the compensation committee to act independently or to satisfy the other requirements.	The mandate can be found on www.hydro.com/governance
Audit committee Consists of four of the board of directors' 10 members. The audit committee meets Norwegian requirements regarding independence and competence. The audit committee assists the board of directors relating to the integrity of the company's financial statements and financial reporting processes and internal controls; the company's risk assessment and risk management policies related to financial reporting; the qualifications, independence and performance of the external auditor; and the performance of the internal audit function. To ensure the independence of the internal audit function, the head of Internal Audit reports functionally to the board through the audit committee. The audit committee maintains a pre-approval policy governing the engagement of the company's primary and other external auditors to ensure auditor independence.	Six meetings. Meeting attendance 92 percent Members: Inge K Hansen (chairperson) Ove Ellefsen* Eva Persson Dag Mejdell * Ellefsen is employed in Hydro and represents the employees through the Central Cooperative Council. We believe that such reliance does not adversely affect, in any material way, the ability of the audit committee to act independently or to satisfy the other requirements.	The mandate can be found on www.hydro.com/governance Pre-approval of audit services on page 128
President & CEO and corporate management board According to Norwegian corporate law, the President & CEO constitutes a formal governing body that is responsible for the daily management of the company. The division of functions and responsibilities between the President & CEO and the board of directors is defined in greater detail in the rules of procedures established by the board. The Corporate Management Board (CMB), including the President & CEO, has a shared responsibility for promoting Hydro's objectives and securing the company's property, organization and reputation. Members of the CMB are also Executive Vice Presidents (EVPs) with responsibility for the respective business areas, Finance, and Corporate Staffs and Legal.	Met on a weekly basis. On February 15, Jørgen C. Arentz Rostrup stepped down from the CMB, and Eivind Kallevik took over the position as CFO as of the same date. Hans-Joachim Kock stepped down from the CMB on May 31. No member of Hydro's board of directors or the CMB has any family relationship with any other director or member of the CMB.	Biographical information on page 130 Note 10 and 11 to the consolidated financial statements for remuneration, share ownership and loans

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 2013.

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 chairperson of the committee, and chairperson of the corporate assembly, has been a member of the committee since it was established in 2001 and became chairperson in 2008. The three other members were elected to the nomination committee in 2008 and 2012.

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 Industry, owns 34.26 percent of the Hydro shares is (as of 31.12.2013) and has by virtue of the Active Ownership Report (Report to the Storting no. 13 (2010-2011)) clearly 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 2012. 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 progressive partnerships, Hydro is committed to strengthening the viability of the customers and communities we serve.

The company's stated business objectives 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 is to pay out an average of 30 percent of net earnings over time.

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 be acquired in the open market, and that the authority lasts no longer than until the next general meeting. Such authorization was last given in 2008.

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.

See also item 4.

References: Learn more about Hydro's equity and dividend policy at page 120.

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.

On February 28, 2011 the agreement to take over the majority of Vale's aluminium business in Brazil was concluded. To partly finance the transaction, support the company's investment class credit rating and capacity to implement future projects, Hydro completed a fully subscribed rights issue of NOK 10 billion in July 2010. Also in July 2010, information on the consequences of the issue for existing and new shareholders was made public in press releases, in the rights issue prospectus, in the memorandum that was prepared in connection with Hydro's takeover of the majority of Vale S.A.'s bauxite, alumina and aluminium activities in Brazil and at the extraordinary general meeting. See also items 8 and 9.

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 material transactions between the group and its shareholders, board members, corporate management board or related parties in 2013.

Regulation of share issues and preemptive rights are described in the company's articles of association.

State ownership

As of December 31, 2013 the Norwegian state, represented by the Ministry of Trade and Industry, 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 120 and sale of the Hydro share to employees in note 11 to the consolidated financial statements. Hydro's code of conduct can be found on www.hydro.com/principles. Hydro's articles of association can be found on www.hydro.com/governance. Learn more about major shareholders at page 121.

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, 2013 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 5.6 percent.

Under the transaction with Hydro, Vale received 22 percent of Hydro's outstanding shares. At the same time, Norwegian state ownership, represented by the Ministry of Trade and Industry, was reduced from 43.7 percent to 34.3 percent. Under the agreement between Hydro and Vale, Vale could

not increase its ownership interest in Hydro beyond 22 percent. Furthermore, Vale had to retain its shares in Hydro for at least two years after the transaction was completed in February 2011, and could not sell shares constituting more than 10 percent of Hydro's issued shares to any individual buyer or group. In November 2013 Vale divested all its shares in Hydro to several investors.

References: Learn more about the Hydro share at page 120.

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, the nomination committee representative and the auditor attend the general meeting.

References: Learn more about the general meeting of shareholders at www.hydro.com/investor

Deviations: See page 134.

7. Nomination committee

In accordance with Hydro's articles of association, the company must appoint a nomination committee. This committee comprises 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.

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 134.

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: Lars Tronsgård, 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, see item 5. Vale is also a significant supplier of bauxite and electricity to Hydro. Rodrigues abstained himself from discussions related to Vale in Hydro's board of directors due to his relationship with the company.

Two thirds of the corporate assembly and its 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 upper age limit for members of the board and the corporate assembly is 70.

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, 2013, seven of the board's directors own a total of 117,116 shares. Hydro has no share purchase program for board members, with the exception of employee representatives, who are entitled to buy shares through the employee share purchase scheme. All share purchase transactions are conducted in compliance with the Securities Trading Act.

References: The Government Pension Fund Norway is a significant shareholder in Hydro; see page 121. 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. Both assessments are submitted to the nomination committee, which in turn assesses the board's composition and competence.

References: See page 21 and 132-133. 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 111.

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 44 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.

References: The board's guidelines for management remuneration are described in note 10. All aspects of remuneration of executive management are described in note 11. 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.

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 16, 22, 75, 119 and 128. A financial calendar is available on page 123 and at www.hydro.com/investor where also more information about web casts and the Hydro share can be found. 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.

Despite the restrictions described in item 5 to which Vale was subject, Vale could sell its shares in Hydro to a third party on the following conditions: The third party must make an unconditional offer for all the Hydro shares or the offer must be recommended by Hydro's board of directors, and the

third party must own or become the owner of 50 percent of Hydro's shares during the bidding period before Vale could sell its shares to a third party.

Deviations: See page 134.

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 81, 128, 133, F74 and note 43 to the consolidated financial statements.

Revenue 2013

NOK MILLION

64,880

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Consolidated financial statements

Consolidated income statements

Amounts in NOK million (except per share amounts). Years ended December 31	Notes	**2013**	2012
Revenue	7	**64 880**	64 181
Share of the profit (loss) in equity accounted investments	7, 25, 26	**(312)**	(450)
Other income, net	8	**790**	853
Total revenue and income		**65 358**	64 583
Raw material and energy expense	9	**42 943**	41 559
Employee benefit expense	11	**6 782**	7 457
Depreciation and amortization expense	12	**4 292**	4 443
Impairment of non-current assets	13	**100**	1 100
Other	14, 15	**9 568**	9 453
Total expenses		**63 684**	64 012
Earnings before financial items and tax	7	**1 674**	571
Financial income	16	**405**	418
Financial expense	16	**(2 954)**	(1 047)
Financial income (expense), net		**(2 550)**	(629)
Income from continuing operations before tax		**(875)**	(58)
Income taxes	17	**(153)**	(759)
Income (loss) from continuing operations		**(1 029)**	(817)
Income (loss) from discontinued operations	5	**189**	(514)
Net income (loss)		**(839)**	(1 331)
Net income (loss) attributable to minority interests		**81**	(13)
Net income (loss) attributable to Hydro shareholders		**(920)**	(1 318)
Basic and diluted earnings (loss) per share from continuing operations	34	**(0.54)**	(0.39)
Basic and diluted earnings (loss) per share from discontinued operations	34	**0.09**	(0.25)
Basic and diluted earnings (loss) per share attributable to Hydro shareholders	34	**(0.45)**	(0.65)

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	**2013**	2012
Net income (loss)		**(839)**	(1 331)
Other comprehensive income			
Items that will not be reclassified to income statement			
Remeasurement postemployment benefits, net of tax	34	**(259)**	2 532
Share of remeasurement postemployment benefits of equity accounted investments, net of tax	34	**46**	(68)
Total		**(213)**	2 464
Items that will be reclassified to income statement			
Currency translation differences, net of tax	34	**2 753**	(8 236)
Unrealized gain (loss) on securities, net of tax	34	**(38)**	(49)
Cash flow hedges, net of tax	34	**(291)**	(137)
Share of other comprehensive income that will be recycled to income statement in equity accounted investments, net of tax	34	**388**	(47)
Total		**2 811**	(8 469)
Other comprehensive income		**2 598**	(6 005)
Total comprehensive income		**1 759**	(7 336)
Total comprehensive income attributable to minority interests		**(55)**	(962)
Total comprehensive income attributable to Hydro shareholders		**1 814**	(6 374)

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

Consolidated balance sheets

Amounts in NOK million, December 31	Notes	**2013**	2012	2011
Assets				
Cash and cash equivalents		**8 412**	7 034	8 365
Short-term investments	18	**2 480**	4 343	1 780
Accounts receivable	19	**9 719**	8 761	13 217
Inventories	20	**9 929**	9 685	14 157
Other current financial assets	40	**181**	336	666
Total current assets		**30 721**	30 159	38 185
Assets held for sale	5	**-**	9 564	-
Property, plant and equipment	22	**50 670**	52 208	64 192
Intangible assets	23, 24	**5 557**	5 716	7 930
Investments accounted for using the equity method	25, 26	**18 210**	10 234	11 446
Other non-current assets	21, 40	**5 783**	5 892	7 003
Prepaid pension	32	**3 595**	3 080	1 775
Deferred tax assets	33	**700**	505	2 148
Total non-current assets		**84 515**	77 635	94 494
Total assets	7	**115 235**	117 357	132 680
Liabilities and equity				
Bank loans and other interest-bearing short-term debt	28	**6 195**	5 956	4 248
Trade and other payables	29	**9 255**	8 336	12 316
Provisions	31	**998**	850	1 369
Taxes payable		**1 959**	1 913	2 505
Other current financial liabilities	40	**475**	466	779
Total current liabilities		**18 882**	17 522	21 216
Liabilities in disposal groups	5	**-**	3 445	-
Long-term debt	30	**3 986**	3 674	4 190
Provisions	31	**2 622**	2 408	2 614
Pension obligation	32	**9 202**	8 077	10 627
Other non-current financial liabilities	40	**2 075**	2 107	2 943
Other liabilities		**792**	982	1 282
Deferred tax liabilities	33	**2 412**	3 645	5 363
Total non-current liabilities		**21 089**	20 892	27 019
Total liabilities		**39 971**	41 859	48 235
Share capital	34	**2 272**	2 272	2 272
Additional paid-in capital	34	**29 049**	29 056	29 056
Treasury shares	34	**(1 006)**	(1 047)	(1 084)
Retained earnings		**46 617**	49 018	51 792
Other components of equity	34	**(6 950)**	(9 635)	(4 579)
Equity attributable to Hydro shareholders		**69 981**	69 663	77 457
Minority interests		**5 283**	5 835	6 988
Total equity		**75 264**	75 498	84 445
Total liabilities and equity		**115 235**	117 357	132 680

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	**2013**	2012
Operating activities			
Net income (loss)		**(839)**	(1 331)
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss (income) from discontinued operations	5	**(189)**	514
Depreciation, amortization and impairment	7, 12, 13	**4 391**	5 544
Share of loss in equity accounted investments	7, 25, 26	**312**	450
Dividends received from equity accounted investments	25, 26	**206**	-
Deferred taxes		**(1 272)**	(469)
Gain on sale of non-current assets		**(15)**	(67)
Net foreign exchange loss	16	**2 245**	280
Net sales of trading securities		**340**	101
Capitalized interest	16	**(2)**	(15)
Changes in assets and liabilities that provided (used) cash:			
Accounts receivable		**474**	706
Inventories		**13**	1 693
Trade and other payables		**136**	(914)
Financial and commodity derivatives		**79**	(897)
Other items		**(806)**	(161)
Net cash provided by continuing operating activities	42	**5 073**	5 434
Investing activities			
Purchases of property, plant and equipment		**(2 701)**	(3 256)
Purchases of other long-term investments		**(187)**	(158)
Purchases of short-term investments		**(1 250)**	(3 050)
Proceeds from sales of property, plant and equipment		**64**	73
Proceeds from sales of other long-term investments		**293**	99
Proceeds from sales of short-term investments		**3 050**	-
Net cash used in continuing investing activities		**(731)**	(6 292)
Financing activities			
Loan proceeds		**6 744**	9 552
Principal repayments		**(7 255)**	(6 815)
Net decrease in other short-term debt		**(289)**	(492)
Proceeds from shares issued		**56**	72
Dividends paid		**(1 975)**	(1 741)
Net cash provided by (used in) continuing financing activities		**(2 719)**	576
Foreign currency effects on cash and bank overdraft		**183**	(344)
Net cash used in discontinued operations	5	**(431)**	(318)
Net increase (decrease) in cash, cash equivalents and bank overdraft		**1 375**	(944)
Cash, cash equivalents and bank overdraft classified as assets held for sale		**-**	(367)
Cash, cash equivalents and bank overdraft at beginning of year		**7 033**	8 344
Cash, cash equivalents and bank overdraft at end of year	42	**8 408**	7 033

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

Consolidated statements of changes in equity

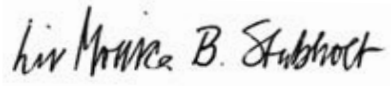
Amounts in NOK million	Notes	Share capital	Additional paid-in capital	Treasury shares	Retained earnings	Other components of equity	Equity attributable to Hydro share-holders	Minority interest	Total equity
December 31, 2011		2 272	29 056	(1 084)	51 792	(3 856)	78 180	6 988	85 168
Effect of change in accounting principle	2					(723)	(723)	-	(723)
January 1, 2012		2 272	29 056	(1 084)	51 792	(4 579)	77 457	6 988	84 445
Treasury shares reissued to employees	34		-	37			37		37
Dividends	36				(1 528)		(1 528)	(240)	(1 768)
Capital contribution in subsidiaries								128	128
Transactions with minority holders					71		71	(71)	-
Equity interests sold								(8)	(8)
Total comprehensive income for the year					(1 318)	(5 056)	(6 374)	(962)	(7 336)
December 31, 2012		2 272	29 056	(1 047)	49 018	(9 635)	69 663	5 835	75 498
Treasury shares reissued to employees	34		(7)	41			33		33
Dividends	36				(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

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

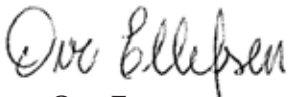
Oslo, March 11, 2014

Terje Vareberg
Chair

Inge K. Hansen
Deputy chair

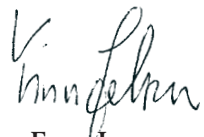


Liv Monica Bargem Stubholt
Board member



Ove Ellefsen
Board member

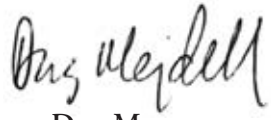
Billy Fredagsvik
Board member



Finn Jebsen
Board member

Victoire de Margerie
Board member

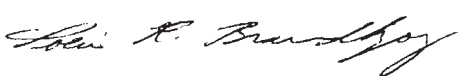
Sten Roar Martinsen
Board member



Dag Mejdell
Board member

Eva Persson
Board member

Pedro José Rodrigues
Board member



Svein Richard Brandtzæg
President and CEO

Notes to the consolidated financial statements

Note 1 - Significant accounting policies and reporting entity

The reporting entity reflected in these financial statements comprises Norsk Hydro ASA and consolidated subsidiaries (Hydro). Hydro is headquartered in Oslo, Norway, and the group employs around 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.

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, 2013. Hydro also provides the disclosure requirements as specified under the Norwegian Accounting Law (Regnskapsloven).

The following description of accounting principles applies to Hydro's 2013 financial reporting, including all comparative figures. See note 3 Basis of presentation and measurement of fair value, and note 4 Critical accounting judgment and key sources of estimation uncertainty for additional information related to the presentation, classification and measurement of Hydro's financial reporting.

Basis of consolidation

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

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

Minority interests

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

Business combinations

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

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

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

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

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

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

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

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

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

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

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

Guarantees

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

Revenue recognition

Revenue from sales of products, including products sold in international commodity markets, is recognized upon transfer of ownership, which generally occurs on delivery. Rebates and incentive allowances are deferred and recognized in income upon the realization or at the closing of the rebate period. In arrangements where Hydro acts as an agent, such as commission sales, the net commission fee is recognized as revenue. To the extent a transaction consists of multiple elements, the transaction is analyzed into the separately identifiable components for revenue recognition.

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

Other income, net

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

Inventories

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

Property, plant and equipment

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

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

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

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

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

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

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

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

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

Exploration cost
Exploration cost for mineral resources are expensed as incurred. Costs related to acquired exploration rights are allocated to the relevant areas and capitalized. An area represents a unit that may be utilized based on shared infrastructure and may include several licenses. Exploration rights are transferred to mine development cost when development starts. Exploration rights related to undeveloped areas 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. Other overdue accounts receivable are assessed for impairment based on prior collection experience, the customer portfolio, local economic conditions and management assessment. Discounting generally does not have a material effect on accounts receivable, however, in special cases discounting may be applied.

Other non-current assets

Other non-current assets include Hydro's portfolio of non-marketable equity securities that are not consolidated or accounted for using the equity method. The portfolio is classified as available-for-sale securities and is measured at fair value with changes in fair value, 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. 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 (revised 2011). 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 2 - Changes in accounting principles and new pronouncements

Changes in accounting principles

Hydro implemented IAS 19 Employee Benefits (as revised in 2011) as of January 1, 2013 and changed the classification of the interest component of employee benefits. The changes are made with retrospective application. The main changes to previously reported information are shown in the table below. In addition, there are minor changes to some other line items, including results and investments in equity accounted investments, and taxes. There are no changes to minority interests.

	Year 2012	
Amounts in NOK million (except per share amounts)	Effect of IAS19R	Adjusted
Employee benefit expense	(136)	7 457
Earnings before financial items and tax	139	571
Financial expense	(281)	(1 047)
Income (loss) from continuing operations	(99)	(817)
Income (loss) from discontinued operations	14	(514)
Net income (loss)	(85)	(1 331)
Basic and diluted earnings per share attributable to Hydro shareholders (in NOK)	(0.04)	(0.65)
Other comprehensive income	2 464	(6 005)

	January 1, 2012		December 31, 2012	
Amounts in NOK million	Effect of IAS19R	Adjusted	Effect of IAS19R	Adjusted
Assets held for sale	-	-	129	9 564
Prepaid pension	179	1 775	1 420	3 080
Total assets	126	132 680	805	117 357
Liabilities in disposal groups	-	-	51	3 445
Provisions	(717)	2 614	(683)	2 408
Pension obligation	1 528	10 627	(434)	8 077
Equity attributable to Hydro shareholders	(723)	77 457	1 654	69 663

Hydro has also implemented the following new guidance as of January 1, 2013 with no material impact.

- IFRS 13 Fair Value Measurement
- IFRIC 20 Stripping Cost in the Production Phase of a Surface Mine

New pronouncements

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

Standards to be implemented in 2014:

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

Standards to be implemented in 2015 or later years:

- IFRS 9 Financial Instruments - Classification and Measurement; effective date not yet determined.

As of the date of issue of Hydro's financial statements, all of the new pronouncements to be implemented in 2014 were endorsed by the EU.

The implementation of IFRS 10, IFRS 11 and IAS 28 will impact how investments in other entities and operations are measured and presented in the financial statements. Two jointly controlled entities, the rolling operation Aluminium Norf GmbH and the power producer Skafså ANS, are determined to be joint operations under IFRS 11. Hydro will account for its share of assets, liabilities, income and expenses in these operations, changing gross assets, liabilities, and classification in the income statement, however, no changes are expected to net income or equity.

Hydro is in the process of evaluating the potential accounting impact of IFRS 9.

Note 3 - Basis of presentation and measurement of fair value

Basis of presentation

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

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

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

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

Net present value

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

Measurement of fair value

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

Financial instruments

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

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

Marketable and non-marketable equity securities

Fair value for listed shares is based on quoted market prices as of the balance sheet date. Fair value for unlisted shares is calculated based on commonly accepted valuation techniques utilizing significant unobservable data, 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 4 - Critical accounting judgment and key sources of estimation uncertainty

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

Impairment of non-current assets

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

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

Determination of the recoverable amount involves management estimates on highly uncertain matters, such as commodity prices and their impact on markets and prices for upgraded products, development in demand, inflation, 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 13 Impairment of non-current assets.

Financial instruments

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

Employee retirement plans

Hydro provides both defined benefit employee retirement plans and defined contribution plans. A significant 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, mortality, and the rate of return on plan assets.

The discount rate is based on the yield from high quality corporate bonds. Hydro provides defined benefit plans in several countries and in various economic environments that affects the actual discount rate applied. Around 70 percent of Hydro's defined benefit obligation (DBO) relates to Norway. The discount rate applied for Norwegian plans as of December 31, 2013 was 4.0 percent (2012: 3.75 percent). The discount rate is based on the yield on covered bonds 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 0.7 percentage points below the rate derived from covered bonds, and would have resulted in a computed obligation about NOK 1 billion above the reported obligation at the end of 2013.

Assumptions for salary increase in the remaining service period for active plan participants are based on expected salary increases for each country or economic area. Hydro expects a somewhat lower salary increase for our Norwegian activities compared to the average development in Norway, based on the challenged profitability and international competition in our industry. Changes in these assumptions can influence the net asset or libility for the plan as well as the pension cost as further described in note 32 Employee retirement plans.

Business combinations and goodwill

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 including the useful lives of assets, replacement costs and the timing and amounts of certain future cash flows, which may be dependent on future commodity prices, currency rates, discount rates and other factors.

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

Contingencies, uncertain liabilities and environmental liabilities

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

Insurance and other compensation

Hydro has insurance contracts and certain other arrangements giving right to compensation for damage and/or losses. Compensation claims are recognized when it is deemed to be virtually certain that Hydro will receive a compensation under the contract. Such determination requires 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 expect to have received either a confirmation from the liable party that the claim is valid and will be honored, or a confirmation from an external expert that Hydro has a valid claim with no or remote risk of not being honored. The claim is measured at Hydro's best estimate of the amount to be received.

Income tax

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

Indirect taxes

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 such 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.

Investments in other entities

Hydro has invested in several other entities with various ownership share and under different contractual arrangements. Accounting for such relationships requires us to determine which entities Hydro controls, has joint control with other investors, has significant influence, or has less than significant influence over. The assessment includes identification of relevant decisions that significantly impacts the returns from the entity, which parties have possibility to make such decisions, and who are exposed to the variability in returns from such decisions. The conclusions determines which entities that are determined to be subsidiaries and thus consolidated, which entities that are determined to be jointly controlled and which are considered associates. Jointly controlled entities and associates are accounted for using the equity method. The assessment may be judgmental and changes may occur over time.

Note 5 - Significant subsidiaries and changes to the consolidated group

The Hydro group's continuing operations consists of about 80 companies in about 20 countries. Most subsidiaries are 100 percent owned, directly or indirectly, by Norsk Hydro ASA. There are minority interests in some subsidiaries. The more significant ones are described below.

Albras
Hydro holds 51 percent of the shares in the Brazilian aluminium smelter Alumínio Brasileiro S.A. (Albras). The minority owner has significant influence on certain decisions in the entity, including operational and investment budgets. The minority interests in Albras amounted to NOK 2,820 million as of December 31, 2013.

Slovalco
Hydro holds 55 percent of the total shares and 60 percent of the voting interest in the Slovac smelter Slovalco a.s. The minority owner has significant influence on certain decisions in the entity, including operational and investment budgets. The minority interests in Slovalco amounted to NOK 952 million as of December 31, 2013.

Alunorte
Hydro holds 92 percent of the shares in the Brazilian alumina refinery Alumina do Norte do Brasil S.A. (Alunorte). The minority interests has limited influence on the operational decisions. The minority interests in Alunorte amounted to NOK 1,319 million as of December 31, 2013.

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 includes Hydro's Building systems activities, the Precision tubing activities and general extrusion activities, which comprises 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 jointly controlled entity are reported separately until completion of the transaction under the caption "Income (loss) from discontinued operations" for the current and 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. Prior period balance sheets were not reclassified. 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 are estimated as Hydro has issued certain customary representations and warranties in the contribution contract which may result in payments to the joint venture when resolved.

Asset groups held for sale

Amounts in NOK million	December 31 **2013**	2012
Current assets		4 750
Non-current assets		4 814
Total assets	**-**	9 564
Current liabilities		782
Non-current liabilities		2 663
Assets held for sale, net	**-**	6 119

Summary of financial data for discontinued operations

Amounts in NOK million	01.01 - 31.12 **2013**	2012
Revenue and other income	**11 531**	17 598
Share of the profit (loss) in equity accounted investments	**10**	18
Depreciation, amortization and impairment	**-**	392
Other expenses	**11 347**	17 610
Earnings (loss) before financial items and tax	**194**	(386)
Financial income (expense), net	**(52)**	(58)
Income (loss) before tax	**142**	(444)
Income tax expense	**(28)**	(70)
Gain on disposal	**75**	-
Income (loss) from discontinued operations	**189**	(514)
Net cash provided by (used in) operating activities	**(238)**	313
Net cash used in investing activities	**(285)**	(716)
Net cash provided by (used in) financing activities	**(12)**	123
Foreign currency effects on cash	**11**	(38)
Net decrease in cash classified as assets held for sale	**93**	-
Net cash used in discontinued operations	**(431)**	(318)

There were no significant changes to the group during 2012.

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 2013 compared to previous years.

Commodity price risk exposure

Aluminium

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

Hydro enters into future contracts with the London Metal Exchange (LME) mainly for two purposes. The first is to achieve an average LME aluminium price on smelter production, matching the average customer pricing pattern. Second, because Hydro's downstream business, remelting, and the sale of third party products are based on margins above the LME price, Hydro hedges metal price exposure when entering into customer and supplier contracts with corresponding physical or derivative future contracts at fixed prices (back-to-back hedging). Hydro manages these exposures on a portfolio basis, taking LME positions based upon net exposures within given limits. Aluminium price volatility can result in significant fluctuations in earnings as the derivative positions are marked to their market value with changes to market value recognized in the income statement, while

the underlying physical metal transactions normally are not marked-to-market, except for those included in trading portfolios. The majority of Hydro's LME contracts mature within one year.

Hydro's sales of primary aluminium 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 41 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 to 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 usage needs for bauxite are secured through long-term contracts as well as by own production. The purchasing contracts have links to the LME aluminium price and to alumina indexes. 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.

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 use foreign currency swaps and forward currency contracts from time to time.

Interest rate exposure

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

Financial instruments and provisions are also exposed to changes in interest rates in connection with discounting of positions to 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, 2013 and December 31, 2012, 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.

		Gain/loss from 10 percent increase in						
	Fair value as of December 31,	Foreign currency exchange rates			Commodity prices		Interest	
Amounts in NOK million	2013 [1]	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

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

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

2) Includes mainly forward currency contracts.

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

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

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

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

- 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 relate to the balance sheet position as of December 31. Outcomes could differ materially based on actual developments in the global markets. The methods used by Hydro to analyze risks discussed above should not be considered projections of future events, gains or losses.

Credit risk management

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

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

Liquidity risk

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

To fund cash deficits of a more permanent nature Hydro will normally raise long-term bond or bank debt in available markets. The credit facility of USD 1.7 billion maturing in 2014, was replaced by a facility of the same amount maturing in 2018 with two potential one-year extensions. The facility remained undrawn.

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

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

	December 31, 2013		December 31, 2012	
Amounts in NOK million	Liabilities	Assets	Liabilities	Assets
2013			(403)	525
2014	(5 685)	5 502	(568)	629
2015	(10)	9		
2016	(6)	8		
Total	(5 701)	5 519	(971)	1 154

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

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

Note 7 - Operating and geographic segment information

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

Hydro's operating segments represent separately managed business areas with unique products serving different markets. Hydro's reportable segments are the 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 and sheet ingot.

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

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

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

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

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

Amounts in NOK million	External revenue		Internal revenue		Share of the profit (loss) in equity accounted investments	
	2013	2012	**2013**	2012	**2013**	2012
Bauxite & Alumina	**8 124**	8 459	**5 226**	4 806	**-**	-
Primary Metal	**3 866**	4 479	**19 413**	22 210	**108**	(320)
Metal Markets	**29 646**	28 960	**8 144**	10 971	**-**	-
Rolled Products	**20 290**	20 000	**(194)**	80	**(70)**	(67)
Energy	**2 830**	2 095	**3 449**	2 595	**(2)**	(2)
Other and eliminations	**124**	187	**(36 038)**	(40 663)	**(348)**	(61)
Total	**64 880**	64 181	**-**	-	**(312)**	(450)

Amounts in NOK million	Earnings before financial items and tax (EBIT) [1]		Depreciation, amortization and impairment		EBITDA	
	2013	2012	**2013**	2012	**2013**	2012
Bauxite & Alumina	**(1 178)**	(783)	**1 718**	1 750	**540**	967
Primary Metal	**855**	(1 254)	**1 855**	3 026	**2 726**	1 789
Metal Markets	**666**	138	**98**	174	**764**	312
Rolled Products	**95**	788	**427**	401	**576**	1 241
Energy	**1 657**	1 448	**148**	129	**1 805**	1 577
Other and eliminations	**(420)**	235	**146**	63	**(274)**	337
Total	**1 674**	571	**4 391**	5 544	**6 137**	6 222

Amounts in NOK million	Non-current assets		Total assets [2]		Investments [3]	
	2013	2012	**2013**	2012	**2013**	2012
Bauxite & Alumina	**37 252**	37 974	**41 847**	42 208	**1 198**	1 430
Primary Metal	**26 311**	26 780	**33 310**	33 917	**1 093**	1 023
Metal Markets	**924**	870	**6 137**	6 029	**74**	37
Rolled Products	**5 430**	4 935	**12 454**	11 785	**442**	405
Energy	**5 110**	4 863	**5 911**	5 717	**689**	430
Other and eliminations	**9 487**	2 213	**15 577**	8 138	**90**	56
Total continued operations	**84 515**	77 635	**115 235**	107 793	**3 586**	3 382
Classified as held for sale			**-**	9 564		
Total			**115 235**	117 357		

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

Operating revenues are identified by customer location.

	Revenue		Non-current assets		Investments [3]	
Amounts in NOK million	**2013**	2012	**2013**	2012	**2013**	2012
Norway	**3 990**	2 880	**23 762**	16 072	**1 435**	1 079
Germany	**10 543**	9 957	**4 893**	4 577	**381**	321
Great Britain	**3 360**	4 442	**61**	203	**11**	3
Italy	**2 418**	2 506	**258**	239	**15**	17
Spain	**2 032**	2 069	**67**	57	**3**	2
Poland	**1 779**	1 655	-	-	**-**	4
France	**1 770**	1 703	**37**	38	**4**	-
The Netherlands	**1 388**	1 459	**645**	488	**-**	84
Other	**5 298**	5 239	**1 057**	1 099	**51**	77
Total EU	**28 589**	29 030	**7 018**	6 700	**449**	508
Switzerland	**4 326**	3 715	**173**	238	**-**	-
Other Europe	**2 602**	3 083	**-**	-	**-**	-
Total Europe	**39 507**	38 708	**30 953**	23 011	**1 901**	1 587
USA	**5 662**	5 199	**358**	323	**26**	7
Canada	**55**	166	**1 557**	1 475	**116**	74
Brazil	**2 252**	1 883	**41 808**	43 948	**1 493**	1 644
Other Americas	**659**	749	**-**	-	**-**	-
Qatar	**1 444**	1 596	**9 074**	7 978	**-**	-
Japan	**3 875**	3 850	**2**	2	**-**	-
Singapore	**1 934**	1 774	**-**	-	**-**	-
South Korea	**1 646**	1 458	**-**	-	**-**	-
Saudi Arabia	**1 547**	1 124	**-**	-	**-**	-
Other Asia	**5 229**	6 187	**-**	124	**2**	6
Australia and New Zealand	**728**	1 105	**762**	773	**49**	62
Africa	**344**	383	**-**	-	**-**	-
Total outside Europe	**25 374**	25 473	**53 561**	54 624	**1 685**	1 795
Total continued operations	**64 880**	64 181	**84 515**	77 635	**3 586**	3 382

Note 8 - Other income

Amounts in NOK million	**2013**	2012
Gain on sale of property, plant and equipment	**1**	47
Gain on sale of subsidiaries, associates and jointly controlled entities	**2**	47
Revenue from utilities [1]	**141**	128
Rental revenue	**253**	303
Goverment grants	**320**	327
Other [2]	**73**	1
Other income, net	**790**	853

1) Revenue from utilities include quay structures, pipe network, tank terminal, process water and grid rental.

2) Other includes royalties and insurance compensations.

Note 9 - Raw material and energy expense

Amounts in NOK million	**2013**	2012
Raw material expense and production related cost	**43 003**	40 929
Change in inventories own production	**(179)**	404
Write-downs of inventories	**127**	239
Reversals of write-downs of inventory	**(9)**	(13)
Raw material and energy expense	**42 943**	41 559

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

Note 10 Board of Directors' statement on Management remuneration

Board of Directors' statement on Management remuneration

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

Guidelines for management remuneration

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

Process for determination of remuneration

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

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

- Making recommendations to the Board of Directors based on the committee's 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 2014. The Board of Directors proposes that the guidelines set forth below shall apply for 2014 and up until the annual shareholders' meeting in 2015.

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 any other member of the Corporate Management Board is equal to 40 percent of his or her annual base salary. The Board of Directors evaluates and determines annually the bonus system for the CEO and members of the Corporate Management Board. 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 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) consists of 30 percent or 25 percent of annual base salary payable, respectively, to the CEO and other members of the Corporate Management Board. LTI payments are dependent on Hydro achieving positive underlying earnings before interest and tax (EBIT) for the previous financial year. Recipients of LTI payments are required to invest the net amount received after tax in Hydro shares. Any such shares must be held for three years. Any holder of such shares who voluntarily terminates his or her employment during such three-year period must pay to the company an amount equal to the after-tax value of the shares at the date of such termination. The LTI arrangement is re-evaluated annually. LTI payments are not taken into account when determining the basis for pensionable salary.

Other share-based 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 below in note 11 Employee and management remuneration).

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

Pensions The pension scheme for new employees in Norway, including senior management is a defined contribution plan. In 2010 Hydro executed an internal pension reform through a transition in Norway to a defined contribution pension plan, whereby the existing defined benefit pension plan was closed to externally recruited new employees with effect from March 1, 2010. As of January 1, 2014 just under 30 percent of the employees in Norway have a defined contribution plan. The defined contribution plan stipulates that 5 percent of salary between 1 to 6 G and 8 percent of salary between 6 and 12 G are paid into the plan. For salaries in excess of 12 G 20 percent of the salary is allocated as a vested right. ("G" is the Norwegian National Insurance basic amount).

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

In 2013, Hydro decided to continue the transition to defined contribution plan. It was then decided to transfer the remaining Hydro employees born June 1, 1962 or later who were in the defined benefit plans in Norway to Hydro's defined contribution plan with effect from June 1, 2014. This means that members of Corporate Management Board born June 1, 1962 or later who today are comprised of Hydro's defined benefit plans, will be transferred to the defined contribution plan on the same terms as other employees in Norway.

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

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

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

The Board of Directors will evaluate potential needs and alternative models for early retirement for 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 regarding the other members of the Corporate Management Board, with the exception of one member who in accordance with a prior arrangement is already entitled to transfer to a less demanding role on reaching the age of 59 and to retire on reaching the age of 62. In respect of appointments to the Corporate Management Board in 2012 or later, severance pay will be paid for a period of six months following a six-month notice period.

Members of the Corporate Management Board outside Norway 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.

Oliver Bell is employed by a foreign subsidiary.Johnny Undeli is employed by Norsk Hydro ASA but certain special conditions apply with regards to his responsibilities in Brazil. Undeli and Bell are covered by the LTI plan (described above) on the same terms as the other members of the Corporate Management Board.

Key principles for determining remuneration during the previous financial year

The remuneration of the CEO and the members of the Corporate Management Board for the financial year 2012 was based on the same guidelines as those described above.

In September 2013, the Board of Directors decided to increase the CEO's base salary by 2.0 percent, from NOK 5,627,000 to NOK 5,739,540 with effect from January 1, 2013.

The base salary of the other members of the Corporate Management Board (excluding CEO) increased in the annual salary adjustment by between 1.5 percent and 5.4 percent in 2013, with an average increase of 2.6 percent.

Bonus payments for 2012 were determined and paid in 2013 on the basis of the principles described above (see also note 11 Employee and management remuneration).

Bonus payments for 2013 will be determined and paid in 2014 on the basis of the principles described above.

Note 11 - Employee and management remuneration

Corporate Management Board remuneration

Corporate management board members' salaries, remuneration in kind, salary compensation for estimated future pension shortfall, bonus, share based long term incentive for 2012 and 2011 settled in 2013 and 2012, respectively, and estimated increase in the value of their defined pension benefits together with any contributions to their defined contribution pension schemes, as well as Hydro share ownership as of December 31, 2013 and 2012 are presented in the table below. Hydro did not have any loans to or guarantees made on behalf of any of the corporate management board members in 2013 and 2012.

			Remuneration paid							
Name	Base salary 1) 2)	Maximum bonus potential 1) 2)	Salary 1) 3)	In kind 1) 3)	Compen-sation pension 1) 3)	Bonus 1) 3)	Long-term incentive plan (LTI) 1) 3)	Pension benefits 1) 4)	LTI-shares allocated	Hydro share ownership 5)
2013										
Svein Richard Brandtzæg	5 740	2 870	6 078	290	-	1 557	1 688	3 902	32 284	129 618
Eivind Kallevik[6)]	2 770	1 108	3 105	241	96	-	-	1 348	-	9 454
Johnny Undeli	6 375	1 283	6 671	223	-	-	790	1 750	13 654	38 605
Hilde Aasheim	2 992	1 197	3 155	201	-	704	735	2 130	14 065	37 065
Oliver Bell	4 278	1 711	4 276	68	-	1 047	1 028	5 688	20 173	50 631
Arvid Moss	2 790	1 116	2 938	260	-	646	686	2 146	12 106	104 949
Wenche Agerup	2 770	1 108	2 913	263	-	610	657	(3 250)	11 840	42 387
Jørgen C. Arentz Rostrup[7)]	3 130	-	1 846	156	-	551	-	654	-	34 083
Hans-Joachim Kock[8)]	4 653	532	4 444	1 556	-	-	589	(2 917)	16 520	43 475
2012										
Svein Richard Brandtzæg	5 627	2 814	6 068	273	-	1 655	1 650	3 415	23 820	90 967
Jørgen C. Arentz Rostrup	3 083	1 233	3 250	237	-	748	754	(3 695)	10 881	34 083
Johnny Undeli	6 272	1 264	6 652	218	-	770	773	1 758	11 152	24 584
Hilde Aasheim	2 942	1 177	3 150	195	-	716	718	2 275	11 221	22 633
Oliver Bell	3 969	1 587	3 976	119	-	928	997	3 129	16 043	30 458
Hans-Joachim Kock	4 820	1 322	4 843	1 847	-	-	834	1 414	13 630	26 955
Arvid Moss	2 743	1 097	2 905	253	-	676	666	2 807	10 219	86 476
Wenche Agerup	2 628	1 051	2 766	223	-	638	591	1 102	9 243	30 180
Kjetil Ebbesberg[9)]	2 611	653	2 800	218	-	615	640	920	10 009	17 042
Tom Røtjer[9)]	2 721	680	2 943	234	-	641	667	2 209	9 829	39 975

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. Bonus, if any, will be paid in the following year.

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

4) Pension benefits includes 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 Jørgen 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 Jørgen C. Arentz Rostrup. In 2013, Hydro share ownership for Rostrup is as of February 15, 2013.

6) Eivind Kallevik became a member of the Corporate Management Board as of February 15, 2013.

7) Jørgen 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 severance pay amounting to NOK 1,565 thousand in 2013, and will receive the same amount in 2014.

8) Hans-Joachim Kock stepped down from the Corporate Management Board as of May 31, 2013.

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

Under the long term incentive for 2012 settled in 2013, former corporate management board members Kjetil Ebbesberg and Tom Røtjer received 7,503 and 7,507 shares with a gross (pre-tax) value of NOK 408 thousand and NOK 425 thousand, respectively. In 2013, Ebbesberg and Røtjer received bonus payments based on performance achieved as corporate management board members in 2012 of NOK 393 thousand and NOK 377 thousand, respectively. Under the long term incentive for 2010 settled in 2012, former corporate management board member Ola Sæter received 1,796 shares with a gross (pre-tax) value of NOK 162 thousand.

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

Employee share purchase plan

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

Compensation expense related to the 2012 performance measurement period was accrued and recognized over the service period of December 31, 2012 through March 31, 2013, the final acceptance date of the offer. In 2013 and 2012 the participation rates of eligible employees in the employee share purchase plan were 77 and 81 percent, respectively. Details related to the employee share purchase plan are provided in the table below.

Employee share purchase plan			
Performance measurement period	2013	2012	2011
Total shareholder return performance target achieved	<12%	<12%	<12%
Employee rebate, NOK	2 500	2 500	2 500
Employee rebate, percent	25%	25%	25%

Share purchase plan compensation	**2013**	2012
Award share price, NOK	**27.19**	33.25
Number of shares issued, per employee	**367**	300
Total number of shares issued to employees	**1 085 219**	981 300
Compensation expense related to the award, NOK thousand	**7 377**	8 157

Employee benefit expense

The average number of employees in Hydro's continuing operations for 2013 and 2012 was 12,932 and 13,138, respectively. As of year end 2013 and 2012, Hydro's continuing operations employed 12,564 and 12,994 people, respectively. The specification of employee benefit expenses for 2013 and 2012 is given in the table below.

Employee benefit expense

Amounts in NOK million	**2013**	2012
Salary	**5 721**	5 814
Social security costs	**705**	709
Other benefits	**201**	418
Pension expense (note 32)	**156**	517
Total	**6 782**	7 457

Note 12 - Depreciation and amortization expense

Specification of depreciation and amortization by asset category

Amounts in NOK million	**2013**	2012
Buildings	**596**	612
Machinery and equipment	**3 630**	4 070
Intangible assets	**65**	117
Depreciation and amortization from discontinued operations	**-**	(355)
Depreciation and amortization expense	**4 292**	4 443

Note 13 - Impairment of non-current assets

Amounts in NOK million	**2013**	2012
Classification by asset category		
Impairment losses		
Property, plant and equipment	**97**	1 118
Intangible assets	**3**	20
Impairment from discontinued operations	**-**	(37)
Total impairment of non-current assets	**100**	1 100
Classification by segment		
Impairment losses		
Primary Metal	**1**	1 019
Metal Markets	**16**	76
Energy	**3**	5
Other activities	**80**	-
Total impairment of non-current assets	**100**	1 100

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 10.5 and 15.5 percent (2012: 10.25-13.5 percent). Impairment losses have been recognized where the recoverable amount is less than the carrying value.

In 2013 we identified impairment indicators for Hydro Primary Metal's part-owned smelter Slovalco, Slovakia and shares in Søral, 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 are sensitive to changes in aluminium prices, energy prices and currency exchange rates.

Hydro Primary Metal's Kurri Kurri plant in Australia was written down in 2012, after management's decision to curtail the production, by NOK 1,019 million, to the plant's FV. The FV was determined based on external valuation reports in addition to internal value assessments.

Metal Markets' remelter in Taiwan was written down by NOK 76 million in 2012 to the estimated FV prior to the sale of the activity.

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

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

Amounts in NOK million	**2013**	2012
Alunorte (Bauxite & Alumina)	**2 694**	2 811
Remelters sector (Metal Markets)	**250**	228
Total goodwill	**2 945**	3 040

Goodwill in Bauxite & Alumina was allocated to a CGU consisting of the Alunorte alumina refinery, the main bauxite source Paragominas and certain related activities, all acquired in 2011. The recoverable amount has been determined based on a VIU calculation, and amounts to about NOK 33 billion. The value exceeds the carrying value by a limited amount, about 5 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 discount rate assumed is 15.5 percent, reflecting a nominal pre-tax discount rate.

The main assumptions, expressed in real 2014 values, to which the test is sensitive are shown in the table below:

	Assumptions	
	2014	Long-term
Exchange rate BRL/USD	2.20	2.20
Alumina price (USD/mt)	320	390
Inflation difference Brazil - main Western economies	3.9 %	1.5 %
Production volume alumina (million mt)	5.8	6.3

Significant cash flows are denominated in US dollars. These are translated to BRL at a rate of 2.20 for 2014, 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 2013 level.

If the exchange rate between the US dollar and BRL were based on the level at the end of 2013 of 2.34 with a similar development over the projection period, the coverage would increase to about 30 percent. 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	(2.0%)	2.16
Alumina price (USD/mt)	(1.5%)	384
Production volume alumina (million mt)	(2.3%)	6.1
Discount rate (% point)	0.6%	16.1 %
Total production cost (million BRL 2014)	(75)	

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

Note 14 - Research and development

Total expensed research and development cost was NOK 216 million in 2013 and NOK 247 million in 2012. Research and development activities are intended to make production of aluminium more efficient including further improving the operational and environmental performance of Hydro's electrolysis technology. A significant proportion of the means are also used for further developing the production processes and products within casting and alloy technology as well as rolled products.

To the extent development costs are directly contributing to the construction of a fixed asset, the development costs are capitalized as part of the asset provided all criteria for capitalizing the cost are met. Costs incurred during the preliminary project stage, as well as maintenance costs, are expensed as incurred. The capitalized development costs was NOK 28 million in 2013 and NOK 34 million in 2012.

Note 15 - 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 2013	306	1 124	1 402	2 831
Operating lease obligation 2012	290	1 201	2 034	3 525

Operating lease expense for office space, machinery and equipment amounts to NOK 326 million for 2013 and NOK 328 million for 2012.

Note 16 - Financial income and expense

Amounts in NOK million	**2013**	2012
Interest income	**235**	286
Dividends received and net gain (loss) on securities	**170**	133
Financial income	**405**	418
Interest expense	**(419)**	(393)
Capitalized interest	**2**	15
Net foreign exchange gain (loss)	**(2 245)**	(280)
Accretion	**(350)**	(454)
Other	**59**	64
Financial expense	**(2 954)**	(1 047)
Financial income (expense), net	**(2 550)**	(629)

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 17 - Income tax expense

Amounts in NOK million	**2013**	2012
Income (loss) from continuing operations before taxes		
Norway	**287**	1 891
Other countries	**(1 163)**	(1 949)
Total	**(875)**	(58)
Current taxes		
Norway	**798**	820
Other countries	**628**	408
Current income tax expense	**1 425**	1 228
Deferred taxes		
Norway	**119**	188
Other countries	**(1 391)**	(658)
Deferred tax expense (benefit)	**(1 272)**	(469)
Total income tax expense (benefit)	**153**	759

Components of deferred taxes

Origination and reversal of temporary differences	**(460)**	1 046
Benefit tax loss carryforwards	**(1 005)**	(1 038)
Net change in unrecognized deferred tax assets	**(62)**	389
Tax (expense) benefit allocated to Other comprehensive income	**255**	(867)
Deferred tax expense (benefit)	**(1 272)**	(469)

Reconciliation of tax expense to Norwegian nominal statutory tax rate

Amounts in NOK million	**2013**	2012
Expected income taxes at statutory tax rate [1)]	**(245)**	(16)
Hydro-electric power surtax [2)]	**674**	399
Equity accounted investments	**87**	126
Foreign tax rate differences	**(415)**	(412)
Tax free income	**(100)**	(99)
Losses, other tax benefits and deductions with no tax benefits, net	**151**	761
Income tax expense (benefit)	**153**	759

1) Norwegian nominal statutory tax rate is 28 percent.

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

Note 18 - Short-term investments

Amounts in NOK million	**2013**	2012
Bank, time deposits	**1 250**	3 050
Equity securities	**287**	820
Debt securities	**738**	433
Other	**205**	40
Total short-term investments	**2 480**	4 343

Note 19 - Accounts receivable

Amounts in NOK million	**2013**	2012
Trade receivables	**7 277**	6 379
VAT and other sales taxes	**948**	791
Other receivables	**1 579**	1 676
Allowance for credit losses	**(85)**	(85)
Accounts receivable	**9 719**	8 761

Note 20 - Inventories

Amounts in NOK million	**2013**	2012
Raw materials	**3 944**	3 957
Work in progress	**2 894**	2 597
Finished goods	**3 091**	3 130
Inventories	**9 929**	9 685

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

Note 21 - Other non-current assets

Amounts in NOK million	**2013**	2012
Non-marketable equity securities	**1 009**	918
Other securities	**536**	536
Employee loans	**152**	184
Derivative instruments	**179**	498
Prepaid taxes	**3 403**	3 262
Other receivables	**504**	494
Other non-current assets	**5 783**	5 892

Note 22 - Property, plant and equipment

Amounts in NOK million	Land	Buildings	Machinery and equipment	Plant under construction	Total
Cost					
December 31, 2011	971	22 109	78 114	4 087	105 280
Additions	-	519	1 464	1 953	3 935
Disposals	(2)	(152)	(1 022)	(13)	(1 189)
Transfers	(11)	443	1 860	(2 293)	-
Assets classified as held for sale	(299)	(2 250)	(6 901)	(356)	(9 807)
Foreign currency translation effect	(49)	(1 274)	(6 500)	(477)	(8 300)
December 31, 2012	610	19 396	67 014	2 900	89 920
Additions	2	100	1 639	1 530	3 271
Acquisitions through business combinations	-	72	188	5	264
Disposals	(1)	(158)	(1 373)	(32)	(1 564)
Transfers	-	272	1 145	(1 418)	-
Foreign currency translation effect	71	180	565	(71)	745
December 31, 2013	681	19 861	69 178	2 914	92 635
Accumulated depreciation and impairment					
December 31, 2011	(49)	(9 090)	(31 862)	(88)	(41 088)
Depreciation for the year	-	(612)	(4 070)	-	(4 682)
Impairment losses	(4)	(230)	(887)	3	(1 118)
Disposals	-	72	932	-	1 004
Transfers	-	-	(56)	56	-
Assets classified as held for sale	47	1 374	5 135	-	6 556
Foreign currency translation effect	3	254	1 354	4	1 615
December 31, 2012	(2)	(8 230)	(29 454)	(26)	(37 712)
Depreciation for the year	-	(596)	(3 630)	-	(4 226)
Impairment losses	-	(42)	(39)	(16)	(97)
Disposals	-	66	1 353	16	1 435
Transfers	-	(7)	(17)	24	-
Foreign currency translation effect	-	(219)	(1 144)	(2)	(1 364)
December 31, 2013	(3)	(9 028)	(32 930)	(3)	(41 965)
Carrying value					
December 31, 2012	607	11 166	37 561	2 874	52 208
December 31, 2013	679	10 833	36 248	2 911	50 670

Note 23 - 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, 2011	84	1 067	190	1 334	1 474	1 583	5 731
Additions	56	-	-	19	-	3	77
Disposals	-	(4)	-	(13)	-	(74)	(90)
Transfers	(1)	-	-	1	-	-	-
Assets classified as held for sale	(20)	-	-	(451)	-	(462)	(933)
Foreign currency translation effect	-	(160)	-	(55)	(222)	(82)	(520)
December 31, 2012	118	903	190	836	1 252	967	4 266
Additions	36	-	-	14	-	-	49
Acquisitions through business combinations	-	-	139	-	-	-	139
Disposals	-	-	-	(61)	-	(14)	(75)
Foreign currency translation effect	-	(38)	-	69	(52)	42	23
December 31, 2013	154	865	329	858	1 200	995	4 401
Accumulated amortization and impairment							
December 31, 2011	-	-	(190)	(895)	(79)	(938)	(2 102)
Amortization for the year [1)]	-	-	-	(87)	(100)	(32)	(220)
Impairment loss	-	-	-	(1)	-	(19)	(20)
Disposals	-	-	-	14	-	27	41
Assets classified as held for sale	-	-	-	259	-	358	617
Foreign currency translation effect	-	-	-	38	21	35	94
December 31, 2012	-	-	(190)	(672)	(159)	(568)	(1 589)
Amortization for the year [1)]	-	-	-	(52)	(89)	(17)	(158)
Impairment loss	-	-	-	-	-	(3)	(3)
Disposals	-	-	-	61	-	-	61
Foreign currency translation effect	-	-	-	(60)	10	(50)	(100)
December 31, 2013	-	-	(190)	(724)	(237)	(638)	(1 789)
Carrying value							
December 31, 2012	118	903	-	163	1 093	399	2 677
December 31, 2013	154	865	139	134	963	357	2 612

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 24 - Goodwill

Amounts in NOK million	Bauxite & Alumina	Metal Markets	Extruded Products	Total
Cost				
December 31, 2011	3 310	244	747	4 301
Assets classified as held for sale	-	-	(701)	(701)
Foreign currency translation effect	(498)	(16)	(46)	(560)
December 31, 2012	2 811	228	-	3 040
Foreign currency translation effect	(117)	22	-	(95)
December 31, 2013	2 694	250	-	2 945
Carrying value				
December 31, 2012	2 811	228	-	3 040
December 31, 2013	2 694	250	-	2 945

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

Note 25 - Investments in associates

Amounts in NOK million	Aluchemie	Ascent Solar	Other	Total
December 31, 2011	569	29	133	732
Investments			5	5
Change in long-term advances, net	77		(15)	62
Hydro's share of net income (loss)	(6)		(29)	(35)
Amortization	(15)			(15)
Impairment losses			(58)	(58)
Dividends and other payments received by Hydro				-
Derecognized investments		(27)	(10)	(37)
Foreign currency translation and other	(28)	(2)	(1)	(31)
December 31, 2012	597	-	25	622
Investments			6	6
Change in long-term advances, net	(64)		(6)	(70)
Hydro's share of net income (loss)	5		(2)	3
Amortization	(16)			(16)
Impairment losses				-
Dividends and other payments received by Hydro				-
Derecognized investments				-
Foreign currency translation and other	77		2	79
December 31, 2013	599	-	25	624

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

Aluminium & Chemie Rotterdam B.V. (**Aluchemie**) is an anode producer located in the Netherlands. Hydro owns 36.2 percent and has 21.2 percent of the voting rights. Other shareholders are Rio Tinto Alcan (53.3 percent) and Søral (10.5 percent). Hydro purchased anodes from Aluchemie amounting to NOK 749 million in 2013 and NOK 748 million in 2012 based on a cost plus formula. Sales of anode butts and coke from Hydro to Aluchemie amounted to NOK 88 million in 2013 and NOK 87 million in 2012. Hydro is committed to purchase a share of produced anodes based on it's ownership interest. For certain product lines the right and obligation to purchase is higher, as agreed between the shareholders. Aluchemie is part of Primary Metal.

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

Note 26 - Investments in jointly controlled entities

Amounts in NOK million	Alunorf	Søral	Qatalum	Sapa	Other	Total
December 31, 2011	1 110	618	8 812		102	10 642
Investments (sale), net					4	4
Change in long-term advances, net	(12)					(12)
Hydro's share of net income (loss)	(14)	(34)	(241)		(2)	(291)
Hydro's share of other comprehensive income	(8)	3	(495)			(500)
Amortization	(52)					(52)
Impairment losses					(2)	(2)
Foreign currency translation and other	(55)		(97)		(38)	(190)
December 31, 2012	969	587	7 978	-	65	9 599
Investments (sale), net				7 225	(21)	7 204
Change in long-term advances, net	(13)				(2)	(15)
Hydro's share of net income (loss)	(15)	(257)	378	(347)	(1)	(242)
Hydro's share of other comprehensive income	(8)		199	242		433
Amortization	(55)					(55)
Dividends and other payments received by Hydro			(206)			(206)
Foreign currency translation and other	129		725			854
December 31, 2013	1 007	330	9 074	7 120	42	17 573

Negative value of investments in jointly controlled entities of NOK 13 million as of December 31, 2012 and 2013 is included in Other liabilities.

Specification of jointly controlled entities

Amounts in NOK million, except ownership	Percentage owned by Hydro at year end **2013**	Investments in and advances to investees **2013**	2012	Hydro's current trade receivable (payable), net with investees **2013**	2012
Alunorf	**50.0%**	**1 007**	969	**(274)**	(243)
Søral	**49.9%**	**330**	587	**(89)**	(96)
Qatalum	**50.0%**	**9 074**	7 979	**(603)**	(660)
Sapa	**50.0%**	**7 120**	-	**476**	-
Others		**42**	65	**-**	-
Total		**17 573**	9 599	**(490)**	(999)

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

Aluminium Norf GmbH (**Alunorf**) located in Germany is the world's largest rolling mill and is owned by Hydro and Hindalco Industries (50 percent each). Alunorf produces flat rolled products from raw material from the partners based on a tolling arrangement. Sales from Alunorf to Hydro amounted to NOK 1,499 million in 2013 and NOK 1,423 million in 2012. Hydro's capital and financing commitments are regulated in the Joint Venture agreement. Alunorf has investment commitments amounting to NOK 444 million as of December 31, 2013. Hydro's financing commitment based on its interest is NOK 189 million as of December 31, 2013. Alunorf is part of Rolled Products.

Sør-Norge Aluminium AS (**Søral**) is the fourth largest primary aluminium manufacturer in Norway located in Husnes, Hordaland. Søral has an annual production capacity of about 180,000 mt of liquid metal. Hydro owns 49.9 percent and Rio Tinto Alcan 50 percent. Each partner purchases its proportional share of production at current market prices. Hydro's purchases from Søral amounted to NOK 615 million in 2013 and NOK 667 million in 2012. Sale of alumina, metal and power from Hydro to Søral amounted to NOK 243 million in 2013 and NOK 198 million in 2012. Søral is part of Primary Metal.

Qatar Aluminium Ltd. (**Qatalum**) is a primary aluminium smelter with a dedicated power plant located in Qatar. Qatalum has an annual production capacity of about 600,000 mt of liquid metal. Qatalum is owned by Hydro and Qatar Petroleum Ltd., (50 percent each). Hydro is committed to sell fixed quantities of alumina and purchase all products from Qatalum at market based prices. Purchases of metal from Qatalum amounted to NOK 8,627 million in 2013 and NOK 8,549 million in 2012. Sales from Hydro to Qatalum amounted to NOK 1,904 million in 2013 and NOK 1,537 million in 2012. 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 5 for further details related to the transaction. Sapa deliver 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 1,349 million for the four months of 2013. Sapa is part of Other Activities.

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

Amounts in NOK million (unaudited)	**2013**	2012
Income statement data		
Revenues	**27 552**	13 711
Earnings before financial items and tax	**(324)**	(235)
Income (loss) before tax	**(1 308)**	(651)
Net income (loss)	**(869)**	(611)
Balance sheet data		
Current assets	**21 381**	6 756
Non-current assets	**42 495**	30 435
Assets	**63 876**	37 191
Current liabilites	**12 011**	2 619
Non-current liabilities	**20 230**	15 617
Equity	**31 635**	18 955
Liabilites and equity	**63 876**	37 191

Note 27 - Jointly owned assets

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

The most significant of these arrangements are Hydro's 20 percent ownership in the Alouette plant in Canada, and the 12.4 percent ownership in the Tomago plant in Australia. Both plants produce primary aluminium. Hydro provides alumina relative to its share of the metal production, and receives produced metal for further processing or sale. Other costs of operations,

including power consumption and labor, are incurred on a joint basis by the owners. Unrealized losses or gains relating to embedded derivatives and operational hedges associated with the physical supply of power to the plants are also incurred or earned on a joint basis by the owners.

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

Amounts in NOK million	**2013**	2012
Property, plant and equipment	**2 184**	2 090
Share of expenses	**1 092**	1 201
Depreciation and amortization	**258**	247
Produced volume (kmt)	**183**	186

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

Amounts in NOK million	**2013**	2012
Bank loans and overdraft facilities	**5 449**	4 428
Other interest-bearing short-term debt	**316**	395
Current portion of long-term debt	**429**	1 133
Bank loans and other interest-bearing short-term debt	**6 195**	5 956

Note 29 - Trade and other payables

Amounts in NOK million	**2013**	2012
Accounts payable	**6 465**	6 085
Payroll and value added taxes	**1 230**	1 198
Accrued liabilities and other payables	**1 560**	1 054
Trade and other payables	**9 255**	8 336

Note 30 - Long-term debt

Amounts in NOK million	**2013**	2012
USD	**2 364**	2 520
NOK	**1 500**	1 500
Total unsecured loans	**3 864**	4 020
Other long-term debt	**551**	787
Outstanding debt	**4 415**	4 807
Less: Current portion	**(429)**	(1 133)
Total long-term debt	**3 986**	3 674

Repayments of long-term debt including interest

Amounts in NOK million	Unsecured loans	Other	Interest	Total
2014	412	17	148	578
2015	447	18	143	607
2016	482	19	135	636
2017	379	20	126	526
2018	277	21	121	419
Thereafter	1 867	456	389	2 712
Total	3 864	551	1 063	5 478

Norsk Hydro ASA has a USD 1,700 million, revolving multi-currency credit facility with a syndicate of international banks, maturing in November 2018, possibly extended through two one-year extension options. 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, 2013.

Note 31 - Provisions

		2013			2012	
Amounts in NOK million	**Short-term**	**Long-term**	**Total**	Short-term	Long-term	Total
Warranties	**54**	**-**	**54**	46	-	46
Exit and disposal activities	**70**	**-**	**70**	32	1	33
Environmental clean-up and asset retirement obligations (ARO)	**107**	**1 605**	**1 712**	105	1 631	1 737
Employee benefits	**246**	**351**	**597**	167	315	482
Insurance	**365**	**-**	**365**	432	-	432
Other	**156**	**666**	**821**	68	460	528
Total provisions	**998**	**2 622**	**3 619**	850	2 408	3 258

The following table includes a specification of changes to provisions for the year ending December 31, 2013 and the expected timing of cash outflows relating to the provisions.

Amounts in NOK million	Warranties	Exit and disposal	Environ-mental clean-up and ARO	Employee benefits	Insur-ance	Other	Total
Specification of change in provisions							
December 31, 2012	46	33	1 737	482	432	528	3 258
Additions	108	75	221	366	20	440	1 230
Used during the year	(88)	(37)	(92)	(229)	(48)	(120)	(614)
Reversal of unused provisions	(19)	(6)	(101)	(66)	(39)	(18)	(250)
Accretion expense and effect of change in discount rate	-	-	(59)	10	-	-	(49)
Foreign currency translation	6	5	7	34	-	(8)	44
December 31, 2013	54	70	1 712	597	365	821	3 619
Timing of cash outflows							
2014	54	70	107	246	365	156	998
2015-2018	-	-	820	154	-	298	1 272
Thereafter	-	-	785	196	-	367	1 349
	54	70	1 712	597	365	821	3 619

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

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

Provisions for 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 jointly controlled entities. Related reinsurance receivables included in Accounts receivables amounted to NOK 169 million and NOK 226 million as of December 31, 2013 and 2012, respectively.

Other include provisions for onerouse contracts and certain provisions for legal and other disputes.

Note 32 - 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 covered by plans 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 offers benefits based on final salary level and the number of years in service. In Norway the majority of employees are covered by funded defined benefit plans with unfunded complimentary plans. Defined benefit plans also are offered in certain other countries with a limited number of participants including Canada, 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.

	2013				2012			
Amounts in NOK million	**Norway**	**Germany**	**Other**	**Total**	Norway	Germany	Other	Total
Pension expense								
Defined benefit plans	**(190)**	**94**	**(2)**	**(98)**	316	57	41	414
Defined contribution plans	**29**	**-**	**27**	**56**	25	-	38	64
Multiemployer plans	**34**	**-**	**2**	**35**	29	-	2	31
Termination benefits and other	**102**	**3**	**14**	**119**	49	9	(104)	(46)
Social security cost	**43**	**-**	**1**	**44**	53	-	1	54
Pension expense	**17**	**97**	**42**	**156**	473	65	(21)	517
Interest expense (income)	**(5)**	**158**	**6**	**159**	92	176	13	282
Remeasurement (gain) loss in other comprehensive income	**326**	**7**	**23**	**357**	(4 446)	957	8	(3 482)
Recognized defined benefit assets and liability								
Defined benefit obligation major plans	**(11 681)**	**(5 350)**	**(69)**	**(17 100)**	(10 760)	(4 649)	(72)	(15 481)
Plan assets	**11 868**	**-**	**77**	**11 946**	10 801	-	65	10 867
Reimbursement rights	**309**	**-**	**-**	**309**	279	-	-	279
Liability other plans	**(116)**	**(40)**	**(166)**	**(322)**	(110)	(32)	(122)	(263)
Social security cost	**(440)**	**-**	**-**	**(440)**	(398)	-	-	(398)
Net defined benefit liability	**(60)**	**(5 389)**	**(158)**	**(5 607)**	(188)	(4 681)	(129)	(4 997)
Recognized prepaid pension	**3 543**	**45**	**7**	**3 595**	3 038	41	-	3 080
Recognized pension liability	**(3 602)**	**(5 434)**	**(166)**	**(9 202)**	(3 226)	(4 722)	(129)	(8 077)
Net amount recognized	**(60)**	**(5 389)**	**(158)**	**(5 607)**	(188)	(4 681)	(129)	(4 997)

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	2013 Norway	Germany	Other	Total	2012 Norway	Germany	Other	Total
Change in defined benefit obligation (DBO)								
Opening Balance	**(10 760)**	**(4 649)**	**(72)**	**(15 481)**	(14 651)	(3 989)	(1 846)	(20 486)
Current service cost	**(191)**	**(88)**	**(3)**	**(283)**	(391)	(59)	66	(384)
Past service cost and settlement gain (loss)	**390**	**(6)**	**8**	**392**	16	-	84	101
Interest expense	**(393)**	**(158)**	**(3)**	**(553)**	(359)	(186)	(79)	(624)
Actuarial gain (loss) demographic assumptions	**(1 456)**	**-**	**-**	**(1 456)**	-	-	(1)	(1)
Actuarial gain (loss) economic assumptions	**(7)**	**-**	**3**	**(4)**	3 372	(1 036)	(99)	2 237
Experience gain (loss)	**208**	**(7)**	**1**	**202**	329	45	(11)	363
Payments from the plans	**584**	**213**	**5**	**801**	583	208	62	853
Termination benefits	**(56)**	**-**	**-**	**(56)**	(49)	-	-	(49)
Reclassified to discontinued operations	**-**	**-**	**-**	**-**	388	166	1 686	2 240
Effects of foreign currency translation	**-**	**(655)**	**(8)**	**(662)**	-	202	65	267
Closing Balance	**(11 681)**	**(5 350)**	**(69)**	**(17 100)**	(10 760)	(4 649)	(72)	(15 481)
Change in pension plan assets								
Opening Balance	**10 801**	**-**	**65**	**10 867**	10 650	-	1 932	12 582
Interest income	**404**	**-**	**2**	**407**	264	-	88	352
Return on plan assets above (below) interest income	**924**	**-**	**1**	**926**	501	-	38	540
Contributions to plans	**198**	**-**	**4**	**202**	193	-	36	229
Payments from plans	**(460)**	**-**	**(4)**	**(464)**	(472)	-	(62)	(533)
Reclassified to discontinued operations	**-**	**-**	**-**	**-**	(335)	-	(1 904)	(2 239)
Effects of foreign currency translation	**-**	**-**	**8**	**8**	-	-	(63)	(63)
Closing Balance	**11 868**	**-**	**77**	**11 946**	10 801	-	66	10 867
Analysis of the defined benefit obligation (DBO)								
Active members	**(4 291)**	**(2 143)**	**(36)**	**(6 470)**	(4 447)	(1 793)	(40)	(6 280)
Deferred members	**(421)**	**(440)**	**(14)**	**(875)**	(350)	(379)	(15)	(745)
Pensioners	**(6 970)**	**(2 766)**	**(20)**	**(9 755)**	(5 963)	(2 477)	(16)	(8 456)
Defined benefit obligation	**(11 681)**	**(5 350)**	**(69)**	**(17 100)**	(10 760)	(4 649)	(72)	(15 481)
Weighted average duration (years)	**12.5**	**16.2**			13.2	15.7		

Payments from Hydro to the pension plans and social security cost related to such payments amounted to about NOK 700 million for 2013 and 2012. The payments are expected to remain at about 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 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 are closed for new members. New employees and employees who elected to convert 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. 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 1,250 persons will be transferred, resulting in a curtailment gain of NOK 390 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. Regulations of pension plans in Norway are in a period of change, however, the new regulations and effects on existing pension plans are not known.

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 2013**	**Benefit expense 2013**	Benefit obligation 2012	Benefit expense 2012
Discount rate	**4.00%**	**3.75%**	3.75%	2.50%
Expected salary increase	**3.25%**	**3.00%**	3.00%	3.25%
Expected pension increase	**1.25%**	**1.00%**	1.00%	1.75%
Mortality basis	**K2013**	**K2005**	K2005	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	2013	2013
Discount rate increase 0.5% point	6.0%	701
Salary increase 0.5% point	(1.0%)	(117)
Pension increase 0.5% point	(6.0%)	(701)
One year longer life all members	(4.0%)	(467)

The plan assets in the funded plans provided through Norsk Hydros Pensjonskasse were invested as follows at the end of 2013 and 2012:

Amounts in NOK million, except percent	**2013**	**2013**	2012	2012
Cash and cash equivalents	**1.7%**	**205**	1.7%	186
Equity instruments Norway	**15.2%**	**1 804**	15.0%	1 624
Equity instruments other countries	**12.3%**	**1 465**	11.8%	1 279
Debt instruments	**37.9%**	**4 500**	34.3%	3 708
Investment funds	**11.1%**	**1 322**	14.2%	1 528
Real estate	**21.7%**	**2 570**	22.9%	2 474
Other	**0.0%**	**2**	0.0%	2
Total	**100.0%**	**11 868**	100.0%	10 801

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 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.

Significant actuarial assumptions for the main German plans include:

Weighted-average assumptions	**Benefit obligation 2013**	**Benefit expense 2013**	Benefit obligation 2012	Benefit expense 2012
Discount rate	**3.3%**	**3.3%**	3.3%	4.9%
Expected salary increase	**2.7%**	**2.7%**	2.7%	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	2013	2013
Discount rate increase 0.5% point	7.4%	864
Salary increase 0.5% point	(2.0%)	(234)
Pension increase 0.5% point	(6.0%)	(701)
One year longer life all members	(3.9%)	(456)

Note 33 - Deferred tax

The tax effects of temporary differences and tax loss carryforwards giving rise to deferred tax assets and liabilities were as follows as of December 31, 2013 and December 31, 2012:

Amounts in NOK million	**Assets 2013**	**Liabilities 2013**	Assets 2012	Liabilities 2012
Inventory valuation	**139**	**(204)**	163	(294)
Accrued expenses	**615**	**(538)**	453	(311)
Property, plant and equipment	**4 171**	**(8 501)**	3 832	(8 423)
Other intangible assets	**778**	**(443)**	773	(384)
Pensions	**1 654**	**(960)**	1 386	(876)
Derivatives	**174**	**(106)**	281	(58)
Other	**454**	**(796)**	365	(1 003)
Tax loss carryforwards	**3 626**		2 688	
Subtotal	**11 611**	**(11 548)**	9 941	(11 349)
Of which not recognized as tax asset	**(1 775)**		(1 732)	
Gross deferred tax assets (liabilities)	**9 836**	**(11 548)**	8 209	(11 349)

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

At the end of 2013, Hydro had tax loss carryforwards of NOK 10,017 million, primarily in Brazil, Spain, Italy and Australia. None of the losses carry forward expire before 2018. Of the total NOK 8,655 million is without expiration.

Note 34 - Shareholders' equity

Share capital

Number of shares	Ordinary shares issued	Treasury shares	Ordinary shares outstanding
December 31, 2011	2 068 998 276	(32 539 257)	2 036 459 019
Treasury shares reissued to employees		1 109 143	1 109 143
December 31, 2012	2 068 998 276	(31 430 114)	2 037 568 162
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

The share capital of Norsk Hydro ASA as of December 31, 2013 and 2012 was NOK 2,271,760,107 consisting of 2,068,998,276 ordinary shares at a par value of NOK 1.098 per share.

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, 2013 of NOK 1,006 million was comprised of NOK 33 million share capital and NOK 973 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 2,038,416,268 for the year 2013 and 2,037,199,618 for 2012.

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 2013 and 2012.

Amounts in NOK million	**2013**	2012
Items that will not be reclassified to income statement:		
Remeasurement postemployment benefits		
January 1	**1 804**	(728)
Remeasurement postemployment benefits during the year	**(357)**	3 482
Reclassified to retained earnings on sale of subsidiaries	**(92)**	-
Deferred tax offset	**142**	(950)
December 31	**1 496**	1 804
Remeasurement postemployment benefits equity accounted investments		
January 1	**(64)**	5
Remeasurement postemployment benefits during the year	**46**	(68)
December 31	**(18)**	(64)
Items that will be reclassified to income statement:		
Currency translation differences		
January 1	**(12 208)**	(3 972)
Currency translation differences during the year	**2 256**	(8 218)
Reclassified to Net income on sale of foreign operations	**497**	(18)
December 31	**(9 455)**	(12 208)
Unrealized gain (loss) on securities		
January 1	**(4)**	45
Unrealized gain (loss) on available-for-sale securities	**18**	(57)
Reclassified to Net income on sale or impairment of available-for-sale securities	**(51)**	(23)
Tax benefit (expense)	**(6)**	31
December 31	**(42)**	(4)
Cash flow hedges - See note 41 Derivative instruments and hedge accounting		
January 1	**(63)**	74
Period gain (loss) recognized in Other comprehensive income	**(415)**	(185)
Reclassification of hedging gain (loss) to Net income	**4**	(5)
Tax benefit (expense)	**119**	52
December 31	**(355)**	(63)
Other components of equity in equity accounted investments		
January 1	**(506)**	(459)
Period gain (loss) recognized in Other comprehensive income	**388**	(32)
Reclassified to Net income	**-**	(16)
December 31	**(118)**	(506)
Total other components of equity attributable to Hydro shareholders as of December 31	**(6 950)**	(9 635)
Total other components of equity attributable to minority interests as of December 31	**(1 542)**	(1 406)

Note 35 - Capital management

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

Credit rating

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

Liquidity management and funding

Hydro manages its funding requirements centrally to cover group operating requirements and long-term capital needs. During 2013 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 2013.

In 2013, Hydro signed a syndicated USD 1,700 million revolving credit facility maturing in 2018 with two potential one-year extensions, replacing a credit facility of similar size which was to mature in 2014. As of December 31, 2013 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 30 percent of net income in the form of ordinary dividends over the business cycle. Dividends for a particular year are based on expected future earnings and cash flow, future investment opportunities, the outlook for world markets and Hydro's current financial position. Share buybacks or extraordinary dividends may be used to supplement ordinary dividends during periods of strong financial results after considering the status of the business cycle and capital requirements for future growth.

Hydro's capital management measures

Hydro's management uses the Adjusted net interest-bearing debt to 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	**2013**	2012
Cash and cash equivalents	**8 412**	7 034
Short-term investments	**2 480**	4 343
Bank loans and other interest-bearing short-term debt	**(6 195)**	(5 956)
Long-term debt	**(3 986)**	(3 674)
Net interest-bearing debt	**711**	1 747
Cash and cash equivalents and short-term investments in captive insurance company [1)]	**(1 092)**	(1 275)
Net pension obligation at fair value, net of expected income tax benefit [2)]	**(4 913)**	(4 487)
Operating lease commitments, net of expected income tax benefit [3)]	**(1 672)**	(1 915)
Net interest-bearing debt equity accounted investments [4)]	**(6 650)**	(6 077)
Short- and long-term provisions net of expected income tax benefit, and other liabilites [5)]	**(2 536)**	(2 489)
Adjusted net interest-bearing debt incl. net debt equity accounted investments	**(16 154)**	(14 496)
Total equity	**75 264**	75 498
Adjusted net interest-bearing debt / Equity ratio	**0.21**	0.19
Adjusted funds from operations / Adjusted net interest-bearing debt	**0.34**	0.39

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 694 million and NOK 510 million, respectively, for 2013 and 2012.

3) Operating lease commitments are discounted using a rate of 2.65 percent and 2.8 percent for 2013 and 2012, respectively. The expected tax benefit on operating lease commitments is estimated at 30 percent.

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

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

Note 36 - Dividends

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

For fiscal year 2013 the Board of Directors has proposed a dividend of NOK 0.75 per share to be paid in May 2014. The Annual General Meeting, scheduled to be held May 7, 2014, will consider this dividend proposal. If approved, this would be a total dividend of approximately NOK 1,529 million. In accordance with IFRS, the fiscal year 2013 proposed dividend is not recognized as a liability in the 2013 financial statements.

Dividends declared and paid in 2013 and 2012 for the prior fiscal year, respectively, are as follows:

	Paid in 2013 for fiscal year 2012	Paid in 2012 for fiscal year 2011
Dividend per share paid, NOK	**0.75**	0.75
Total dividends paid, NOK million	**1 529**	1 528
Date proposed	**February 12, 2013**	February 16, 2012
Date approved	**May 8, 2013**	May 8, 2012
Dividend payment date	**May 23, 2013**	May 22, 2012

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

Note 37 - Guarantees

Amounts in NOK million	**2013**	2012
Guarantees related to jointly controlled entities	**47**	55
Sales guarantees	**3 316**	1 623
Total guarantees not recognized	**3 363**	1 678

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 guarantees.

Note 38 - Contingent liabilities and contingent assets

Hydro is involved in or threatened with various legal and tax matters arising in the ordinary course of business. See note 4 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 amounts to about NOK 3 billion including cases considered remote. 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. Additional obligations may be identified in the future related to existing contamination or other factors.

Hydro is of the opinion that resulting liabilities, if any, related to environmental and other legal obligations will not have a material adverse effect on its consolidated results of operations, liquidity or financial position.

Note 39 - Contractual commitments and other commitments for future investments

Amounts in NOK million	2014	Investments thereafter	Total
Contract commitments for investments in property, plant and equipment	1 243	46	1 289
Additional authorized future investments in property, plant and equipment	87	11	98
Contract commitments for other future investments	-	-	-
Total	1 330	57	1 387

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, 2013 is as follows:

Amounts in NOK million	Bauxite, alumina and aluminium	Energy related	Other	Sales commit-ments
2014	5 419	6 766	916	(10 196)
2015	3 081	5 482	748	(6 425)
2016	2 220	5 488	529	(3 423)
2017	1 775	5 178	438	(1 613)
2018	1 786	4 783	390	(857)
Thereafter	22 357	18 071	3 812	(8 349)
Total	36 638	45 768	6 833	(30 863)

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 2014 and 14.4 TWh in total. Commitments relating to concession power from stations that are not subject to reversion amount to 249 GWh annually.

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

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

Note 40 - Financial instruments

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

Amounts in NOK million	Financial instruments at fair value through profit or loss	Derivatives identified as hedging instruments	Loans and receivables	Available-for-sale financial assets [1)]	Other financial liabilities	Non-financial assets and liabilities	Total
2013							
Assets - current							
Cash and cash equivalents	8 412	-	-	-	-	-	8 412
Short-term investments	2 480	-	-	-	-	-	2 480
Accounts receivable	-	-	7 946	-	-	1 773	9 719
Other current financial assets	181	-	-	-	-	-	181
Assets - non-current							
Investments accounted for using the equity method	-	-	204	-	-	18 005	18 210
Other non-current assets	179	-	656	1 544	-	3 403	5 783
Liabilities - current							
Bank loans and other interest-bearing short-term debt	-	-	-	-	6 195	-	6 195
Trade and other payables	-	-	-	-	5 423	3 832	9 255
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
2012							
Assets - current							
Cash and cash equivalents	7 034	-	-	-	-	-	7 034
Short-term investments	4 343	-	-	-	-	-	4 343
Accounts receivable	-	-	7 148	-	-	1 612	8 761
Other current financial assets	336	-	-	-	-	-	336
Assets - non-current							
Investments accounted for using the equity method	-	-	258	-	-	9 976	10 234
Other non-current assets	490	8	678	1 453	-	3 262	5 892
Liabilities - current							
Bank loans and other interest-bearing short-term debt	-	-	-	-	5 956	-	5 956
Trade and other payables	-	-	-	-	5 250	3 086	8 336
Other current financial liabilities	416	50	-	-	-	-	466
Liabilities - non-current							
Long-term debt	-	-	-	-	3 674	-	3 674
Other non-current financial liabilities	(105)	155	-	-	2 057	-	2 107

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

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

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

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

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

Amounts in NOK million	Financial instruments at fair value through profit or loss	Derivatives identified as hedging instruments	Loans and receivables	Available-for-sale financial assets	Other financial liabilities	Non-financial assets and liabilities	Total [1]
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			
2012							
Income statement line item							
Revenue	(150)	-	-	-	-	-	(150)
Raw material and energy expense	(600)	-	-	-	-	-	(600)
Other expense	(208)	-	-	-	-	-	(208)
Financial income	(56)	-	-	(75) [2]	-	-	(131)
Financial expense	27	-	-	-	-	-	27
Gain/loss directly in Other comprehensive income							
Recognized directly in Other comprehensive income (before tax)				56			
Removed from Other components of equity and recognized in the income statement				23			

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

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

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

Amounts in NOK million	2013	Level 1	Level 2	Level 3	2012	Level 1	Level 2	Level 3
Assets								
Commodity derivatives	283	70	77	137	821	172	121	528
Currency derivatives	77	-	77	-	-	-	-	-
Cash flow hedges	-	-	-	-	14	-	14	-
Securities held for trading	1 025	304	712	9	1 253	429	815	9
Available for sale financial assets	1 009	-	-	1 009	918	-	-	918
Total	2 394	374	866	1 155	3 006	601	950	1 455
Liabilities								
Commodity derivatives	(670)	(91)	(44)	(535)	(1 118)	(77)	(44)	(997)
Cash flow hedges	(591)	-	(126)	(465)	(205)	-	-	(205)
Other non-current financial liabilites	1 047	-	-	1 047	807	-	-	807
Total	214	(91)	(170)	47	(516)	(77)	(44)	(395)

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

	Commodity derivatives				
Amounts in NOK million	Assets	Liabilities	Cash flow hedges	Available for sale financial assets	Other
December 31, 2011	387	(1 764)	-	1 052	670
Total gains (losses)					
in income statement	239	555	(5)	(22)	197
in Other comprehensive income	-	-	(200)	(56)	-
Purchases	-	-	-	2	-
Issues	-	(10)	-	-	-
Settlements	(39)	213	-	(11)	(2)
Currency translation difference	(59)	8	-	(45)	(49)
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) for the period	(391)	462	(260)	(55)	178
Total gains (losses) for the period included in the income statement for assets held at the end of the reporting period	(391)	407	(260)	(5)	178

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. The following is an overview of such sensitivity:

	Gain (loss) from 10 percent increase in				Gain (loss) from 10 percent decrease in			
Amounts in NOK million	USD	Aluminium	Other commodity	Interest rates	USD	Aluminium	Other commodity	Interest rates
Commodity derivatives	(273)	(78)	(165)	(12)	273	105	165	16
Available for sale financial assets	400	-	-	(92)	(400)	-	-	110

Note 41 - Derivative instruments and hedge accounting

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

Commodity derivatives

The following types of commodity derivatives were recorded at fair value on the balance sheet as of December 31, 2013 and December 31, 2012. 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	**2013**	2012
Assets		
Electricity contracts	**56**	82
Aluminium futures, forwards and options	**228**	739
Total	**283**	821
Liabilities		
Electricity contracts	**(53)**	(38)
Coal forwards	**(863)**	(1 041)
Aluminium futures, forwards and options	**326**	88
Other	**(80)**	(127)
Total	**(670)**	(1 118)

The underlying commodities for bifurcated embedded derivatives are included.

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

Embedded derivatives

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

Cash flow hedges

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

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

Hydro has also hedged part of the US dollar exposure on sales of alumina and aluminium to be produced in the Brazilian plants Alunorte and Albras. USD 863 million and USD 134 million were sold forward in 2013 and 2012 respectively. All of the remaining forward instruments mature in 2014 at an average rate of 2.41 BRL/USD.

Ineffectiveness amounting to NOK 1 million and NOK 5 million was recognized in the income statement in 2013 and in 2012 respectively.

The table below gives aggregated numbers related to the cash flow hedges for the period 2012 to 2013.

	2014	**2013**	2012
Expected to be reclassified to the income statement during the year (NOK million)	(52)	**(25)**	5
Reclassified to the income statement from Other components of equity (NOK million) [1)]		**(2)**	3

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

As of December 31, 2013 a liability of NOK 591 million were recognized on the balance sheet as fair value of hedging instruments. As of December 31, 2012 such hedging instruments amounted to an asset of NOK 14 million and a liability of NOK 205 million.

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 2013 and 2012, please see note 34 Shareholders' equity.

Fair Value of Derivative Instruments

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

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

Note 42 - Cash flow information

Reconciliation of cash and cash equivalents

Amounts in NOK million	**2013**	2012
Cash and cash equivalents	**8 412**	7 034
Bank overdraft	**(4)**	(1)
Cash, cash equivalents and bank overdraft	**8 408**	7 033

Cash disbursements and receipts included in cash from operations

Amounts in NOK million	**2013**	2012
Income taxes paid	**1 125**	1 786
Interest paid	**436**	302
Interest received	**235**	286
Other dividends received	**33**	12

Note 43 - Auditor remuneration

KPMG AS is the Group auditor of Norsk Hydro ASA.

The following table shows fees to KPMG for 2013 and 2012. For all categories the reported fee is the recognized expense for

Amounts in NOK million	Audit	Audit related	Other [1] services	Tax related	Total
2013					
Norway	10	2	1	1	14
Outside Norway	10	-	-	-	10
Total	20	2	1	1	24
2012					
Norway	10	-	1	-	12
Outside Norway	18	-	-	-	18
Total	27	1	1	-	30

1) Other services mainly include KPMG's review of viability performance.

Note 44 - Board of Directors and Corporate Assembly

Board of Directors' remuneration and share ownership

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

Fees are based on the position of the board members and board committee assignments. Annual fees for 2013 for the chairperson of the board, deputy chairperson and directors are NOK 565,000 (2012: NOK 550,000), NOK 355,000 (2012: NOK 345,000) and NOK 310,000 (2012: NOK 300,000), respectively. The chairperson of the audit committee and the chairperson of the compensation committee receive an additional NOK 180,000 (2012: NOK 175,000) and NOK 103,000 (2012: NOK 100,000) annually in fees, respectively, and audit and compensation committee members receive NOK 117,000 (2012: NOK 113,500) and NOK 77,000 (2012: NOK 75,000) annually, respectively, for their participation on these committees.

Total board fees and individual board member fees for 2013 ans 2012, and outstanding loans and board member share ownership as of December 31, 2013 and 2012, are presented in the tables below.

Board of Directors' fees

Amounts in NOK thousand	**2013**	2012
Fees and other remuneration paid to board members during the year	**4 577**	4 281
Fees paid in prior year for service rendered in current year	**-**	9
Total fees for board services provided to Hydro during the year	**4 577**	4 290
Fees and other remuneration - normal board activities	**3 712**	3 450
Fees - compensation committee	**334**	325
Fees - audit committee	**531**	516
Total fees for board services provided to Hydro during the year	**4 577**	4 290

	Board fees [1]		Outstanding loans [1) 2)]		Number of shares [3)]	
Board member	**2013**	2012	**2013**	2012	**2013**	2012
Terje Vareberg [4)]	**670**	650	**-**	-	**28 391**	18 391
Inge K. Hansen [5)]	**535**	486	**-**	-	**12 000**	12 000
Finn Jebsen [6)]	**387**	375	**-**	-	**53 406**	53 406
Eva Persson [7)]	**427**	414	**-**	-	**-**	-
Liv Monica Stubholt [8)]	**387**	375	**-**	-	**-**	-
Dag Mejdell [9)]	**427**	203	**-**	-	**13 400**	13 400
Pedro Rodrigues [10)]	**310**	75	**-**	-	**-**	-
Victoire de Margerie [11)]	**310**	75	**-**	-	**-**	-
Billy Fredagsvik [12) 13)]	**310**	376	**175**	55	**2 826**	2 459
Sten Roar Martinsen [12) 14)]	**387**	375	**-**	-	**3 882**	3 515
Ove Ellefsen [12) 15)]	**427**	328	**-**	-	**3 211**	2 844
Bente Rathe [16)]	**-**	349		-		29 000
Tito Martins [17)]	**-**	200		-		-
Total	**4 577**	4 281	**175**	55	**117 116**	135 015

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, 2013 and 2012 for board members as of December 31, 2013 and 2012; otherwise loans are as of the date the individual stepped down from the Board of Directors. At the end of 2013, the loans to Billy Fredagsvik have interest rates of 3.75 and 7.50 percent. One loan was repaid in February 2014, and the other loan has a repayment period of 1.5 years. All payments have been made in a timely fashion and in accordance with the agreed payment schedule. Loans have not been extended to related parties.

3) Number of shares owned as of December 31, 2013 and 2012 for board members as of December 31, 2013 and 2012; 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 and chairperson of the board compensation committee.

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

6) Member of the board compensation committee.

7) Member of the board audit committee.

8) Member of the board compensation committee.

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

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

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

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

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

14) Member of the board compensation committee.

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

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

17) Member of the board until August 13, 2012.

Corporate Assembly

Corporate Assembly members owned 122,215 shares as of December 31, 2013. 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 272 thousand as of December 31, 2013. The interest rate on these loans is 3.75 percent with a repayment period of 4 years.

Note 45 - Related party information

As of December 31, 2013, The Norwegian state had ownership interests in Hydro through the Ministry of Trade and Industry and Folketrygdfondet, which manages the Government Pension Fund - Norway. The Ministry of Trade and Industry held 34.8 percent of total shares outstanding (2012: 34.8 percent). Folketrygdfondet held 5.7 percent (2012: 4.0 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 the Vale's shareholding represented significant influence in Hydro, and that Vale thus was a related party until the sale.

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

A significant share of Hydro's defined benefit post-employment plans is managed by the independent pension trust, Norsk Hydro Pensjonskasse. This trust owns some of the office buildings rented by Hydro. The rental arrangements were priced based on market price benchmarks at inception and has a remaining life of around 7 years. Hydro has paid a total rental of NOK 196 million and NOK 195 million for 2013 and 2012, respectively. 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.

The members of Hydro's board of directors during 2013 and 2012 are stated in note 44 Board of Directors and Corporate Assembly, where their remuneration and share ownership is outlined. Some of the board members or their close members of family serve as board members or executive directors in other companies. In addition, some members of Hydro's corporate management board or their close members of family serve as board members in other companies. Hydro has not identified any transactions where the relationship is known to have influenced the transaction. Some close family members of members of Hydro's management are employed in non-executive positions in Hydro.

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

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

Financial statements Norsk Hydro ASA

Income statements

Amounts in NOK million	Notes	2013	2012
Revenue		**201**	401
Gain (loss) on sale of subsidiaries and associates, net		**7**	(3)
Total revenue and income		**207**	398
Employee benefit expense	2, 3	**356**	424
Depreciation and amortization expense	4, 5	**30**	27
Impairment of non-current assets	4, 5	**83**	5
Other		**592**	393
Total operating expenses		**1 061**	849
Operating loss		**(854)**	(450)
Financial income, net	6	**2 821**	99
Income (loss) before tax		**1 967**	(352)
Income taxes	7	**33**	(27)
Net income		**2 000**	(378)
Appropriation of net income and equity transfers			
Dividend proposed		**(1 529)**	(1 528)
Retained earnings		**(471)**	1 906
Total appropriation		**(2 000)**	378

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

Balance sheets

Amounts in NOK million, December 31	Notes	**2013**	2012
Assets			
Other intangible assets	5	**40**	46
Intangible assets		**40**	46
Property, plant and equipment	4	**176**	185
Shares in subsidiaries	8	**56 666**	56 672
Receivables from subsidiaries		**22 400**	21 834
Prepaid pension, investments and other non-current assets	2, 10	**3 626**	3 340
Total financial non-current assets		**82 692**	81 845
Receivables from subsidiaries		**4 169**	5 010
Prepaid expenses and other current assets		**119**	151
Short-term investments		**1 250**	3 050
Cash and cash equivalents		**7 080**	5 344
Total current assets		**12 618**	13 555
Total assets		**95 527**	95 631
Equity and liabilities			
Paid-in capital			
Share capital	13	**2 272**	2 272
Treasury shares	13	**(33)**	(35)
Paid-in premium	13	**28 987**	28 987
Other paid-in capital	13	**61**	69
Retained earnings			
Retained earnings	13	**28 415**	27 933
Treasury shares	13	**(973)**	(1 013)
Equity	13	**58 729**	58 213
Long-term provisions	2, 10	**2 528**	2 228
Long-term debt	12	**2 941**	2 993
Payables to subsidiaries		**6 259**	5 346
Other long-term liabilities		**9 200**	8 338
Bank loans and other interest-bearing short-term debt		**524**	1 301
Dividends payable		**1 529**	1 528
Payables to subsidiaries		**21 585**	22 741
Other current liabilities	7	**1 431**	1 281
Total current liabilities		**25 070**	26 852
Total equity and liabilities		**95 527**	95 631

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

Statements of cash flows

Amounts in NOK million	**2013**	2012
Net income (loss)	**2 000**	(378)
Depreciation, amortization and impairment	**113**	32
Loss on sale of non-current assets, net	**-**	2
Changes in receivables and payables, and other items	**534**	1 778
Net cash provided by operating activities	**2 647**	1 434
Purchases of short-term investments	**(1 250)**	(3 050)
Proceeds from sales of short-term investments	**3 050**	-
Net purchases of other investments	**(91)**	(23)
Net cash provided by (used in) investing activities	**1 709**	(3 073)
Dividends paid	**(1 529)**	(1 528)
Proceeds from shares issued	**23**	25
Other financing activities, net	**(1 252)**	2 273
Net cash provided by (used in) financing activities	**(2 758)**	770
Foreign currency effects on cash	**137**	(109)
Net increase (decrease) in cash and cash equivalents	**1 735**	(978)
Cash and cash equivalents at beginning of year	**5 344**	6 322
Cash and cash equivalents at end of year	**7 080**	5 344

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

Notes to the financial statements Norsk Hydro ASA

Note 1 - Summary of significant accounting policies

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

Shares in subsidiaries, associates and jointly controlled entities

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

Employee retirement plans

Norsk Hydro ASA has adopted the alternative treatment allowed in NRS 6 whereby employee retirement plans are measured as required by IAS 19, see note 1 Significant accounting policies and reporting entity to the consolidated financial statements for additional information. Hydro implemented IAS 19 as revised in 2011 as of January 1, 2013 and changed the classification of the interest component of employee benefits. The changes are made with retrospective application. The changes to previously reported information are shown in the table below.

	Year 2012	
Amounts in NOK million	Effect of IAS19R	Adjusted
Employee benefit expense	54	424
Financial income, net	(22)	99
Income taxes	21	(27)
Net income (loss)	(54)	(378)
Remeasurements	1 147	1 147

	January 1, 2012		December 31, 2012	
Amounts in NOK million	Effect of IAS19R	Adjusted	Effect of IAS19R	Adjusted
Deferred tax asset	131	131	(95)	-
Prepaid pension, investments and other non-current assests	(320)	2 259	731	3 340
Total assets	(189)	95 822	805	117 357
Equity	(337)	58 936	756	58 213
Long-term provisions	148	2 568	(120)	2 228

Foreign currency transactions

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

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

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

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

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

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

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

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

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

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

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

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

Income taxes
Deferred income tax expense is calculated using the liability method in accordance with 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 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 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 will be 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 premiums have increased since inception and are expected to increase further. The employer contributions are included in Multiemployer plans.

Pension cost

Amounts in NOK million	**2013**	2012
Defined benefit plans	**(4)**	105
Defined contribution plans	**7**	7
Multiemployer plans	**4**	4
Termination benefits and other	**23**	19
Social security cost	**10**	22
Pension expense	**39**	157
Interest expense (income)	**(29)**	22
Remeasurement (gain) loss directly to equity	**(18)**	(1 593)

Recognized defined benefit assets and liability

Amounts in NOK million	**2013**	2012
Defined benefit obligation major plans	**(5 193)**	(4 850)
Plan assets	**5 970**	5 472
Reimbursement rights	**309**	279
Liability other plans	**(31)**	(31)
Social security cost	**(264)**	(247)
Net defined benefit asset	**791**	623
Recognized prepaid pension	**2 943**	2 618
Recognized pension liability	**(2 152)**	(1 995)
Net amount recognized	**791**	623

Change in defined benefit obligation (DBO)

Amounts in NOK million	**2013**	2012
Opening Balance	**(4 850)**	(6 400)
Current service cost	**(60)**	(99)
Past service cost	**66**	157
Interest expense	**(176)**	(155)
Actuarial gain (loss) demographic assumptions	**(638)**	-
Actuarial gain (loss) economic assumptions	**(3)**	1 225
Experience gain (loss)	**145**	106
Payments from the plans	**330**	330
Terminations benefits	**(7)**	(14)
Closing Balance	**(5 193)**	(4 850)

Change in pension plan assets

Amounts in NOK million	**2013**	2012
Opening Balance	**5 472**	5 370
Interest income	**204**	133
Return on plan assets above (below) interest income	**488**	243
Contributions to plans	**45**	55
Payments from plans	**(240)**	(245)
Settlements	**-**	(83)
Closing Balance	**5 970**	5 472

Analysis of the defined benefit obligation (DBO)

Amounts in NOK million	**2013**	2012
Active members	**(1 431)**	(1 572)
Deferred members	**(278)**	(232)
Pensioners	**(3 484)**	(3 046)
Defined benefit obligation	**(5 193)**	(4 850)

Assumtions	**2013 Benefit obligation**	**2013 Benefit expence**	2012 Benefit obligation	2012 Benefit expence
Discount rate	**4.00%**	**3.75%**	3.75%	2.50%
Expected salary increrase	**3.25%**	**3.00%**	3.00%	3.25%
Expected pension increase	**1.25%**	**1.00%**	1.00%	1.75%
Mortality basis	**K2013**	**K2005**	K2005	K2005

See note 32 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 11 Employee and management remuneration in the notes to the consolidated financial statements for information and details related to the Corporate Management Board remuneration. Costs for corporate management board members employed by subsidiaries are charged to Norsk Hydro ASA for services rendered as members of the Corporate Management Board.

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

Partners and employees of Hydro's appointed auditors, KPMG, own no shares in Norsk Hydro ASA or any of its subsidiaries. Audit fees were NOK 6 million in 2013, unchanged from 2012. Audit related fees were NOK 2 million in 2013. Fees for other services were NOK 1 million in both 2013 and 2012.

The average number of employees in Norsk Hydro ASA was 418 in 2013 as compared to 510 in 2012. As of year end 2013 and 2012, Norsk Hydro ASA employed 400 and 436 employees, respectively.

Total loans given by Norsk Hydro ASA to Norwegian employees as of December 31, 2013 were NOK 138 million. Loans to employees consist of NOK 88 million secured loans (home and car loans) with the remainder unsecured. The unsecured loan balance as of December 31, 2013 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 Payroll and related costs. Employee related payroll expenses, on a net basis, are given in the table below.

Amounts in NOK million	**2013**	2012
Payroll and related costs:		
Salaries	**497**	685
Social security costs	**62**	81
Social benefits	**3**	2
Pension expense (note 2)	**39**	157
Internal invoicing of payroll related costs	**(244)**	(502)
Total	**356**	424

Note 4 - Property, plant and equipment

Operating lease expense amounted to NOK 200 million in 2013 and NOK 201 million in 2012. The company has the following future operating lease commitments under non-cancellable leases: 2014: NOK 201 million, 2015: NOK 201 million, 2016: NOK 201 million, 2017: NOK 201 million, 2018: NOK 201 million and thereafter: NOK 439 million.

Amounts in NOK million	Land	Buildings	Machinery, etc	Plant under construction	Total
Cost December 31, 2012	6	103	229	1	340
Additions at cost	-	74	-	21	95
Retirements	-	-	(1)	-	(1)
Transfers	-	12	9	(20)	-
Accumulated depreciation December 31, 2013	-	(90)	(167)	-	(257)
Carrying value December 31, 2013	6	99	70	3	176
Depreciation in 2013	-	(7)	(16)	-	(23)
Impairment in 2013	-	(42)	(38)	-	(80)

Impairment in 2013 of NOK 80 million relates to equipment at Hydro's head office at Vækerø. Also related to the head office, a provision of NOK 312 million for future rental cost in excess of the benefit through sub-rentals and own use of the premises, have been recognized in 2013.

Note 5 - Intangible assets

Amounts in NOK million	Cost	Accumulated amortization	Carrying value
Balance December 31, 2012	90	(44)	46
Additions at cost	4	-	4
Disposals	(4)	4	-
Amortization for the year	-	(7)	(7)
Impairment loss	-	(3)	(3)
Balance December 31, 2013	90	(49)	40

Note 6 - Financial income and expense

Amounts in NOK million	**2013**	2012
Dividends from subsidiaries	**3 167**	4
Interest from group companies	**862**	1 025
Other interest income	**121**	138
Interest paid to group companies	**(383)**	(445)
Other interest expense	**(169)**	(143)
Net foreign exchange gain (loss)	**(821)**	(447)
Other, net	**44**	(33)
Financial income, net	**2 821**	99

Note 7 - Income taxes

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

	Temporary differences Tax effect	
Amounts in NOK million	**2013**	2012
Short-term items	**42**	37
Pensions	**(214)**	(178)
Other long-term items	**86**	(58)
Deferred tax assets (liabilities)	**(86)**	(199)

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	**2013**	2012
Income (loss) before taxes	**1 967**	(352)
Expected income taxes at statutory tax rate	**551**	(98)
Permanent differences and other, net	**(583)**	125
Income taxes	**(33)**	27
Components of income tax		
Current income tax	**86**	169
Change in deferred tax	**(119)**	(143)
Income tax	**(33)**	27

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

Taxes payable were NOK 778 million both per December 31, 2013 and 2012.

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.

The carrying value of the shares held in Norsk Hydro Plastic Pipe AS has been written down by NOK 5 million in 2013.

Note 9 - Related party information

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

The Norwegian state 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 185 million in 2013 and NOK 223 million in 2012.

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

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

Note 10 - Specification of balance sheet items

Amounts in NOK million	**2013**	2012
Securities	**536**	536
Prepaid pension	**2 943**	2 618
Associates and jointly controlled entities	**8**	13
Other non-current assets	**139**	173
Total prepaid pension, investments and other non-current assets	**3 626**	3 340
Pension liability	**2 152**	1 995
Deferred tax liabilities	**86**	199
Other long-term provisions	**290**	33
Long-term provisions	**2 528**	2 228

Note 11 - Guarantees

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

Amounts in NOK million	**2013**	2012
Guarantees related to jointly controlled entities	**47**	55
Commercial guarantees	**3 079**	3 961
Total guarantees not recognized	**3 126**	4 016

Note 12 - Long-term debt

As of December 31, 2013, long-term debt amounted to NOK 2,941 million, of which NOK 1,867 million fall due after 2018. As of December 31, 2012, long-term debt amounted to NOK 2,993 million. See note 30 Long-term debt in notes to the consolidated financial statements for further information.

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

The share capital of Norsk Hydro ASA as of December 31, 2013 was NOK 2,271,760,107 consisting of 2,068,998,276 ordinary shares at NOK 1.098 per share. As of December 31, 2013 Norsk Hydro ASA had purchased 30,209,243 treasury shares at a cost of NOK 1,006 million. See Consolidated statements of changes in equity and note 34 Shareholders' equity for additional information.

The table shows shareholders holding one percent or more of the total 2,038,789,033 shares outstanding as of December 31, 2013, according to information in the Norwegian securities' registry system (Verdipapirsentralen).

Number of shares outstanding, shareholders, equity reconciliation

Name	Number of shares
The Ministry of Trade and Industry of Norway	708 865 253
Folketrygdfondet	116 579 766
The Northern Trust Co.[1)]	93 353 696
Clearstream Banking S.A.[1)]	71 783 713
Euroclear Bank S.A./N.V. ('BA') [1)]	67 049 958
State Street Bank and Trust Co[.1)]	45 470 689
Varma Mutual Pension Insurance	23 900 000
DnB Nor Bank ASA	23 196 623
Skagen Global	20 865 878

1) Nominee accounts.

Changes in equity

Amounts in NOK million	Paid-in capital	Retained earnings	Total equity
December 31, 2012	31 293	26 164	57 458
Effect of change in accounting principle (Note 1)		756	756
December 31, 2012 adjusted	31 293	26 920	58 213
Net income		2 000	2 000
Remeasurement postemployment benefits		12	12
Dividend proposed		(1 529)	(1 529)
Treasury shares	(6)	39	33
December 31, 2013	31 287	27 441	58 729

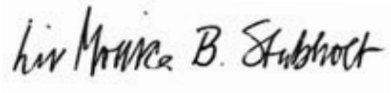
Responsibility Statement

We confirm to the best of our knowledge that the consolidated financial statements for 2013 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 2013 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 11, 2014

Terje Vareberg
Chair

Inge K. Hansen
Deputy chair



Liv Monica Bargem Stubholt
Board member

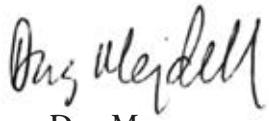
Ove Ellefsen
Board member

Billy Fredagsvik
Board member

Finn Jebsen
Board member

Victoire de Margerie
Board member

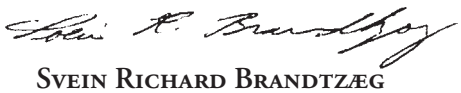
Sten Roar Martinsen
Board member



Dag Mejdell
Board member

Eva Persson
Board member

Pedro José Rodrigues
Board member



Svein Richard Brandtzæg
President and CEO

Auditor's report

To the Annual Shareholders' Meeting of Norsk Hydro ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Norsk Hydro ASA, which comprise the financial statements of the parent company Norsk Hydro ASA and the consolidated financial statements of Norsk Hydro ASA and its subsidiaries. The parent company's financial statements comprise the balance sheet as at 31 December 2013, 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 consolidated balance sheets as at 31 December 2013, the consolidated income statements, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows 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 2013, 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 2013, 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, 11 March 2014
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 2013 and the Auditors' report have been submitted to the corporate assembly.

The corporate assembly recommends that the directors' proposal regarding the financial statements for 2013 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 2013 of Norsk Hydro ASA be appropriated as recommended by the directors.

Oslo, March 11, 2014
Siri Teigum

Appendix

Terms and definitions

ADRs	American Depositary Receipts, evidencing a specified number of ADSs
ADSs	American Depositary Shares, each ADS representing one deposited ordinary share
AluNorf	Aluminium Norf GmbH
Articles of Association	The articles of association of the Company, as amended and currently in effect
Audit Committee	The audit committee of the Company's Board of Directors
BAT	Best Available Techniques for pollution prevention and control
Code	The U.S. Internal Revenue Code of 1986, as amended
Company	Norsk Hydro ASA, a Norwegian public company limited by shares, or Norsk Hydro ASA and its consolidated subsidiaries, as the context requires
Compensation Committee	The compensation committee of the Company's Board of Directors
Consolidated Financial Statements	The consolidated financial statements and notes included in the Company's annual report to shareholders
Corporate Assembly	The corporate assembly, a body contemplated by Norwegian companies' law, with responsibility, among other things, for the election of the members of the Company's Board of Directors and nomination of the external auditor
Corporate Management Board	The corporate management board established by the Company's President and Chief Executive Officer to assist him in discharging his responsibilities
CRU	CRU International Limited
Disclosure Committee	The disclosure committee of the Company, comprised of members of senior management, which is responsible for reviewing financial and related information before it is made public
EEA	European Economic Area
EEA Agreement	The European Economic Area Agreement
EFTA	European Free Trade Association
EU	European Union
HSE	Health, safety and environment
Hydro	Norsk Hydro ASA and its consolidated subsidiaries
Hydro Aluminium	The aluminium business of Hydro, comprising the sub-segments Metals, Rolled Products, and Extrusion and Automotive
kWh	Kilowatt hour
LME	London Metal Exchange
mm	Millimeter
NOK	Norwegian kroner
Nomination Committee	The nomination committee provided for in the Company's Articles of Association and operating under a charter established by the shareholders' representatives in the Corporate Assembly
OSE	Oslo Stock Exchange
tonne, mt	One metric tonne (approximately 1,000 kilograms or 2,205 pounds)
TWh	Terawatt hour (one billion kilowatt hours)
US GAAP	Generally accepted accounting principles in the United States
VAW	VAW Aluminium AG
VPS or VPS System	The Norwegian Central Securities Depository, Verdipapirsentralen
WTO	World Trade Organization
Yara	Yara International ASA

Cautionary note in relation to certain forward-looking statements

Certain statements included within this annual report contain forward-looking information, including, without limitation, those relating to (a) forecasts, projections and estimates, (b) statements of management's plans, objectives and strategies for Hydro, such as planned expansions, investments or other projects, (c) targeted production volumes and costs, capacities or rates, start-up costs, cost reductions and profit objectives, (d) various expectations about future developments in Hydro's markets, particularly prices, supply and demand and competition, (e) results of operations, (f) margins, (g) growth rates, (h) risk management, as well as (i) statements preceded by "expected", "scheduled", "targeted", "planned", "proposed", "intended" or similar statements.

Although we believe that the expectations reflected in such forward-looking statements are reasonable, these forward-looking statements are based on a number of assumptions and forecasts that, by their nature, involve risk and uncertainty. Various factors could cause our actual results to differ materially from those projected in a forward-looking statement or affect the extent to which a particular projection is realized. Factors that could cause these differences include, but are not limited to: our continued ability to reposition and restructure our upstream and downstream aluminium business; changes in availability and cost of energy and raw materials; global supply and demand for aluminium and aluminium products; world economic growth, including rates of inflation and industrial production; changes in the relative value of currencies and the value of commodity contracts; trends in Hydro's key markets and competition; and legislative, regulatory and political factors.
No assurance can be given that such expectations will prove to have been correct. Hydro disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Hydro is a global aluminium company with production, sales and trading activities throughout the value chain, from bauxite, alumina and energy generation to the production of primary aluminium and rolled products as well as recycling. Based in Norway, the company has 13,000 employees involved in activities in more than 50 countries on all continents. Rooted in more than a century of experience in renewable energy production, technology development and progressive partnerships, Hydro is committed to strengthening the viability of the customers and communities we serve.

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Infinite aluminium