

NORSK HYDRO A S A  
Form 6-K  
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**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER  
PURSUANT TO RULE 13a-16 OR 15d-16 OF  
THE SECURITIES EXCHANGE ACT OF 1934**

**31 October 2007**

**Commission File Number 001-09159**

**NORSK HYDRO ASA**

(Translation of registrant's name into English)

**Drammensveien 264, Vækerø**

**N-0240 OSLO**

**Norway**

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

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82-\_\_\_\_)

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**Financial review**

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Operating revenues      Earnings before financial items and tax      Earnings per share from continuing operations<sup>1</sup>

### Results of operations      new Hydro

The merger of Hydro's petroleum activities into the combined oil and gas company StatoilHydro was finalized on 1 October 2007. This important milestone marks the completion of a fundamental transformation process securing a solid foundation for three highly competitive, world-class enterprises within the aluminium, energy and agricultural sectors, benefiting the businesses, the shareholders and other stakeholders.

As a leading, global aluminium company, based on a solid, captive energy production and strong financial situation, Hydro is now well positioned to pursue new growth opportunities.

The following discussion is a summary of results of operations for new Hydro only, which includes the Aluminium Metal, Aluminium Products and Energy operations for the third quarter 2007 and comparative prior periods, but excludes the oil and gas activities demerged on 1 October. See note 6 to this report for a comprehensive discussion of the new Hydro information.

Following this summary, we present Hydro's actual, consolidated results of operations for the third quarter 2007 and comparative prior periods, which include a full segment discussion of the results for Aluminium Metal, Aluminium Products, Energy and for the oil and gas activities that demerged from Hydro and merged with Statoil on 1 October 2007.

### Condensed combined information      new Hydro

| NOK million, except per share data              | <b>Third<br/>quarter<br/>2007</b> | Second<br>quarter<br>2007 | Third<br>quarter<br>2006 | <b>01.01<br/>-30.09<br/>2007</b> | 01.01<br>-30.09<br>2006 | Year<br>2006 |
|-------------------------------------------------|-----------------------------------|---------------------------|--------------------------|----------------------------------|-------------------------|--------------|
| Revenue                                         | <b>22,064</b>                     | 25,314                    | 24,044                   | <b>73,283</b>                    | 75,579                  | 99,172       |
| Earnings before financial items and tax (EBIT): |                                   |                           |                          |                                  |                         |              |
| Aluminium Metal                                 | <b>2,172</b>                      | 2,465                     | 2,365                    | <b>7,170</b>                     | 6,404                   | 7,302        |
| Aluminium Products                              | <b>(247)</b>                      | 355                       | (435)                    | <b>1,423</b>                     | 377                     | (104)        |
| Energy                                          | <b>242</b>                        | 396                       | 324                      | <b>926</b>                       | 1,042                   | 1,457        |
| Corporate and other                             | <b>(128)</b>                      | (57)                      | (107)                    | <b>(496)</b>                     | 319                     | (1,109)      |
| Earnings before financial items and tax (EBIT)  | <b>2,039</b>                      | 3,159                     | 2,147                    | <b>9,024</b>                     | 8,141                   | 7,547        |
| Financial income (expense), net                 | <b>1,282</b>                      | 575                       | (136)                    | <b>2,414</b>                     | (28)                    | 80           |
| Income from continuing operations before tax    | <b>3,320</b>                      | 3,734                     | 2,010                    | <b>11,438</b>                    | 8,113                   | 7,628        |

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|                                                               |              |         |       |                |         |         |
|---------------------------------------------------------------|--------------|---------|-------|----------------|---------|---------|
| Income tax expense                                            | <b>(699)</b> | (1,153) | (656) | <b>(3,042)</b> | (2,596) | (1,871) |
| Income from continuing operations                             | <b>2,621</b> | 2,581   | 1,354 | <b>8,396</b>   | 5,517   | 5,757   |
| Earnings per share from continuing operations <sup>1)2)</sup> | <b>2.10</b>  | 2.00    | 0.90  | <b>6.60</b>    | 4.20    | 4.40    |
| Weighted average number of outstanding shares (million)       | <b>1,223</b> | 1,227   | 1,236 | <b>1,225</b>   | 1,245   | 1,241   |
| Financial data:                                               |              |         |       |                |         |         |
| Investments NOK million                                       | <b>1,305</b> | 854     | 1,002 | <b>3,033</b>   | 2,672   | 4,526   |
| Adjusted net interest bearing debt (net cash) <sup>3)</sup>   | <b>1,994</b> | 1,464   |       | <b>1,994</b>   |         | (5,844) |

- 1) Basic earnings per share are computed using the weighted average number of ordinary shares outstanding. There were no diluting elements.
- 2) Calculated using income from continuing operations less net income attributable to minority interests.
- 3) Net interest-bearing debt adjusted for pension obligation (after tax) and present value of future obligations on operating leases.

See Adjusted net interest-bearing debt to equity under Use of non-GAAP financial measures later in this report.

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**Summary of results – new Hydro**

New Hydro posted income from continuing operations of NOK 2,621 million in the third quarter 2007, up from NOK 2,581 million in the previous quarter and NOK 1,354 million in the same quarter of 2006. Operating profits declined in the third quarter by NOK 1,120 million due to lower aluminium prices measured in Norwegian kroner and seasonally lower sales volumes for downstream operations. The decline in operating results was offset by a currency gain of NOK 1,199 million, mainly related to currency hedging contracts.

Earnings before financial items and tax (EBIT) for new Hydro amounted to NOK 2,039 million in the third quarter, compared with NOK 3,159 million in the second quarter this year and NOK 2,147 million in the third quarter last year.

Results for Aluminium Metal, Hydro's upstream aluminium business, declined compared with a strong result in the previous quarter, mainly due to lower realized prices measured in Norwegian kroner.

Aluminium Products, the company's downstream operations, delivered satisfactory results from its Rolled Products, Extrusion Europe and Building Systems businesses, taking into consideration a seasonal decline in volumes and unrealized effects on operational hedges. Hydro's Automotive and US Extrusion operations remained in a relatively weak state. Downstream market conditions in Europe remained stable while the North American market continued to decline.

Hydro's Energy business delivered lower results than the previous strong quarter, mainly because of lower spot power prices. The company's solar power activities yields promising opportunities. Ascent Solar, in which Hydro holds a 23 percent interest, has started construction of a pilot plant for the production of flexible thin-film solar cells.

The third quarter marks the start of Hydro as a leading aluminium company, with a unique energy portfolio as a key competitive advantage, said Hydro President and CEO Eivind Reiten. We have been through a period of major change and are now set to grow, with continued focus on operational excellence across our business. We will build on our Norway-based expertise and traditions, with the world as our market. I have great ambitions for Hydro, Reiten says.

**Operating statistics**

|                                                                 | <b>Third<br/>quarter<br/>2007</b> | Second<br>quarter<br>2007 | %<br>change<br>prior<br>quarter | Third<br>quarter<br>2006 | %<br>change<br>prior<br>year<br>quarter | <b>01.01<br/>-30.09<br/>2007</b> | 01.01<br>-30.09<br>2006 | Year<br>2006 |
|-----------------------------------------------------------------|-----------------------------------|---------------------------|---------------------------------|--------------------------|-----------------------------------------|----------------------------------|-------------------------|--------------|
| Primary aluminium production (kmt) <sup>1)</sup>                | <b>435</b>                        | 435                       |                                 | 449                      | (3)%                                    | <b>1,304</b>                     | 1,349                   | 1,799        |
| Realized aluminium price LME (USD/mt)                           | <b>2,597</b>                      | 2,606                     |                                 | 2,462                    | 5%                                      | <b>2,597</b>                     | 2,325                   | 2,352        |
| Rolled products sales volumes to external market (kmt)          | <b>253</b>                        | 262                       | (3)%                            | 249                      | 2%                                      | <b>780</b>                       | 753                     | 1,000        |
| Extrusion sales volumes to external market (kmt)                | <b>123</b>                        | 135                       | (9)%                            | 129                      | (5)%                                    | <b>392</b>                       | 403                     | 526          |
| Automotive sales volumes to external market (kmt) <sup>2)</sup> | <b>29</b>                         | 30                        | (5)%                            | 40                       | (28)%                                   | <b>101</b>                       | 132                     | 190          |

1) Including Hydro's share of Soral volumes (equity accounted investment).

2) Automotive sale is excluding magnesium. Castings volume included for two months in 2007.

**Aluminium Metal**

EBIT for Aluminium Metal amounted to NOK 2,172 million in the third quarter of 2007, declining 12 percent from the strong results in the second quarter of 2007 and 8 percent lower than the third quarter of 2006, mainly due to lower realized prices. Realized aluminium prices in US dollars were relatively unchanged compared with the second quarter of 2007 but declined by 4 percent measured in Norwegian kroner, reducing operating results by about NOK 285 million.

Realized aluminium prices in Norwegian kroner declined 1 percent, compared with the third quarter of 2006, reducing operating results by about NOK 80 million.

Hydro's primary aluminium production, including its share of production from part-owned companies, was unchanged compared with the second quarter 2007, amounting to 435,000 mt for the quarter. Production was down 3 percent compared with the third quarter of 2006, mainly due to the closure of the Stade smelter in Germany and the Sjøderberg line in Årdal, Norway.

Aluminium Metal's share of profits in equity-accounted investments amounted to NOK 275 million in the third quarter, compared with NOK 323 million in the second quarter of 2007 and NOK 385 million in the third quarter of 2006.

Operation of the 50/50 joint venture, Qatalum, between Hydro and Qatar Petroleum is expected to begin production late in 2009 and will add substantial cost-efficient production capacity. Total investment costs previously estimated at USD 4.8 billion (for the entire joint venture) are expected to increase by about USD 800 million. A significant number of major contracts for the project have now been placed, and the partners, together with these contractors, are in process of finalizing sub-contracts with suppliers. It has become evident that the high activity level in the construction market will result in cost increases for some of these sub-contractors compared to previous estimates.

In September 2007 Hydro exercised an option under a long-term alumina agreement with Rio Tinto Alcan (formerly Comalco) increasing the volume supplied by Rio Tinto Alcan from 500,000 mt per year to 900,000 mt per year beginning 2011 and for the duration of the contract through 2030.

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**Aluminium Products**

Aluminium Products incurred a loss before interest and taxes of NOK 247 million in the third quarter of 2007 compared with EBIT of NOK 355 million in the second quarter of 2007 and an operating loss of NOK 435 million in the third quarter of 2006. The results in the third quarter were heavily impacted by substantial negative unrealized effects on operational hedges amounting to NOK 440 million in the quarter compared with negative effects of NOK 31 million in the second quarter of 2007. Underlying operating results<sup>1)</sup> amounting to a positive NOK 288 million for the quarter were 41 percent lower than the second quarter of 2007 mainly due to seasonal declines in volumes. Underlying results improved 7 percent compared to the third quarter of 2006.

Demand conditions for rolled products remained healthy, but results for the quarter were impacted by seasonally lower sales volumes and lower Euro margins compared to the second quarter of 2007. Continued good margins for Hydro's European extrusion and building systems operations contributed to results for the quarter, offset by seasonally lower volumes compared to the second quarter. The U.S. extrusion market declined from an already depressed level following the sharp decline experienced during the first half of 2007. Hydro's US extrusion volumes declined 12 percent in the third quarter compared to the second quarter mainly driven by the lost volumes from the closure of the Ellenville plant. Operating results for US operations improved slightly compared with the second quarter as a result of cost-reduction initiatives, but remain unsatisfactory.

Hydro is approaching the end of an extensive restructuring and divestment process relating to its downstream business including total workforce reductions of around 3,500 people since the beginning of the year.

**Energy**

EBIT for Hydro's Energy operations amounted to NOK 242 million in the third quarter of 2007, down NOK 154 million from the second quarter and NOK 82 million lower than the third quarter of 2006. Hydro's power production in the third quarter was 3.3 TWh, 20 percent higher than the previous quarter and 71 percent higher than the third quarter of 2006. The increased production was, however, more than offset by significantly lower average spot power prices. Nordic spot prices declined by 14 percent compared with the second quarter of 2007 and 68 percent compared with the third quarter of 2006.

Business development within solar energy is progressing. Hydro holds a 23 percent ownership interest in US-based Ascent Solar Technologies Inc., which has an advanced position in thin film technology. Hydro holds a 16 percent interest in Norsun AS, presently constructing an ingot pulling and wafering plant in Årdal, Norway, as well as a 49 percent interest in HyCore ANS, a partnership with Umicore SA of Belgium, for development of new cost-efficient solar-grade polysilicon manufacturing processes.

**Financial items**

Net financial income in the third quarter of 2007 amounted to NOK 1,282 million, including a net foreign currency gain of NOK 1,199 million and a net interest income of NOK 64 million. The currency gain was mainly due to the weakening of the US dollar against the Norwegian kroner over the quarter resulting in gains on the US dollar foreign currency contracts. The positive net interest income was a result of a strong cash position in excess of debt.

Net financial income in the second quarter 2007 amounted to NOK 575 million, including a currency gain due to weakening of the US dollar and a positive net interest income.

Third quarter 2006 financial income amounted to a loss of NOK 136 million, mainly due to currency losses resulting from appreciation of the US dollar during the period.

Cash exceeded interest bearing debt by NOK 7.6 billion at the end of the third quarter of 2007. Cash reserves of NOK 33.9 billion at the end of the quarter were reduced to NOK 7.8 billion after payment of the demerger debt of NOK 26.2 billion on 1 October to StatoilHydro.

**Tax**

Income tax expense for new Hydro amounted to NOK 3,042 million for the first nine months of 2007, approximately 27 percent of Income from continuing operations before tax. Income tax expense in the third quarter were positively impacted by reduction of statutory tax rates in Germany, reducing recognized deferred taxes by around NOK

250 million.

- 1) See the section of this report Use of non-GAAP financial measures later in this report for items excluded from underlying operating results and a reconciliation of this measure to EBIT.
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## 6

### Outlook

With the exception of China, key economic indicators signal slower growth in all major regions. European industrial growth is expected to slow somewhat toward the end of the year. Economic outlook for North America remains weak. China continues its rapid development with industrial production currently increasing at a rate of about 16 to 18 percent on a year-on-year basis.

A combination of high LME prices and prevailing short-term alumina prices has led to increased smelter capacity utilization in China. Including the start-up of new production capacity, Chinese production is expected to increase by about 30 to 35 percent from 2006 to 2007. China's apparent consumption of primary aluminium is forecast to increase more than 35 percent in the same period. Primary aluminium production is expected to grow about 4 to 5 percent in the rest of the world in 2007 compared with 2006, while corresponding consumption is expected to grow by about 1 percent.

A moderate increase in reported primary aluminium inventories is expected in 2007.

Market conditions for extrusion ingot in Europe are expected to remain strong but to soften somewhat. Underlying conditions for sheet ingot and foundry alloys end-use sectors in Europe are expected to remain broadly healthy, however, some softening is expected. The market for casthouse products in the United States is expected to remain relatively weak.

In addition to the global aluminium market balance, the behavior of financial investors will continue to be an important factor affecting the development of primary aluminium prices.

The European market for rolled products remains healthy, but there are signals of a softening in the market.

Consumption is expected to ease in the fourth quarter of 2007 due to seasonal effects. Consumption for 2007 as a whole is expected to decline slightly compared with 2006.

The overall outlook for the European extrusion market is mixed. Demand from the transportation sector remains strong, while a further slowdown in the European construction markets is expected. The German market remains solid, while the French and Italian markets are softening.

The outlook for the US extrusion market remains poor and an overall market decline for 2007 of 15 to 20 percent is expected compared with 2006. Continuing deterioration in the housing market and the recent turmoil in the financial and credit markets have increased uncertainty and the risk for further deteriorating economic developments. Margins are expected to be under increasing pressure the longer the current downturn continues.

The outlook for Hydro's automotive business will be affected by weak US demand.

Operating results for Hydro's Energy business are expected to be volatile in the coming quarters. Both production capacity and spot prices on the Nordic electricity market are heavily influenced by hydrological conditions. In addition, capacity constraints in the transmission grid expose hydropower producers to regional prices that sometimes differ from the Nordic spot price.

Average water reservoir levels in Norway were reported at 94 percent of full capacity at the end of the third quarter, 5 percent higher than the normal level at this time of the year. Driven by expectations of increased CO<sub>2</sub> emission costs from January 1, 2008, the currently high forward price for 2008 compared with the remainder of 2007 may give hydropower producers incentives to defer production from the fourth quarter into 2008.

Hydro's operating results are heavily influenced by changes in the value of the US dollar against the Norwegian kroner. A declining US dollar will have the effect of reducing EBIT while an appreciating US dollar will have the opposite effect. As a result, Hydro has entered into foreign exchange forward contracts in order to mitigate these effects. A decline of the US dollar amounting to NOK 1 will have the effect of reducing income before financial items and tax on an annual basis in the magnitude of NOK 3,200 million and increasing financial income (expense) net in the magnitude of NOK 2,800 million. These amounts are based on a LME price of USD 2,748 per mt and a US dollar currency rate of NOK 6.16.

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**Consolidated results of operations Hydro**

The remainder of the report presents Hydro's actual consolidated results of operations for the third quarter 2007 and comparative prior periods, which include a full segment discussion of the results for Aluminium and Energy and for the oil and gas activities that demerged and merged with Statoil on 1 October and after the end of the third quarter. Net income for Hydro rose to NOK 6,421 million in the third quarter 2007 from NOK 6,060 million in the previous quarter and NOK 3,858 million in the same quarter of 2006. Earnings before financial items and tax (EBIT) amounted to NOK 12,584 million in the third quarter, compared with NOK 14,198 million in the second quarter of 2007 and NOK 13,928 million in the third quarter last year.

In addition to the results described above for new Hydro, Oil & Energy (including results from Energy described above) contributed NOK 11,041 million to EBIT for the quarter compared with NOK 11,455 million in the second quarter of 2007 and NOK 12,186 million in the third quarter of 2006. Higher oil and gas prices had a positive impact on results for the quarter, compared with the second quarter of 2007, partly offset by seasonally lower oil and gas production. EBIT for the third quarter 2007 included an impairment charge relating to oil and gas producing properties on the Shelf in the Gulf of Mexico amounting to NOK 460 million.

Hydro has become aware of payments in connection with our petroleum operations in Libya that might be in conflict with our ethical guidelines. Hydro has engaged attorneys in Norway and the US to make an investigation of its Libyan portfolio. The mandate for the investigation, which is being conducted in parallel with an investigation by StatoilHydro and in close cooperation with Norwegian and US authorities, covers petroleum activities in Libya and consultancy agreements related to Hydro's international oil and gas activities.

**Consolidated financial information Hydro**

| NOK million, except per share data              | <b>Third<br/>quarter<br/>2007</b> | Second<br>quarter<br>2007 | Third<br>quarter<br>2006 | <b>01.01<br/>- 30.09<br/>2007</b> | 01.01<br>- 30.09<br>2006 | Year<br>2006 |
|-------------------------------------------------|-----------------------------------|---------------------------|--------------------------|-----------------------------------|--------------------------|--------------|
| Revenue                                         | <b>44,420</b>                     | 46,529                    | 48,565                   | <b>137,814</b>                    | 148,053                  | 194,436      |
| Earnings before financial items and tax (EBIT): |                                   |                           |                          |                                   |                          |              |
| Oil & Energy                                    | <b>11,041</b>                     | 11,455                    | 12,186                   | <b>33,663</b>                     | 39,522                   | 48,632       |
| Aluminium Metal                                 | <b>2,172</b>                      | 2,465                     | 2,365                    | <b>7,170</b>                      | 6,404                    | 7,302        |
| Aluminium Products                              | <b>(247)</b>                      | 355                       | (435)                    | <b>1,423</b>                      | 377                      | (104)        |
| Other activities                                | <b>164</b>                        | 32                        | 30                       | <b>224</b>                        | 110                      | 274          |
| Corporate and eliminations                      | <b>(547)</b>                      | (109)                     | (217)                    | <b>(1,054)</b>                    | (81)                     | (1,838)      |
| Earnings before financial items and tax (EBIT)  | <b>12,584</b>                     | 14,198                    | 13,928                   | <b>41,426</b>                     | 46,332                   | 54,266       |

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|                                                                               |                |         |         |                 |          |          |
|-------------------------------------------------------------------------------|----------------|---------|---------|-----------------|----------|----------|
| Financial income (expense), net                                               | <b>2,264</b>   | 820     | (834)   | <b>3,825</b>    | 602      | 1,356    |
| Income from continuing operations before tax                                  | <b>14,847</b>  | 15,018  | 13,094  | <b>45,251</b>   | 46,934   | 55,622   |
| Income tax expense                                                            | <b>(8,722)</b> | (9,115) | (9,422) | <b>(27,767)</b> | (32,784) | (38,258) |
| Income from continuing operations                                             | <b>6,125</b>   | 5,903   | 3,672   | <b>17,485</b>   | 14,150   | 17,364   |
| Income from discontinued operations                                           | <b>296</b>     | 157     | 186     | <b>590</b>      | 423      | 569      |
| Net income                                                                    | <b>6,421</b>   | 6,060   | 3,858   | <b>18,075</b>   | 14,573   | 17,933   |
| Net income attributable to minority interests                                 | <b>106</b>     | 108     | 238     | <b>317</b>      | 265      | 273      |
| Net income attributable to equity holders of the parent                       | <b>6,315</b>   | 5,952   | 3,619   | <b>17,758</b>   | 14,308   | 17,660   |
| Earnings per share attributable to equity holders of the parent <sup>1)</sup> | <b>5.20</b>    | 4.90    | 2.90    | <b>14.50</b>    | 11.50    | 14.20    |
| Weighted average number of outstanding shares (million)                       | <b>1,223</b>   | 1,227   | 1,236   | <b>1,225</b>    | 1,245    | 1,241    |
| Financial data:                                                               |                |         |         |                 |          |          |
| Investments NOK million                                                       | <b>5,487</b>   | 4,195   | 8,083   | <b>13,498</b>   | 17,569   | 26,869   |
| Adjusted net interest-bearing debt <sup>2)</sup>                              | <b>0.04</b>    | 0.15    | 0.11    | <b>0.04</b>     | 0.11     | 0.22     |
| Debt / equity ratio                                                           | <b>0.20</b>    | 0.22    | 0.25    | <b>0.20</b>     | 0.25     | 0.24     |

1) Basic earnings per share were computed using the weighted average number of ordinary shares outstanding. There were no diluting elements.

2) Adjusted net interest-bearing debt divided by equity including minority interest, adjusted for pension obligation (after tax) and present value of future obligations on operating leases. See Adjusted net interest-bearing debt to equity under Use of non-GAAP financial measures later in this report.

*All comparative figures are for the corresponding period in 2006 unless otherwise stated.*

**Quarterly results**

| NOK million, (except per share data)                                          | <b>Third<br/>quarter<br/>2007</b> | Second<br>quarter<br>2007 | First<br>quarter<br>2007 | Fourth<br>quarter<br>2006 | Third<br>quarter<br>2006 | Second<br>quarter<br>2006 | First<br>quarter<br>2006 |
|-------------------------------------------------------------------------------|-----------------------------------|---------------------------|--------------------------|---------------------------|--------------------------|---------------------------|--------------------------|
| Revenue                                                                       | <b>44,420</b>                     | 46,529                    | 46,865                   | 46,382                    | 48,565                   | 48,026                    | 51,462                   |
| Earnings before financial items and tax (EBIT)                                | <b>12,584</b>                     | 14,198                    | 14,644                   | 7,934                     | 13,928                   | 15,620                    | 16,784                   |
| Income from continuing operations before tax                                  | <b>14,847</b>                     | 15,018                    | 15,386                   | 8,688                     | 13,094                   | 16,405                    | 17,435                   |
| Basic and diluted earnings per share from continuing operations <sup>1)</sup> | <b>4.90</b>                       | 4.70                      | 4.40                     | 2.60                      | 2.80                     | 4.50                      | 3.80                     |

1) Calculated using Income from continuing operations less Net income attributable to minority interests. There are no minority interests in Income from discontinued operations.

Net financial income for the third quarter of 2007 amounted to NOK 2,264 million, including a net foreign currency gain of NOK 1,984 million. The currency gain was mainly due to the weakening of the US dollar and Euro against the Norwegian kroner over the quarter resulting in gains on Hydro's US dollar and Euro denominated debt and foreign currency contracts. Net currency gains amounted to NOK 713 million in the second quarter of 2007 mainly due to a weakening US dollar, and a loss of NOK 988 million in the third quarter of 2006 mainly due to an appreciation of the US dollar. Interest income increased in the third quarter compared to both the second quarter of 2007 and the third quarter of 2006 due to higher cash balances and higher interest rates. Interest expense decreased in third quarter 2007 due to a depreciated US dollar both compared with second quarter and compared with third quarter 2006. Other financial items in the third quarter of 2007 included non-cash charges related to discounting the future value of asset retirement obligations amounting to NOK 137 million compared with NOK 144 million in the second quarter of 2007. Income tax expense amounted to NOK 27,767 million for the first nine months of 2007, which was approximately 61 percent of income from continuing operations before tax. The corresponding amount for the year 2006 represented approximately 69 percent of income from continuing operations before tax. The lower tax rate for the first nine months of 2007 was mainly due to a relatively higher share of earnings from our aluminium operations compared with 2006 as a whole, and currency gains taxed at a lower rate.

Investments amounted to NOK 5.5 billion for the third quarter. Of the total amount invested, 78 percent related to oil and gas operations.

In May, 2007 Hydro announced the sale of its Polymers activities to the UK-based chemical company INEOS for approximately NOK 5.5 billion. Following the divestment decision, the business was reclassified as Assets held for sale, and is reported as Discontinued operations for the current and all prior periods. Income from discontinued operations amounted to NOK 296 million for the third quarter of 2007, up from NOK 157 million in the second quarter of 2007 and NOK 186 million in the third quarter of 2006. The increase mainly resulted from lower depreciation since assets held for sale are not depreciated. The EU competition authorities have informed Hydro of an extension of time for their regulatory approval process and now have until 25 January 2008 to complete their

investigations. The agreement represents a good long-term industrial solution for the Polymers business and is in line with Hydro's strategy to divest non-core activities.

Return on average Capital Employed (RoaCE<sup>2</sup>) was 16.1 percent for the first nine months of 2007 based on actual earnings and capital employed for the period.

- 2) RoaCE is defined as Earnings after tax divided by average Capital Employed. See also discussion pertaining to non-GAAP financial measures included later in this report.
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## Aluminium Metal

## Earnings before financial items and tax (EBIT)

|                                         | Third<br>quarter<br>2007 | Second<br>quarter<br>2007 | %<br>change<br>prior<br>quarter | Third<br>quarter<br>2006 | %<br>change<br>prior<br>year<br>quarter | 01.01<br>-30.09<br>2007 | 01.01<br>-30.09<br>2006 | Year<br>2006 |
|-----------------------------------------|--------------------------|---------------------------|---------------------------------|--------------------------|-----------------------------------------|-------------------------|-------------------------|--------------|
| NOK million                             |                          |                           |                                 |                          |                                         |                         |                         |              |
| Earnings before financial items and tax | <b>2,172</b>             | 2,465                     | (12)%                           | 2,365                    | (8)%                                    | <b>7,170</b>            | 6,404                   | 7,302        |

## Realized and unrealized gains and losses and other items impacting EBIT

|                                                              | Third<br>quarter<br>2007 | Second<br>quarter<br>2007 | Third<br>quarter<br>2006 | 01.01<br>-30.09<br>2007 | 01.01<br>-30.09<br>2006 | Year<br>2006 |
|--------------------------------------------------------------|--------------------------|---------------------------|--------------------------|-------------------------|-------------------------|--------------|
| NOK million                                                  |                          |                           |                          |                         |                         |              |
| LME futures contracts                                        | (313)                    | (319)                     | (325)                    | (948)                   | (651)                   | (929)        |
| US dollar forward contracts                                  | 164                      | 147                       | 47                       | 444                     | 388                     | 433          |
| Net realized effects (strategic hedges) <sup>1)</sup>        | (149)                    | (172)                     | (278)                    | (504)                   | (263)                   | (496)        |
| LME financial and physical aluminium contracts <sup>2)</sup> | 311                      | 193                       | 208                      | 776                     | 847                     | 506          |
| Embedded LME and financial power contracts                   | (80)                     | 175                       | 163                      | (32)                    | (3)                     | (183)        |
| Net unrealized effects                                       | 231                      | 368                       | 371                      | 744                     | 844                     | 323          |
| Alunorte unrealized LME effects                              | 108                      | (40)                      | 21                       | 81                      | (6)                     | (143)        |
| Alunorte currency gains (losses) long term loans             | 42                       | 77                        | 7                        | 160                     | 79                      | 94           |
| Søral unrealized gains (losses) on power contracts           | 1                        | 25                        | 52                       |                         |                         |              |