



HYDRO

Summary Hydro Information Memorandum

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Information Memorandum overview

- The Information Memorandum has been prepared in connection with the demerger of Norsk Hydro ASA and the merger of Hydro Petroleum with Statoil ASA
- The Information Memorandum provides a description of Hydro after the demerger
- For a description of the merger, the merger plan, Hydro Petroleum and risks related to Hydro Petroleum and the merger of Hydro Petroleum with Statoil, reference is made to Statoil's Preliminary Form F-4 Registration Statement
- Hydro's shareholders will receive final versions of the Information Memorandum and Statoil's Form F-4 Registration Statement together with the notice of Hydro's extraordinary general meeting

Information Memorandum content

Section	Comment
1 Important notice	Description of purpose of document and relation to Statoil's Form F-4
2 Terms and definitions	
3 Summary	Summary of Hydro prior to and after Demerger
4 Description of Hydro prior to the Demerger	Description based on Hydro's Annual Report 2006
5 The demerger of Hydro and the merger of Hydro Petroleum with Statoil	Summary of the merger transaction
6 Hydro after the Demerger	
6.1 Introduction, summary business information, strategy	Description based on Hydro's Annual Report 2006
6.2 Business overview	Description based on Hydro's Annual Report 2006
6.3 Regulation and taxation	Description based on Hydro's Annual Report 2006
6.4 Financial review	Description based on Hydro's Annual Report 2006
6.5 Financial information	<ul style="list-style-type: none"> • Combined income statements and balance sheets for Hydro after the Demerger • Carve-out combined condensed income statements and balance sheets for Hydro Petroleum
6.6 Organization, Board of Directors and management	Description based on Hydro's Annual Report 2006
7 Risk factors related to the business of Hydro after the Demerger	Description based on Hydro's Annual Report 2006
8 Share capital	Description of share capital development last three years

Basis for presentation of financial information

- The financials are prepared using historical results and historical basis for assets and liabilities of Hydro after Demerger and Hydro Petroleum
- The combined financial information consists of
 - The Hydro after Demerger combined income statements and balance sheets
 - The split of Hydro's consolidated income statements and balance sheets between
 - Hydro after Demerger
 - Hydro Petroleum carve-out
 - Included in "Statoil's Preliminary F-4 Registration Statement"
- Hydro Petroleum carve-out combined financial statements included in Statoil's Form F-4 uses a slightly different allocation of Hydro's debenture loan balance, corresponding interest expense and currency effects and the resulting merger receivable/payable
- Refer to section "6.5.1 Hydro after Demerger basis for presentation" for a detailed description of the principles and assumptions used



Hydro going forward

- Core businesses: Aluminium Metal, Aluminium Products and Power
 - One of the world's three leading integrated aluminium companies
 - Norway's second largest power producer
- 22 000 employees of which 7 000 in Norway
- Operations in more than 30 countries
- Annual turnover more than NOK 100 billion
- Operating income 2006 NOK 7.8 billion

Summary financial information

Operating income

NOK million	2006	2005	2004
Aluminium Metal	6 362	2 694	785
Aluminium Products	(83)	(370)	1 072
Power	1 185	1 123	741
Other activities	1 229	(88)	274
Corporate and eliminations	(885)	1 064	(854)
Total	7 808	4 423	2 018

Adjusted EBITDA ¹⁾

NOK million	2006	2005	2004
Aluminium Metal	9 134	4 821	5 297
Aluminium Products	1 715	2 670	3 058
Power	1 337	1 283	875
Other activities	1 995	1 747	1 281
Corporate and eliminations	23	1 772	(69)
Total	14 203	12 293	10 442

1) EBITDA includes financial income, but is not adjusted for special items

Combined income statements – Hydro after demerger

NOK million	2006	2005
Operating revenues	102 632	92 100
Depreciation, depletion and amortization	3 674	3 975
Impairment losses	289	1 259
Other operating costs	90 863	82 444
Operating income	7 808	4 423
Non-consolidated investees	761	491
Financial income (expense), net	146	533
Other income, net	-	924
Income from before tax and minority interest	8 714	6 372
Income tax expense	(2 186)	(1 397)
Minority interest	(202)	(118)
Income from continuing operations	6 327	4 857
Income from discontinued operations	167	174
Income before cumulative effect of change in accounting principles	6 493	5 031
Cumulative effect of change in accounting principles	-	(78)
Net income	6 493	4 953
Earnings per share – NOK	5.20	3.90

For calculation of EPS, 2006: 1 240 804 344 shares, 2005: 1 254 036 520 shares

Previously reported earnings per share and total number of outstanding shares have been adjusted to reflect the 5-for-1 stock split effective 10 May 2006.

Condensed statements of income – 2006

NOK million	Hydro consolidated	Adjustments ¹⁾	Hydro Petroleum demerger carve-out combined	Hydro after demerger combined
Operating revenues	196 234	1 536	95 138	102 632
Depreciation, depletion and amortization	22 164		18 202	3 963
Other operating costs	121 837		32 519	90 862
Operating income	52 224		44 417	7 808
Non-consolidated investees	962		201	761
Financial income (expense), net	1 785		1 639	146
Other income, net	53		53	-
Income from before tax and minority interest	55 024		46 310	8 714
Income tax expense	(37 598)		(35 412)	(2 186)
Minority interest	(202)		-	(202)
Income from continuing operations	17 224		10 898	6 327
Income from discontinued operations	167		-	167
Net income	17 391		10 898	6 493
Earnings per share – NOK ²⁾	14.00		8.90	5.20

1) Adjustments constitutes operating revenues from sales between Hydro Petroleum and Hydro after demerger.

2) For calculation of EPS: 1 240 804 344 shares

Condensed statements of income – 2005

NOK million	Hydro consolidated	Adjustments ¹⁾	Hydro Petroleum demerger carve-out combined	Hydro after demerger combined
Operating revenues	171 231	1 675	80 806	92 100
Depreciation, depletion and amortization	15 752		10 518	5 234
Other operating costs	109 242		28 474	82 443
Operating income	46 237		41 814	4 423
Non-consolidated investees	593		102	491
Financial income (expense), net	(1 889)		(2 422)	533
Other income, net	990		66	924
Income from before tax and minority interest	45 932		39 560	6 372
Income tax expense	(30 271)		(28 874)	(1 397)
Minority interest	(118)		-	(118)
Income from continuing operations	15 542		10 686	4 857
Income from discontinued operations	174		-	174
Income before cum. eff. of change in acc. principles	15 716		10 686	5 031
Cumulative effect of change in accounting principles	(78)		-	(78)
Net income	15 638		10 686	4 953
Earnings per share – NOK ²⁾	12.50		8.50	4.00

1) Adjustments constitutes operating revenues from sales between Hydro Petroleum and Hydro after demerger.

2) For calculation of EPS: 1 254 036 520 shares

Combined balance sheets – Hydro after demerger

NOK million	31 December 2006	31 December 2005
Cash and cash equivalents	6 609	10 266
Short-term investments	15 020	3 859
Receivable Hydro Petroleum	200	779
Receivables and other current assets	20 181	19 073
Inventories	14 220	12 952
Current assets held for sale	1 122	-
Non-consolidated investees	8 780	8 601
Property, plant and equipment	31 158	34 623
Other non-current assets	8 154	11 272
Non-current assets held for sale	2 569	-
Total assets	108 012	101 426
Short-term interest-bearing debt	2 084	2 672
Current portion of long-term debt	424	190
Current liabilities Hydro Petroleum	19 227	20 293
Other current liabilities	21 269	18 302
Current liabilities in disposal group	738	-
Long-term interest-bearing debt	367	722
Other long-term liabilities	12 654	11 437
Deferred tax liabilities	1 080	3 100
Long-term liabilities in disposal group	273	-
Minority interest	707	981
Shareholders' equity	49 190	43 729
Total liabilities and shareholders' equity	108 012	101 426

Condensed balance sheets – 2006

NOK million	Hydro consolidated	Adjustments ¹⁾	Hydro Petroleum demerger carve-out combined	Hydro after demerger combined
Cash and cash equivalents	6 760		152	6 609
Short-term investments	15 020		1	15 020
Receivables and other current assets	42 732		22 551	20 181
Receivable Hydro Petroleum / Hydro after demerger	-	19 372	19 172	200
Inventories	16 497		2 277	14 220
Current assets held for sale	1 122		-	1 122
Property, plant and equipment	124 976		93 818	31 158
Other non-current assets	24 317	990	8 372	16 934
Non-current assets held for sale	2 569		-	2 569
Total assets	233 993	20 362	146 343	108 012
Short-term interest-bearing debt	3 213		1 129	2 084
Current portion of long-term debt	441		17	424
Payable Hydro Petroleum / Hydro after demerger	-	19 372	145	19 227
Other current liabilities	56 684		35 414	21 269
Current liabilities in disposal group	738		-	738
Long-term interest-bearing debt	19 619		19 252	367
Other long-term liabilities	28 517	875	16 738	12 654
Deferred tax liabilities	27 307	114	26 340	1 080
Long-term liabilities in disposal group	273		-	273
Minority interest	707		-	707
Shareholders' equity	96 496		47 306	49 190
Total liabilities and shareholders' equity	233 993	20 361	146 343	108 012

1) Adjustments constitutes receivables and payables between Hydro Petroleum and Hydro after demerger.

Condensed balance sheets – 2005

NOK million	Hydro consolidated	Adjustments ¹⁾	Hydro Petroleum demerger carve-out combined	Hydro after demerger combined
Cash and cash equivalents	10 463		197	10 266
Short-term investments	3 865		6	3 859
Receivables and other current assets	41 411		22 338	19 073
Receivable Hydro Petroleum / Hydro after demerger	-	21 069	20 290	779
Inventories	14 553		1 601	12 952
Property, plant and equipment	128 191		93 568	34 623
Other non-current assets	28 711	468	9 307	19 873
Total assets	227 194	21 537	147 306	101 426
Short-term interest-bearing debt	4 658		1 986	2 672
Current portion of long-term debt	379		189	190
Payable Hydro Petroleum / Hydro after demerger	-	21 069	776	20 293
Other current liabilities	48 219		29 918	18 302
Long-term interest-bearing debt	21 387		20 665	722
Other long-term liabilities	22 363	468	11 394	11 437
Deferred tax liabilities	33 713		30 613	3 100
Minority interest	981		-	981
Shareholders' equity	95 495		51 765	43 729
Total liabilities and shareholders' equity	227 195	21 537	147 306	101 426

1) Adjustments constitutes receivables and payables between Hydro Petroleum and Hydro after Demerger.



Aluminium Metal

- Strong focus on return on capital
- Restructuring on track
- Operational excellence and production creep
- Long-term profitable growth
- Expected primary production 2010: 2 000 000 tons
- Key development projects
 - Qatalum smelter project (Qatar) on stream end 2009
 - Alunorte alumina refinery (Brazil) third expansion on stream end 2008

Aluminium Metal financials

NOK million	2006	2005	2004
Operating revenues	68 405	54 579	51 957
Depreciation	1 728	1 687	3 798
Operating income	6 362	2 694	785
Non-consolidated investees	837	272	281
Adjusted EBITDA	9 134	4 821	5 297
Investments ¹⁾	1 979	1 792	4 244
Primary aluminium production (tons)	1 799 000	1 826 000	1 720 000
Realized aluminium price LME (USD/ton)	2 352	1 812	1 629
Realized aluminium price LME (NOK/ton)	15 371	11 813	11 403

1) Includes non-cash element of NOK 186 million in 2005 and NOK 1 275 million in 2004 related to change in accounting principles (FIN47 and FIN46R)



Aluminium Products

- Solid platform for good returns in Extrusion
- Rolled Products improving, market still challenging
- Strong momentum in restructuring
- Divestment of Aluminium Castings and Meridian for NOK 4.3 billion completed Q1 2007
- Divestments in process
 - Automotive Structures, Magnesium remelters and smaller businesses
- Closures
 - Magnesium Porsgrunn, Magnesium Canada, extrusion capacity UK

Aluminium Products financials ¹⁾

NOK million	2006	2005	2004
Operating revenues	49 844	42 477	43 533
Depreciation	1 666	2 913	1 848
Operating income	(83)	(370)	1 072
Non-consolidated investees	(179)	47	68
Adjusted EBITDA	1 715	2 670	3 058
Investments ²⁾	1 250	1 970	1 951
Rolled Products sales volumes, tons	1 000 000	950 000	945 000
Extrusion sales volumes, tons	640 000	600 000	635 000

1) Excluding Automotive Castings which is reported as discontinued operations

2) Includes non-cash element of NOK 9 million in 2005 related to change in accounting principles (FIN47)



Power

- Norway's second largest power producer
 - Annual production ~ 9 TWh (7-11 TWh), 100% hydropower
 - 2.7 TWh with no reversion
 - 3.6 TWh subject to reversal in 2044-2057*
 - 2.7 TWh subject to reversal in 2022
 - Installed capacity 1 860 MW
- Acquired power under long-term contracts until 2020 ~ 7 TWh
- Low production costs and investments

* Includes the Fortun plants (1.6 TWh) where the current concession expires in 2017. Hydro has applied for renewal of the concession and it is expected that the new concession will expire in 2057.

Power financials

NOK million	2006	2005	2004
Operating revenues	6 292	6 614	4 108
Depreciation	120	142	121
Operating income	1 185	1 123	741
Non-consolidated investees	22	10	2
Adjusted EBITDA	1 337	1 283	875
Investments	42	98	241
Power production, TWh	8.3	10.8	8.1
Acquired under long-term contracts for Hydro's industrial use, TWh	7.3	7.0	7.0
Total power available, TWh	15.6	17.8	15.1

Cautionary note in relation to certain forward-looking statements

Certain statements contained in this announcement constitute “forward-looking information” within the meaning of Section 27A of the US Securities Act of 1933, as amended, and Section 21E of the US Securities Exchange Act of 1934, as amended. In order to utilize the “safe harbors” within these provisions, Hydro is providing the following cautionary statement.

Certain statements included within this announcement contain (and oral communications made by or on behalf of Hydro may 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, drilling activity 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 Hydro believes 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 Hydro’s 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, world economic growth and other economic indicators, including rates of inflation and industrial production, trends in Hydro’s key markets, and global oil and gas and aluminium supply and demand conditions. For a detailed description of factors that could cause Hydro’s results to differ materially from those expressed or implied by such statements, please refer to the risk factors specified under “Risk review – Risk Factors” on page 134 of Hydro’s Annual Report 2006 and subsequent filings on Form 6-K with the US Securities and Exchange Commission.

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.

Use of non-GAAP financial measures

With respect to each non-GAAP financial measure Hydro uses in connection with its financial reporting and other public communications, Hydro provides a presentation of what Hydro believes to be the most directly comparable GAAP financial measure and a reconciliation between the non-GAAP and GAAP measures. This information can be found in Hydro’s earnings press releases, quarterly reports and other written communications, all of which have been posted to Hydro’s website (www.hydro.com).

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