Financial statements and Board of Directors' Report 2017

HYDRO'S REPORTING 2017

In addition to this separate document, Hydro's Financial statements and Board of Directors' report is included as an integral part of the company's "Annual Report - 2017".

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

The "Annual report - 2017" is available in PDF-format on our website www.hydro.com/reporting2017 in English. The "Financial statements and Board of Directors' report - 2017" is also available in PDF-format as a separate document in both English and Norwegian. All parts of the reports can be downloaded and printed in PDF-format, together with additional, supplementary information. Paper copies of the reports can also be ordered on our website.

Throughout the report, Hydro refers to Norsk Hydro ASA and its consolidated subsidiaries if not otherwise stated.

CONTENTS

Key figures

Amounts in NOK million unless other unit indicated	2017	2016	2015
Revenue	109 220	81 953	87 694
Underlying EBIT: a			
Bauxite & Alumina	3 704	1 227	2 421
Primary Metal	5 061	2 258	4 628
Metal Markets	544	510	379
Rolled Products	380	708	1 142
Extruded Solutions	284		
Energy	1 531	1 343	1 105
Other and eliminations	(289)	380	(19)
Total	11 215	6 425	9 656
Net Income	9 184	6 586	2 333
Underlying return on average capital employed (RoaCE), percent	9.6 %	5.1 %	9.2 %
Investments b	28 848	9 137	5 865
Total assets	163 327	130 793	122 544
Share price year-end, NOK	62.35	41.30	33.13
Dividend per share, NOK	1.75	1.25	1.00
Number of employees, year-end c	34 625	12 911	13 263
Recordable injuries, per million hours worked	2.9	2.6	3.0
Greenhouse gas emissions, million tonnes CO2e d	8.2	8.2	7.9

a
Underlying EBIT
Extruded Solutions' financial results are fully consolidated from the closing date October 2, 2017. Sapa's financial results prior to the transaction are reported as a 50 percent owned joint venture included in Other and eliminations.

c
Number of employees
Includes the addition of Extruded Solutions and its 22,000 employees. Hydro now has most employees in the US followed by Brazil, Germany and Norway.

b
Investments
Mainly relates to Hydro's investment in the new Business area Extruded Solutions. Also includes the expansion and modernization of the red mud deposit area at Alunorte and new tailing dams at Paragominas, investments in the Karmøy technology pilot and a new production line in Grevenbroich for automotive body sheet.

d
Greenhouse gas emissions
Greenhouse gas emissions are recalculated for all presented years, including 100 percent of Extruded Solutions, reflecting current operations.

Highlights

8.2 MT
GHGe Emissions

2.9 *TRI*
Goal 2.4

34,625
employees

Revenue
NOK MILLION
109,220

2017 OPERATING RESULTS IMPACTED BY HIGHER REALIZED ALUMINA AND ALL-IN METAL PRICES

Underlying EBIT for 2017 increased to NOK 11,215 million from NOK 6,425 million for 2016. The increase reflects a higher all-in metal price and alumina sales price, partly offset by increased raw material costs, fixed costs and negative currency effects. Hydro's acquisition of Orkla's 50 percent ownership in Sapa was completed on October 2, 2017, giving Hydro full ownership of Sapa. Financial results for the new fully owned entity are presented in the new business area Extruded Solutions.

Bauxite production in Paragominas amounted to 11.4 million mt for the year while alumina production from Alunorte was 6.4 million mt. Primary aluminium production was about 2.1 million mt and we delivered 2.9 million mt of casthouse products and liquid metal to internal and external customers. Downstream, we shipped roughly 0.9 million mt of rolled products to the market. Our energy business produced around 10.8 TWh of hydroelectric power. The new Extruded Solutions business area delivered around 0.3 million mt in the fourth quarter.

Engineering a lighter, brighter future

Among multiple highlights in 2017, the addition to the family was a defining moment. Although our renewed and extended organization embraced the new chapter of Hydro, and got off to a flying start of 2018, the Alunorte situation in Brazil shows us that we have lots of unfinished work to do also on the more basic level.

The Alunorte situation demands the best of us and will be a touchstone of our ability to put firm action behind our words and aspirations. Resolving the Alunorte situation in a way that meets our highest standards and satisfy our stakeholders, is also a precondition to maintain the momentum of the rest of Hydro.

Stronger together

With Extruded Solutions onboard, expanding our customer interfaces and sharpening our engineering spirit, Hydro's aluminium operations now range from mining to recycling, and every step in between, making Hydro *the* truly global 360° aluminium company.

Going forward together with 35,000 skillful and dedicated colleagues at 150 locations in 40 countries, is inspiring. As a complete aluminium family we can put our metal and material to good use in even more applications, light-weighting and energizing the world through smart solutions.

We are getting closer to the end-users. We are more often getting into the room with the product designers. We can learn from the agility of our new family members. And our innovators and entrepreneurs have a momentum to explore and take advantage of all the undiscovered opportunities in the space between extruded and rolled aluminium. I can't wait for it to result in some new and exciting shapes.

Green Shift

The advances, operationally, financially and technologically, convince me that *Better, Bigger and Greener* are not only great guidelines individually. Measures to support one of them may often also contribute to the progress of the others.

Take for instance the Karmøy Technology Pilot. Now we are ramping up cell after cell to finalize the plant aiming to set a new industry standard for low specific energy consumption and low specific greenhouse gas emissions. By implementing artificial intelligence as a tool to stabilizing and optimizing primary processes, we are turning Industry 4.0 from words into action, taking a real step into the "Green Shift", adapting industrial processes to the requirements of the low-carbon economy.

In addition, ramping up the Automotive Line 3 in Grevenbroich, Germany, together with smart solutions and partnerships within Extruded Solutions, contributes to light-weighting the European car fleet.

Finalizing the ramp-up of the UBC Line (recycling of used beverage cans) in Germany, contributes to realizing the circular economy. Implementing the most advanced scrap sorting technology is both increasing recycling and reducing metal cost, as it enables us to dig deeper into the scrap pile.

It also enables us to offer the brand-new Hydro 75R product, guaranteeing at least 75 percent recycled content, all from post-consumer scrap. Similarly, we now offer the certified Hydro 4.0 product, with a carbon footprint of less than 4 kg CO2 per kilo aluminium, counting every step from mining and energy to the casthouse, transportation included.

These initiatives, investments and measures are part of Hydro's *Better, Bigger, Greener* aspiration, and will contribute both to the climate and our financial bottom-line. They reflect our firm belief in aluminium as a metal, material and part of the solution – and that business targets and climate targets may very well go hand in hand.

The offer to acquire the Icelandic hydropower-based primary aluminium plant ISAL and the decision to upgrade and restart the second line at Husnes, will contribute commercially as well as to *Greener*, adding more hydropower-based primary aluminium to our portfolio.

Responsibility

By being a 360° aluminium company, fully integrated along the aluminium value-chain, Hydro is in a unique position to control every step of production, and be responsible – for the land, water and forests, for our employees and the communities we engage with, for the energy use and emissions in our processes, and for bringing end products back into the loop to be used over again.

We have a lot going. At the same time, the situation emerging in February and March after the extreme rainfalls in the Barcarena region where our alumina refinery Alunorte is situated, illustrates very clearly that adapting to climate changes and having high ambitions for social responsibility, community dialogue and human rights are not issues that are resolved once and forever. They are issues that demand ever more resolve, and it is crucial to always stay ahead in order not to be caught off guard by unforeseen incidents.

These days we are experiencing first-hand the validity of our own claim; that to expose oneself to a crisis is a far heavier burden on a company than to invest the necessary time, cost and efforts to make sure to do things right in advance.

At the time of writing this letter we still await the reports we have commissioned about what actually happened and recommendations for how to improve. But we have already established that we must strengthen our emergency preparedness for future extreme-weather. And I have apologized to the local community for not having been open and transparent enough, and for insufficient dialogue.

I truly believe that the learnings will expedite firm improvements in our way of performing social responsibility – because we want to, but also because we have to. We have not done enough to demonstrate that we are on the same side as the communities we are a part of, in order to contribute to sustainable growth and development to our mutual benefit. We should have been better prepared, as this is incorporated in the history and culture of our company. Now is the time to show rather than tell.

Also regarding safety, we need to make additional efforts to improve performance, as we cannot accept that the positive trend over the years seem to flatten out and give us setbacks. Two fatalities in 2017 show that we must intensify not only our efforts but also our abilities – at the leadership levels as well as on the shop floor where high risk incidents may have fatal consequences.

As part of taking responsibility, and to contribute to sustainable development, Hydro is a signatory to the UN Global Compact and the Task force on Climate-related Financial Disclosure (TCFD), participates in the World Business Council for Sustainable Development and the International Council on Mining and Metals (ICMM), and is included on the Dow Jones Sustainability Indices, the UN Global Compact 100 and the FTSE4Good list.

Brighter

I would like to praise our 35,000 colleagues for their loyalty and determination, and thank them for their ability and willingness to perform extraordinarily when the situation demands it.

Global megatrends support the future of aluminium as metal and material and as a building block of modern societies. Our 360° value-chain and our innovative powers are enablers for us as a company to be a forerunner in our industry.

At the same time, our belief in continuous improvement proves more crucial than ever, in operations, of course, but most certainly within corporate social responsibility as well.

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Svein Richard Brandtzæg
President & CEO

Hydro in brief

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 2017, we had metal product sales of 2.9 million mt to internal and external customers, from casthouses integrated with our primary smelters and from an extensive network of specialized remelt facilities close to customers in Europe and the US.

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. In 2017, Hydro acquired Orkla's 50 percent interest in Sapa, securing full ownership of the global leader in extruded aluminium solutions.

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

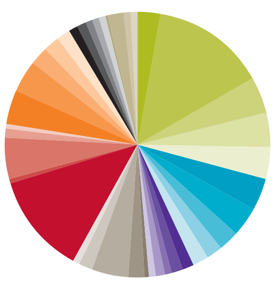
The Hydro Way is our approach to business, an approach that has existed within our company from the beginning and that has underpinned our success over the years. The Hydro Way defines our identity - our distinct set of characteristics - and constitutes a unique way of doing things that differentiates 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 35,000 employees involved in activities in more than 40 countries. The majority is employed in Brazil, Germany, Norway and the US. 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.

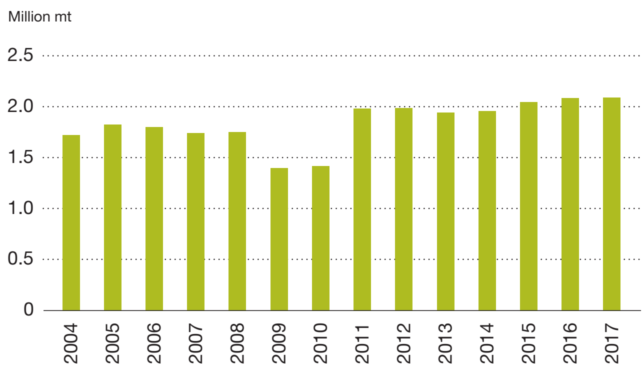
Geographical distribution of operating revenues

NOK million 109,220



Norway	2.8 %	USA	12.1 %
Germany	14.1 %	Canada	0.7 %
Spain	4.3 %	Brazil	5.0 %
Poland	4.2 %	Mexico	0.9 %
Italy	4.0 %	Other Americas	0.6 %
France	3.8 %	Singapore	4.2 %
United Kingdom	3.6 %	Japan	3.9 %
The Netherlands	2.5 %	China	2.1 %
Austria	2.1 %	South Korea	2.0 %
Denmark	1.8 %	Qatar	1.8 %
Sweden	1.4 %	India	1.1 %
Belgium	1.3 %	Saudi Arabia	1.0 %
Czech Republic	1.0 %	Taiwan	0.9 %
Hungary	1.0 %	Thailand	0.8 %
Portugal	0.8 %	Malaysia	0.8 %
Slovakia	0.7 %	Bahrain	0.4 %
Other EU	1.9 %	Other Asia	1.9 %
Switzerland	4.6 %	Australia and New Zealand	0.7 %
Turkey	1.7 %	Africa	0.7 %
Other Europe	0.8 %		

Primary aluminium production



Board of Directors' report

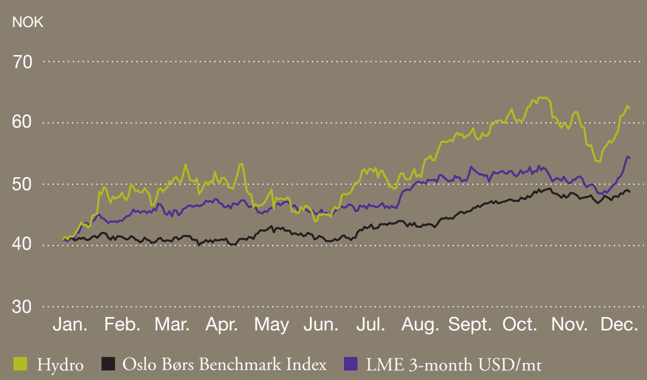
QUICK OVERVIEW

In 2017, Hydro completed the acquisition of Sapa, establishing Hydro as the only aluminium company with a global presence that is fully integrated across the value chain and markets. The acquisition re-enforces Hydro's strength in technology, R&D, innovation and product development, as well as a broad product and service offering to the benefit of more than 30,000 customers throughout the world. The fully integrated model provides Hydro with the capability and freedom to grow in the most attractive areas of aluminium, as well as further strengthening the sustainable solutions for the future low-carbon economy.

Hydro's improvement target has been lifted to NOK 3.0 billion from 2.9 billion by 2019. NOK 1.8 billion of improvements have been realized since 2015, with stronger-than-expected improvement results in the Bauxite & Alumina business area compensating for slower-than-expected progress in both Primary Metal and Rolled Products.

In February 2018, extreme rainfall in Pará, Brazil, lead to regional flooding. Due to concerns over possible water contamination from Alunorte during this flooding, authorities have taken several measures against the alumina refinery. These include orders to reduce production by 50 percent and halt operations at its DRS2 bauxite residue deposit, which is currently under commissioning. In addition, suspending operations on one of two tailing dams at the Paragominas bauxite mine.

Share price development in 2017



NOTE:
References made to information that are not included in the Board of Directors' report are made for the convenience of the reader only.

Key developments and strategic direction

Maximizing value through integrated value chain

In 2017, Hydro completed the acquisition of Sapa, establishing Hydro as the only aluminium company with a global presence that is fully integrated across the value chain and markets. The acquisition enforces Hydro's strength in technology, R&D, innovation and product development, as well as a broad product and service offering to the benefit of more than 30,000 customers throughout the world. The integrated model provides Hydro with the capability and freedom to grow in the most attractive areas of aluminium, as well as strengthening the sustainable solutions for the future low-carbon economy.

Hydro made further progress towards the company's overall strategic direction *Better, Bigger, Greener*. Hydro continued to deliver significant operational and commercial results. The Hydro model allows the business areas to be run according to their specific business drivers and needs. Hydro believes this contributes to the ability to generate added value and to serve leading customers by ensuring operational excellence, driving improvements and extending our lead in technology and innovation.

Hydro's safety performance deteriorated in 2017, and we experienced two fatal accidents. The company's TRI [1] rate increased from 2.6 in 2016 to 2.9 in 2017 and did not meet the 2017 target of 2.4. The development is concerning. The addition of Extruded Solutions from October 2, 2017, did not have a significant impact as they recorded similar accident rates for 2017.

Hydro's underlying EBIT increased to NOK 11,215 million from NOK 6,425 million for 2016. The increase reflects a higher all-in metal price and alumina sales price, partly offset by increased raw material costs, fixed costs and negative currency effects.

Hydro's improvement target has been lifted to NOK 3.0 billion from 2.9 billion by 2019. NOK 1.8 billion of improvements have been realized since 2015, with stronger-than-expected improvement results in the Bauxite & Alumina business area compensating for slower-than-expected progress in both Primary Metal and Rolled Products.

In February 2018, extreme rainfall in Barcarena in the state of Pará, Brazil, lead to regional flooding. Due to concerns over possible water contamination from Alunorte during this flooding, authorities have taken several measures against the alumina refinery. These include orders to reduce production by 50 percent and halt operations at its DRS2 bauxite residue deposit, which is currently under commissioning. In addition, suspending operations on one of two tailing dams at the Paragominas bauxite mine. Hydro issued a force majeure notice towards its alumina and alumina hydrate customers due to the production cuts and current lack of clarity into what measures it would take to return to normal operations.

Measures are being implemented to resolve the situation at Alunorte, including establishing an internal task-force to conduct a review of Alunorte and commissioning an independent external review of Alunorte. Hydro has also decided to initiate a NOK 500 million investment to the water treatment system at Alunorte. This aims at increasing the water treatment capacity by 50 percent and improving the robustness of the plant to withstand future extreme weather conditions. So far, no spills or leakages have been detected from Alunorte's bauxite residue deposits after the extreme rain event.

Regardless of the cause of contamination, Hydro collaborates with local institutions on humanitarian relief to assist communities in Barcarena within health and water. For neighboring communities Vila Nova, Burajuba and Bom Futuro, Hydro commits to working with local partners and investing in proper water supply. Hydro further commits to work with community, civil society and government to clarify the sources of water pollution and other water-related issues in the Barcarena region.

For Bauxite & Alumina, 2017 was a year of operational progress and positive market development. The production levels at the Paragominas bauxite mine and Alunorte alumina refinery remained high. At Alunorte a new state-of-the-art dry disposal of bauxite residue using press filter commenced commissioning. While there were delays finalizing the installation, the ramp up process is planned to be completed during 2018.

A new area for mining residue at Paragominas commenced operations during 2017. The reforestation program at Paragominas is progressing according to plan, and renewed research partnerships have been established as a base for its mining rehabilitation. For the part-owned bauxite mine MRN, an important part of our bauxite sourcing strategy is developing a *"mine life extension"* in new mining areas which will contribute to securing long-term bauxite supply to Alunorte.

1) Total recordable injuries per million hours worked, includes employees and contractors

Primary Metal experienced strong operational and financial performance during 2017 and is utilizing technology and innovation to differentiate in the highly competitive environment of primary aluminium production. The 75,000 mt technology pilot at Karmøy started production in January 2018, marking the start of verifying the world's most climate- and energy-efficient smelter technology with considerable spin-off effects for Hydro's existing smelter portfolio. In December Hydro decided to upgrade and start up the second production line of our smelter at Husnes, Norway. Annual production of primary aluminium at Husnes will double to around 190,000 mt.

On February 26, 2018, Hydro made a binding offer to acquire Rio Tinto's Icelandic aluminium plant Rio Tinto Iceland Ltd (ISAL), its 53 percent share in Dutch anode facility Aluminium & Chemie Rotterdam B.V. (Aluchemie) in which Hydro currently holds 47 percent, and 50 percent of the shares in Swedish aluminium fluoride plant Alufluor AB. ISAL produces 210,000 mt liquid metal and a total of 230,000 mt extrusion ingot for the European building, construction and transportation segments from its newly built casthouse with full ultrasonic testing capabilities. Completion of the transaction is subject to approval from relevant competition authorities, and is expected in the first half of 2018.

Recycling is an important element supporting Hydro's ambition to become carbon-neutral by 2020. The company aims to be a leading player in this growing market segment by pursuing commercial opportunities and reducing the environmental impact of its operations. Further increases in the capability and capacity to use post-consumer and other types of contaminated scrap are targeted together with increased sales of recycling-friendly alloys. Towards the end of 2017, Hydro launched two new certified sustainable billets. The 4.0 billet has a guaranteed maximum carbon footprint of 4kg CO_2/kg aluminium and is produced from hydropower based smelters. The 75R billet is produced in our remelters and has a guaranteed minimum post-consumer scrap content of 75 percent.

Rolled Products faced a very challenging year. Technical issues caused significant delays in the ramp up phase of both the new recycling line for used beverage cans (UBC) and the Automotive line 3 (AL3). These delays, together with performance issues at Alunorf and Hamburg, adversely affected Rolled Products' improvement ambition in 2017. However, the main performance issues at Alunorf and Hamburg have been resolved and operations are back to normal. The UBC line, after some design modifications that were completed in 2017, is now technically ready to reach targeted output. The AL3 is still in the product qualification process, which will continue into second half of 2018. Production will ramp-up successively following successful qualification.

Extruded Solutions continued its strategy of increasing the share of value-added sales, and a simplification and collaboration drive for continued improvement. As a result, Extruded Solutions delivered a strong financial result for 2017. Hydro has agreed with Arconic to acquire its two extrusion plants in Brazil. The agreement will strengthen Hydro's downstream position in Brazil and create a solid platform for further growth. Extruded Solutions re-opened its manufacturing plant in Bedwas in the UK, to supply the growing automotive industry for lightweight body structure solutions. The first customer to be supplied from the refurbished facility will be London Electrical Vehicle Company (LEVC), which has developed a new zero-emissions-capable black taxi cab.

Securing long-term competitive power sourcing is of critical importance to sustain the viability of Hydro's smelter portfolio. In 2017, Hydro entered into a long-term power contract with Markbygden ETT AB for the annual supply of energy totaling 1.65 TWh for Hydro's Norwegian smelters for a 19-year period beginning 2021, enabling competitive aluminium production in Norway. This was in addition to an annual 1.0 TWh sourced in the previous year.

Global demand growth for primary aluminium in 2017 reflected positive macroeconomic developments. Global supply largely matched demand, resulting in a rather balanced market. A largely balanced global market is expected to continue into 2018. Responding to continued economic stimulus, demand growth for primary metal in China, reached high single digits. Production increases continued to exceed demand growth, resulting in a continued production surplus in China for 2017. Chinese primary production growth is expected to reduce in 2018, influenced by environmental and supply-side reforms resulting in cutbacks of illegal capacity. This is in line with directions given by the Chinese government in 2017 closely controlling capacity expansions.

On March 8 2018, President Trump signed a proclamation levying tariffs of 10 percent on aluminium imports to the US. Exemptions for certain countries are currently under discussion. The final framework is yet to be decided, and long-term effects are uncertain. In the short-term, Hydro does not expect any significant impact on its operations.

Creating value by becoming *Better, Bigger and Greener*

Hydro's strategic business approach aims to add value to our customers and society. This approach is reflected in Hydro's mid-term strategic goals reflecting the company's aspiration to become Better, Bigger, Greener.

Hydro will become *Better* by raising performance and improving our customer offering. This will be achieved by extending Hydro's leadership in advanced technology and product innovation, creating value through raw materials access, customer collaboration and our integrated model, and continuing to benchmark performance and ensuring attractive returns over the cycle.

To become *Bigger*, Hydro will aim to expand the use of aluminium and strengthen Hydro's platform for growth. This will be achieved by the promotion of Hydro and aluminium through value-adding products and solutions for our customers. We aim to be the preferred and trusted partner, and the most trusted voice of the aluminium industry. Hydro pursues selective growth from raw materials to products, solutions and recycling.

Hydro believes that sustainable business practices will make the company *Greener,* in addition to improve the company's ability to create shareholder value while making a positive difference wherever it operates. Hydro aims to advocate aluminium as a building block for the low-carbon circular economy, continue to reduce its environmental footprint

Hydro's mid-term strategic goals

	Ambitions	Target	Timeframe	2017 progress	Status
Better	Improve safety performance, strive for injury free environment	TRI [1]<2	2020	2.9 [2]	●
	Realize ongoing improvement efforts *Better*	BNOK 3.0	2019	1.8 BNOK	●
	Secure new competitive sourcing contracts in Norway post 2020	4-6 TWh	2020	2.65 TWh [3]	●
	Lift bauxite production at Paragominas	11.0 mill mt/year	2018	11.4 mill mt/yr	●
	Lift alumina production at Alunorte	7.0 mill mt/year	2021	6.4 mill mt/yr	●
	Shift alumina sales to PAX-based pricing	>85% PAX [4]	2020	~65% PAX [5]	●
	Extend technology lead with Karmøy technology pilot	Start production	2H 2017	First metal Jan 2018 [6]	●
Bigger	Realize technology-driven smelter capacity creep	200,000 mt/year	2025	32,000 mt	●
	Lift equity bauxite production	19 mill mt/year [7]	Long-term	NA	
	Increase automotive Body-in-White capacity	200,000 mt/year [8]	2017	Delayed ramp-up	●
	Complete ramp-up of UBC recycling line	>40 000 mt/year [8]	2017	Delayed ramp-up	●
Greener	Become carbon-neutral from a life-cycle perspective	Zero	2020	On track	●
	Increase recycling of post-consumer scrap	>250,000 mt/year	2020	148,000 mt/yr	●
	Deliver on reforestation ambition	1:1	Continuous	On track [9]	●

All targets and progress reflect Hydro excluding Extruded Solutions

1) TRI, total recordable injuries per million hours worked, includes own employees and contractors.
2) The safety development in 2017 included two fatalities.
3) 1.65 Twh power sourcing in 2017.
4) Based on annual sourced volumes of 2.3 million mt.
5) Based on sourcing volumes of 2.5 million mt for 2017.
6) The Karmøy Technology Pilot is on track to ramp-up to full production during 1H 2018 as planned, but did not meet the target of first metal by year-end 2017.
7) Provided the acquisition of a 40% stake in MRN from Vale.
8) Refers to nominal capacity.
9) Target revised in 2017 to 1:1 rehabilitation of areas available for rehabilitation. From 2018 the target will also cover two hydrological seasons. The revised definition takes into account the nature of the mining cycle. The time lag is necessary to ensure quality rehabilitation to restore biodiversity.

Green light: Ambition on track and on target; *Amber light*: Ambition behind plan, but on target; *Red light:* Ambition might not meet the target from own production and solutions, and to make a positive difference by strengthening local communities and our business partners.

Strong position in an industry with growing demand

Growth in aluminium demand remains firm, despite volatile economic conditions, driven both by a general increase in consumption and the increasing substitution to aluminium from other materials. Aluminium products are important in all phases of economic development due to the diversified nature of applications such as capital investment in infrastructure and housing as well as consumer goods such as packaging, transportation, electrical and technical applications and household goods. Substitution effects are driving demand primarily in mature markets and in the transportation segment, while investments in infrastructure and construction as well as increasing urbanization and hence consumption are supporting demand growth in emerging economies.

Hydro has strong positions throughout the value chain and an attractive asset base. This includes competitive positions in bauxite and alumina, hydropower production, and our smelter portfolio, European leadership in rolling operations, strong position in recycling and a world leading position in extruded solutions. Following years of depressed earnings and unsatisfactory returns for the industry as a whole, continual improvement, restructuring efforts and positive currency developments have strengthened Hydro's position relative to its industry peers and improved the company's position to utilize opportunities as the global economy evolves. Based on its favorable carbon footprint, recycling efforts, and an integrated value chain, Hydro is in the position to offer to its customers solutions responding to demand for more sustainable products. In this area, Hydro may combine its renewable power sourcing, use-phase benefits of products, the recyclability of the metal, and its efforts in recycling into profitable product solutions.

Hydro's project portfolio includes the possibility for a new alumina refinery in Barcarena, close to Alunorte, a possible expansion of the Paragominas bauxite mine, and a possible expansion of primary production in Norway. Hydro is actively working on opportunities within recycling to expand the business and source more challenging scrap material. The restructuring of Hydro's Norwegian hydropower assets within the regulatory framework could create further opportunities in the Energy sector. Extruded Solutions will continue to consider investments and acquisitions to strengthen its position in specific segments or markets. Partnerships and joint ventures across the value chain provide the potential for further developing Hydro's asset portfolio. Investments in these projects are, among other factors, dependent on ongoing developments in the balance between industry supply and market demand and cost competitive positions, including power supply.

Climate, health, safety, security and environment (HSE), corporate social responsibility (CSR), and complying with laws, regulations, and Hydro's steering documents a, is fundamental to Hydro's way of working and are considered key elements of the company's license to operate. Hydro is on track to becoming carbon-neutral from a life-cycle perspective by 2020. Hydro has been involved at all stages in the multi-stakeholder development of the Aluminium Stewardship Initiative's (ASI) standards and is participating to develop ASI's supporting systems for a certification platform for responsible production, sourcing and stewardship of aluminium.

Priorities for 2018

Going forward, Hydro aims to strengthen performance, drive value creation and strengthen its relative industry position. Priorities in 2018 include:

- Strengthen performance within health, safety, security and environment (HSE), corporate social responsibility (CSR) and compliance
- Finalize and follow up Alunorte reviews, enhance community dialogue and provide humanitarian relief to affected communities, return to normal operations
- Ensure a successful integration of Extruded Solutions
- Strengthen relative industry position through improvement drive, digitalization and leading Research & Development
- Continue shifting portfolio towards high-margin segments for leading customers
- Maintain financial strength and flexibility, a predictable dividend level and provide attractive returns over the business cycle

In line with the HSE strategy and the 2020 targets, Hydro will continue to follow its HSE roadmap: Improving leadership qualities, ensuring better control over tasks and processes with inherent high risks, and increasing the engagement of operators. Two additional sub-strategies, on health and environment, are under development and will include Extruded Solutions in 2018. HSE is integrated in Hydro's existing business systems as well as in new projects and process modifications.

A revision of Hydro's board-sanctioned Code of Conduct and its integrity program handbook was delayed in 2017 due to the Sapa acquisition and will be updated in 2018. An external review of Hydro's compliance system was completed in 2017. The review concluded that Hydro's compliance system, as designed and implemented, appears robust and addresses substantially all of the international benchmarks necessary for an adequate and effective anti-corruption compliance program.

The following prioritized areas for CSR, defined in 2017, will be further developed in 2018: To contribute to long-term societal development through quality education; decent work and economic growth; and promotion of peaceful and inclusive societies. An example of initiatives is the planned project for improved handling of municipal waste in Barcarena in Brazil. The project aims to improve the working conditions for those currently involved in waste collection as well as more secure waste handling in the community.

Given the current situation at Alunorte, a key priority going forward will be to finalize and follow up the internal and external reviews of the refinery and its water treatment system, as well as realizing the announced investment to the water treatment system at Alunorte, and return operations to normal in a safe manner. Regardless of the cause of contamination, Hydro collaborates with local institutions on humanitarian relief to assist communities in Barcarena within health and water. For neighboring communities Vila Nova, Burajuba and Bom Futuro, Hydro commits to working with local partners and investing in proper water supply. Hydro further commits to work with community, civil society and government to clarify the sources of water pollution and other water-related issues in the Barcarena region.

A successful integration of Extruded Solutions and its 22,000 employees into Hydro's operating model is a priority for 2018. This includes realization of integration synergies which have been confirmed at a level of NOK 200 million per year mainly within the remelting and recycling area. Further synergy potentials are being developed, including innovation, research and development. Given Hydro's long value chain, spanning both upstream and downstream from bauxite extraction to products, solutions and recycling, the operating model offers a high degree of flexibility. This ensures that the business areas are able to be managed according to the specific business drivers and challenges of each area. In order to facilitate integration and enable the organization to prepare for the future, two new initiatives have been established during 2017. The first, New Chapter, aims to create a common platform and identity for Hydro's 35,000 employees, renewing the company's value platform the Hydro Way, its aspiration and strategic direction *Better, Bigger, Greener,* stakeholder positioning strategy and visual profile. The second initiative, Fit4Future, aims at step-change improvements to lift staff value creation and lower costs, divided into three main focus areas: strategic fit, differentiation and simplification.

During 2018, Hydro will continue with its improvement drive. Bauxite & Alumina will develop a technical concept for the replacement of part of our fuel oil consumption at the Alunorte alumina refinery to more climate and cost efficient natural gas. The 75,000 mt technology pilot at Karmøy has started production, utilizing Hydro's next-generation HAL4e technology, and is expected to contribute further to reducing energy costs and lowering greenhouse gas emissions. Hydro intends to improve margins through high-grading its product portfolio and differentiation through innovation, quality and reliability.

Hydro's digital strategy has a clear purpose: how to enable Hydro becoming *Better, Bigger and Greener*. Digitalization is not a goal in itself. Rather, we build digital solutions to improve our profitability, commercial edge, safety and CO2 footprint. Relevant examples of digitalization include smart robotics, analytics, visualization and machine learning, process automation and commercial solutions. Currently, all Business Areas and corporate functions are exploring the potential benefits of digitalization.

Hydro aims to provide its shareholders with competitive returns compared to alternative investments in peer companies by lifting the operating cash flow generation potential in all of its business areas. The company will continue to focus on securing its financial position through exercising strong capital discipline while maintaining a sustainable level of capital expenditures to safeguard its operating portfolio. Offering a predictable dividend level to shareholders and preserving Hydro's investment grade credit rating continue to be key priorities.

Investor information

Hydro's share price closed at NOK 62.4 at the end of 2017. The return ex. dividend for 2017 was positive with NOK 21.1, or 51 percent.

Hydro's Board of Directors proposes to pay a dividend of NOK 1.75 per share for 2017, for approval by the Annual General Meeting on May 7, 2018, reflecting Hydro's strong operational performance for 2017 and solid financial position. This is up from NOK 1.25 per share paid out for 2016, which is still to be considered a floor. The proposed payment represents a 41 percent pay-out ratio of reported net income for the year and demonstrates the company's commitment to provide a predictable cash return to shareholders, also taking into account the volatility in the aluminium industry.

Financial results

Underlying financial and operating results

Key financial information

NOK million, except per share data	**Year 2017**	Year 2016
Revenue	**109 220**	81 953
Earnings before financial items and tax (EBIT)	**12 189**	7 011
Items excluded from underlying EBIT[1)]	**(974)**	(586)
Underlying EBIT[1)]	**11 215**	6 425
Underlying EBIT :		
Bauxite & Alumina	**3 704**	1 227
Primary Metal	**5 061**	2 258
Metal Markets	**544**	510
Rolled Products	**380**	708
Extruded Solutions[2)]	**284**	
Energy	**1 531**	1 343
Other and eliminations[2)]	**(289)**	380
Underlying EBIT[1)]	**11 215**	6 425
Earnings before financial items, tax, depreciation and amortization (EBITDA)[3)]	**18 344**	12 485
Underlying EBITDA[1)]	**17 369**	11 474
Net income (loss)	**9 184**	6 586
Underlying net income (loss)[1)]	**8 396**	3 875
Earnings per share	**4.30**	3.13
Underlying earnings per share[1)]	**3.95**	1.84
Financial data:		
Investments[1)]	**28 848**	9 137
Adjusted net cash (debt)[1)]	**(17 968)**	(5 598)
Underlying Return on average Capital Employed (RoaCE)[1)]	**9.6%**	5.1%

Key Operational information	**Year 2017**	Year 2016
Bauxite production (kmt)[4)]	**11 435**	11 132
Alumina production (kmt)	**6 397**	6 341
Primary aluminium production (kmt)	**2 094**	2 085
Realized aluminium price LME (USD/mt)	**1 915**	1 574
Realized aluminium price LME (NOK/mt)	**15 888**	13 193
Realized USD/NOK exchange rate	**8.30**	8.38
Rolled Products sales volumes to external market (kmt)	**940**	911
Extruded Solutions sales volumes to external market (kmt)[5)]	**845**	682
Power production (GWh)	**10 835**	11 332

1) Alternative performance measures (APMs) are described on page A2 in the section Appendices to the Board of Directors' report.
2) Other and eliminations includes Hydro's 50 percent share of underlying net income from Sapa until end of third quarter 2017, while 100 percent of Extruded Solutions' underlying EBIT is disclosed separately as of fourth quarter 2017.
3) EBITDA per segment is specified in note 7 - Operating and geographic segment information in the consolidated financial statements.
4) Paragominas production, on wet basis.
5) Hydro's 50 percent share of Sapa sales volumes until end of third quarter 2017 and 100 percent of Extruded Solutions sales volumes as of the fourth quarter 2017.

For the full year 2017 Hydro's underlying EBIT increased to NOK 11,215 million from NOK 6,425 million for 2016. The increase reflects a higher all-in metal price and alumina sales price, partly offset by increased raw material costs, fixed costs and negative currency effects.

Due to performance challenges in Rolled Products and slower than expected progress of improvements at Albras in Primary Metal, progress on Hydro's *Better* improvement program is behind plan. While Hydro did not reach the 2017 target of NOK 500 million, the delay is not expected to impact the revised 2019 target of NOK 3.0 billion.

Hydro's acquisition of Orkla's 50 percent ownership in Sapa was completed on October 2, 2017, giving Hydro full ownership of Sapa. Financial results for the new fully owned entity are presented in the new business area Extruded Solutions. Sapa's results for the first nine months are reported as a 50 percent owned joint venture accounted for under the equity method within the Other and eliminations. See note 6 to the consolidated financial statements for additional information.

Hydro acquired the remaining shares in Sapa with a cash consideration of NOK 11.9 billion, and the transaction was financed with surplus cash and bond financing. Net cash provided by operating activities of NOK 14.3 billion was sufficient to cover net cash used in investing activities.

For 2017, Hydro's Board of Directors proposes a dividend of NOK 1.75 per share reflecting Hydro's strong operational performance for 2017 and solid financial position. This is up from NOK 1.25 per share paid out for 2016, which is still to be considered a floor. The proposed payment represents a 41 percent pay-out ratio of reported net income for the year and demonstrates the company's commitment to provide a competitive cash return to shareholders, also taking into account the volatility in the aluminium industry.

Reported results

For the full year 2017, reported earnings before financial items and tax amounted to NOK 12,189 million. Reported EBIT included net unrealized derivative losses of NOK 466 million and positive metal effects of NOK 419 million. Reported EBIT also included a net loss of NOK 19 million in Sapa (Hydro's share net of tax) relating to unrealized derivative losses and net foreign exchange losses, a charge of NOK 210 million, of which NOK 181 million is linked to an environmental liability at the Kurri Kurri site and NOK 29 million is related to rationalization costs in Extruded Solutions. In addition, reported EBIT included a charge of NOK 245 million related to a customs case in Germany and a gain of NOK 33 million in relation to remeasurement of environmental liabilities in Germany. Reported EBIT also included a net gain of NOK 2,171 million and an inventory valuation expense of NOK 707 million, both related to the Sapa transaction.

In the previous year, reported earnings before financial items and tax amounted to NOK 7,011 million including net unrealized derivative gains and positive metal effects of NOK 553 million in total. Reported earnings also included charges of NOK 192 million relating to the demolition of the Kurri Kurri site, impairment charges of NOK 426 million relating to the part-owned projected CAP alumina refinery and the Hannover site, a net gain of NOK 314 million relating to the sale of certain assets in Grenland, in addition to a negative adjustment relating to the sale of the Slim rolling mill in the fourth quarter of 2015. Other positive effects of NOK 223 million reflects the compensation relating to the completion of outstanding contractual arrangements with Vale and the charge of NOK 32 million relating to re-measurement of environmental liabilities in Germany. In addition, reported earnings included a net gain of NOK 113 million for Sapa (Hydro's share net of tax), relating to unrealized derivative gains, rationalization charges and net foreign exchange gains.

Net income for 2017 amounted to NOK 9,184 million. This included a net foreign exchange loss of NOK 875 million reflecting a strengthening of USD against BRL affecting US dollar debt in Brazil, while the strengthening of EUR forward rates against NOK resulted in an unrealized loss on the embedded derivatives in power contracts denominated in EUR.

In the previous year net income amounted to NOK 6,586 million including a net foreign exchange gain of NOK 2,266 million. The net foreign exchange gain in 2016 was mainly comprised of unrealized currency gains on US dollar debt in Brazil and embedded derivatives in power contracts denominated in Euro. The net foreign exchange gain also included gains on internal debt denominated in Euro.

Income taxes amounted to a charge of NOK 1,891 million in 2017, compared with a charge of NOK 2,551 million in 2016. The tax expense rate was about 17 percent of income before tax. The low tax rate results from a tax-free gain on the revaluation of Hydro's previous ownership interests in Sapa and positive effects from US tax reform, partly offset by a relatively high share of reported income before tax subject to power sur-tax.

Liquidity, financial position, investments

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

The acquisition of the remaining shares in Sapa was finalized with a cash consideration of NOK 11.9 billion, and the transaction was financed with surplus cash and bond financing. Net cash provided by operating activities of NOK 14.3 billion was sufficient to cover net cash used in investing activities.

Hydro's net cash position changed from NOK 6.0 billion at the end of 2016 to a net debt position of NOK 4.1 billion at the end of 2017. Hydro's adjusted net cash (debt) to equity ratio was 26 percent, well below its targeted maximum ratio of 55 percent. Our funds from operations/adjusted net cash (debt) ratio was 68 percent, above the targeted minimum of 40 percent over the business cycle. See note 38 to the consolidated financial statements for information on Hydro's capital management measures.

Norsk Hydro ASA has a USD 1.7 billion revolving multi-currency credit facility with a syndicate of international banks, maturing in November 2020. Drawing per year-end 2017 was approximately NOK 3 billion, repaid in January 2018. The facility will continue to serve primarily as a back-up for unforeseen funding requirements. See note 38 to the consolidated financial statements for additional information.

Market developments and outlook

Upstream market developments

The Platts alumina price index started the year at USD 349 per mt ranging from USD 272 to USD 484 per mt during 2017, ending the year at USD 389 per mt. Prices averaged USD 355 per mt for the year, an increase of 40 percent compared to 2016. Prices as a percentage of LME varied, averaging 17.8 percent for the year compared with 15.7 percent in 2016. Spot prices at the end of 2017 represented 17.2 percent of LME.

Chinese alumina imports amounted to 2.9 million mt in 2017, a 5 percent decrease compared with 2016. The imports were supplied by excess capacity in the market outside China. Also in 2018, the alumina supply outside China was expected to considerably exceed demand. However, the Alunorte production cut, if sustained over a longer period, might lead to an undersupply situation outside China.

Bauxite imports into China increased to 68.8 million mt, or 32 percent higher compared to 2016. The increase was driven by surging imports from Guinea reaching 27.6 million mt in 2017 from 11.9 million mt in 2016 as new bauxite mines continued to increase production. Guinea therefore became the largest supplier to China, ahead of Australia with 25.5 million mt, 20 percent higher compared to 2016. Imports from Malaysia decreased 37 percent to 4.9 million mt as a bauxite mining moratorium imposed from January 2016 was enforced more effectively. After a three year hiatus because of a Government imposed export ban, imports from Indonesia resumed in July reaching 1.3 million mt for the year. Imports from Brazil decreased 25 percent to 3.3 million mt.

According to Chinese import statistics, the monthly average delivered China bauxite price was relatively stable in 2017, ranging between USD 48 and 53 per mt. Prices averaged USD 51 per mt for the year, an increase of 3 percent compared to 2016.

Three month LME prices started the year around USD 1,700 per mt and increased every quarter. In the last quarter, the prices continued to rise as seen in third quarter, and spiked considerably towards the end of the period. At the end of the year prices had increased by around USD 550 per mt over the year, reaching a level of around USD 2,240 per mt. Prices averaged USD 1,885 per mt in the first half of 2017 and increased to an average of USD 2,073 per mt in the second half of the year.

North American standard ingot and product premiums started the year at USD 200 per mt and at USD 138 per mt for the standard ingot premium in Europe. The premiums continued to fluctuate around these levels for most of the year, although both premiums turned upwards towards year-end. Average North American standard ingot premiums increased USD 8 per mt over the year, reaching USD 208 per mt at year end. Corresponding standard ingot premiums in Europe increased about USD 25 per mt, reaching USD 162 at the end of 2017. Premium developments have been influenced by exports of semi-finished products from China and metal availability from warehouses.

Global primary aluminium consumption increased by 5.8 percent to 63.6 million mt in 2017. Global supply increased by 7.7 percent to 63.5 million mt resulting in a rather balanced situation, with a deficit of around 0.1 million mt. For 2018, global primary aluminium supply and demand is expected to increase by 4-5 percent, resulting in a largely balanced global market also in 2018.

Demand for primary aluminium outside China increased by around 3.4 percent, while corresponding production increased by 1.0 percent. Overall, demand outside China exceeded production by close to 2.0 million mt in 2017. Demand for primary aluminium outside China is expected to grow by around 3-4 percent in 2018. Corresponding production is also expected to be up 3-4 percent, resulting in a deficit in the world outside China also in 2018.

Demand for primary metal in China increased around 8.0 percent to 34.4 million mt in 2017. Production increased by around 13.4 percent, resulting in a surplus of around 1.9 million mt for the year. Chinese primary production growth is expected to fall in 2018 to around 4-6 percent, influenced by cutbacks due to illegal capacity and winter closures during 2018. This follows the directions given by the Chinese government in 2017, whereby capacity expansions in 2018 will be closely controlled, and principally be balanced through a quota scheme for removing old and idled, uncompetitive capacity. This should reduce surplus capacity going forward. Primary demand is estimated to increase by around 4-6 percent, resulting in a rather stable surplus in 2018.

LME stocks fell throughout the year from 2.2 million mt at the end of 2016 to 1.1 million mt at the end of 2017. Most of the metal in warehouses continues to be owned by financial investors. Total inventories, including unreported inventories are estimated to have been rather stable throughout 2017. This means that stocks have moved from reported to unreported warehouses. The total stock level is estimated to be 12.5 million mt at the end of 2017.

Demand for extrusion ingot, foundry alloys and sheet ingot in Europe has been solid during 2017 and increased compared to the previous year. The consumption of wire rod in the European market went up moderately in 2017 compared to 2016. Consumption of extrusion ingot has been strong in the US also in 2017, while the demand for primary foundry alloys also increased compared to 2016. In Asia (excluding China), the market for extrusion ingot and primary foundry alloys continued to show moderate growth.

Downstream market developments

The European market for flat rolled products increased by around 3.7 percent in 2017 and reached another record year. Demand growth was stronger in the second half of the year driven by automotive and general engineering.

The European market for extrusion experienced stronger automotive and transportation demand, as well as improved demand in the building and construction markets. North America was also driven by stronger automotive demand and higher activity in the building and construction market. The commercial transportation market has declined slightly, but improved towards the end of the year.

Energy market developments

In 2017, Nordic electricity prices increased compared to the previous year, primarily due to increasing exports towards Continental Europe. The prices over the year remained quite stable amid a mild winter season and a consistent inflow during the spring thaw season. The overall hydrological situation was stable ranging somewhat below normal before improving significantly in late autumn. Power prices in Southern Norway remained close to the Nordic system price due to the hydrological situation and improving export capacities. Nordic consumption remained unchanged at 386.8 TWh in 2017, while total power production increased by 6.2 TWh to 398.1 TWh.

In Brazil, after two years of reduced demand due to a recession, the economic recovery had a positive effect on demand in 2017.

Risk review

Hydro has developed and implemented an enterprise risk management model approved by the Board of Directors. In accordance with this model, risk factors that are relevant for Hydro's business are continuously identified, analyzed, addressed and monitored. Risk management is an integral part of our business activities, and the business areas consequently have the main responsibility for managing risks arising from their business activities. Hydro's corporate staffs establish and develop policies and procedures for managing risk, and coordinate a semi-annual overall enterprise risk assessment. Major risks are followed up, on an ongoing basis, as part of our internal performance review structure.

Risk management in Hydro is based on the principle that risk evaluation and mitigation is an integral part of all business activities. A core strategy to reduce the risks related to weak economic and unfavorable market developments is the continual improvement of our competitive and cost position as well as maintaining a solid financial position and strong creditworthiness. Hydro's integrated value chain plays a key role in mitigating risk as the earnings volatility in upstream aluminium is typically higher, whereas downstream and Energy businesses generate more stable earnings over time.

Below is a description of some of the principle risks identified that may affect our business operations, reputation, financial condition, results of operations and, ultimately affect our share price. Some of the mentioned risks might have a positive business impact or represent a business opportunity, whereas the focus in the description below is on downside risk. There may be additional risks unknown to Hydro at the date of this report and risks, currently considered to be immaterial, which could become material. All of the information in this report should be carefully considered by investors, in particular, the risks described in this section.

Changes in the regulatory framework or political environment in which Hydro operates could have a material adverse effect on the company

Hydro needs competitive and predictable framework conditions. Hydro is subject to a broad range of laws and regulations in the legal jurisdictions in which we operate.

These laws and regulations impose stringent standards and requirements and potential liabilities regarding accidents and injuries, the construction and operation of our plants and facilities, payment of taxes, air and water pollutant emissions, the storage, treatment and discharge of waste waters, the use and handling of hazardous or toxic materials, waste disposal practices, and the remediation of environmental contamination, among other things. Changes in such laws and regulations, or changes in the way these laws and regulations are interpreted or enforced, may impact our operational licenses, and have a significant negative financial effect for Hydro. There is a risk that new taxes or tariffs are introduced, or the current tax or tariff levels will be increased in the future.

Hydro's operations include extracting and refining bauxite resources and utilizing water resources for the generation of power. Such activities have increasingly been subject to local and regional tax regimes which are separate from, and in addition to, national tax regimes such as corporate income tax.

Hydro is exposed to a risk of unfavorable macro-economic development, including risk of prolonged periods of low aluminium and alumina prices and oversupply in the global aluminium market, in addition to changes in global trade policy framework

The aluminium industry is pro-cyclical with demand for products closely linked to economic development. This results in significant volatility in the market prices for aluminium products in periods of macroeconomic uncertainty or recession. Macroeconomic development also drives changes in currency values, which have a significant effect on Hydro's cost and competitive position. Aluminium products are traded globally. Development in global trade flows, trade framework, tariffs and anti-dumping legislation are therefore of importance.

Our business is exposed to competition from China, which could have a significant negative impact on market prices and demand for our products

China is the world's largest consumer and producer of aluminium, with more than half of the global production capacity. As a result, changes and developments in aluminium supply and demand in China have a significant impact on global market fundamentals.

Hydro could be negatively affected by investigations, legal proceedings, material CSR incidents or major non-compliance with laws and regulations

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. Violation of applicable laws and regulations could result in substantial fines or penalties, costs of corrective work, the suspension or shutdown of our operations and substantial damage to the company's reputation.

In addition, Hydro is exposed to actual or perceived failures to behave in a socially responsible manner beyond regulatory requirements, as defined by non-governmental organizations or other key stakeholder groups. Such failures could result in significant, negative publicity and potential serious harm to Hydro's reputation. Reactions by key stakeholders and communities in which Hydro operates could also interfere or interrupt the operations of our business.

Hydro may fail to realize sufficient value in the execution and implementation of major projects or business acquisitions

Hydro makes significant capital investments and acquisitions as part of its business development, and may not be able to realize the benefits expected from such transactions and projects. Major projects and acquisitions are subject to significant risk, and uncertainty in making the investment evaluation, project execution and subsequent operations. Acquisitions may also contain significant unidentified risks and liabilities, which could have a material adverse effect on our profits and financial position.

Hydro could be adversely affected by disruptions or major incidents in 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 disruptions to operations, damage to properties and production facilities, personal injury or death, environmental damages, monetary losses and possible legal liability. Some of our operations are located in close proximity to sizable communities. Major accidents could result in substantial claims, fines or significant damage to Hydro's reputation. Breakdown of equipment, power failures or other events leading to production interruptions in our plants could have a material adverse effect on our financial results and cash flows.

Hydro may be unable to achieve or maintain the operational targets necessary to secure the competitiveness of our business

Hydro operates in a highly competitive market where operational excellence in all parts of the value chain is required to reach and maintain a competitive position. This includes each step of the business process from the sourcing of raw materials, to physical operations of each plant, and the commercial optimization of the product portfolio. Failure to create an environment and competence which enables the organization to continuously achieve stretched operational targets will reduce the competitiveness of our business and result in the failure to meet our long-term financial targets.

Hydro is exposed to the threat of cyber attacks which may disrupt its business operations, and result in reputational harm and other negative consequences

Hydro's IS/IT infrastructure is a critical element in all parts of our operations, ranging from process control systems at production sites, central personnel databases to systems for external financial reporting. Cyber crime is increasing globally, and Hydro is exposed to threats to the integrity, availability and confidentiality of our systems. Threats may include attempts to access information, computer viruses, denial of service and other electronic security breaches.

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 over the business cycle are targeted, reflecting a solid financial position and investment grade credit rating. These include an Adjusted net cash (debt) to equity ratio below 0.55 and a ratio of Funds from operations to Adjusted net cash (debt) above a level of 0.40. Maintaining investment grade credit rating secures access to capital markets at attractive terms and gives other important benefits.

Hydro's liquidity position at the end of 2017, a net debt of NOK 4.1 billion, is considered solid. Hydro also has a credit facility of USD 1.7 billion which expires in 2020. Drawing per year-end 2017 was approximately NOK 3 billion, this was repaid in January 2018. Hydro continues to focus on cash flow and credit risk throughout the organization.

Key financial exposures

Hydro's operating results are primarily affected by price developments of our main products, raw materials, margin developments and to fluctuations in the most significant currencies for Hydro, which are the USD, NOK, EUR and BRL.

Hydro's main risk management strategy for upstream operations is to accept exposure to price and exchange rate movements, while at the same time focusing on reducing the average cost position of 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 price fluctuations. An operational hedging system has been established to protect commercial contracts from aluminium price fluctuations.

To mitigate the impact of exchange rate fluctuations, long-term debt is mainly maintained in currencies reflecting underlying exposures and cash generation, while considering attractiveness in main financial markets. Hydro may also use foreign currency swaps and forward currency contracts to reduce effects of fluctuations in the US dollar and other exchange rates.

The table below shows sensitivities regarding aluminium prices and foreign currency fluctuations for 2018. The table illustrates the sensitivity of earnings, before tax, to changes in these factors and is provided to supplement the sensitivity analysis required by IFRS, included in note 13 to the Consolidated Financial Statements. These sensitivities do not consider revaluation effects of derivative instruments, which may influence earnings.

Commodity price sensitivity +10%

NOK Million	UEBIT
Hydro Group	
Aluminium	3 900

Currency sensitivities +10%

NOK Million	USD	BRL	EUR
Sustainable effect			
EBIT	3 860	(1 210)	(230)
One-off reevaluation effect			
Financial items	280	550	(2 170)

Annual sensitivities based on normal annual business volumes. LME USD 2 100 per mt, fuel oil USD 440 per mt, petroleum coke USD 400 per mt, caustic soda USD 645 per mt, coal USD 85 per mt, USDNOK 8.20, BRLNOK 2.50, EURNOK 9.60

Aluminium price sensitivity is net of aluminium price indexed costs and excluding unrealized effects related to operational hedging

BRL sensitivity calculated on a long-term basis with fuel oil assumed in USD. In the short term, fuel oil is BRL-denominated

Excludes effects of priced contracts in currencies different from underlying currency exposure (transaction exposure)

Currency sensitivity on financial items includes effects from intercompany positions

Compliance, controls and procedures

Hydro's Code of Conduct requires adherence with 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 four pillars: prevention, detection, reporting and responding. In addition to financial compliance, priority areas are HSE, anti-corruption, competition law and data privacy (see the section Society).

Hydro follows the Norwegian Code of Practice on Corporate Governance of October 2014. Details on Hydro's compliance with the code are in the section Norwegian Code of Practice on Corporate Governance, in the appendices to this report.

The Board Audit Committee carries out a control function and arranges for the board to deal with the company's financial and extra-financial reporting.

Research and development

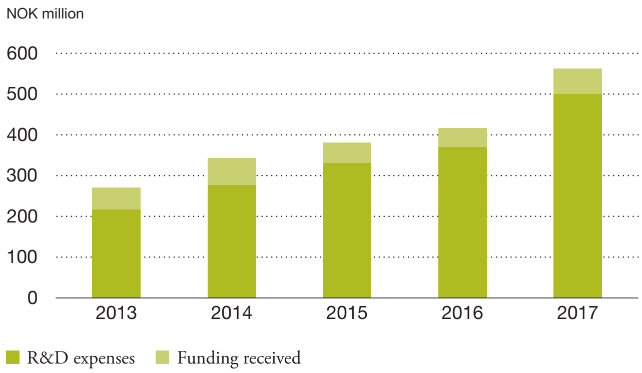
The greater part of Hydro's R&D expenses is directed to our in-house research organization, while the remainder supports work carried out at external institutions. Our main R&D centers are in Årdal (smelter technology) and Sunndal (alloys and casting) in Norway, Bonn in Germany (Rolled Products), and Finspång in Sweden (Extruded Solutions). Bauxite & Alumina has a research department at Alunorte in Barcarena, Brazil, with increasing activity.

Our R&D efforts are concentrated on:

- Making products that promote the use of aluminium and sustainable development
- Developing the world's best electrolysis technology
- Using R&D and technology to ensure optimal operations in existing assets, including cost and HSE
- Developing recycling technology
- Increasing the share of value added products and tailored solutions for the customer
- Utilizing the opportunities of Industry 4.0 to improve process stability, productivity, cost and safety

Hydro's Technology Board consists of all members of Hydro's Corporate Management Board. The group meets every quarter to understand and discuss innovations across the business areas, including their value to the company. Innovations include the changes achieved through our continuous improvement work on all organizational levels. Business areas are responsible for their own technology

R&D expenses



Received funding in 2017 accumulated to NOK 62 million. In addition comes NOK 639 million related to Enova's support to the Karmøy Technology Pilot.

development and for the 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. In 2017, Hydro established a Chief Technology Officer (CTO) position, reporting directly to the CEO, in order to further strengthen technology leadership. The CTO leads an internal R&D network with representatives from the business areas, and supports the Hydro Technology Board in developing overall research and technology priorities and strategies.

A major advantage for Hydro is the knowledge and control of the entire value chain from bauxite mining, alumina refining, electrolysis of primary aluminium and alloy technology to finished products. Upstream R&D and other innovation efforts mainly emphasize technology development and operational efficiency. In downstream operations, new products and applications are of utmost importance, and largely developed in cooperation with our customers.

Our aluminium plant Sunndal in Norway, and Qatalum in Qatar, utilize our enhanced HAL 300 technology with an energy consumption of about 13.5 kWh/kg aluminium compared to a global average of about 14 kWh/kg. Our 75,000-mt technology pilot with the aim of full-scale industrial testing of our proprietary HAL4e technology, started production at Karmøy, Norway, in January 2018. The technology pilot consists of 48 cells with HAL4e technology (operated with energy consumption of 12.3 kWh/kg) and 12 cells with HAL4e Ultra technology (11.5-11.8 kWh/kg). At these levels, energy utilization will be 12-to-18 percent better than the industry average. Total direct and indirect emissions are expected to be 1.4 kg CO_2 equivalents/kg aluminium, or more than 30 percent lower than the world average of 2.1. The total cost of the project was NOK 4.3 billion. Enova, a Norwegian public enterprise supporting new energy and climate-related technology, contributed NOK 1.6 billion of the total cost. In addition to benefiting possible new plants, technology elements may be implemented in existing plants to improve energy efficiency and operational stability.

An important part of Hydro's overall technology strategy is that our researchers cooperate closely with operators and experts in optimizing operations in existing plants. The competence base in Hydro's technology environments is on a very high level and in core areas it is world-class. In recent years we have emphasized utilizing this competence in operational improvements.

Society

As a global aluminium company with mining interests, ensuring responsible conduct in relation to society at large is important throughout Hydro's activities. We have to consider our impact on society, spanning from construction to divestment activity, as well as the exposure to corruption and human rights violations, both within our own operations and in the supply chain.

We require adherence with laws and regulations as well as Hydro's corporate directives. This includes identifying and mitigating corruption risks and human rights violations. Our compliance system is based on four pillars: prevention, detection, reporting and responding. Combating corruption and respecting human rights are integral to our supplier requirements. Some of the measures we pursue to ensure integrity and responsible behavior include:

- Zero tolerance of corruption
- Ongoing human rights due diligence, this includes joint ventures and suppliers in addition to our own operations
- Continuous stakeholder engagement linked to existing operations and new projects

Hydro's board-sanctioned Code of Conduct requires adherence with external laws and regulations as well as corporate directives. It is systematically implemented and followed up through our compliance system. The Code of Conduct is planned updated in 2018, as part of the integration process of Sapa. All new employees have to confirm that they have received, read and understood Hydro's Code of Conduct. Sapa had similar routines.

The priority areas of the compliance system are the four pillars described above. In addition comes financial reporting, HSE, anti-corruption, competition law and data privacy. The Head of Corporate Compliance reports to the Board of Directors through the Board Audit Committee at his or her own discretion. He or she meets with the Board of Directors periodically and participates in all Board Audit Committee meetings.

Compliance is integrated with our enterprise risk management, business planning and follow-up processes including relevant key performance indicators. It is addressed in the quarterly performance review meetings each business area has with the CEO, and an annual compliance report is submitted to the Board of Directors.

Corporate responsibility issues are systematically addressed in activities relating to business development, investment programs and project execution. Hydro's corporate social responsibility (CSR) is built on the basis of making a positive difference by strengthening our business partners and the local communities where we operate. To do this, we target the fundamental drivers of long-term development. In line with stakeholder expectations and needs, and through strong partnerships, we aim to:

- Contribute to quality education in our communities
- Promote decent work throughout the value and supply chain
- Foster economic growth in our communities
- Strengthen local communities and institutions through capacity building on human rights and good governance

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 the local human resources or HSE staffs, a safety representative, a compliance officer or the legal department. If the employee is uncomfortable using any of the above channels for any reason, Hydro's whistle-blower channel, AlertLine, can be used. All employees and on-site contractors have anonymous access in their own language at all times via toll-free phone numbers, Hydro's intranet or through a dedicated address on the internet. In certain countries, e.g. Spain, there are, however, legal restrictions on such reporting lines. In 2017, 123 reports were filed through Hydro's AlertLine compared to 173 in 2016. In addition, 179 cases were reported through former Sapa's whistle-blower channel in 2017. All cases were investigated, and in total six persons were dismissed as a result of the investigations.

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

We recognize that our activities impact the societies in which we operate, and we have a long tradition of conducting dialogues 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, including dialogue with traditional Quilombola groups in Brazil. The current grievance mechanism for Hydro's activities in Brazil was introduced in 2014. In 2018, we will start the work with a group wide solution. In Barcarena in Pará, the location of the Alunorte alumina refinery and Hydro's Albras smelter, more than 60 civil society organizations participate in the Intersectoral Forum together with local authorities and Hydro. The forum is managed by Instituto Internacional de Educação do Brasil, IEB.

Hydro has significant operations in Barcarena, Brazil, including the Alunorte alumina refinery and Albras aluminium plant. Local social conditions are challenging with high levels of unemployment and general poverty. In 2017, there were several demonstrations near our operations, mainly targeting local and federal authorities. Of these, a few targeted also Hydro directly. In 2017, about 300 illegal dwellings were removed from Hydro industrial land by the authorities. Hydro hired the local NGO Instituto Peabiru to act as a third party observer to report any human rights violations. The operation was described as peaceful with the vast majority of people removing their belongings voluntarily. Hydro assisted the settlers in transporting their belongings to a location of their choice.

In February 2018, extreme rainfall in Barcarena in the state of Pará, Brazil, lead to regional flooding. Surveillance authorities inspected Alunorte's alumina refinery and surrounding areas, following reports of possible leakage and water contamination. So far, no spills or leakages have been detected from Alunorte's bauxite residue deposits after the extreme rain event.

Hydro's commitment to safe and environmentally sound operations is universal and absolute. We are concerned about the situation and for the people and local communities of Barcarena affected by the flooding.

Regardless of the cause, Hydro collaborates with local institutions on humanitarian relief to assist communities in Barcarena within health and water. For neighboring communities Vila Nova, Burajuba and Bom Futuro, Hydro commits to working with local partners and investing in proper water supply. Hydro further commits to work with community, civil society and government to clarify the sources of water pollution and other water-related issues in the Barcarena region.

Measures are being implemented to resolve the situation at Alunorte, including establishing an internal task-force to conduct a review of Alunorte and commissioning an independent external review of Alunorte. Hydro has also decided to initiate a NOK 500 million investment to the water treatment system at Alunorte. This aims at increasing the water treatment capacity by 50 percent and improving the robustness of the plant to withstand future extreme weather conditions.

In 2017, the Danish Institute for Human Rights (DIHR) performed a comprehensive mapping of Hydro's human rights risks. The mapping covered all countries in which Hydro operates, and the report was made publicly available in January 2018. Hydro has been working with DIHR since 2011. Extruded Solutions' operations was not included in the mapping.

In 2017, Hydro, spent NOK 36 million on community investments, charitable donations and sponsorships, of which about 65 percent was related to community investments. Extruded Solutions has a wide range of sponsorships and support programs based on local needs. These activities are not yet included in Hydro's reporting. An example of initiatives is the planned project for improved handling of municipal waste in Barcarena in Brazil. The project aims to improve the working conditions for those currently involved in waste collection as well as promoting environmental awareness in the community.

Hydro is 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 dialogue with employee organizations. All major sites in Europe and Brazil are unionized. Extruded Solutions has a major presence in the USA, and about 60 percent of our US employees are working at unionized sites. In 2016, Hydro renewed its global frame agreement with labor unions through the end of 2018. The agreement aims at creating an open channel of information between the parties about industrial relation issues in order to continuously improve and develop good working practices and conditions in Hydro's worldwide operations.

Hydro's supplier requirements related to corporate responsibility are, as stated in our corporate directives, 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. In Extruded Solutions, Sapa's supplier declaration was under implementation. Extruded Solutions will start to implement Hydro's supplier requirements in its business relations and new contracts in 2018.

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

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

Hydro support the principles underlying the Universal Declaration of Human Rights, the UN Global Compact and ILO's eight core conventions. We are a member of the International Council on Mining and Metals (ICMM) and are committed to following their principles and position statements. We are also a member of the Aluminium Stewardship Initiative, a multi-stakeholder process to set standards to improve environmental, social and governance performance across the aluminium value chain.

Hydro uses the GRI Standards for voluntary reporting of sustainable development. We support the Extractive Industries Transparency Initiative (EITI) and comply with the Norwegian legal requirements on country-by-country reporting, and we prepare a UK Modern Slavery Act transparency statement, see the appendices to this report.

In addition, we follow the Oslo Børs guidance on the reporting of corporate responsibility.

Environment

The most important environmental effects of Hydro's activities relate to climate change, biodiversity, recycling and waste management. The main resource inputs are bauxite, energy, water and land use.

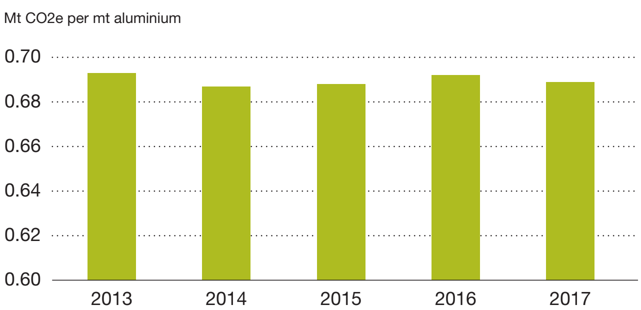
Hydro's climate strategy is an integral part of the overall business strategy, including reducing the environmental impact of our production activities as well as taking advantage of business opportunities by enabling our customers to do the same. Our ambition is to be carbon neutral in a life-cycle perspective by 2020, and we expect to achieve the 2020 target mainly through:

- Increased production of primary aluminium in Norway, which is based on hydropower
- Increased recycling
- Increased deliveries to the automotive sector

The target to become carbon neutral in a life-cycle perspective includes the effects of forest clearing and rehabilitation in Paragominas in Brazil. While total greenhouse gas (GHG) emissions are expected to increase toward 2020, mainly due to increased production of alumina and primary aluminium, Hydro is on track toward carbon neutrality in 2020. It will, however, require that we succeed in increasing our Norwegian capacity according to plan, and that we are able to increase our recycling of post-consumer scrap. With the increase of GHG emissions from Extruded Solutions it is uncertain whether their share of post-consumer scrap is sufficient to compensate. Our carbon neutrality is also sensitive to our penetration into the automotive market. The planned fuel switch project at Alunorte is not included in the forecast by 2020 and will, if realized, further improve Hydro's carbon balance.

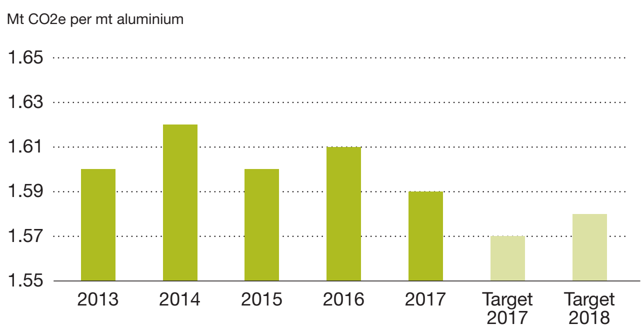
GHG emissions from Hydro's consolidated activities, including indirect emissions from electricity generation, increased by 1 percent in 2017. The increase based on our ownership equity was insignificant. GHG emissions increased in Primary Metal mainly due to production disturbances at Karmøy and Albras.

GHG emission intensity – alumina refining



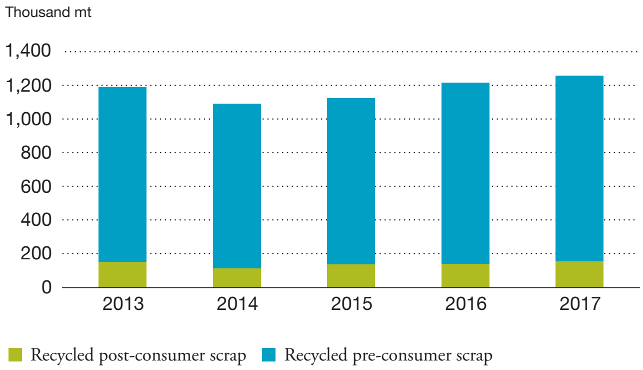
Includes greenhouse gas (GHG) emissions from alumina refining.

GHG emission intensity – electrolysis

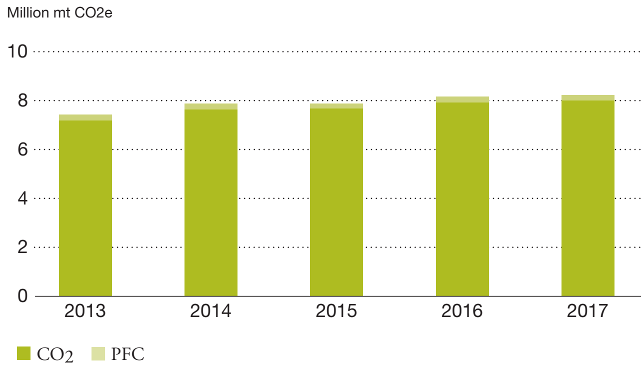


Greenhouse gas (GHG) emissions from the electrolysis process from Hydro's smelters, excluding Neuss in Germany.

Recycling



Direct greenhouse gas emissions from Hydro's consolidated activities



The inherent properties of aluminium make recycling attractive. It can be recycled infinitely without degradation in quality, and recycling requires 95 percent less energy than primary aluminium production. A strong position in recycling of post-consumer aluminium scrap is therefore necessary for us to be able to reach our carbon neutrality ambition. Through specific projects we are increasing our capacity to process post-consumer scrap by a total of 80,000 mt in Clervaux, Luxembourg, and Neuss, Germany. Ramp-up of the new production line for recycling of low-grade used beverage cans in Neuss, Germany, has been further delayed, but is expected to be at the targeted run-rate by end of 2018.

In 2017, Hydro started a review of its climate-related risks and opportunities, including physical, technological, commercial, legal and reputational risk. Hydro also became a signatory to the Task Force on Climate-Related Financial Disclosures (TCFD). The review of Hydro's climate related risks will be finalized in 2018, and will also include scenario analyses.

Our environmental strategy also emphasizes:

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

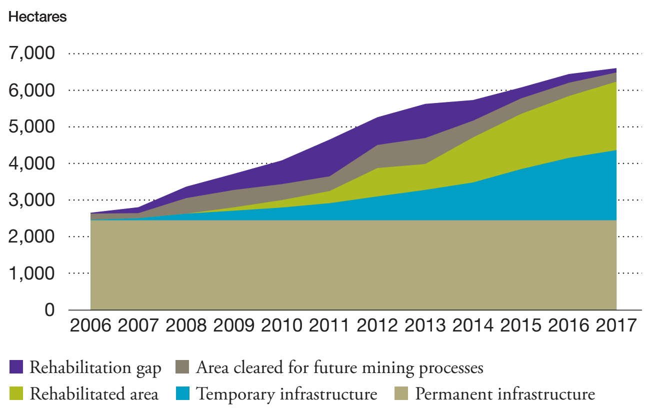
Biodiversity is an important issue in Pará in Brazil and to the watersheds of our hydropower production in Norway. When developing new projects, we examine environmental issues ahead of time, and we strive for achieving no net loss of biodiversity.

In 2017, we rehabilitated a total of 185 hectares (ha) of previously mined land in Brazil.

Although originally set for 2017, the 1:1 rehabilitation target will continue to apply from 2018 onwards, as it provides a solid driver for rehabilitation. However, the target will become a rolling target, aiming for a 1:1 rehabilitation of areas available for rehabilitation. The target will from 2018 cover two hydrological seasons after release. This revised definition takes into account the nature of the mining and rehabilitation cycles, and the time lag necessary to ensure quality rehabilitation to restore biodiversity. It also takes into account that land periodically needs to be set aside for temporary infrastructure in order to safely operate the mine.

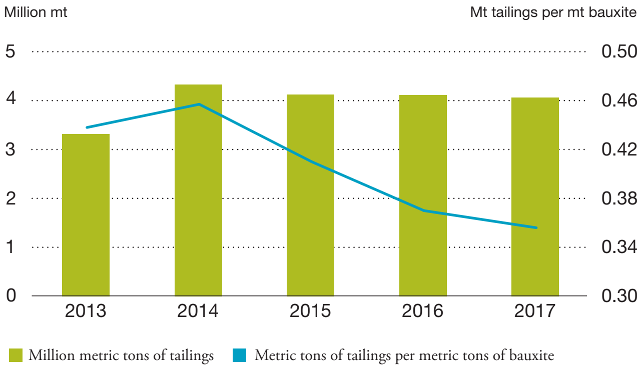
We cooperate with academic institutions to increase our knowledge and secure a science-based approach. This includes the formation of the Biodiversity Research Consortium Brazil-Norway (BRC) in 2013. The partnership agreement was extended for another five years in 2017.

Land use and rehabilitation – Paragominas

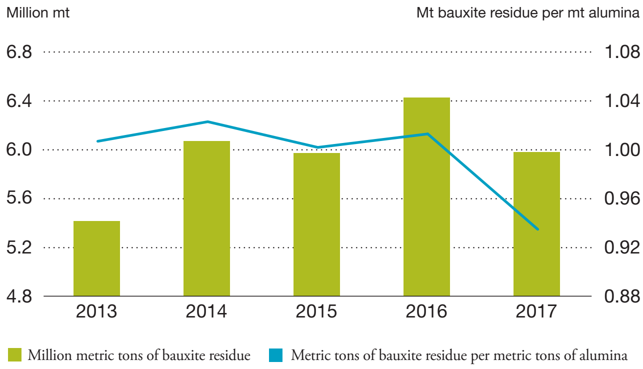


Permanent infrastructure includes areas related to administrative buildings, industrial facilities, tailings dams, the pipeline to Alunorte and permanent roads. Temporary infrastructure includes among other things temporary roads and areas dedicated for new tailings dams.

Tailings from bauxite production



Bauxite residue from alumina production



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

In Paragominas, a new tailings system was completed in 2017. The new tailings dam is situated on a plateau where mining has been finalized. The old tailings system is constructed in a shallow valley. When tailings dams are closed, they need to settle for minimum five years before being available for rehabilitation.

Bauxite residue, also known as red mud, is a by-product of the alumina refining process. Its disposal is challenging due to large volumes and the alkaline nature of the liquid component of the residue. The residue is washed with water to lower the alkalinity and to recover caustic soda for reuse. Hydro uses an enhanced dry stacking technology for disposing of bauxite residue which allows for residue storage at steeper slopes, reducing the disposal area requirements. This reduces the relative environmental footprint. The construction of the new bauxite residue deposit area DRS2 at Alunorte includes more advanced press filters. These are capable to reduce the residue moisture content to 22 percent, down from 36 percent achieved with the drum filters technology. By 2019 the press filtration technology is planned to handle all bauxite residue generated by Alunorte. We also participate in international collaboration projects investigating possibilities to use bauxite residue as a resource. Additions to cement and other construction materials are areas that will be pursued.

The dams and deposits are frequently inspected by Hydro and Brazilian authorities, and are also subject to inspections by e.g. Norwegian Geotechnical Institute (NGI) and Geomecanica. The last visit from NGI to Paragominas and Alunorte took place in 2016 and resulted in an action plan to secure the long-term viability of the tailings dams and bauxite residue storage areas.

In February 2018, extreme rainfall in Barcarena in the state of Pará, Brazil, lead to regional flooding. Surveillance authorities inspected Alunorte's alumina refinery and surrounding areas, following reports of possible leakage and water contamination. So far, no spills or leakages have been detected from Alunorte's bauxite residue deposits after the extreme rain event.

After the extreme rain event and the following external inspections and internal reviews, instances of unlicensed discharges of contaminated rain and surface water have been identified. The plant has notified authorities about the discharges which were discovered by the plant.

Measures are being implemented to resolve the situation at Alunorte, including establishing an internal task-force to conduct a review of Alunorte and commissioning an independent external review of Alunorte. Hydro has also decided to initiate a NOK 500 million investment to the water treatment system at Alunorte. This aims at increasing the water treatment capacity by 50 percent and improving the robustness of the plant to withstand future extreme weather conditions.

In addition, Hydro has implemented measures to assist local communities in Barcarena with health and water.

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

Hydro uses the World Business Counsel for Sustainable Development (WBCSD) global water tool to perform an annual review of water withdrawal from water-stressed areas. For 2017 we have used an updated version of the tool, and included Extruded Solutions. Following the update of the WBCSD global water tool, the location of Rolled Products' sites in Germany are no longer classified as water-stressed, which reduced the amount of water withdrawal from water-stressed areas significantly. The mapping of Hydro's sites using the WBCSD global water tool in 2017 showed that 0.4 million m^3 of our overall freshwater input came from water-stressed areas, with regard to annual renewable water supply (according to the definition used by WBCSD). This represents 0.5 percent of Hydro's overall fresh water input. Qatalum in Qatar relies on public water supply produced by desalination. Seawater is used for wet cooling towers at the power plant as well as for wet scrubbers at the potline fume treatment plants.

In 2017, Hydro developed a basic water risk analysis tool, covering water use and discharge, to be applied across key operations. Preliminary findings indicate that operating in water-stressed areas is not a key risk for these operations. This led to Hydro's previous target on reducing water use in water-stressed areas to be put aside. Instead, more significant risks are linked to the management of excess water and the quality of the external water bodies into which we discharge our used water. Extruded Solutions was not a part of the preliminary study.

The mass balance of mercury at Alunorte in Brazil was concluded in 2017. To reduce emissions to air, four filters are planned to be installed, on all four chimneys, the first in 2018 and the remaining three in 2019.

Engagement with customers and other stakeholders on the environmental impact of our processes and products is an important element of our product stewardship. We perform life-cycle assessments for all major product groups to identify improvement potential. We also assess other aspects such as energy and material consumption, toxicity and recyclability.

People

Our ambition is to prevent all accidents, especially serious ones. Hydro's safety performance deteriorated in 2017, and we experienced two fatal accidents. The development is concerning, and our combined TRI[1)] rate increased to 2.9 in 2017 from 2.6 previous year. Our target was 2.4. Internal independent investigations are routinely initiated after fatal accidents and other serious incidents to identify the causes and reduce risk for recurrences.

Nearly half of the reported injuries in 2017 were related to hands, about 20 percent legs, 10 percent arms and shoulders and about 10 percent related to the face, eyes and ears.

Our approach to improving safety performance is based on risk management, leadership qualities and shop-floor engagement.

A handbook for assessing physical and chemical work environment risks is used by the business areas to identify potential health hazards and implement risk-reducing measures. The implementation has started in Extruded Solutions.

The occupational illness rate in 2017 was 0.3 cases per million hours worked, down from 0.7 in 2016 and steadily decreasing since 2012, excluding Extruded Solutions. Most of the cases related to occupational illness relates to noise. We do not yet have comparable data for Extruded Solutions.

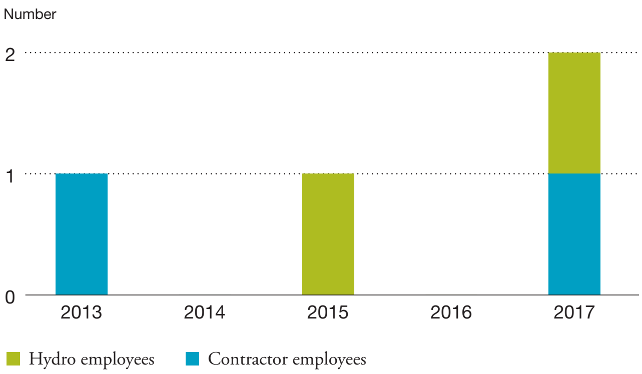
Sick leave in Hydro's global organization was 3.4 percent in 2017. In 2016, Hydro's sick leave was 4.3 percent. In Norway, excluding Extruded Solutions, sick leave decreased from 4.4 percent to 4.0 percent. Women had a sick leave of 4.7 percent and men 3.8 percent.

Following the acquisition of the remaining 50 percent share of Sapa, Hydro had 34,625 permanent employees at the end of 2017, an increase from 12,911 in 2016. The number of temporary employees was 1,646 compared to 1,266 the year before. Contractor employees represented about 9,000 full-time equivalents during 2017, down from 9,500 in 2016. The large majority of employees are concentrated in the USA, Brazil, Germany and Norway. Through Extruded Solutions, Hydro has received a number of temporary workers employed by agencies. We will in 2018 map the extent of such use.

In 2018, Hydro aims for successful integration of the new business area Extruded Solutions and its almost 22,000 permanent employees. Two initiatives were established during 2017: New Chapter aims to create a common platform and identity for Hydro's 35,000 employees, renew the company's value platform the Hydro Way, its aspiration and strategic direction *Better, Bigger, Greener* stakeholder positioning strategy, and visual profile, including logo. The Fit4Future initiative aims at step-change improvements to lift staff value creation and lower costs, divided into three main focus areas:

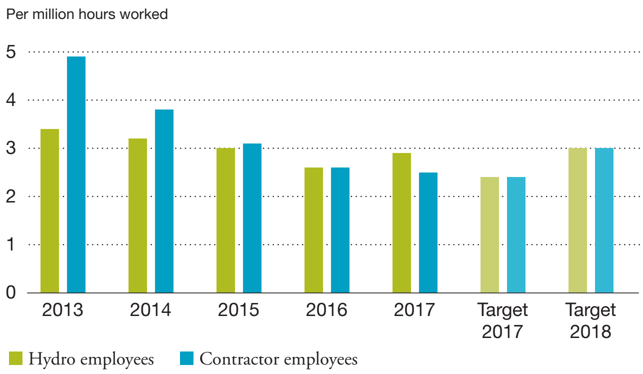
1) Total Recordable Injuries per million hours worked. Extruded Solutions is included from 2 October 2017.

Fatal accidents



Hydro experienced two fatalities in 2017.

Total recordable injuries



strategic fit, differentiation and simplification. Extruded Solutions will also start implementation of Hydro's common process for people performance and development, My Way, and Hydro Academy, a platform for learning and development.

In order to deliver on our strategic goals and remain competitive, Hydro needs employees with the right competence. This means that Hydro is dedicated to attracting, developing and retaining competence to ensure our future success. After an update of Hydro's people strategy in 2016, we continued to reinforce some existing procedures and implement some new. In 2018, we target a successful integration of Extruded Solutions in existing people processes and to develop a framework for competence management. The latter is important in successfully leveraging digital opportunities.

Hydro's global employee engagement survey Hydro Monitor is run every second year. The last survey took place in 2016, reaching the top 10 percent according to the IBM External Norm on the Employee Engagement Index. Maintaining employee engagement is a key priority going forward. All units have action plans based on their results. Sapa had its latest employee engagement survey in 2017. The last survey indicated improvements related to scores for closest manager. This is assumed to be a direct result of Sapa's work to build basic behavioral leadership down to middle managers. Hydro Monitor will be run in 2018, without Extruded Solutions, while the whole company is planned to be included in 2019.

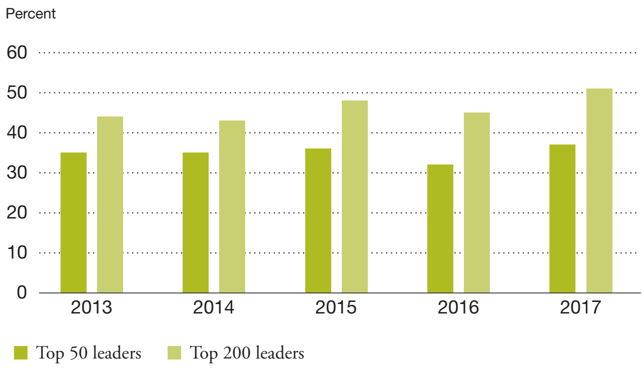
Our common process for people performance and development, My Way, includes appraisal dialogue, individual development plan and follow-up, as well as talent planning and succession management. All employees were invited to participate in 2017 (excluding employees on leave and those being employed after the main part of My Way is performed) and 98 percent participated. Implementation of My Way in Extruded Solutions will start in 2018.

In order to have a pipeline of leaders with the required breadth of experience, we strive for 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. Through the succession and career part of My Way, we work with the leadership and specialist pipeline and identify required development needs.

Hydro's organization around the world represents a great diversity in education, experience, gender, age and cultural background. We see this diversity as a source of competitive advantage for Hydro, as it encourages innovation, learning and better customer understanding. A diverse and inclusive work force is culturally and compliance-aware. In 2017, 17 percent of Hydro's employees were women, up from 14 percent in 2016, mainly due to the relative share in Extruded Solutions. The share of women was 40 percent in Hydro's Corporate Management Board in 2017. With three women among the six shareholder-elected members on the Board of Directors, Hydro complies with the Norwegian legal requirements on female representation. Hydro is in the process of reviewing its strategy to increase diversity and accommodate an inclusive work environment. The new strategy will better fit the current business needs and integrate Extruded Solutions.

We are 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. Paragominas and Alunorte almost reached the target, with 4.4 percent of the

Share of non-Norwegian leaders



Share of women leaders

The total share of women at all levels in Hydro was 17 percent in 2017.

required employees by the end of 2017, while Albras had 3.6 percent. All sites in Brazil are working to reach the legal requirement.

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 individuals and the company.

All employees shall receive a total salary that is fair, competitive and in accordance with the local industry standard. We have checked salary conditions in Brazil, Germany and Norway for Hydro's operations, excluding Extruded Solutions. There are no significant gender-pay differentials for employees earning collectively negotiated wages. We do not yet have a similar overview of Extruded Solutions.

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 annual bonus plan. See note 8 and 9 to the consolidated financial statements for more information.

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, climate change and CSR. The board of directors is closely following the market and macro-economic developments relevant for the aluminium industry. In 2017 the Board of Directors had operational deep-dives into Energy and Rolled Products. The acquisition of the remaining 50 percent of the shares in Sapa AS, as well as the following integration of the Sapa organization, was high on the Board of Directors' agenda. The Board of Directors visited Brazil, including the bauxite mine in Paragominas and the alumina refinery at Alunorte.

The Board of Directors conducts an annual self-assessment of its work, competence and cooperation with management and a separate assessment of the chairperson. Also the board audit committee performs a self-assessment. The reviews are facilitated by the corporate advisory firm Lintstock. The main conclusions of all assessments were submitted to the nomination committee, which in turn assessed the board's composition and competence.

The Board of Directors held 14 meetings in 2017 with an attendance of 94 percent. The compensation committee held nine meetings and the audit committee eight meetings.

Net income and dividend - Norsk Hydro ASA

Norsk Hydro ASA (the parent company) had a net loss of NOK 183 million in 2017 compared with net income of NOK 9,114 million in 2016. The result reflects reduced dividends from subsidiaries in 2017 compared to 2016.

For 2017, Hydro's Board of Directors proposes a dividend of NOK 1.75 per share reflecting Hydro's strong operational performance for 2017 and solid financial position. This is up from NOK 1.25 per share paid out for 2016, which is still to be considered a floor. The proposed payment represents a 41 percent pay-out ratio of reported net income attributable to Hydro shareholders for the year, and demonstrates the company's commitment to provide a competitive cash return to shareholders, also taking into account the volatility in the aluminium industry.

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 19, 2018

Dag Mejdell
Chair

Irene Rummelhoff
Deputy chair

Liv Monica Bargem Stubholt
Board member

Billy Fredagsvik
Board member

Finn Jebsen
Board member

Sten Roar Martinsen
Board member

Thomas Schulz
Board member

Svein Kåre Sund
Board member

Marianne Wiinholt
Board member

Svein Richard Brandtzæg
President and CEO

Revenue 2017

NOK MILLION

109,220

Financial statements

Consolidated financial statements

Consolidated income statements

Amounts in NOK million (except per share amounts). Years ended December 31	Notes	**2017**	2016
Revenue	7	**109 220**	81 953
Share of the profit (loss) in equity accounted investments	7, 31	**1 527**	985
Other income, net	15	**2 947**	1 030
Total revenue and income		**113 693**	83 969
Raw material and energy expense	16	**69 848**	52 151
Employee benefit expense	17	**13 285**	9 485
Depreciation and amortization expense	18	**6 156**	5 041
Impairment of non-current assets	19	**5**	433
Other	20, 21	**12 209**	9 848
Total expenses		**101 504**	76 958
Earnings before financial items and tax	7	**12 189**	7 011
Financial income	22	**481**	574
Financial expense	22	**(1 596)**	1 552
Financial income (expense), net		**(1 114)**	2 126
Income before tax		**11 075**	9 137
Income taxes	23	**(1 891)**	(2 551)
Net income		**9 184**	6 586
Net income attributable to non-controlling interests		**401**	199
Net income attributable to Hydro shareholders		**8 783**	6 388
Basic and diluted earnings per share attributable to Hydro shareholders	37	**4.30**	3.13

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	**2017**	2016
Net income		**9 184**	6 586
Other comprehensive income			
Items that will not be reclassified to income statement			
Remeasurement postemployment benefits, net of tax	37	**761**	178
Share of remeasurement postemployment benefits of equity accounted investments, net of tax	37	**(2)**	(41)
Total		**759**	137
Items that will be reclassified to income statement			
Currency translation differences, net of tax	37	**(1 387)**	4 114
Unrealized loss on securities, net of tax	37	**(255)**	(47)
Cash flow hedges, net of tax	37	**174**	115
Share of other comprehensive income that will be reclassified to income statement of equity accounted investments, net of tax	37	**(736)**	(281)
Total		**(2 203)**	3 901
Other comprehensive income		**(1 444)**	4 038
Total comprehensive income		**7 740**	10 624
Total comprehensive income attributable to non-controlling interests		**103**	889
Total comprehensive income attributable to Hydro shareholders		**7 637**	9 735

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated balance sheets

Amounts in NOK million, December 31	Notes	2017	2016
Assets			
Cash and cash equivalents		**11 828**	8 037
Short-term investments	24	**1 311**	4 611
Trade and other receivables	25	**19 983**	10 884
Inventories	26	**20 873**	12 381
Other current financial assets	13	**602**	457
Total current assets		**54 597**	36 371
Property, plant and equipment	28	**73 020**	58 734
Intangible assets	29, 30	**12 712**	5 811
Investments accounted for using the equity method	31	**11 221**	19 807
Other non-current assets	13, 27	**4 410**	4 309
Prepaid pension	36	**5 750**	4 195
Deferred tax assets	23	**1 617**	1 566
Total non-current assets		**108 730**	94 422
Total assets	7	**163 327**	130 793
Liabilities and equity			
Bank loans and other interest-bearing short-term debt	33	**8 245**	3 283
Trade and other payables	32	**19 561**	10 108
Provisions	34	**2 296**	1 417
Taxes payable		**2 570**	1 773
Other current financial liabilities	13	**655**	526
Total current liabilities		**33 326**	17 106
Long-term debt	33	**9 012**	3 397
Provisions	34	**5 828**	4 384
Pension liabilities	36	**15 118**	12 871
Other non-current financial liabilities	13	**2 041**	1 067
Other liabilities		**2 228**	1 944
Deferred tax liabilities	23	**3 522**	2 384
Total non-current liabilities		**37 749**	26 047
Total liabilities		**71 075**	43 153
Share capital	37	**2 272**	2 272
Additional paid-in capital	37	**29 097**	29 070
Treasury shares	37	**(810)**	(870)
Retained earnings		**56 435**	50 210
Other components of equity	37	**80**	1 224
Equity attributable to Hydro shareholders		**87 074**	81 906
Non-controlling interests		**5 178**	5 733
Total equity		**92 252**	87 640
Total liabilities and equity		**163 327**	130 793

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	2017	2016
Operating activities			
Net income		**9 184**	6 586
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and impairment	7, 18, 19	**6 162**	5 474
Share of profit in equity accounted investments	7, 31	**(1 527)**	(985)
Dividends received from equity accounted investments	31	**2 247**	836
Deferred taxes		**(685)**	563
Gain on sale of non-current assets		**(2 046)**	(226)
Net foreign exchange (gain) loss	22	**875**	(2 266)
Net sales of trading securities		**57**	44
Capitalized interest	22	**(76)**	(97)
Changes in assets and liabilities that provided (used) cash:			
Accounts receivable		**(554)**	(187)
Inventories		**(1 518)**	(104)
Trade and other payables		**1 013**	483
Commodity derivatives		**322**	(29)
Other items		**893**	(74)
Net cash provided by operating activities	41	**14 347**	10 018
Investing activities			
Purchases of property, plant and equipment		**(7 296)**	(6 913)
Purchases of other long-term investments		**(11 190)**	(183)
Purchases of short-term investments		**(5 094)**	(4 650)
Proceeds from sales of property, plant and equipment		**57**	77
Investment grants received		**636**	563
Proceeds from sales of other long-term investments		**49**	475
Proceeds from sales of short-term investments		**8 402**	5 850
Net cash used in investing activities		**(14 436)**	(4 781)
Financing activities			
Loan proceeds		**15 271**	5 208
Principal repayments		**(10 917)**	(7 525)
Net increase in other short-term debt		**2 515**	265
Proceeds from shares issued		**40**	28
Dividends paid		**(3 069)**	(2 362)
Net cash provided by (used in) financing activities		**3 840**	(4 386)
Foreign currency effects on cash		**40**	269
Net increase in cash and cash equivalents		**3 791**	1 120
Cash and cash equivalents at beginning of year		**8 037**	6 917
Cash and cash equivalents at end of year		**11 828**	8 037

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	Non-control-ling interests	Total equity
December 31, 2015		2 272	29 068	(913)	45 850	(2 107)	74 169	5 159	79 329
Treasury shares issued to employees	37		1	44			45		45
Dividends	39				(2 043)		(2 043)	(320)	(2 362)
Capital contribution in subsidiaries								4	4
Items not reclassified to income statement in subsidiaries divested	37				16	(16)	-		-
Total comprehensive income for the year					6 388	3 348	9 735	889	10 624
December 31, 2016		2 272	29 070	(870)	50 210	1 224	81 906	5 733	87 640
Treasury shares issued to employees	37		27	60			87		87
Dividends	39				(2 556)		(2 556)	(702)	(3 258)
Capital contribution in subsidiaries								3	3
Items not reclassified to income statement in subsidiaries and JVs divested	37				(3)	3	-	40	40
Total comprehensive income for the year					8 783	(1 147)	7 637	103	7 740
December 31, 2017		2 272	29 097	(810)	56 435	80	87 074	5 178	92 252

The accompanying notes are an integral part of the consolidated financial statements.

Oslo, March 19, 2018

Dag Mejdell
Chair

Irene Rummelhoff
Deputy chair

Liv Monica Bargem Stubholt
Board member

Billy Fredagsvik
Board member

Finn Jebsen
Board member

Sten Roar Martinsen
Board member

Thomas Schulz
Board member

Svein Kåre Sund
Board member

Marianne Wiinholt
Board member

Svein Richard Brandtzæg
President and CEO

Notes to the consolidated financial statements

Note 1 - Reporting entity and basis of presentation

The reporting entity reflected in these financial statements comprises Norsk Hydro ASA and consolidated subsidiaries (Hydro). Hydro is headquartered in Oslo, Norway, and the group employs around 35,000 people in more than 40 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, rolling activities, and extruded solutions. The Board of Directors and the President and CEO authorized these financial statements for issue on March 19, 2018. Hydro is listed on the Oslo stock exchange, Oslo Børs.

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 statements including note disclosures requires management to make estimates and assumptions that affect amounts reported. Actual results may differ. See note 5 Critical accounting judgment and key sources of estimation uncertainty.

Presentation and classification of items in the financial statements is consistent for the periods presented. Gains and losses on disposal of non-current assets are presented net, as well as expenditures related to provisions that are reimbursed by a third party. However, insurance compensation and government grants are reported on a gross basis.

The functional currency of Norsk Hydro ASA is the Norwegian krone (NOK). The Hydro group accounts are presented in NOK.

As a result of rounding adjustments, the figures in one or more columns included in the financial statements may not add up to the total of that column.

Interest rates used for calculating net present values are rounded to the nearest 10 basis points for post employment benefits, to the nearest 25 basis points for other non financial assets and liabilities.

Note 2 - Significant accounting policies

The consolidated financial statements of Norsk Hydro ASA and its subsidiaries are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) and Norwegian authorities and are effective as of December 31, 2017. Hydro also provides the disclosure as specified under the Norwegian Accounting Law (Regnskapsloven).

The following description of accounting principles applies to Hydro's 2017 financial reporting, including all comparative figures. See note 1 Reporting entity and basis of presentation, note 4 Measurement of fair value, and note 5 Critical accounting judgment and key sources of estimation uncertainty for additional information related to the presentation, classification and measurement of Hydro's financial reporting.

Basis of consolidation

The consolidated financial statements include Norsk Hydro ASA and subsidiaries, which are entities in which Hydro has the power to govern the financial and operating policies of the entity (control). Control is normally achieved through ownership, directly or indirectly, of more than 50 percent of the voting power. Currently, Hydro has more than 50 percent of the voting power in all subsidiaries. Subsidiaries are included from the date control commences until the date control ceases.

Intercompany transactions and balances have been eliminated. Profits and losses resulting from intercompany transactions have been eliminated.

Non-controlling interests

Non-controlling interests represent equity interests in subsidiaries held by other owners than Hydro. Non-controlling interests are reported as a separate section of the Group's equity in accordance with IFRS 10 Consolidated Financial Statements. Results attributed to non-controlling 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 non-controlling 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. Hydro has applied the partial goodwill method for all business combinations completed prior to December 31, 2017. 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 non-controlling shareholders in the acquiree is initially measured as the non-controlling interests' proportion of the fair value of the net assets recognized (partial goodwill method), or as the non-controlling interests' proportion of the fair value of the acquiree (full goodwill method). Non-controlling interests are subsequently adjusted for changes in equity of the subsidiary after the acquisition date.

Transactions between non-controlling shareholders and the group

Sales and purchases of share interests and equity contributions not resulting in Hydro gaining or losing control of a subsidiary are reported as equity transactions in accordance with IFRS 10. No gain, loss or change of recognized assets, liabilities or goodwill is recognized as result of such transactions.

Investments in associates and joint ventures

An associate is an equity investment in which Hydro has the ability to exercise significant influence, which is the power to participate in the financial and operating policy decisions of the entity. Significant influence is assumed to exist when Hydro owns between 20 and 50 percent of the voting rights unless other terms and conditions affect Hydro's influence.

A joint arrangement is an entity, asset or operation that is subject to contractually established joint control. Special voting rights may extend control beyond what is conveyed through the owners' proportional ownership interest. Such rights may take the form of a specified number of board representatives, the right of refusal for important decisions, or the requirement of a qualified majority for important decisions which effectively results in joint control with the specific ownership situation. Joint ventures are joint arrangement which represents a residual interest in the arrangement rather than an interest in assets and responsibility for liabilities.

Hydro accounts for investments in associates and participation in joint ventures 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 joint ventures is included in Hydro's Other comprehensive income. Hydro's proportional share of unrealized profits resulting from transactions with associates and joint ventures, including transfer of businesses, is eliminated. Accounting policies used by associates and joint ventures may differ from the accounting policies adopted by Hydro. Differences in recognition or measurement are adjusted for prior to equity accounting.

Investments in associates and joint ventures are tested for impairment when there are indications of a possible loss in value. An impairment loss is recognized if the recoverable amount, estimated as the higher of fair value less cost of disposal or value in use, is below Hydro's carrying value. Impairment losses are reversed if circumstances change and the impairment situation is no longer deemed to exist.

Investments in joint operations and jointly owned assets

Joint operations are arrangements under contractually joint control where the joint operators have an interest in the assets; or benefits from the service potential of the assets; as well as have a direct obligation for the liabilities of the joint arrangement. Joint operations can result from the legal form of the arrangement or other facts and circumstances resulting in an interest in the service potential of the asset and obligation for liabilities. Jointly owned assets are arrangements where Hydro and the other partners have a direct ownership in specifically identified assets, but where joint control is not established. Hydro recognizes its share of assets, liabilities, revenues, if any, and expenses of joint operations and jointly owned assets on a line-by-line basis in the group financial statements.

Assets held for sale and Income from discontinued operations

Assets held for sale are reported separately in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, provided that the sale is highly probable, which includes the criteria that management is committed to the sale, and that the sale will be completed within one year. Assets held for sale are not depreciated, but are measured at the lower of carrying value and the fair value less costs to sell for the asset group. Assets are not reclassified in prior period balance sheets. Immaterial disposal groups are not reclassified.

A discontinued operation is a component of Hydro that is held for sale or has been disposed of. A discontinued operation is a separate major line of business or geographical area of operations. Related cash flows, results of operations and gain or loss from disposal are reported separately as Income (loss) from discontinued operations.

Assets held for sale, liabilities in disposal groups and income and expense from discontinued operations are excluded from specifications presented in the notes unless otherwise stated.

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. To the extent a transaction consists of multiple elements, the transaction is analyzed into the separately identifiable components for revenue recognition. Products are generally produced based on customer order. Some standard products, such as standard aluminium ingot and certain products for the building systems product lines, are produced independently of customer orders. For multiple delivery contracts, revenue is allocated to deliveries in line with contract terms, normally either fixed price per unit or a combination of fixed elements and price references to observable market prices at either pricing date or delivery date. The price is usually fixed prior to, or at, delivery, although some contracts may refer to observable market prices in a period including transactions after delivery, such as the delivery month. Sales terms providing transportation and related services for sold goods after transfer of ownership to the customer (CIF and similar incoterms) are considered one, combined, delivery to the customer. Revenue, including the service element, is recognized at transfer of ownership of the goods, and remaining costs accrued for. Any rebates or 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.

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 purchases and sales agreed in combination with a single counterpart, are presented on a net basis in the income statement with trading margins included in revenues.

Government grants

Government grants are recognized in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. Grants are recognized when there is a reasonable assurance that Hydro will comply with relevant conditions and the grants will be received. Government grants are deferred in other non-current liabilities until the associated activity is performed or expenses recognized. Investment grants are recognized over the period the associated asset is depreciated. All government grants are recognized in Other income, net. Investment grants are included in Investing activities in the statement of cash flows.

Other income, net

Transactions resulting in income from activities other than normal production and sales operations are classified as Other income, net. This includes gains and losses resulting from the sale or disposal of PP&E, investments in subsidiaries, associates or joint ventures as well as government grants, insurance compensation, rental revenue and revenue from utilities.

Inventories

Inventories are valued at the lower of cost, using the first-in, first-out method (FIFO), or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and selling costs. Inventory cost includes direct materials, direct labor and a portion of production overhead (manufactured goods) or the purchase price of the inventory. Abnormal amounts of idle facility expense, freight, handling costs, and wasted materials are recognized as expense in the current period. Inventory write-downs to net realizable value occurs when the cost of the inventory is not recoverable, and is reversed in later periods if 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. 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 value of the asset retirement obligation upon initial recognition of the liability. Hydro uses the cost model for PP&E and 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 in the event 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 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 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 when the 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, using proved and probable reserves. 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
- Intangible assets with finite 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 mining 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.

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 as the present value of the cash flows estimated to settle the obligation. Uncertain outcomes are measured as the expected value of reasonably possible outcomes. See also the accounting policy discussion for Asset retirement obligations.

Exit and disposal 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.

Foreign currency transactions

Transactions in foreign currencies are initially recorded in the functional currency of the transacting 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. 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, 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. Goodwill is recognized in the predominant functional currencies in the acquired businesses. Translation adjustments are recognized in Other comprehensive income and accumulated in Currency translation differences 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 as part of the gain or loss on disposal.

Financial assets

Financial assets represent a contractual right by Hydro to receive cash or another financial asset in the future. Financial assets include financial derivatives and commodity derivative contracts, receivables and equity interests, as well as financial instruments used for cash-flow hedges. 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. Financial assets are measured at amortized cost unless another measurement basis is described below.

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 nominal value.

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 equity and debt securities which are considered trading securities. Such instruments are measured at fair value with the resulting unrealized holding gains and losses included in Financial income. Investment income is recognized when the right to receive cash flows has been established.

Trade receivable

Trade 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 indicators of financial difficulty 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 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 measured under IFRS 13 Fair Value Measurement. 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 derivatives, commodity derivative contracts and other financial liabilities as well as financial instruments used for cash-flow hedges. Financial liabilities, with the exception of derivatives, are initially recognized at fair value including transaction costs directly attributable to the transaction and are subsequently measured at amortized cost. Financial liabilities are derecognized when the obligation is discharged through payment or when Hydro is legally released from the primary responsibility for the liability.

Derivative instruments

Derivative instruments are marked-to-market with the resulting gain or loss reflected in the income statement, except when the instruments meet the criteria for cash flow hedge accounting and are designated as hedge instruments. Derivatives, including hedging instruments and embedded derivatives with expected cash flows within twelve months from the balance sheet date, or held solely for trading, are classified as short-term. Instruments with expected cash flows more than 12 months after the balance sheet date are classified as short and long-term based on the timing of the estimated cash flows.

Derivative contracts are presented gross on the balance sheet unless contract terms include the possibility to settle the contracts on a net basis and Hydro has the intention and ability to do so. The ability to settle net is conditional on simultaneous offsetting cash-flows.

Physical commodity contracts are evaluated on a portfolio basis. If a portfolio of contracts contains contracts of a similar nature that are settled net in cash, or the underlying products 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, alumina and primary aluminium, is considered to be available for use or sale at Hydro's 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 accounted for as a separate financial instrument, provided that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the host contract is not accounted for at fair value. Embedded derivatives are classified both in the income statement and on the balance sheet based on the risks in the derivatives' underlying.

Income taxes, current and deferred

Taxes payable is based on taxable profit for the year which excludes items of income or expense that are taxable or deductible in other years. Taxable profit also excludes items that are never taxable or deductible. Hydro's liability for current tax is calculated using tax rates that have been enacted or substantively enacted as of the balance sheet date.

Deferred income tax expense is calculated using the liability method in accordance with IAS 12 Income Taxes. Deferred tax assets and liabilities are classified as non-current in the balance sheet and are measured based on the difference between the carrying value of assets and liabilities for financial reporting and their tax basis when such differences are considered temporary in nature. Temporary differences related to intercompany profits are deferred using the buyer's tax rate. Deferred tax assets are reviewed for recoverability every balance sheet date, and the amount probable of recovery is recognized.

Deferred income tax expense represents the change in deferred tax asset and liability balances during the year, except for the deferred tax related to items recognized in Other comprehensive income or resulting from a business combination or disposal. Changes resulting from amendments and revisions in tax laws and tax rates are recognized when the new tax laws or rates become effective or are substantively enacted. Uncertain tax positions are recognized in the financial statements based on management's expectations.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority, and when the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred taxes are not provided on undistributed earnings of subsidiaries when the timing of the reversal of this temporary difference is controlled by Hydro and is not expected to happen in the foreseeable future. This is applicable for the majority of Hydro's subsidiaries.

Share-based compensation

Hydro accounts for share-based compensation in accordance with IFRS 2 Share-based Payment. Share-based compensation expense is measured at fair value over the service period and includes social security taxes that will be paid by Hydro at the settlement date. All changes in fair value are recognized in the income statement.

Employee benefits and post-employment benefits

Payments to employees, such as wages, salaries, social security contributions, paid annual leave, as well as bonus agreements are accrued in the period in which the associated services are rendered by the employee.

Post-employment benefits are recognized in accordance with IAS 19 Employee Benefits. The cost of providing pension benefits under a defined benefit plan is determined separately for each plan using the projected unit credit method. Past service costs are recognized immediately in the income statement. The interest component of the periodic cost is included in Financial expense. Remeasurement gains and losses are recognized in Other comprehensive income.

Contributions to defined contribution plans are recognized in the income statement in the period in which they accrue. Multi-employer defined benefit plans where available information is insufficient to use defined benefit accounting are accounted for as if the plan were a defined contribution plan.

Income statements and statements of comprehensive income

Hydro has elected to present a separate income statement and a separate statement of comprehensive income, rather than a combined statement. Further, Hydro has elected to present an analysis of expenses based on their nature as a common analysis of expenses through Hydro's value chain. Hydro has elected to present a sub-total Earnings before financial items and tax (EBIT). This measure is also used as the main segment profit measure. The share of the profit (loss) in equity accounted investments is included in this sub-total because the majority of such investments are operationally integrated with Hydro's businesses. Results from such investments are managed as part of Hydro's operating activities with significant transactions between the majority of these investments and Hydro. Return on other equity investments, such as available-for-sale shares, is not as closely related to the business activities in Hydro, and classification as financial income thus better reflects the way such investments are managed.

Statements of cash flows

Hydro uses the indirect method to present cash flows from operating activities. Interest and dividends received as well as interest paid is included in cash flows from operating activities. Dividends paid is included in cash flows from financing activities.

Segment information

Hydro identifies its reportable segments and discloses segment information under IFRS 8 Operating Segments.

Note 3 - Changes in accounting principles and new pronouncements

New pronouncements

As of the date of authorization of these financial statements, the following standards relevant to Hydro have been issued by the IASB.

- IFRS 9 Financial Instruments - Classification and Measurement; effective date January 1, 2018.
- IFRS 15 Revenue from Contracts with Customers; effective date January 1, 2018.
- IFRS 16 Leases; effective date January 1, 2019.

As of the date of issue of Hydro's financial statements, all of these standards were endorsed by the EU.

IFRS 9 Financial Instruments

IFRS 9 shall be applied retrospectively. There are some transitional effects that shall or may be recognized in the opening equity at transition, i.e. January 1, 2018. IFRS 9 will not lead to any significant changes in timing of recognition or how to measure assets or liabilities and related income and expense. Hydro has classified the currently held portfolio of equity investments that are not part of trading portfolios as instruments at fair value through Other Comprehensive Income (FVOCI). All changes in the fair value of those instruments, including an ultimate gain or loss at divestment of the instrument, will be recognized in OCI. Recognized changes to fair value of such investments of NOK 239 million, after tax, will not be recycled in future periods. There will be some changes to presentation and disclosures, however, the impact for Hydro's current portfolio of instruments is minor. Some additional risk management strategies related to commodity price exposure will qualify for hedge accounting, however, Hydro has decided not to apply hedge accounting for any additional risk management activities utilized as of the end of 2017. For one cash flow hedge program for a previous investment project which is deferred in the hedging reserve in equity and reclassified to income over the depreciation period of the asset, the remaining hedging reserve of NOK 60 million will be reclassified to reduce the carrying value of the asset and related deferred tax as a basis adjustment.

IFRS 15 Revenue from Contracts with Customers

Hydro has decided to implement IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognized directly to equity at implementation, i.e. January 1, 2018. IFRS 15 requires limited changes to identification of performance obligations and timing of recognition of revenue.

The most important change relates to revenue from custom-made products where contract clauses and/or specific designs results in a conclusion that the products have no alternative use for Hydro. Combined with contracts securing Hydro an unconditional right to payment for orders placed, revenue from such contracts are to be recognized over time according to the completion effort rather than at actual delivery of products to customers. As firm orders are placed and products produced close to delivery, the amount of revenue and related margin to be recognized earlier under IFRS 15 compared to previous standards are limited. Such contracts are mainly held in the newly acquired Extruded Solutions businesses. Review of contracts to confirm which of those that include an enforceable right to payment is still not completed. As of the end of 2017, unrecognized revenue that would be recognized earlier under IFRS 15 has been estimated to an amount of about NOK 1.3

billion, with a corresponding margin of about NOK 125 million, should we conclude that all contracts for customer specific products include an enforceable right to payment. The transitional effect will be recognized in the opening balance as of January 1, 2018, with no adjustment to comparable figures.

Another transaction type affected is the freight component included in sales of goods on incoterms CIF/CIP or similar terms. The freight component in these sales transactions were previously considered integral in the sale of goods, and recognized when risk and rewards of the goods were transferred to the customers. The freight component will, from January 1, 2018, be deemed a separate performance obligation, and recognized as the service is performed. As a result of limited goods under transportation as of year-end, the revenue recognized earlier under IAS 18 compared to IFRS 15 as of December 31, 2017 was less than NOK 10 million, and the amount of related margin was less than NOK 2 million including the impact from the joint venture Qatalum, accounted for under the equity method. As such, no transition effect for the freight component will be recognized as of January 1, 2018.

In addition, Hydro has one unit delivering equipment for casting, both to internal and external customers, where revenue has been recognized over time under IAS 11 Revenue from construction contracts. The revenue from the majority of such contracts is deemed to continue to be recognized over time, however, some contract types will be recognized at a point in time, when the customer receives control with the goods produced, under IFRS 15. Recognized revenue which under IFRS 15 should be recognized in a later period amounted to about NOK 11 million as of December 31, 2017. The corresponding margin amounted to NOK 3 million, which will be recognized in later periods under IFRS 15. The transitional effect will be recognized in the opening balance as of January 1, 2018, with no adjustment to comparable figures.

The transition effect related to implementing IFRS 15 is estimated to an increase in equity of NOK 95 million should we conclude that all contracts for customer specific products include an enforceable right to payment.

IFRS 16 Leases

Hydro has decided to implement IFRS 16 retrospectively with the cumulative effect of initially applying the standard recognized at the date of implementation, i.e. January 1, 2019. Further, Hydro will utilize the practical expedients available for measuring lease arrangements at transition and to utilize the practical expedients allowing to exclude leases with a duration of less than 12 months or covering assets of a low value (small asset leases) from lease accounting.

Preliminary assessment of IFRS 16 indicates somewhat increased recognized fixed assets and debt, with a corresponding shift of certain amounts from Other operating expenses partly to depreciation and amortization expense, partly to interest expense. The amounts of change will depend on Hydro's portfolio of leasing contracts at the time of transition. The adjustment included in Hydro's capital management measure Adjusted debt described in Note 38 Capital management, is indicative of the magnitude of increase in fixed assets and liabilities, however, as the measurement in this key figure is not the same as required in IFRS 16, and thus the recognized assets and liabilities might differ significantly from the adjustment amount.

Note 4 - Measurement of fair value

Measurement of fair value

Hydro measures certain assets and liabilities at fair value for the purpose of recognition or disclosure, see note 2 Significant accounting policies. Recurring fair value measurement is used primarily for financial instruments. Non-recurring fair value measurement is used for transactions, such as business combinations, divestments with non-cash consideration and certain other non-routine transactions. Fair value is estimated using inputs which are to varying degrees objectively observable. Certain items are valued on the basis of quoted prices in active markets for identical assets or liabilities, others are valued on the basis of inputs that are derived from observable prices, while certain positions are valued on the basis of judgmental assumptions that are to a limited degree or not at all based on observable market data.

Financial instruments

The estimated fair value of Hydro's financial instruments is based on market prices and valuation techniques. Valuations are made with the objective to include relevant factors that market participants would consider in setting a price, and to apply accepted economic and financial methodologies for the pricing of financial instruments. References for less active markets are carefully reviewed to establish relevant and comparable data. Extrapolations and other accepted valuation techniques are employed in periods with few or no transactions, such as for long-term commodity contracts in markets with few observations beyond the short or mid term period.

Hydro's estimated 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.

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 based on commonly accepted valuation techniques utilizing significant unobservable data, primarily cash flow based models. To the extent there are transactions in such shares, the transaction price is assessed and to the extent comparable to rights embodied in the investment held by Hydro, used for reference. For investments where share holdings are associated with offtake rights and/or obligations or other specific clauses, those rights and obligations are included in the valuation of the equity securities.

Debt instruments
Fair value for listed instruments is based on quoted market prices as of the balance sheet date. Fair value for other debt instruments is estimated primarily through cash flow models using contractual cash flow where relevant, and discount rates reflecting the perceived credit risk and other relevant risks associated with the instrument.

Derivatives
Fair value of financial derivatives with a currency or interest rate as underlying 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. For derivatives covering a period beyond the liquid period of price curves, the curves are extrapolated using unobservable data.

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 option pricing models and credit spreads are applied where deemed to be significant. Markets are assessed to determine whether they are active for the relevant instruments. Currency and interest markets are considered liquid for the periods used for price references, and thus applied unadjusted. For aluminium contracts priced to observations at the London Metal Exchange (LME), liquidity is considered good for the first few years, with fewer transactions for longer durations. For electricity contracts priced to the electricity exchange Nasdaq Electricity Nordic, liquidity is considered good for the first two to three years. For longer durations there are fewer transactions and higher uncertainty. Similar assessment is made for other markets used for price references. For less liquid periods, adjustments to remove outliers and extrapolation techniques are applied.

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.

Note 5 - Critical accounting judgment and key sources of estimation uncertainty

The application of accounting policies requires that management makes estimates and judgments in determining certain revenues, expenses, assets, and liabilities. The following accounting policies represent areas that are considered more critical, involving a higher degree of judgment and complexity.

Impairment of non-current assets

IAS 36 requires that Hydro assess conditions that could cause an asset or a Cash Generating Unit (CGU) to become impaired and to test recoverability of potentially impaired assets. These conditions include internal and external factors such as Hydro's market capitalization, significant changes in Hydro's planned use of the assets or a significant adverse change in the expected prices, sales volumes or raw material cost. The identification of CGUs involves judgment, including assessment of where active markets exist, and the level of interdependency of cash inflows. For Hydro, the CGU is either the individual plant, a group of plants that forms an integrated value chain where no independent prices for the intermediate products exist, a group of plants that are combined and managed to serve a common market, or a group of assets where circumstances otherwise indicate significant interdependencies.

In accordance with IAS 36, goodwill and certain intangible assets are reviewed at least annually for impairment. If a loss in value is indicated, the recoverable amount is estimated as the higher of the CGU's fair value less cost of disposal, or its value in use. Directly observable market prices rarely exist for our assets, however, fair value may be estimated based on recent transactions on comparable assets, internal models used by Hydro for transactions involving the same type of assets or other relevant information. Calculation of value in use is a discounted cash flow calculation based on continued use of the assets in its present condition, excluding potential exploitation of improvement or expansion potential.

Determination of the recoverable amount involves management estimates on highly uncertain matters, such as commodity prices and their impact on markets and prices for upgraded products, development in demand, inflation, operating expenses and tax and legal systems. We use internal business plans, quoted market prices and our best estimate of long-term development in 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 for the purpose of impairment tests, however, cash flows are generally increased by expected inflation and, where market conditions are depressed, we consider whether full or partial market recovery towards previously observed volumes is justified. Estimated cash flows are discounted with a nominal risk adjusted discount rate. For further information about impairment tests, see note 19 Impairment of non-current assets.

Business combinations

In a business combination, consideration, assets and liabilities are recognized at estimated fair value, and any excess purchase price included in goodwill. Where Hydro had an existing ownership interest in the acquiree, that interest is also reassessed to determine its acquisition date estimated fair value, resulting in the acquisition date gain or loss. In the businesses Hydro operates, fair values of individual assets and liabilities are normally not readily observable in active markets. Estimation of fair values requires the use of valuation models for acquired assets and liabilities as well as ownership interests. Such valuations are subject to numerous assumptions and thus uncertain. The quality of fair value estimates may impact assessment of possible impairment of assets and/or goodwill in future periods.

Contingent assets and liabilities, uncertain assets and liabilities

Liabilities that are uncertain in timing or amount are recognized when a liability arises from a past event and an outflow of cash or other resources is probable and can be reasonably estimated. Contingent liabilities are possible obligations where a future event will determine whether Hydro will be required to make a payment to settle the liability, or where the size of the payment cannot be determined reliably. Material contingent liabilities are disclosed unless a future payment is considered remote. Evaluation of uncertain liabilities and contingent liabilities and assets requires judgment and assumptions regarding the probability of realization and the timing and amount, or range of amounts, that may ultimately be incurred. Such estimates may vary from the ultimate outcome as a result of differing interpretations of laws and facts.

Environmental liabilities and asset retirement obligations

Hydro's industrial and mining activities are subject to a wide range of environmental laws and regulations, including end-of-life remediation regulations. The extent of site and off-site contamination, the remediation methods and requirements that relevant environmental authorities may impose, are uncertain. The long-term use of sites, with increasing awareness of effects of contamination in society, a generally lower acceptance of contamination in communities over time, as well as changes in remediation methods and requirements, contributes to the uncertainty in assessing and measuring such obligations. Remediation and closure activities expected to be conducted far into the future are less accurately measured than near-term planned activities. Consequently, there is significant uncertainty inherent in the estimates. A discussion of Hydro's major provision for environmental and other liabilities is included in note 34 Provisions. Significant contingent obligations are discussed in note 35 Contingent liabilities and contingent assets.

Taxes
Hydro calculates income tax expense based on reported income in the different legal entities. Deferred income tax expense is calculated based on the differences between the carrying value of assets and liabilities for financial reporting purposes and their respective tax basis that are considered temporary in nature. Valuation of deferred tax assets is dependent on management's assessment of future recoverability of the deferred benefit. Expected recoverability may result from expected taxable income in the future, planned transactions or planned tax optimizing measures, all of which may be uncertain. Economic conditions may change and lead to a different conclusion regarding recoverability. Tax authorities in different jurisdictions may challenge Hydro's calculation of taxes payable from prior periods. Such processes may lead to changes to prior periods' taxable income, resulting in changes to income tax expense in the period of change.

Indirect tax regimes are complex in many jurisdictions and cross-border. Basis for such taxes may differ from actual transaction prices. In some jurisdictions, including Brazil, significant credit amounts are generated for use against future indirect and/or income tax payments. The value of such credits depend on future generation of taxes. Economic conditions and tax regulations may change and lead to a different conclusion regarding recoverability. Tax authorities may challenge Hydro's calculation of taxes and credits from prior periods. Such processes may lead to changes to prior periods' operating or financial expenses to be recognized in the period of change.

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 involves 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 discount rates, turnover rate and mortality, as well as future pension increases and salary levels.

Note 6 - Significant subsidiaries and changes to the consolidated group

Acquisition of Sapa
On July 10, 2017, Hydro entered into a contract to acquire 50 percent of the shares in Sapa AS, which was a joint venture owned 50 percent by Hydro and 50 percent by Orkla, a listed company in Norway. Following completion of the transaction on October 2, 2017, Hydro owns 100 percent of the parent company Sapa AS, which is now renamed Hydro Extruded Solutions AS. Hydro's acquisition of Sapa AS in October 2017 resulted in a significant increase in the number of subsidiaries and plants.

The acquisition of Orkla's ownership interest in Sapa confirms Hydro's strategy of being integrated and the combination is intended to make Hydro fully integrated across the value chain and markets. Hydro will increase its strength in technology, research and development, innovation and product development, and the service offering to the customers.

Hydro has paid a cash consideration of NOK 11,860 million for the 50 percent shares acquired on October 2, with certain post-closing adjustments made during December resulting in a payment of NOK 46 million for the shares in January 2018. The pricing is based on an agreed enterprise value of NOK 27 billion for 100 percent of Sapa on a cash and debt free basis, adjusted for certain items such as level of working capital and investments made during 2017. The fair value of Hydro's previously held 50 percent interest in Sapa is measured, using significant unobservable (level3) input, at NOK 8,906 million, resulting in a total value of Sapa's net assets of NOK 20,813 million. A remeasurement gain of NOK 2,171 million, including certain items previously recognized in Other Comprehensive Income of NOK 751 million, was recognized in Other income, net, in 2017.

Acquisition related costs incurred during 2017 were approximately NOK 35 million, included in operating costs.

Hydro has started the process of identifying the fair value of assets acquired and liabilities assumed. This process depends on access to detailed information of Sapa's businesses, and many of these procedures could thus not start before Hydro obtained control with Sapa at completion of the transaction. The estimated fair value of assets and liabilities of Sapa included in the table below are the current estimates based on the valuation of the specific assets and liabilities, which is not yet completed. The valuation of property, plant and equipment and intangible assets is considered good estimates, however, certain quality assurance procedures have not yet been completed.

Sapa had uncertain and contingent liabilities mainly related to historic environmental issues on sites held and sites resold to others prior to Hydro's acquisition, as well as certain tax exposures. Investigation of the magnitude of such uncertain and contingent liabilities is not yet completed. Further, Sapa Profiles Inc, a US subsidiary of Sapa, is under investigation by the United States Department of Justice. The outcome of this investigation is not known, and the estimate included in the summary of assets and liabilities below may thus be changed. As no claim has been specified towards the company, a range of possible outcomes has not been established. Hydro will be entitled to reimbursement from the seller for 50 percent of the amount to be finally paid related to this case, and indemnification for certain environmental costs. The preliminary estimate of contingent obligations in the acquired business included in the table below amounts to about NOK 850 million and a related indemnity asset receivable from the seller of about NOK 130 million.

A preliminary estimate of goodwill in the transaction amounts to NOK 4,119 million, including goodwill recognized in Sapa prior to the acquisition, and is reflected in the preliminary purchase price allocation. Significant contributors to the estimated goodwill are synergies in the transaction, the assembled and skilled work force in the organization as well as the time value of deferred tax liabilities recognized at nominal amounts as required by IFRS.

Any adjustments in later period will impact deferred tax and goodwill in addition to the item valued. Depreciation and amortization of assets may be impacted should the value of property, plant and equipment or intangible assets, or the remaining useful life of such assets, be reconsidered in later periods. The final fair value assessment is required to be completed within 12 months from completion of the transaction, and may differ from these estimates.

Acquired assets and liabilities

NOK million	
Cash and cash equivalents	892
Accounts receivables	8 775
Inventories	6 469
Other current assets	233
Total current assets	16 369
Property, plant and equipment	14 052
Intangible assets, including goodwill	7 016
Other non-current assets	1 969
Total non-current assets	23 037
Total assets acquired	39 405
Bank loans and other interest-bearing short-term debt	3 556
Other current liabilities	10 081
Total current liabilities	13 637
Long-term debt	64
Deferred tax liabilities	2 486
Other non-current liabilities	2 365
Total non-current liabilities	4 915
Net assets acquired	20 853
Non-controlling interests	40
Net assets acquired by Hydro	20 813

The results from January to September for Sapa are reported as result from the 50 percent owned joint venture accounted for under the equity method, no results from the acquired businesses were included in Hydro's consolidated income statement as results from the Group's controlled business as of September 30, 2017. The result for the fourth quarter is included in the consolidated income statement, including certain effects of the acquisition, such as the holding gain on the previously held shares, depreciation and amortization of fair value adjustments related to long-lived assets, and the expensed mark-up on inventory values. The acquired business is reported as a separate segment, Extruded Solutions in the period after the acquisition. Revenue in the acquired business for the fourth quarter of 2017 amounted to NOK 14,153 million. Earnings before financial items and tax (EBIT) from the acquired business, including the expensed mark-up on inventory values amounted to a loss of NOK 449 million for the fourth quarter. Excluding the higher cost of goods sold, EBIT amounted to a positive NOK 258 million.

The following information represents pro forma financial information as if the acquisition was completed as of the beginning of 2017. The pro forma financial information is based on Hydro's financial statements as of December 31, 2017, and Sapa's management reporting as of September 30, 2017. This pro forma financial information is based on the transaction completed by Hydro and Orkla as of October 2, 2017. Terms of the transaction may have been different had the acquisition been completed at an earlier time. Items directly related to the transaction as such, including the holding gain on previously held shares and the expensed mark-up on inventory values as of the transaction date has been excluded from the pro forma information as those items are not considered illustrative for the result of the combined businesses on an ongoing basis. Pro forma information has been prepared for information purposes only, and is not intended to indicate what the results of operations would have been if the transaction had occurred at the beginning of 2017.

Pro forma condensed combined financial information Hydro

NOK million	2017
Revenue	148 920
Earnings before financial items and tax (EBIT)	11 927
Net income	8 090
Net income (loss) attributable to non-controlling interests	402
Net income (loss) attributable to Hydro shareholders	7 687

Hydro issued an information memorandum dated July 31, 2017 describing the acquisition. The document contains more detailed information about the transaction, and is available at www.hydro.com.

Subsidiaries with significant non-controlling interests

The Hydro group consists of about 200 companies in about 40 countries. Most subsidiaries, including the large operating units in Norway and Germany, are 100 percent owned, directly or indirectly, by Norsk Hydro ASA. Restrictions in the ability to transfer dividend based on reported results and/or equity in the relevant subsidiaries exist in most countries where we operate. In some countries, including Brazil, there are also legal restrictions in our ability to integrate cash holdings in subsidiaries in the group's cash pool. There are non-controlling interests in some subsidiaries. The more significant ones are described below.

Albras

Hydro holds 51 percent of the shares in the Brazilian aluminium smelter Alumínio Brasileiro S.A. (Albras), which is part of Primary Metal. The non-controlling owner has significant influence on certain decisions in the entity, including operational and investment budgets. The non-controlling interests in Albras amounted to NOK 2,824 million as of December 31, 2017 and NOK 3,171 million as of December 31, 2016. Funds held by the entity are not available to the group through cash pool arrangements. Dividends need to be approved by the shareholders jointly. The shareholder agreement supports transfer of dividend to the extent possible under statutory regulations. The smelter produces standard ingots, which are sold to its shareholders, or the entities appointed by the shareholders, in proportion to ownership interest at a price based on prevailing aluminium prices at the London Metal Exchange and product premiums.

Slovalco

Hydro holds 55 percent of the total shares and 60 percent of the voting interest in the Slovac smelter Slovalco a.s, which is part of Primary Metal. The non-controlling owner has significant influence on certain decisions in the entity, including operational and investment budgets. The non-controlling interests in Slovalco amounted to NOK 1,036 million as of December 31, 2017 and NOK 1,080 million as of December 31, 2016. Funds held by the entity are not available to the group through cash pool arrangements. Dividends need to be approved by the shareholders jointly. The shareholder agreement supports transfer of dividend to the extent possible under statutory regulations. The smelter produces metal products, of which the majority is sold to Hydro at a price based on prevailing aluminium prices at the London Metal Exchange and product premiums.

Alunorte

Hydro holds about 92 percent of the shares in the Brazilian alumina refinery Alumina do Norte do Brasil S.A. (Alunorte), which is part of Bauxite & Alumina. The non-controlling owners have limited influence on the operational decisions. The non-controlling interests in Alunorte amounted to NOK 1,167 million as of December 31, 2017 and NOK 1,378 million as of December 31, 2016. Funds held by the entity are not available to the group through cash pool arrangements. Dividends need to be approved by the shareholders jointly. The shareholder agreement supports transfer of dividend to the extent possible under statutory regulations. The refinery produces alumina, which is sold to its shareholders in proportion to ownership interest at a price based on prevailing aluminium prices at the London Metal Exchange, with a minimum price based on production cost plus a margin, and a fixed maximum price. Prior to 2017, the minimum price was a fixed amount.

The table below summarizes key figures for Albras, the only subsidiary with non-controlling interests considered material, as included in the group financial statements. Fair value adjustments from Hydro's acquisition of the subsidiary are included. Intercompany transactions and balances are included, and any internal profit and loss in inventory and fixed assets purchased from group companies are not eliminated in the numbers below.

	Albras	
Amounts in NOK million	**2017**	2016
Internal revenue	**3 963**	3 293
External revenue	**3 839**	3 016
Earnings before financial items and tax	**975**	220
Net income	**635**	175
Other comprehensive income	**(18)**	75
Total comprehensive income	**618**	250
Net cash flows from operating activities	**786**	522
Net cash flows from investing activities	**(420)**	(310)
Net cash flows from financing activities	**(381)**	(148)
Cash and cash equivalents	**160**	175
Other current assets	**2 442**	1 288
Non-current assets	**5 018**	6 453
Current liabilities	**(1 362)**	(946)
Non-current liabilities	**(497)**	(500)
Equity attributable to Hydro	**(2 937)**	(3 298)
Equity attributable to non-controlling interests	**(2 824)**	(3 171)
Share of net income attributable to non-controlling interest	**312**	88
Dividends paid to non-controlling interests	**307**	87

There were no other significant changes to the group during 2017 or 2016.

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 products serving different markets. Hydro's reportable segments are the six business areas Bauxite & Alumina, Primary Metal, Metal Markets, Rolled Products, Extruded Solutions, and Energy.

Bauxite & Alumina activities includes bauxite mining activities, production of alumina and related commercial activities, primarily the sale of alumina.

Primary Metal includes primary aluminium production, remelting and casting activities. The main products are comprised of extrusion ingots, foundry alloys, sheet ingot and standard ingot.

Metal Markets includes all sales activities relating to products from our primary metal plants and operational responsibility for Hydro's stand-alone remelters as well as physical and financial metal trading activities.

Rolled Products includes Hydro's rolling mills and the dedicated primary metal plant in Neuss, Germany. 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.

Extruded Solutions delivers products within extrusion profiles, building systems and precision tubing and is present in more than 40 countries. Hydro acquired control with the business as of October 2017, see note 6 Significant subsidiaries and changes to the consolidated group. The previous 50 percent ownership in the business as the joint venture Sapa is also reported as part of the segment now named Extruded Solutions.

Energy includes operating and commercial responsibility for Hydro's power stations in Norway and energy sourcing for Hydro's world-wide operations.

Other consist of Hydro's captive insurance company Industriforsikring, its industry parks, internal service providers, and certain other activities.

Operating segment information

Hydro uses two measures of segment results, Earnings before financial items and tax - EBIT and EBITDA. EBIT is consistent with the same measure for the group, considering the principles for measuring certain intersegment transactions and contracts described below. Hydro defines EBITDA as Income (loss) before tax, financial income and expense, depreciation, amortization and write-downs, including amortization and impairment of excess values in equity accounted investments. Hydro's definition of EBITDA may be different from other companies.

Because Hydro manages long-term debt and taxes on a group basis, Net income is presented only for the group as a whole.

Intersegment sales and transfers reflect arm's length prices as if sold or transferred to third parties at the time of inception of the internal contract, which may cover several years. Transfers of businesses or fixed assets within or between Hydro's segments are reported without recognizing gains or losses. Results of activities not considered part of Hydro's main operations as well as unallocated revenues, expenses, liabilities and assets are reported together with Other under the caption Other and eliminations.

The accounting policies used for segment reporting reflect those used for the group. The following exceptions apply for intersegment transactions: Internal commodity contracts may meet the definition of a financial instrument in IAS 39 or contain embedded derivatives that are required to be reported separately and valued at fair value under IAS 39. However, Hydro considers these contracts as sourcing of raw materials or sale of own production, and accounts for such contracts as executory contracts. Certain other internal contracts may contain lease arrangements that qualify as a finance 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.

	External revenue		Internal revenue		Share of the profit (loss) in equity accounted investments	
Amounts in NOK million	**2017**	2016	**2017**	2016	**2017**	2016
Bauxite & Alumina	**15 188**	12 059	**10 234**	7 484	**-**	-
Primary Metal	**7 578**	5 529	**28 888**	25 333	**745**	96
Metal Markets	**44 264**	39 420	**6 341**	3 834	**-**	-
Rolled Products	**25 538**	22 469	**178**	163	**-**	-
Extruded Solutions [1)]	**14 083**	-	**70**	-	**812**	889
Energy	**2 550**	2 426	**5 155**	4 753	**(7)**	-
Other and eliminations	**18**	50	**(50 865)**	(41 567)	**(24)**	-
Total	**109 220**	81 953	**-**	-	**1 527**	985

Amounts in NOK million	Depreciation, amortization and impairment 2017	2016	Earnings before financial items and tax (EBIT) [2] 2017	2016	EBITDA 2017	2016
Bauxite & Alumina	**2 486**	2 279	**3 704**	1 196	**6 190**	3 475
Primary Metal	**2 026**	1 913	**4 729**	2 285	**6 747**	4 199
Metal Markets	**95**	94	**485**	629	**579**	723
Rolled Products	**860**	799	**512**	953	**1 372**	1 752
Extruded Solutions [1]	**444**	-	**2 522**	889	**2 966**	889
Energy	**223**	210	**1 531**	1 343	**1 757**	1 553
Other and eliminations	**28**	178	**(1 295)**	(285)	**(1 268)**	(107)
Total	**6 162**	5 474	**12 189**	7 011	**18 344**	12 485

Amounts in NOK million	Non-current assets 2017	2016	Total assets [3] 2017	2016	Investments [4] 2017	2016
Bauxite & Alumina	**33 876**	36 641	**41 075**	43 546	**1 634**	3 544
Primary Metal	**30 827**	31 297	**42 950**	40 573	**3 537**	3 396
Metal Markets	**1 292**	1 147	**7 802**	6 955	**143**	101
Rolled Products	**9 094**	8 253	**19 513**	16 629	**997**	1 615
Extruded Solutions [1]	**26 174**	8 399	**41 946**	8 399	**22 137**	-
Energy	**5 645**	5 208	**6 677**	6 247	**361**	318
Other and eliminations	**1 821**	3 477	**3 364**	8 444	**39**	162
Total	**108 730**	94 422	**163 327**	130 793	**28 848**	9 137

1) The Extruded Solutions segment includes the business acquired as a 100 percent owned subsidiary in fourth quarter 2017. For the previous periods, the segment includes the same business reported as 50 percent owned joint venture, reported using the equity method. See note 6 Significant subsidiaries and changes to the consolidated group for further information.

2) 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.

3) Total assets exclude internal cash pool accounts and accounts receivables related to group relief.

4) Additions to property, plant and equipment (capital expenditures) plus long-term securities, intangible assets, long-term advances and investments in equity accounted investments, including amounts recognized in business combinations.

The identification of assets, non-current assets and investments is based on location of operation. Included in non-current 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 [4]	
Amounts in NOK million	**2017**	2016	**2017**	2016	**2017**	2016
Norway	**3 094**	2 986	**22 500**	28 007	**2 722**	3 404
Germany	**15 354**	12 490	**11 511**	8 431	**3 171**	1 636
Spain	**4 656**	3 920	**732**	89	**578**	3
Poland	**4 618**	3 102	**543**	-	**476**	-
Italy	**4 422**	3 075	**362**	-	**317**	-
France	**4 102**	2 769	**2 690**	36	**2 601**	6
United Kingdom	**3 932**	3 844	**1 295**	77	**654**	4
The Netherlands	**2 687**	1 905	**1 319**	675	**677**	23
Austria	**2 324**	1 620	**298**	-	**291**	-
Denmark	**1 933**	1 443	**900**	-	**900**	-
Sweden	**1 545**	945	**805**	-	**808**	-
Belgium	**1 394**	1 092	**1 370**	-	**1 188**	-
Czech Republic	**1 134**	715	**-**	-	**-**	-
Hungary	**1 061**	622	**1 329**	-	**1 324**	-
Portugal	**883**	639	**172**	-	**173**	-
Slovakia	**721**	466	**1 230**	1 140	**288**	45
Other	**2 051**	1 385	**212**	143	**55**	21
Total EU	**52 818**	40 033	**24 768**	10 591	**13 502**	1 739
Switzerland	**5 031**	4 042	**157**	296	**1**	-
Turkey	**1 827**	1 363	**2**	-	**2**	-
Other Europe	**906**	566	**-**	-	**-**	-
Total Europe	**63 675**	48 990	**47 426**	38 895	**16 221**	5 144
USA	**13 225**	7 101	**8 885**	779	**8 244**	44
Canada	**742**	613	**2 071**	1 931	**409**	64
Brazil	**5 484**	3 700	**37 172**	40 618	**2 551**	3 856
Mexico	**1 023**	870	**222**	-	**195**	-
Other America	**653**	206	**104**	-	**108**	-
Singapore	**4 586**	2 870	**2**	-	**2**	-
Japan	**4 277**	3 665	**2**	3	**-**	-
China	**2 321**	1 627	**743**	-	**714**	-
South Korea	**2 135**	1 879	**-**	-	**-**	-
Qatar	**1 957**	1 682	**10 931**	11 461	**-**	-
India	**1 248**	774	**232**	-	**123**	-
Saudi Arabia	**1 099**	1 619	**-**	-	**-**	-
Taiwan	**986**	685	**-**	-	**-**	-
Thailand	**838**	742	**-**	-	**-**	-
Malaysia	**832**	431	**-**	-	**-**	-
Bahrain	**441**	445	**240**	-	**220**	-
Other Asia	**2 119**	2 666	**44**	-	**11**	-
Australia and New Zealand	**767**	941	**656**	735	**45**	29
Africa	**810**	448	**-**	-	**-**	-
Total outside Europe	**45 544**	32 963	**61 303**	55 527	**12 627**	3 993
Total	**109 220**	81 953	**108 730**	94 422	**28 848**	9 137

Note 8 - Board of Directors' statement on executive management remuneration

Board of Directors' statement on executive 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 executive 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 generally accepted industry standards in the country in question. Where appropriate this package should, in addition to the base salary, comprise a performance-based incentive, which combined, should reflect individual performance."*

Process for determination of remuneration

The Board of Directors has appointed a separate compensation committee. The committee currently includes the board chair, deputy chair and one employee-elected board member. 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 to the Board of Directors and the CEO, and is primarily responsible 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 remuneration matters which the committee finds to be of material or principal importance for Hydro.
- Overseeing the company's process for succession planning.

Key principles for determination of remuneration in 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 general meeting to be held in May 2018. The Board of Directors proposes that the principles set forth below shall apply for 2018 and up until the annual general meeting in 2019.

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 the company. The total remuneration will be rooted in the company's objective of being competitive, but not a remuneration leader, within the relevant labor markets, while at the same time reflecting Hydro's international focus and presence.

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 consists of a fixed compensation, performance-based bonus, share-based long-term incentive plan, employee share plan, pension and insurance arrangements and, in certain cases, a severance pay arrangement. The Board of Directors will continue to ensure moderation in executive management remuneration.

Fixed compensation

The fixed compensation 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 labor market and general salary trends.

Variable compensation

Bonus
The maximum annual performance-based bonus payable to the CEO is equal to 50 percent of annual base salary. The maximum annual performance-based bonus payable to the other members of the Corporate Management Board appointed on Norwegian employment terms is equal to 40 percent of 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 with the objective of having parameters that are ambitious and balanced, and objective and measurable, and which reflect the varied nature of Hydro's operations. The annual bonus shall be determined on the basis of overall achievement of the following elements:

(a) achievement of one or more pre-defined financial targets for underlying EBIT,

(b) achievement of strategic, operational, financial and organizational goals, referred to as “key performance indicators” (KPIs). Depending on the business area, these goals includes,

- productivity and improvements including optimizing of production and margins,
- resource allocation and availability,
- cost reduction and control,
- investment projects,
- technology,
- quality control,
- health, safety, environment, corporate social responsibility and compliance,
- customer relations,
- organization development,

(c) contribution to the company's development, as well as compliance with and the promotion of Hydro's core values (The Hydro Way) and achievement of individual targets, and

(d) the Board of Directors' overall discretionary assessment.

Bonus payments are not taken into account when determining the basis for pensionable salary.

Long Term Incentive (LTI)
The company has a share-based long-term incentive plan for the CEO and the other members of the Corporate Management Board of up to 30 percent of annual base salary. The plan is evaluated and determined annually by the Board of Directors. LTI payments are dependent on Hydro achieving positive underlying earnings before interest and tax (EBIT) for the previous financial year.

Payments will be based partly on return on capital employed achieved in the company, and partly on return on capital employed achieved in proportion to a weighted average of return on capital employed achieved by a group of peer companies. Recipients of LTI payments are required to invest the net amount (after tax) in Hydro shares with a lock-in period of three years. Any holder of such shares who voluntarily terminates his or her employment during such a three-year period must pay to the company an amount equal to the after-tax value of the relevant shares at or around the last day of employment. LTI payments are not taken into account when determining the basis for pensionable salary.

The company does not offer options or other similar arrangements.

Other share-based compensation

The CEO and other members of the Corporate Management Board appointed on Norwegian employment terms are eligible to participate in Hydro's discounted employee share purchase plan on the same terms as all other eligible employees (as described in Note 17 Employee remuneration).

Pensions

Company pension plans

There are two pension plans in Hydro in Norway, defined benefit and defined contribution. The defined contribution plan was established on March 1, 2010 at the same time as the defined benefit plan was closed to new entrants. A cash compensation scheme has been established for employees who have been transferred from the defined benefit plan to the defined contribution plan and for whom a deficit in pension capital resulting from the transfer has been estimated.

As of January 1, 2018, approximately 81 percent of the permanent employees in Norway, including six members of the Corporate Management Board, are members of the defined contribution plan. The rest, including the CEO and two members of the Corporate Management Board, are members of the defined benefit plan.

The defined contribution plan stipulates payments into the plan equaling six percent of salary between 0G and 12G, where "G" is the Norwegian National Insurance basic amount, and an additional payment of 14 percent of salary between 7.1G and 12G (totaling 20 percent in this salary range). The defined benefit plan implies a pension right of approximately 65 percent of pensionable salary subject to full service period (minimum 30 years).

Hydro Extruded Solutions AS (formerly Sapa AS) has its own defined contribution pension plan with other contribution rates. This plan covers all of the company's employees appointed on Norwegian employment terms.

12G plan

The company has closed the plan funded through operations for earning pension on the portion of any salary exceeding 12G ("12G plan") such that employees with salaries exceeding 12G prior to the plan being closed remain in the plan, while employees with salaries below 12G on the date of closing will not be included in the plan even if their salary later exceeds 12G. New employees, including new members of the Corporate Management Board (recruited internally or externally), will not be offered the possibility to earn pension on the portion of salary exceeding 12G.

For employees with a defined contribution plan, the 12G plan stipulates that an amount equivalent to 20 percent of the portion of salary exceeding 12G is allocated as a vested (pension) right. For employees with a defined benefit plan, the 12G plan stipulates that the portion of salary exceeding 12G is included in the final salary that forms the basis for calculating pension.

The CEO and six members of the Corporate Management Board appointed on Norwegian employment terms are among those still covered by the 12G plan. In connection with Hydro acquiring 100 percent of the shares in Sapa AS (now Hydro Extruded Solutions AS) on October 2, 2017, the company acquired two new members on the Corporate Management Board. These two members earned pension on the portion of salary exceeding 12G in Sapa, but have not been included in Hydro's 12G plan. Instead, an agreement has been reached on an annual cash payment to compensate for the loss of such earnings.

Hydro Extruded Solutions AS has its own plan funded through operations for earning pension on the portion of any salary exceeding 12G.

Early retirement plans

The company's early retirement plans (discussed below) were closed for new members in 2011 and 2012 respectively. Members of the Corporate Management Board who were included in the plans at the time of closing are still covered by the plans.

The CEO and six members of the Corporate Management Board appointed on Norwegian employment terms have a right to retire at the age of 65 with an entitlement to 65 percent of pensionable salary until the age of 67.

The CEO and two members of the Corporate Management Board also have the right to retire after the age of 62. In the case of the CEO, the Board may request him to do so. From the age of 62, defined pension benefits consist of 60 percent of pensionable salary. From the age of 65, the entitlement is 65 percent of pensionable salary (in accordance with the scheme described in the foregoing paragraph).

The pensionable salaries of the CEO and the two abovementioned members of the Corporate Management Board have been capped. The pensionable salary caps are subject to annual adjustment in accordance with the adjustment of the Norwegian National Insurance basic amount. Following the adjustment as of 1 January, 2018, the pensionable salaries are capped at NOK 7,330,150 for the CEO and NOK 4,496,631 for the two members of the Corporate Management Board.

Retirement age
Implementation of a new internal company age limit (70), combined with new flexible rules for pension withdrawals, mean that Hydro in Norway no longer employs the concept of retirement age. In the company's defined benefit pension plan, employees will continue to earn pension up until 67 years of age.

Insurance
The CEO and other members of the Corporate Management Board appointed on Norwegian employment terms are covered by insurance arrangements applicable to Hydro employees with a rank of vice president or higher.

Termination agreement

Severance pay
In the event the CEO's employment is terminated unilaterally by Hydro, the CEO has a contractual right to severance pay for 12 months, but not beyond the age of 62.

Two members of the Corporate Management Board have a similar arrangement as the CEO, i.e. right to severance pay for 12 months, but without the limitation of 62 years. Other members of the Corporate Management Board appointed on Norwegian employment terms have a right to severance pay for six months

None of the Corporate Management Board's employment contracts gives the right to severance pay if the employee has initiated the termination of employment.

Loss of severance pay
The CEO's employment contract contains provisions on the loss of severance pay if there are grounds for summary dismissal. Other employment contracts include provisions on the loss of severance pay in the event of gross breach of duty and/or other material breach.

Reduction of severance pay
The CEO's employment contract and the contracts of five members of the Corporate Management Board appointed on Norwegian employment terms include provisions stating that other income shall reduce severance pay. The other four contracts based on Norwegian terms include clauses stating that other income shall not reduce severance pay.

Notice period
All members of the Corporate Management Board appointed on Norwegian employment terms have a six-month notice period.

General
The company has no specific guidelines for severance packages, but when recruiting for corporate management in recent times, it has followed a practice whereby the total of salary during the notice period and severance pay does not exceed 12 months' salary.

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.

Silvio Porto, head of Hydro's business area Bauxite & Alumina, is employed by Norsk Hydro Brasil Ltda. and is covered by two local schemes for variable compensation: one short-term and one long-term incentive scheme, each with a potential of just over ten months of base salary. Both incentive schemes are performance-based as described under "Variable compensation / Bonus" above. The Board of Directors' overall assessment is that Porto's total remuneration framework is in accordance with market practice in Brazil.

Porto is also covered by the Corporate Management Board's share-based LTI plan on the same terms as the other members of the Corporate Management Board.

Key principles for determining compensation during the previous financial year

The compensation of the CEO and the other members of the Corporate Management Board for the financial year 2017 was based on the guidelines presented at the annual general meeting in 2017.

In July 2017, the Board of Directors decided to increase the CEO's base salary by 2.8 percent, from NOK 6,217,000 to NOK 6,391,000 effective 1 January, 2017.

Bonus payments for 2016 were determined and paid in 2017 on the basis of the principles described above. Bonus payments for 2017 were determined in March 2018 on the basis of the principles described above.

LTI for 2016 was determined and paid in 2017 based on previously applicable principles, while LTI for 2017 will be determined during the first half of 2018 based on the principles described above.

Bonus and LTI for 2017 will be paid during the first half of 2018. See also Note 9 – Management remuneration.

Note 9 - Management remuneration

Corporate management board members' salaries and other benefits, number of LTI-shares allocated, as well as Hydro share ownership as of December 31, 2017 and 2016 are presented in the table below. Unless otherwise stated, Hydro did not have any loans to or guarantees made on behalf of any of the corporate management board members in 2017 and 2016.

Name	Base salary 1) 2)	Maximum bonus potential 1) 2)	Salary paid 1) 3)	Other benefits paid 1) 3)	Compen-sation pension paid 1) 3)	Bonus earned 1) 3)	Long-term incentive (LTI) earned 1) 3)	Pension benefits 1) 4)	LTI-shares allocated 3)	Hydro share ownership 5)
2017										
Svein Richard Brandtzæg	6 391	3 196	6 643	482	-	2 364	1 192	3 619	20 351	231 475
Eivind Kallevik	3 400	1 360	3 287	276	47	1 040	634	1 624	8 222	50 535
Silvio Porto6)	3 645	5 823	3 722	1 102	-	3 697	680	234	-	-
Hilde Aasheim	3 329	1 332	3 439	218	-	1 017	621	2 361	8 833	82 287
Kjetil Ebbesberg	3 955	1 515	3 955	708	146	695	656	1 224	8 715	47 857
Egil Hogna7)	5 253	525	2 595	69	265	401	245	134	-	20 000
Arvid Moss	3 098	1 239	3 164	275	-	881	578	2 745	8 222	147 203
Anne-Lene Midseim	2 477	991	2 552	162	107	758	462	933	6 571	21 221
Inger Sethov	2 270	908	2 338	268	142	694	423	891	6 012	19 184
Katarina Nilsson7)	2 600	260	1 207	140	58	179	121	33	-	-
Hanne Simensen8)	2 477	743	2 572	264	95	550	346	913	6 571	19 646
2016										
Svein Richard Brandtzæg	6 217	3 109	6 390	300	-	2 331	1 865	2 578	29 180	210 613
Eivind Kallevik9)	3 014	1 206	3 481	306	107	934	754	1 045	11 788	41 802
Silvio Porto6)	2 615	-	2 615	776	-	-	-	193	-	-
Hilde Aasheim	3 238	1 295	3 331	173	-	935	810	1 801	12 662	72 943
Kjetil Ebbesberg	3 859	1 472	3 859	721	203	889	920	969	12 469	38 631
Arvid Moss	3 014	1 206	3 321	256	-	854	754	2 080	11 788	138 470
Anne-Lene Midseim	2 409	964	2 471	195	165	723	602	729	9 422	14 139
Inger Sethov	2 204	882	2 266	283	200	635	551	674	8 620	12 661
Hanne Simensen	2 409	964	2 501	279	154	694	602	723	9 422	12 564
Alberto Fabrini10)	3 738	2 276	3 459	822	-	1 912	-	112	16 799	24 884

1) Amounts in NOK thousand. Amounts paid by subsidiaries outside Norway have been translated to NOK at average exchange rates for each year.

2) Annual base salary per December 31, or per the date of stepping down from the Corporate Management Board. Maximum bonus potential is for the year presented, and for the period as corporate management board member.

3) Salary is the amount paid to the individual during the year presented, and includes vacation pay. Other benefits is the total of all other cash and non-cash related benefits received by the individual during the year presented and includes such items as the taxable portion of insurance premiums, car and mileage allowances and electronic communication items. For most individuals, compensation pension is the amount paid to compensate for future pension shortfall estimated at the time of transition from Hydro's defined benefit pension plans to the defined contribution plan in line with an arrangement applicable to all affected employees in Norway. For Egil Hogna and Katarina Nilsson, compensation pension is the amount paid to compensate for lower pension benefits in Hydro compared to those of former employer Sapa AS (now Hydro Extruded Solutions AS). Bonus is the amount earned in the year presented, including vacation pay, based on performance achieved as corporate management board member. The LTI plan benefit reflects gross (pre-tax) amounts earned in the year presented, and results in LTI shares allocated in the following year. For 2017, the LTI benefits reported represent estimates. For corporate management board members on net salary employment contracts, benefits have been converted to estimated gross (pre-tax) amounts.

4) Pension benefits include the estimated change in the value of defined pension benefits, and reflects both the effect of earning an additional year's pension benefit and the adjustment to present value of previously earned pension rights (interest element). It is calculated as the increase in the Defined Benefit Obligations (DBO) calculated with stable assumptions. 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 is as of December 31, or per the date of stepping down from the Corporate Management Board.

6) Silvio Porto became member of the Corporate Management Board as of December 13, 2016. Porto's compensation as corporate management board member commenced January 1, 2017. In addition to the performance related pay arrangement for all members of the Corporate Management Board, Porto has a cash-paid long-term incentive which is payable over three years with payments partly dependent on salary levels and business results in the following two years, included in bonus. The reported bonus amount represents an estimate.

7) Egil Hogna and Katarina Nilsson became members of the Corporate Management Board as of October 2, 2017. From this date, Hogna and Nilsson have retention agreements that vest after 12 months and six months, respectively. Hogna and Nilsson earned NOK 1,313 thousand and NOK 546 thousand under these agreements in 2017, respectively. These amounts are included in column Salary paid in the table above.

8) Hanne Simensen stepped down from the Corporate Management Board as of October 2, 2017.

9) From October 18 until December 13, 2016, Kallevik was appointed acting EVP/Head of Bauxite & Alumina business area, for which he received an extra remuneration of NOK 368 thousand that is included in the table above. During this period, Kallevik remained in his position as CFO

10) Alberto Fabrini stepped down from the Corporate Management Board and left Hydro as of October 18, 2016. In addition to the benefits included in the table above, Fabrini received salary in his notice period ended November 24, 2016, as well as other statutory benefits at termination, amounting to NOK 1,320 thousand. Fabrini had no work obligations for Hydro in the notice period. Fabrini was not required to make any payments to Hydro for non-vested LTI shares at termination of employment. In addition to the performance related pay arrangement for all members of the Corporate Management Board, Fabrini had a cash-paid long-term incentive which was payable over three years with payments partly dependent on salary levels and business results in the following two years, included in bonus. The reported bonus amount is final.

Note 10 - Board of Directors and Corporate Assembly

Board of Directors' remuneration and share ownership

The remuneration to the Board of Directors consists of the payment of fees and travel compensation. Travel compensation is paid to members living outside Scandinavia who attend meetings in person, with an amount of NOK 10,000 (unchanged from 2016) per meeting. Board members do not have any incentive or share-based compensation. Hydro has not made any guarantees on behalf of any of the board members. The only board members with loans from Hydro 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 2017 for the chairperson of the board, deputy chairperson and directors are NOK 626,000 (2016: NOK 615,000), NOK 392,000 (2016: NOK 385,000) and NOK 343,000 (2016: NOK 337,000), respectively. The chairperson of the audit committee and the chairperson of the compensation committee receive an additional NOK 198,000 (2016: NOK 195,000) and NOK 114,000 (2016: NOK 112,000) annually in fees, respectively, and audit and compensation committee members receive NOK 129,000 (2016: NOK 127,000) and NOK 86,000 (2016: NOK 84,000) annually, respectively, for their participation on these committees. No fees are paid to the board observer.

Total board fees and individual board member fees for 2017 and 2016, and outstanding loans and board member share ownership as of December 31, 2017 and 2016, are presented in the tables below.

Board of Directors' fees

Amounts in NOK thousand	**2017**	2016
Fees and other remuneration - normal board activities	**3 419**	3 746
Fees - compensation committee	**286**	315
Fees - audit committee	**531**	502
Total fees for board services provided to Hydro during the year	**4 236**	4 563

	Board fees [1]		Outstanding loans [1] [2]		Number of shares [3]	
Board member / observer	**2017**	2016	**2017**	2016	**2017**	2016
Dag Mejdell [4]	**740**	727	**-**	-	**35 000**	35 000
Irene Rummelhoff [5]	**478**	449	**-**	-	**5 000**	5 000
Finn Jebsen [6]	**541**	486	**-**	-	**53 406**	53 406
Thomas Schulz [7]	**343**	197	**-**	-	**-**	-
Liv Monica Stubholt [8]	**472**	464	**-**	-	**-**	-
Marianne Wiinholt [9]	**418**	197	**-**	-	**-**	-
Billy Fredagsvik [10] [11]	**418**	411	**87**	175	**4 587**	4 076
Sten Roar Martinsen [11] [12]	**429**	421	**-**	-	**5 643**	5 132
Svein Kåre Sund [11] [13]	**200**	-	**49**		**5 208**	
Tor Egil Skulstad [11] [14]	**-**	-	**-**		**-**	
Ove Ellefsen [11] [15]	**197**	390	**-**	-	**8 972**	8 461
Pedro Rodrigues [16]	**-**	387	**-**	-	**-**	-
Inge K. Hansen [17]	**-**	242		-		12 000
Eva Persson [18]	**-**	193		-		-
Total	**4 236**	4 563	**137**	175	**117 816**	123 075

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, 2017 and 2016 for board members as of December 31, 2017 and 2016; otherwise loans are as of the date the individual stepped down from the Board of Directors. At the end of 2017, the loan to Billy Fredagsvik had an interest rate of 7.5 percent, with a repayment period of 11 months. At the end of 2017, the loan to Svein Kåre Sund had an interest rate of 7.5 percent, with a repayment period of 13 months. All payments have been made in a timely fashion and in accordance with the agreed payment schedule. Loans have not been extended to close members of family and controlled entities.
3) Number of shares owned as of December 31, 2017 and 2016 for board members as of December 31, 2017 and 2016; 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 May 26, 2016. Member of the board compensation committee.
6) Chairperson of the board audit committee as of May 26, 2016. Member of the board compensation committee until May 26, 2016.
7) Member of the board as of May 26, 2016.
8) Member of the board audit committee.
9) Member of the board audit committee as of June 7, 2017. Member of the board as of May 26, 2016.
10) Member of the board audit committee until August 1, 2016, and as of June 7, 2017.
11) 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.
12) Member of the board compensation committee.
13) Member of the board as of May 23, 2017.
14) Observer on the board as of October 2, 2017.
15) Member of the board and the board audit committee until May 23, 2017. Member of the board audit committee as of August 1, 2016.
16) Member of the board until January 1, 2017.
17) Deputy chairperson of the board and chairperson of the board audit committee until May 26, 2016.
18) Member of the board and member of the board audit committee until May 26, 2016.

Corporate Assembly

Corporate Assembly members owned 23,047 shares as of December 31, 2017. 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 210 thousand as of December 31, 2017. The interest rates on these loans are 3.15 percent and 7.50 percent, with a repayment period between five and seven years.

Note 11 - Related party information

As of December 31, 2017, The Norwegian state had ownership interests of 34.7 percent of total shares outstanding (2016: 34.7 percent) in Hydro through the Ministry of Trade, Industry and Fisheries. In addition, Folketrygdfondet, which manages the Government Pension Fund - Norway [1] held 6.5 percent (2016: 6.2 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.

The Norwegian state has ownership interests in a substantial number of companies. The ownership interests in 74 companies are managed by the ministries and covered by public information from the Ministry of Trade, Industry and Fisheries [2]. We have not assessed which of these companies that are controlled by the State. Hydro has business transactions with a number of these companies, including purchase of power from Statkraft SF. Generally, transactions are agreed independent of the possible control exercised by the State.

The public enterprise Enova, which supports new energy and climate-related technology development in Norway, decided in June 2014 to contribute up to NOK 1.6 billion to Hydro's pilot project for new electrolysis technology at Karmøy, Norway. The contribution was approved by the European Free Trade Association, EFTA, in February 2015 with the first payment in July 2015. The majority of the grant has been paid over the preparation and building period. As of the end of 2017, a total of NOK 1,244 million was received. The final project report to Enova is planned to be issued towards the middle of 2018, with final payments after approval of report, which is estimated during the second half of 2018.

A significant share of Hydro's defined benefit post-employment plans is managed by the independent pension trust, Norsk Hydro Pensjonskasse. Employees managing and operating the pension trust are employees of Norsk Hydro ASA. Their salaries and other benefits are reimbursed by the pension trust on a monthly basis, in total NOK 8 million for both 2017 and 2016. Further, the pension trust is located in Hydro's head office. Office costs, including heating and administrative services, are charged with a total of NOK 2 million for 2017 and NOK 5 million for 2016.

The pension trust owns some of the office buildings rented by Hydro. The rental arrangement was entered into in 2006, and priced based on market price benchmarks at that time. Hydro has paid a total of NOK 142 million and NOK 152 million for 2017 and 2016, respectively, related to the contract, of which NOK 23 million was outstanding at year end 2017. In 2013, Hydro concluded that the rental contract was loss making, and in December 2015 the contract was renegotiated, reducing the area rented. Hydro pays compensation for reduced rental level related to this area, and certain costs including identified maintenance projects over the remaining contract period until 2021. Such costs are included in the amounts above. The remaining provision as of December 31, 2017 was NOK 315 million.

The members of Hydro's board of directors during 2017 and 2016 are stated in note 10 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 transaction with some of those companies; however, have not identified any transactions where the relationship is known to have influenced the transaction. The board member Liv Monica Stubholt is partner in the Norwegian law firm Advokatfirmaet Selmer DA. Selmer has had assignments for Hydro resulting in fees of NOK 2.0 million in 2017 and NOK 2.0 million in 2016. Stubholt has not been involved in these services to Hydro. Some close family members of members of Hydro's management are employed in non-executive positions in Hydro.

Hydro's significant joint arrangements and transactions with those entities are described in note 31 Investments in joint arrangements and associates. Hydro has joint arrangements with a number of other companies. Generally, the relationships are limited to a combined effort within a limited area. Hydro considers the joint venture partners as competitors in other business transactions, and do not see these relationships as related party relationships.

1) Shareholding is based on information from the Norwegian Central Securities Depositary (VPS) as of December 31, 2017 and 2016. Due to lending of shares, an investor's holdings registered in its VPS account may vary.

2) According to information on the Government web site www.regjeringen.no, state ownership.

Note 12 - 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 2017 compared to previous years.

Commodity price risk exposure

Aluminium

Hydro produces primary aluminium, aluminium casthouse products both based on primary aluminium and remelted aluminium, and fabricated aluminium products. Hydro also engages in sourcing and trading activities to procure raw materials and primary aluminium for internal use and for resale to customers. These activities serve to optimize capacity utilization, reduce logistical costs and strengthen our market positions. Hydro also participates in trading activities within strict volume and risk limits.

Hydro enters into future contracts on 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 businesses, remelting, and the sale of third party products are based on margins above the LME price, Hydro seeks to offset the metal price exposure when entering into customer and supplier contracts with corresponding physical or derivative future contracts at fixed prices (back-to-back hedging). Hydro manages these exposures on a portfolio basis, taking LME positions based upon net exposures within given limits. Aluminium price volatility can result in significant fluctuations in earnings as the derivative positions are marked to their market value with changes to market value recognized in the income statement, while the underlying physical metal transactions normally are not marked-to-market, except for those included in trading portfolios. The majority of Hydro's LME contracts mature within one year.

Hydro's sales of primary aluminium, aluminium casthouse products and fabricated aluminium products include a premium above the LME aluminium price. The pricing of these premiums can be volatile, and is related to physical demand and supply, with regional and product-related differences. Over the later years, these premiums have been a higher share of the revenue than historic averages, however, have during 2017 been closer to historic averages. There are limited possibilities for hedging future premiums, except for standard ingot premiums, for which a forward market exists. Hydro has from time to time entered into contracts for standard ingot premiums to mitigate risk in sales contracts.

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.

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 older alumina purchase and sale contracts are priced as a percentage of the LME aluminium price. New contracts, and thus an increasing part of the contracts, are purchased and sold with reference to a spot market price index.

Hydro is a producer and consumer of bauxite. Hydro's needs for bauxite are secured through long-term contracts as well as by own production. The purchasing contracts have links to the LME aluminium price and to alumina indexes. Bauxite is sold under medium and short-term contracts with prices linked to the alumina price index or open price negotiations.

Electricity
Hydro is a large power consumer with significant power production. Hydro's consumption is mainly secured through long-term contracts with power suppliers and through Hydro's own production in Norway. Hydro's own production is influenced by hydrological conditions which can vary significantly. The net power position in Norway is balanced out in the Nordic power market. In order to manage and mitigate risks related to price and volume fluctuations, Hydro utilizes physical contracts and derivatives including future contracts, forwards and options. Hydro also participates in trading activities within strict volume and risk limits.

A significant part of Hydro's power purchase contracts are linked to aluminium prices in order to mitigate market price risk related to the sales of its aluminium products. These contract elements are separated from their host contracts and accounted for as derivatives. Further, some power contracts in Norway are priced in Euro. There is no consensus that the Euro is a commonly used currency in the relevant market, the euro price clauses are thus accounted for separately as currency forwards.

Other raw materials
Hydro is party to both long-term and short-term sourcing agreements for a range of raw materials and services with both fixed and variable prices. Such agreements include pitch, petroleum coke, caustic, natural gas, coal, fuel oil and freight. The number of purchasing agreements with prices linked to the price of other commodities such as aluminium is limited and the fair value exposure is considered to be immaterial.

Foreign currency risk exposure

The prices of Hydro's upstream products bauxite, alumina and primary aluminium, are mainly denominated in US dollars. Margins for mid- and downstream products are mainly priced in US dollars and Euro. Further, the prices of major raw materials used in Hydro's production processes, are quoted in US dollars in the international commodity markets. Hydro also incurs local costs related to the production, distribution and marketing of products in a number of different currencies, mainly Norwegian Krone, Brazilian Real, Euro and US dollar.

Hydro's primary underlying foreign currency risk is consequently linked to fluctuations in the value of the US dollar and Euro 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 impact of exchange rate fluctuations, long-term debt is mainly maintained in currencies reflecting underlying exposures and cash generation, while considering attractiveness in main financial markets. To reduce the effects of fluctuations in the US dollar and other exchange rates, Hydro also uses foreign currency swaps and forward currency contracts from time to time.

Foreign currency risk exposure in financial instruments
Short-term receivables and payables are often held in currencies other than the functional currency of the unit. Fluctuations between the functional currency and the currency in which the receivable or payable is denominated are reported in Financial expense. Borrowings and deposits may be denominated in other currencies than the functional currency of the unit. Fluctuations between the functional currency and the instrument's currencies, both short and long term, impact the recognized value of the debt or deposit, and are reported in Financial expense. Embedded currency derivatives in non-financial contracts, including the Euro priced electricity contracts discussed above, contains a currency exposure with changes to the fair value of the embedded derivative included in Financial expenses. Investments in equity and debt instruments of other entities are often impacted by changes in currency exchange rates. To the extent such investments are carried at fair value, the currency changes are included in the changes of fair value and reported as an integral part of such changes.

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, Swedish Krone, Euro, US dollars and Brazilian real. The corresponding interest rate exposures are consequently related to Norwegian Krone, Swedish Krone, Euro, US dollar and Brazilian real 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 in note 13 Financial instruments.

Credit risk management

Hydro manages credit risk by setting counterparty risk limits and establishing procedures for monitoring exposures and timely settlement of customer accounts. Prepayments or guarantees are required where credit risk is outside the limits set for the relevant counterpart. 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 such as the London Metal Exchange, Nasdaq, and banks. 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 equity, long-term bond or bank debt in available markets.

Repayments of long-term debt are disclosed in note 33 Short and 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.

Risk of significant cash payments or margin calls related to derivative instruments is limited due to strict volume limits, value-at-risk and tenor limits for relevant trading activities.

Information about derivatives and other financial instruments held, including sensitivity analysis, is presented in note 13 Financial instruments.

Expected gross cash flows from derivatives accounted for as financial liabilities and financial assets, respectively, as of end of year:

	December 31, 2017		December 31, 2016	
Amounts in NOK million	Liabilities	Assets	Liabilities	Assets
2017			(408)	396
2018	(456)	526	(23)	40
2019	(47)	47	(9)	5
2020	(14)	12	(4)	-
Total	(517)	585	(444)	441

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 14 Derivative instruments and hedge accounting.

Note 13 - 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. A reconciliation of the financial instruments in Hydro is presented below:

Amounts in NOK million	Financial instruments at fair value through profit or loss [1]	Derivatives identified as hedging instruments	Loans and receivables	Available-for-sale financial assets [2]	Other financial liabilities [3]	Non-financial assets and liabilities [4]	Total
2017							
Assets - current							
Cash and cash equivalents	-	-	11 828	-	-	-	11 828
Short-term investments	1 053	-	257	-	-	-	1 311
Trade and other receivables	-	-	17 031	-	-	2 953	19 983
Other current financial assets	602	-	-	-	-	-	602
Assets - non-current							
Investments accounted for using the equity method	-	-	1	-	-	11 220	11 221
Other non-current assets	268	-	960	1 505	-	1 678	4 410
Liabilities - current							
Bank loans and other interest-bearing short-term debt	-	-	-	-	8 245	-	8 245
Trade and other payables	-	-	-	-	12 318	7 243	19 561
Other current financial liabilities	645	8	-	-	2	-	655
Liabilities - non-current							
Long-term debt	-	-	-	-	9 012	-	9 012
Other non-current financial liabilities	2 004	37	-	-	-	-	2 041
2016							
Assets - current							
Cash and cash equivalents	-	-	8 037	-	-	-	8 037
Short-term investments	1 067	-	3 544	-	-	-	4 611
Trade and other receivables	-	-	8 902	-	-	1 982	10 884
Other current financial assets	457	-	-	-	-	-	457
Assets - non-current							
Investments accounted for using the equity method	-	-	2	-	-	19 805	19 807
Other non-current assets	47	-	713	1 667	-	1 882	4 309
Liabilities - current							
Bank loans and other interest-bearing short-term debt	-	-	-	-	3 283	-	3 283
Trade and other payables	-	-	-	-	5 860	4 247	10 108
Other current financial liabilities	446	79	-	-	-	-	526
Liabilities - non-current							
Long-term debt	-	-	-	-	3 397	-	3 397
Other non-current financial liabilities	867	201	-	-	-	-	1 067

1) Financial instruments at Fair Value Through Profit or Loss (FVTPL) are trading instruments required by IAS 39 to be at FVTPL.
2) Includes the investment in the independent pension trust Norsk Hydros Pensjonskasse, carried at cost.
3) Items disclosed under this category are financial liabilities at amortized cost.
4) Includes items that are excluded from the scope of IFRS 7, such as investments accounted for using the equity method, except loans to such entities.

The above specification relates to financial statement line items containing financial instruments.

Hydro's liability to acquire the remaining shares in Paragominas, which was recognized net of certain warranties measured at fair value, was settled in December 2016, resulting in a gain.

Financial assets, classified as current and non-current, represent the maximum exposure Hydro has towards credit risk as at the reporting date.

Collateral or margin calls are required for some financial liabilities, primarily related to derivative transactions. Such collaterals for financial instruments are reported as part of Short-term investments.

Impairment of receivables are disclosed in note 25 Trade and other receivables. No other financial assets are currently impaired based on credit losses.

Gains and losses

Realized and unrealized gains and losses from financial instruments and contracts accounted for as financial instruments are included in several line items in the income statement. 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]
2017							
Income statement line item							
Revenue	541	-	-	-	-	-	541
Raw material and energy expense	281	85	-	-	-	-	366
Financial income	(44)	-	-	(115)	-	-	(158)
Financial expense	811	-	-	-	-	-	811
Gain/loss directly in Other comprehensive income							
Recognized in Other comprehensive income (before tax)				266			
Removed from Other components of equity and recognized in the income statement				-			
2016							
Income statement line item							
Revenue	(13)	-	-	-	-	-	(13)
Other income	(254)	-	-	-	-	-	(254)
Raw material and energy expense	141	124	-	-	-	-	265
Other expense	(141)	-	-	-	-	-	(141)
Financial income	(27)	-	-	(77)	-	-	(104)
Financial expense	(795)	-	-	-	-	-	(795)
Gain/loss directly in Other comprehensive income							
Recognized in Other comprehensive income (before tax)				71			
Removed from Other components of equity and recognized in the income statement				-			

1) Amount indicates the total gains and losses to financial instruments for each specific income statement line item.

Currency effects, with the exception of currency derivatives, are not included above. Negative amounts indicate a gain.

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, 2017 and December 31, 2016. 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 the income statement, 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	Foreign currency exchange rates			Commodity prices		Interest	
Amounts in NOK million	December 31, 2017 [1]	USD	EUR	Other	Aluminium	Other	rates	Other
Derivative financial instruments [2]	(1 574)	(1)	(2 018)	(3)	-	-	21	-
Other financial instruments [3]	2 088	(160)	128	(214)	-	-	2	31
Derivative commodity instruments [4]	(205)	(56)	23	11	(130)	(41)	(14)	(3)
Financial instruments through OCI [5]	924	282	(5)	-	-	33	(122)	95

		Gain (loss) from 10 percent increase in						
	Fair value as of	Foreign currency exchange rates			Commodity prices		Interest	
Amounts in NOK million	December 31, 2016 [1]	USD	EUR	Other	Aluminium	Other	rates	Other
Derivative financial instruments [2]	(805)	-	(1 625)	-	-	-	9	-
Other financial instruments [3]	10 261	(146)	299	87	-	-	3	31
Derivative commodity instruments [4]	(4)	(103)	(8)	-	(323)	(50)	2	(5)
Financial instruments through OCI [5]	852	277	(28)	-	-	18	(98)	91

1) The change in fair value due to price changes is calculated based on pricing formulas for certain derivatives, the Black-Scholes/Turnbull-Wakeman models for options and the net present value of cash flows for certain financial instruments or derivatives. Discount rates vary as appropriate for the individual instruments.

2) Includes forward currency contracts and embedded currency derivatives.

3) Includes cash and cash equivalents, investments in 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 Nordic Power contracts, which are accounted for at fair value.

5) Includes shares classified as available-for-sale and hedging derivatives.

The above sensitivity analysis reflects sensitivities for the instruments held at the balance sheet dates only. Related offsetting physical positions, contracts, and anticipated transactions are not reflected. The calculations do not take into consideration any 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 above discussion about Hydro's risk management policies and the estimated amounts included in the sensitivity analysis relates to the balance sheet position as of December 31. Outcomes at other dates could differ materially based on actual developments in the global markets and Hydro's positions. The methods used by Hydro to analyze risks discussed above should not be considered as projections of future events, gains or losses.

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	**2017**	**Level 1**	**Level 2**	**Level 3**	2016	Level 1	Level 2	Level 3
Assets								
Commodity derivatives	**845**	**451**	**199**	**195**	504	139	339	26
Currency derivatives	**25**	**25**	**-**	**-**	-	-	-	-
Securities held for trading	**1 053**	**331**	**722**	**-**	1 067	317	740	10
Available for sale financial assets	**969**	**-**	**-**	**969**	1 132	-	-	1 132
Total	**2 893**	**808**	**921**	**1 164**	2 703	456	1 080	1 167
Liabilities								
Commodity derivatives	**(1 049)**	**(419)**	**(157)**	**(473)**	(508)	(62)	(398)	(47)
Currency derivatives	**(1 600)**	**(34)**	**(1 566)**	**-**	(805)	-	(805)	-
Cash flow hedges	**(45)**	**-**	**-**	**(45)**	(280)	-	-	(280)
Total	**(2 694)**	**(453)**	**(1 723)**	**(519)**	(1 593)	(62)	(1 203)	(328)

The following is an overview in which changes in level 3 measurements are specified:

Amounts in NOK million	Commodity derivatives Assets	Commodity derivatives Liabilities	Currency derivatives Liabilities	Cash flow hedges	Available for sale financial assets	Other
December 31, 2015	167	(221)	-	(443)	1 263	360
Total gains (losses)						
in income statement	(146)	85	-	-	(10)	408
in Other comprehensive income	-	-	-	39	(71)	-
Settlements	4	98	-	124	-	(738)
Currency translation difference	-	(10)	-	-	(51)	(21)
December 31, 2016	26	(47)	-	(280)	1 132	10
Total gains (losses)						
in income statement	174	(473)	-	-	-	-
in Other comprehensive income	-	-	-	149	(266)	-
Purchases	-	-	-	-	7	-
Reclassified to level 2	-	-	-	-	-	(5)
Settlements	(1)	51	-	86	-	(5)
Currency translation difference	(4)	(3)	-	-	98	-
December 31, 2017	195	(473)	-	(45)	969	-
Total gains (losses) for the period	174	(473)	-	149	(266)	-
Total gains (losses) for the period included in the income statement for assets held at the end of the reporting period	174	(473)	-	-	-	-

Gains or losses relating to level 3 commodity derivatives appearing in the table 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. Effects shown below are largely also representative of increases in rates or prices by 10 percent but with the opposite sign convention. The following is an overview of such sensitivity:

	Gain (loss) from 10 percent decrease in				
Amounts in NOK million	USD	EUR	Aluminium	Other commodity	Interest rates
Commodity derivatives	69	-	20	41	16
Cash flow hedges	-	5	-	(33)	-
Available for sale financial assets	(337)	-	-	-	142

Note 14 - Derivative instruments and hedge accounting

Derivative instruments, whether physically or financially settled, are accounted for under IAS 39. All derivative instruments are accounted for at fair value with changes in the fair value 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 the principles for which physical commodity contracts that are accounted for as derivatives, and which are considered own use, see note 2 Significant accounting policies.

Embedded derivatives

Some contracts contain pricing links that affect cash flows in a manner different than the underlying commodity or financial instrument in the contract. For accounting purposes, these embedded derivatives are in some circumstances separated from the host contract and recognized at fair value. Hydro has separated and recognized at fair value embedded derivatives related to currency, aluminium, inflation and coal links from the underlying contracts.

Commodity derivatives

The following types of commodity derivatives were recorded at fair value on the balance sheet as of December 31, 2017 and December 31, 2016. 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 includes the fair value of traditional derivative instruments such as futures, forwards and swaps, in conjunction with the physical contracts accounted for at fair value, as well as embedded derivatives.

Amounts in NOK million	**2017**	2016
Assets		
Electricity contracts	**175**	320
Aluminium futures, forwards and options	**719**	395
Other	**164**	153
Netting	**(213)**	(364)
Total	**845**	504
Liabilities		
Electricity contracts	**(162)**	(409)
Coal forwards	**(397)**	(364)
Aluminium futures, forwards and options	**(704)**	(99)
Netting	**213**	364
Total	**(1 049)**	(508)

Embedded derivatives are classified based on the underlying in the contract feature constituting a separable embedded derivative in the table above. Where there are more than one embedded derivative in the same host contract, those embedded derivatives are offset in settlement an thus presented net on the balance sheet.

Changes in the fair value of commodity derivatives are included in operating revenues or cost of goods sold based on classification of host contract for embedded derivatives and on the purpose of the instrument for freestanding derivatives.

Cash flow hedges

Hydro has to a limited extent used cash flow hedge accounting for its risk management positions. 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 or cost when the corresponding forecasted sale or consumption 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.

No ineffectiveness was recognized in the income statement in 2017 or 2016.

The table below gives aggregated numbers related to the cash flow hedges for the period 2016 to 2017.

	2018	**2017**	2016
Expected to be reclassified to the income statement during the year (NOK million)	(8)	**(73)**	(33)
Reclassified to the income statement from Other components of equity (NOK million) 1)		**(79)**	(81)

1) Deviates from expected reclassifications due to changes in market prices throughout the year. Negative amounts indicate a loss.

Liabilities of NOK 45 million and NOK 280 million were recognized as the fair value of cash flow hedging instruments for December 31, 2017 and 2016, respectively.

Hydro performs trading operations to reduce currency exposures on commodity positions. The effect of such operations is recognized as a part of Financial expense in the income statement.

For the after tax movement in Hydro's equity relating to cash-flow hedges for 2017 and 2016, please see note 37 Shareholders' equity.

Fair Value of Derivative Instruments

The fair 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 Nordic Power/EEX (European Energy Exchange) respectively. The fair value of other commodity over-the-counter contracts and swaps is based on quoted market prices, estimates obtained from brokers and other appropriate valuation techniques. Where long-term physical delivery commodity contracts are recognized at fair value in accordance with IAS 39, such fair market values are based on quoted forward prices in the market, and assumptions of forward prices and margins where market prices are not available. Hydro takes credit-spread into consideration when valuating positions when necessary.

For further information on fair values, see note 4 Measurement of fair value. See note 13 Financial instruments for a specification of the classification of derivative positions according to a fair value hierarchy.

Note 15 - Other income

Amounts in NOK million	**2017**	2016
Gain on sale of property, plant and equipment	**30**	102
Net gain (loss) on sale of subsidiaries, associates and joint ventures 1)	**2 177**	234
Revenue from utilities 2)	**89**	161
Rental revenue	**42**	85
Government grants 3)	**498**	64
Other 4)	**110**	385
Other income, net	**2 947**	1 030

1) Amount in 2017 related mainly to the net remeasurement gain on the previously owned shares in Sapa. Gain in 2016 mainly related to the sale of Herøya Industripark AS.

2) Revenue from utilities includes quay structures, pipe network, tank terminal, process water and grid rental.

3) Government grants consist mainly of export grants in Brazil.

4) Other includes royalties and insurance compensations. Amount in 2016 also includes a gain of NOK 254 million related to the settlement of a contingent consideration related to the acquisition of certain businesses from Vale.

Note 16 - Raw material and energy expense

Amounts in NOK million	**2017**	2016
Raw material expense and production related cost	**70 050**	52 364
Change in inventories own production	**(202)**	(213)
Raw material and energy expense	**69 848**	52 151

Raw material expense and production related cost include effect of commodity derivative instruments. See note 14 Derivative instruments and hedge accounting.

Note 17 - Employee remuneration

Employee share purchase plan

Hydro has established a share purchase plan for employees in Norway. The plan payout is based on 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. Employees are invited to purchase shares with a rebate of 50 percent for a value of NOK 12,500 or NOK 25,000, depending on shareholder return. The share purchase is financed through a non-interest bearing loan from the company with a repayment period of 12 months.

Compensation expense related to the 2016 performance measurement period was accrued and recognized over the service period of December 31, 2016 through March 31, 2017, the final acceptance date of the offer. In 2017 and 2016 the participation rates of eligible employees in the employee share purchase plan were 92 and 85 percent, respectively. Details related to the employee share purchase plan are provided in the table below.

Employee share purchase plan **Performance measurement period**	2017	2016	2015
Total shareholder return performance target achieved	≥12%	≥12%	<12%
Employee rebate offered, NOK	12 500	12 500	6 250

Share purchase plan compensation	**2017**	2016
Award share price, NOK	**48.40**	34.53
Number of shares issued, per employee	**511**	378
Total number of shares issued to employees	**1 729 735**	1 184 274
Compensation expense related to the award, NOK thousand	**41 496**	21 293

Employee benefit expense

The average number of employees in Hydro for 2017 and 2016 was 18,422 and 12,924, respectively. As of year end 2017 and 2016, Hydro employed 34,625 and 12,911 people, respectively. Employees in joint operations are not included. The specification of employee benefit expenses, including employee benefits in joint operations, is given in the table below.

Employee benefit expense

Amounts in NOK million	**2017**	2016
Salary	**10 434**	7 407
Social security costs	**1 660**	1 183
Other benefits	**400**	316
Pension expense (note 36)	**791**	579
Total	**13 285**	9 485

Note 18 - Depreciation and amortization expense

Specification of depreciation and amortization by asset category

Amounts in NOK million	**2017**	2016
Buildings	**930**	790
Machinery and equipment	**5 004**	4 146
Intangible assets	**222**	105
Depreciation and amortization expense	**6 156**	5 041

Note 19 - Impairment of non-current assets

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 with the exception of goodwill and assets from recent acquisitions where the allocation of fair values is provisionally determined as of the 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/or, if appropriate, its fair value less cost of disposal (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 8.75 and 16.0 percent (2016: 9.0-17.25 percent), with the higher rates applicable for assets in Brazil. Impairment losses have been recognized where the recoverable amount is less than the carrying value.

Goodwill and intangible assets with indefinite life are required to be tested for impairment 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. 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.

Amounts in NOK million	**2017**	2016
Classification by asset category		
Impairment losses		
Property, plant and equipment	**5**	428
Intangible assets	**-**	5
Total impairment of non-current assets	**5**	433

Classification by segment		
Impairment losses		
Bauxite & Alumina	**-**	294
Rolled Products	**-**	-
Primary Metal	**-**	(6)
Metal Markets	**-**	-
Extruded Solutions	**5**	-
Energy	**-**	5
Other activities	**-**	140
Total impairment of non-current assets	**5**	433

Goodwill is allocated to CGUs or groups of CGUs as shown in the following table:

Amounts in NOK million	**2017**	2016
Bauxite & Alumina Operations	**2 572**	2 740
Remelters sector (Metal Markets)	**388**	396
Total goodwill	**2 960**	3 135

In addition, an amount of goodwill is provisionally recognized related to the acquisition of Sapa, see note 6 Significant subsidiaries and changes to the consolidated group. The amount of goodwill finally recognized is likely to change as the values of assets and liabilities are determined. The allocation of goodwill to CGUs or groups of CGUs within the segment Extruded Solutions will be determined when the amount of goodwill is determined. The goodwill related to Extruded Solutions has not been tested for impairment in 2017.

Goodwill in Bauxite & Alumina is allocated to a CGU consisting of the Alunorte alumina refinery, the main bauxite source Paragominas and certain related activities. The recoverable amount has been determined based on a VIU calculation, and amounts to about NOK 42 billion. The value significantly exceeds the carrying value of NOK 27 billion. The calculation used cash flow forecasts in BRL based on internal plans approved by management covering a five-year period. All significant price assumptions are internally derived based on external references. Cash flows have been projected for the following 35 years based on the five-year detailed forecast period using Hydro's long-term assumptions for alumina prices and key raw material prices. The CGU is expected to remain in operation for at least the 40-year period. Improvements expected from the currently implemented improvement programs and certain planned equipment replacements are included. Further improvements are not included in the cash flow forecasts. Cash flows beyond the five-year period are inflated by the expected long-term inflation levels in Brazil and the main western economies.

The main assumptions, expressed in real 2017 values, to which the test is sensitive are shown in the table below:

	Assumptions	
	2018	Long-term
Exchange rate BRL/USD	3.25	3.47
Alumina price (USD/mt)	357	398
Production volume alumina (million mt)	6.4	6.4
Discount rate nominal, pre-tax	16.0 %	16.0 %

Significant cash flows are denominated in US dollars. These are translated to BRL at a rate of 3.25 for 2018 with an increase to a nominal rate of 4.10 in 2025, equal to a real exchange rate of 3.47. For future periods the exchange rate is projected with a rate development reflecting the inflation difference of 2.5 percentage points between international inflation and the higher expected Brazil specific inflation.

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 2017 assumptions over the entire 40-year period:

	% change	Value
Exchange rate BRL/USD	(15%)	2.77
Alumina price (USD/mt)	(9%)	326
Production volume alumina (million mt)	(15%)	5.4
Discount rate (% point)	42 %	22.75%

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.

Hydro also has indefinite life intangible assets of NOK 138 million related to the Vigeland power plant in Norway. This CGU is tested for impairment using a FV approach based on observed transaction values for power production assets in the Nordic region. The recoverable amount, estimated as a post-tax fair value, exceeds the carrying amount significantly.

In 2017 we identified an impairment indicator for the primary aluminium plant at Husnes, Norway. The recoverable amount was determined as the VIU based on Hydro's internal assumptions for aluminium prices, raw material prices including energy, currency exchange rates and timing of cash flows. Contract prices are used for raw materials and energy for periods covered by specific contracts with external suppliers. For periods where such consumption is not yet contracted, or where internal supply of such items as electric power and alumina is expected, estimated market prices are used. Power prices above the currently observed market prices combined with CO_2 compensation to energy intensive industry is assumed. Hydro has decided to upgrade and restart the closed line, which is assumed in the test. The recoverable amount exceeded the carrying amount of about NOK 0.4 billion significantly.

In 2016 we identified impairment indicators for two of Primary Metal's smelters, the Husnes smelter in Norway, and the Slovak smelter Slovalco. VIU for Slovalco, which had a carrying value of PPE of about NOK 1.1 billion, exceeded carrying amount by about 80 percent. Coverage for the Husnes plant, which had a carrying value of PPE of about NOK 0.4 billion, was more limited. No impairment write-down was recognized for these plants.

The carrying amount of CAP, an alumina refinery under construction in Para, Brazil, was reviewed during 2016. The project is currently on hold due to the alumina market balance, and Hydro has reviewed the design that is basis for the current engineering work capitalized. It was determined that a better design, improving the cost position when built, can be developed. About 40 percent of the carrying value of the project was thus written down as impaired, resulting in a charge of NOK 285 million.

An industrial park in Hanover, Germany, was assessed for remediation need and future use in 2016. Hydro has currently no operational activity in the park. Industrial activities has resulted in remediation needs with an estimated cost of about NOK 90 million, recognized as an asset retirement obligation increasing the carrying value of the site to NOK 140 million. As the site has limited sales value, the amount was immediately written down to zero. The site is part of Other activities.

In addition certain assets were written down as impaired due to physical damage or obsolescence both in 2017 and 2016.

See note 5 Critical accounting judgment and key sources of estimation uncertainty for additional information about impairment testing. Impairment assessment for investments in associates, joint ventures and other financial assets are discussed in the specific notes.

Note 20 - Research and development

Total expensed research and development cost was NOK 500 million in 2017 and NOK 370 million in 2016. Research and development activities are aiming at making production of aluminium more efficient including further improving the operational and environmental performance of Hydro's electrolysis technology. The Karmøy Technology Pilot will be important for verifying the next generation electrolysis technology at an industrial level, which is necessary for reducing the risk of implementing new technology. The Karmøy Technology Pilot started production in January 2018. A significant proportion of the research and development means are also used for further developing the production processes and products within casting and alloy technology as well as extruded solutions, rolled products and alumina.

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 were NOK 24 million in 2017 and NOK 18 million in 2016.

Note 21 - 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 2017	771	1 283	284	2 338
Operating lease obligation 2016	144	368	253	766

Operating lease expense for office space, machinery and equipment amounts to NOK 311 million for 2017 and NOK 202 million for 2016.

Note 22 - Financial income and expense

Amounts in NOK million	**2017**	2016
Interest income	**322**	468
Dividends received and net gain (loss) on securities	**159**	105
Financial income	**481**	574
Interest expense	**(378)**	(362)
Capitalized interest	**76**	97
Net foreign exchange gain (loss)	**(875)**	2 266
Accretion	**(368)**	(409)
Other	**(51)**	(41)
Financial expense	**(1 596)**	1 552
Financial income (expense), net	**(1 114)**	2 126

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 23 - Income taxes

Amounts in NOK million	2017	2016
Income before tax		
Norway	**6 954**	4 627
Other countries	**4 121**	4 510
Total	**11 075**	9 137
Current taxes		
Norway	**1 715**	690
Other countries	**860**	1 297
Current income tax expense	**2 575**	1 988
Deferred taxes		
Norway	**(315)**	100
Other countries	**(369)**	464
Deferred tax expense (benefit)	**(685)**	563
Total income tax expense (benefit)	**1 891**	2 551

Components of deferred taxes

Origination and reversal of temporary differences	**(311)**	(427)
Change in deferred tax asset from tax loss carryforwards	**269**	709
Effect of tax rate changes	**(171)**	(6)
Net change in unrecognized deferred tax assets	**(207)**	288
Tax (expense) benefit allocated to Other comprehensive income	**(265)**	(1)
Deferred tax expense (benefit)	**(685)**	563

Reconciliation of tax expense to Norwegian nominal statutory tax rate

Amounts in NOK million	2017	2016
Expected income taxes at statutory tax rate [1)]	**2 658**	2 284
Hydro-electric power surtax [2)]	**708**	554
Equity accounted investments	**(372)**	(246)
Foreign tax rate differences	**(142)**	305
Favorable decisions in tax disputes [3)]	**(108)**	(602)
Tax free income	**(601)**	(209)
Deferred tax asset not recognized and expired tax loss carryforwards	**(144)**	221
Other tax benefits and deductions with no tax benefits, net [4)]	**(108)**	243
Income tax expense (benefit)	**1 891**	2 551

1) Norwegian nominal statutory tax rate is 24 percent. It is changed to 23 percent from 2018.

2) A surtax of 34.3 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. The tax rate is changed to 35.7 percent from 2018.

3) The Norwegian Tax Appeal Board has in both 2017 and 2016 ruled in favor of Hydro in tax disputes. This relates to losses on refinancing of subsidiaries that were denied deduction for tax purposes. The 2017 decision relates to losses incurred in 2009-2011 while the 2016 decision relates to losses incurred in 2008

4) A US tax reform was enacted in December 2017 and resulted in significant changes to existing tax law in several areas, including corporate tax rates. From 2018 the corporate income tax rate (federal) is 21 percent compared to 35 percent in 2017. The reduced tax rate has resulted in a decrease in the deferred tax liability and hence a positive effect on the income tax expense in 2017. The effect is included in the line Other tax benefits and deductions with no tax benefits, net.

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, 2017 and December 31, 2016:

Amounts in NOK million	**Assets 2017**	**Liabilities 2017**	Assets 2016	Liabilities 2016
Inventory valuation	**375**	**(558)**	246	(304)
Accrued expenses	**1 477**	**(278)**	1 005	(293)
Property, plant and equipment	**10 097**	**(15 936)**	5 003	(9 554)
Intangible assets	**1 538**	**(2 368)**	1 052	(1 156)
Pensions	**2 747**	**(1 274)**	2 415	(1 078)
Derivatives	**536**	**(145)**	369	(120)
Other	**162**	**(724)**	352	(792)
Tax loss carryforwards	**5 187**		3 536	
Subtotal	**22 120**	**(21 282)**	13 979	(13 296)
Of which not recognized as tax asset	**(2 743)**		(1 501)	
Gross deferred tax assets (liabilities)	**19 377**	**(21 282)**	12 477	(13 296)
Net deferred tax assets (liabilities)		**(1 905)**		(819)

Reconciliation to balance sheets	**2017**	2016
Deferred tax assets	**1 617**	1 566
Deferred tax liabilities	**3 522**	2 384
Net deferred tax assets (liabilities)	**(1 905)**	(819)

Recognition of net deferred tax asset is based on expected taxable income in the future.

At the end of 2017, Hydro had tax loss carryforwards of NOK 16,853 million, mainly in Brazil, Spain, Australia, Italy and Belgium. The majority of the tax loss carryforwards expire after 2022. Of the total, NOK 13,571 million is without expiration. Tax assets are recognized for about 49 percent of the tax losses.

Note 24 - Short-term investments

Amounts in NOK million	**2017**	2016
Bank, time deposits	**-**	3 350
Equity securities	**315**	312
Debt securities	**738**	756
Other	**257**	194
Total short-term investments	**1 311**	4 611

Note 25 - Trade and other receivables

Amounts in NOK million	2017	2016
Trade receivables	16 591	8 676
VAT and other sales taxes	2 008	1 478
Other receivables	1 438	759
Allowance for credit losses	(54)	(29)
Trade and other receivables	19 983	10 884

Of total trade receivables at year end 2017, about nine percent were past due, with the majority within 30 days. Extruded Solutions has a higher share of overdue receivables than the average of the other business areas.

Note 26 - Inventories

Amounts in NOK million	2017	2016
Spare parts and raw materials	5 990	3 654
Work in progress	5 052	3 666
Alumina	1 189	803
Aluminium casthouse products	4 393	2 903
Fabricated products	4 249	1 355
Inventories	20 873	12 381

Raw materials includes purchased raw materials such as bauxite, caustic soda, oil, coal and other input factors used in the production; however, excluding alumina and aluminium intended for use in Hydro's production of other products. All amounts are net of any write-downs.

Note 27 - Other non-current assets

Amounts in NOK million	2017	2016
Equity securities	969	1 132
Other securities	537	536
Employee loans	100	105
Derivative instruments	268	47
Income taxes, VAT and other sales taxes	1 678	1 882
Other receivables	857	607
Other non-current assets	4 410	4 309

Note 28 - Property, plant and equipment

Amounts in NOK million	Land	Buildings	Machinery and equipment	Plant under construction	Total
Cost					
December 31, 2015	1 110	23 291	76 039	4 101	104 541
Additions	11	538	4 033	4 369	8 950
Disposals	(13)	(848)	(1 615)	(3)	(2 480)
Transfers	-	602	1 505	(2 107)	-
Foreign currency translation effect	(47)	930	3 630	484	4 997
December 31, 2016	1 060	24 512	83 592	6 844	116 009
Additions	4	519	2 602	4 212	7 338
Acquisitions through business combinations	738	3 198	9 102	1 014	14 052
Disposals	(13)	(209)	(1 881)	(57)	(2 162)
Transfers [1)]	-	4 036	3 531	(7 567)	-
Foreign currency translation effect	101	(178)	(462)	(82)	(621)
December 31, 2017	1 891	31 878	96 484	4 363	134 616
Accumulated depreciation and impairment					
December 31, 2015	(5)	(10 679)	(42 683)	-	(53 367)
Depreciation for the year	-	(790)	(4 146)	-	(4 936)
Impairment losses	-	(138)	(10)	(285)	(434)
Reversal of impairment loss	-	-	6	-	6
Disposals	-	650	1 516	-	2 166
Transfers	-	(11)	11	-	-
Foreign currency translation effect	-	(131)	(567)	(13)	(710)
December 31, 2016	(5)	(11 098)	(45 873)	(298)	(57 275)
Depreciation for the year	-	(930)	(5 004)	-	(5 934)
Impairment losses	(2)	-	(3)	-	(5)
Disposals	-	128	1 696	-	1 824
Transfers [1)]	-	(719)	719	-	-
Foreign currency translation effect	-	(3)	(221)	18	(206)
December 31, 2017	(8)	(12 621)	(48 686)	(280)	(61 596)
Carrying value					
December 31, 2016	1 055	13 414	37 719	6 545	58 734
December 31, 2017	1 882	19 257	47 797	4 083	73 020

1) Transfers includes reclassification of certain industrial structures following renewed assessment.

The table above includes assets held under finance lease arrangements by a total of NOK 739 million, which are mainly included in Machinery and equipment.

Note 29 - 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, 2015	233	747	139	940	1 036	983	4 078
Additions	84	-	-	70	-	33	186
Disposals	-	-	-	(6)	-	(19)	(25)
Transfers	(27)	-	-	27	-	-	-
Foreign currency translation effect	-	133	-	9	184	5	331
December 31, 2016	289	880	139	1 041	1 220	1 001	4 570
Additions	65	-	-	84	-	17	167
Acquisitions through business combinations	2	-	-	250	-	2 645	2 897
Disposals	-	-	-	(88)	-	(30)	(118)
Transfers	(95)	-	-	94	-	-	-
Foreign currency translation effect	1	(54)	-	38	(75)	150	60
December 31, 2017	263	826	139	1 420	1 146	3 783	7 576
Accumulated amortization and impairment							
December 31, 2015	-	-	-	(740)	(353)	(597)	(1 690)
Amortization for the year [1)]	-	-	-	(84)	(68)	(21)	(172)
Impairment loss	-	-	-	-	-	(5)	(5)
Disposals	-	-	-	5	-	10	16
Foreign currency translation effect	-	-	-	3	(70)	23	(44)
December 31, 2016	-	-	-	(815)	(491)	(589)	(1 895)
Amortization for the year [1)]	-	-	-	(132)	(73)	(90)	(295)
Disposals	-	-	-	87	-	5	93
Foreign currency translation effect	-	-	-	(30)	33	(38)	(35)
December 31, 2017	-	-	-	(890)	(531)	(713)	(2 133)
Carrying value							
December 31, 2016	289	880	139	226	729	412	2 675
December 31, 2017	263	826	139	530	615	3 070	5 443

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 have indefinite life and are thus not depreciated.

Note 30 - Goodwill

Amounts in NOK million	Extruded Solutions	Bauxite & Alumina	Metal Markets	Total
Cost				
December 31, 2015	-	2 325	408	2 734
Foreign currency translation effect	-	414	(13)	402
December 31, 2016	-	2 740	396	3 135
Acquisitions through business combinations	4 119	-	-	4 119
Foreign currency translation effect	190	(168)	(8)	14
December 31, 2017	4 309	2 572	388	7 269

See note 19 Impairment of non-current assets for information about the annual impairment testing of goodwill.

The goodwill in Extruded Solutions relates to the acquisition of Sapa, see note 6 Significant subsidiaries and changes to the consolidated group. The amount of goodwill in this transaction is provisionally recognized, and is likely to change as the values of assets and liabilities are determined.

Note 31 - Investments in joint arrangements and associates

Hydro is engaged in various arrangements on a joint basis with other companies. In assessing whether joint control exists for these arrangements we evaluate the legal framework and contracts governing the arrangement combined with an assessment of which decisions that significantly influence the return from the arrangement. Arrangements owned on a 50/50 basis and/or governed by unanimous decisions constitute the majority of our joint arrangements.

Most of our joint arrangements are joint production facilities supplying metal and other products for Hydro's value chain. Hydro assesses whether joint arrangements are joint operations where Hydro has a direct interest in the assets and direct liability to settle obligations, directly or indirectly, or a joint venture where we have an interest in the net assets of the joint arrangement. In this assessment we evaluate the contracts governing the arrangement and the legal framework for the type of entity in which the arrangement is operated. Hydro is engaged in both joint arrangements that are considered joint ventures, and arrangements that are concluded to be joint operations.

Joint operations

Of our joint operations, two are classified as joint operations based on the legal form of the operations. These are Tomago, an aluminium smelter in Australia, and Skafså ANS, a power producer in Norway. Another two arrangements are classified as joint operations based on the contractual arrangements whereby all output is sold to the shareholders in proportion to their ownership interest at a cost based price formula. The major or sole sources of cash inflows for the joint arrangements are the owners, who are legally obliged to cover production costs. These are Aluminium Norf GmbH (Alunorf), a large rolling mill in Germany, and Aluminium & Chemie Rotterdam B.V., Aluchemie, an anode producer in the Netherlands.

Joint ventures

The following joint ventures are considered material for Hydro:

Qatar Aluminium Ltd. (Qatalum) is a primary aluminium smelter with a dedicated power plant located in Qatar. Qatalum has an annual production capacity of about 600,000 mt of liquid metal. Qatalum is owned by Hydro and Qatar Petroleum Ltd., (50 percent each). Qatalum has a tax holiday from the start of production, expiring in 2020. According to the joint venture agreement it is the generally applicable tax rate that will apply after 2020. A tax reform came into effect from 2010, which introduced a generally applicable corporate income tax rate of 10 percent. A different tax rate may apply to entities with oil and gas operations or where the activities are carried out under an agreement with the government or entities owned by the government, unless the agreement specifies another tax rate. It is Hydro's position that the generally applicable income tax rate, currently at 10 percent, shall apply to Qatalum after the expiry of the tax holiday.

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 11,363 million in 2017 and NOK 9,346 million in 2016. Related payables amounted to NOK 1,051 million at the end of 2017 and NOK 1,017 million at the end of 2016. Sales from Hydro to Qatalum amounted to NOK 2,222 million in 2017 and NOK 1,892 million in 2016, primarily alumina. Related receivables amounted to NOK 128 million and NOK 337 million at the end of the periods. Qatalum is part of Primary Metal.

Sapa AS, a world leader in aluminium solutions delivering products within extrusions, building systems and precision tubing, was established in September 2013 as a joint venture between Hydro and Orkla ASA, a listed company in Norway. On October 2, 2017, Hydro acquired the additional 50 percent owned by Orkla ASA. Following completion of the transaction, Hydro owns 100 percent of the parent company Sapa AS, which has been renamed Hydro Extruded Solutions AS. All activities in the former Sapa group have been included in Hydro as business area Extruded Solutions. For further information about the transaction, please see note 6 Significant subsidiaries and changes to the consolidated group.

Hydro issued certain guarantees towards Sapa as part of establishing the company, primarily related to tax exposure. A provision of about NOK 100 million was recognized for these guarantees during the time of joint venture. Hydro sold metal products to Sapa at market prices. Sales from Hydro to Sapa amounted to NOK 3,916 million in the period up until completion of the acquisition, from January 1, 2017 to October 2, 2017, and NOK 4,650 million in 2016. Hydro's accounts receivables amounted to NOK 616 million at the end of 2016.

The table below summarizes key figures for these joint ventures for 2017 and 2016. The figures are on the same basis as used for inclusion in the group financial statements. Fair value adjustments from Hydro’s contribution of assets and businesses to the joint ventures are included. Intercompany transactions and balances are included, and internal profit and loss in inventory and fixed assets purchased from group companies are not eliminated in the numbers below. All amounts are for the joint ventures on 100 percent basis. The 2017 income and expense amounts for Sapa are for the joint venture period January 1, 2017 to October 2, 2017. All balance sheet amounts are at the end of the years 2017 and 2016.

	Qatalum Year/year ended		Sapa Period owned	
Amounts in NOK million	**2017**	2016	**2017**	2016
Revenue	**11 645**	9 577	**43 616**	53 327
Depreciation, amortization and impairment	**2 301**	2 284	**974**	1 319
Earnings before financial items and tax	**1 963**	687	**2 240**	2 420
Financial income (expense), net [1)]	**(472)**	(495)	**(107)**	(52)
Income tax expense	**-**	-	**(533)**	(583)
Net income (loss)	**1 491**	192	**1 600**	1 785
Other comprehensive income	**194**	210	**(168)**	(857)
Total comprehensive income	**1 685**	403	**1 432**	928
Cash and cash equivalents	**3 133**	3 054	**-**	671
Other current assets	**4 168**	4 160	**-**	12 546
Non-current assets	**30 940**	34 451	**-**	12 722
Current financial liabilities	**1 854**	1 385	**-**	863
Non-current financial liabilities	**12 931**	15 516	**-**	124
Other liabilities	**1 426**	1 843	**-**	11 152
Net assets	**22 031**	22 921	**-**	13 801
Hydro's share of net assets	**11 015**	11 461	**-**	6 873
Goodwill in Hydro's investment	**-**	-	**-**	1 526
Accumulated elimination of internal gain in inventory	**(85)**	(39)	**-**	(26)
Carrying value of Hydro's equity investment	**10 930**	11 421	**-**	8 374
Loans extended to joint ventures	**-**	-	**-**	-
Total investment	**10 930**	11 421	**-**	8 374

1) Financial income (expense), net includes interest expense for Qatalum with NOK 467 million and NOK 481 million for 2017 and 2016, respectively. Interest expense for Sapa is included with NOK 87 million for the period January 1, 2017 to October 2, 2017, and NOK 183 million for 2016.

As part of the acquisition of Sapa, Hydro acquired an ownership interest in Technal Middle East W.L.L, a joint venture owned 50 percent each by Hydro and Bahrain Aluminium Extrusion Company B.S.C.

Hydro also holds interests in certain associates accounted for using the equity method. In November 2017, Hydro purchased 26 percent of Corvus Energy Inc., a Canadian company producing battery solutions for ships. The following table provides a summary of changes in carrying value for Hydro's joint ventures and associates.

Amounts in NOK million	Qatalum	Sapa	Other JVs	Associates	Total
December 31, 2015	12 222	7 913	(12)	15	20 138
Hydro's share of net income (loss)	96	889	13		998
Hydro's share of other comprehensive income	105	(427)			(322)
Dividends and other payments received by Hydro	(836)				(836)
Companies acquired/(sold), net				(2)	(2)
Amortization				(1)	(1)
Changes elimination of internal gain in inventory	17	(1)			16
Foreign currency translation and other	(184)				(184)
December 31, 2016	11 421	8 374	-	12	19 807
Hydro's share of net income (loss)	746	800	13	(4)	1 554
Hydro's share of other comprehensive income	97	(84)			13
Dividends and other payments received by Hydro	(747)	(1 500)			(2 247)
Companies acquired/(sold), net			227	39	266
Amortization				(3)	(3)
Changes elimination of internal gain in inventory	(46)	25			(21)
Derecognized at acquisition of control		(7 615)			(7 615)
Foreign currency translation and other	(541)			8	(533)
December 31, 2017	10 930	-	240	52	11 221

Note 32 - Trade and other payables

Amounts in NOK million	**2017**	2016
Accounts payable	**15 178**	7 439
Payroll and value added taxes	**2 976**	1 357
Accrued liabilities and other payables	**1 407**	1 311
Trade and other payables	**19 561**	10 108

Note 33 - Short and long-term debt

Amounts in NOK million	**2017**	2016
Bank loans and overdraft facilities	**7 595**	2 510
Other interest-bearing short-term debt	**276**	294
Current portion of long-term debt	**373**	479
Bank loans and other interest-bearing short-term debt	**8 245**	3 283

Amounts in NOK million	**2017**	2016
USD	**860**	1 305
SEK	**3 007**	-
NOK	**4 497**	1 500
Other	**38**	-
Total unsecured loans	**8 402**	2 805
Finance lease obligations	**983**	1 071
Outstanding debt	**9 385**	3 875
Less: Current portion	**(373)**	(479)
Total long-term debt	**9 012**	3 397

Repayments of long-term debt including interest

Amounts in NOK million	Unsecured loans	Other	Interest	Total
2018	333	40	236	609
2019	2 780	38	228	3 046
2020	1 281	38	137	1 455
2021	2	38	127	166
2022	3 002	41	124	3 166
Thereafter	1 004	789	430	2 223
Total	8 402	983	1 281	10 667

Reconciliation of liabilities arising from financing activities

Amounts in NOK million	Long-term debt	Bank loans and other interst-bearing short-term debt	Total liabilities from financing activities
December 31, 2016	3 397	3 283	6 679
Cash flows	5 934	935	6 869
Non-cash changes:			
Net change in current balance	(410)	410	-
Business combinations	64	3 556	3 620
Amortizations	9	-	9
Foreign currency effects	18	61	79
December 31, 2017	**9 012**	**8 245**	**17 257**

Note 34 - Provisions

	2017			2016		
Amounts in NOK million	**Short-term**	**Long-term**	**Total**	Short-term	Long-term	Total
Environmental clean-up and asset retirement obligations (ARO)	**384**	**4 201**	**4 585**	532	3 197	3 730
Employee benefits	**1 048**	**714**	**1 762**	552	446	998
Indirect taxes	**246**	**200**	**446**	-	102	102
Onerous contracts	**118**	**208**	**326**	100	310	410
Other	**500**	**505**	**1 005**	232	330	562
Total provisions	**2 296**	**5 828**	**8 124**	1 417	4 384	5 801

The following table includes a specification of changes to provisions for the year ending December 31, 2017 and the expected timing of cash outflows relating to the provisions.

Amounts in NOK million	Environ-mental clean-up and ARO	Employee benefits	Indirect taxes	Contracts	Other	Total
Specification of change in provisions						
December 31, 2016	3 730	998	102	410	562	5 801
Business combinations	555	590	102	-	426	1 673
Additions	432	814	249	27	288	1 809
Used during the year	(187)	(682)	-	(118)	(229)	(1 216)
Reversal of unused provisions	(116)	(10)	-	-	(46)	(173)
Accretion expense and effect of change in discount rate	171	9	-	7	-	187
Foreign currency translation	-	44	(6)	-	5	42
December 31, 2017	4 585	1 762	446	326	1 005	8 124
Timing of cash outflows						
2018	384	1 048	246	118	500	2 296
2019-2022	1 839	400	50	208	251	2 748
Thereafter	2 362	313	150	-	254	3 079
	4 585	1 762	446	326	1 005	8 124

Provisions for environmental clean-up and asset retirement obligations relate to production facilities currently in operation and facilities that are closed. The obligations relate to such actions as restoration or rehabilitation of industrial or mining sites, disposal of contaminated material and related activities. Hydro has provided for demolition of buildings and installations only where there is a legal or contractual obligation, or a specific decision to demolish, which is the case for few sites. The provision represents the present value of expected outflows at the times of expected payments. There is significant uncertainty both in the timing and amount of these remediation actions, as they are linked to future business decisions as well as decisions and approval by authorities in the jurisdictions we operate. Provisions are based on the current legal framework.

The most significant provisions relate to the following sites and issues. For Bauxite and Alumina's mine in Brazil we have obligations to remediate the tailing areas and mining sites, including reforestation of the area and monitoring and maintenance of the site after initial remediation. For Bauxite and Alumina's alumina refinery in Brazil we have obligations to remediate red mud deposits, including monitoring the contamination levels and other aspects after initial remediation. For Primary Metal's closed Kurri Kurri smelter site in Australia we have obligations to remediate certain contaminated areas at the site as well as securing appropriate deposit of spent pot lining and certain other waste material. The plan for remediation is not yet approved by the authorities. Renewed assessment of remediation methods and discussions with regulatory authorities resulted in an increase of NOK 183 million to the provision. Hydro also has obligations for remediation of contamination on site and in related areas related to historic industrial activities in Germany and Norway, reported in Other and eliminations. The more significant of these sites are the sites in Schwandorf and Hannover in Germany. For many of these provisions, there are no standard remediation methods available and cost is therefore uncertain. The provision also includes remediation of spent pot lining in all active smelters, site clearance for certain leased land as well as certain liabilities related to Norwegian power plant concessions to be reverted to the Norwegian Government.

Provisions for employee benefits relate to expected short-term performance bonus payments and short and long-term provisions for expected bonus payments that are based on the number of years of service, primarily for our European operations. Such bonuses are expected to be paid in periods between 10 to 50 years of service, or upon termination of employment.

Indirect taxes include taxes not related to taxable income, such as value added taxes, duties and property taxes. Provision for indirect taxes includes a charge related to a customs case in Germany.

Contracts comprise onerous contracts, and relate to rental of premises.

Other includes insurance provisions related to insurance contracts issued by Hydro's captive insurance company, Industriforsikring AS, to external parties including associates and joint arrangements, provisions for legal and other disputes, and certain liabilities related to representation and warranty provisions related to sale of businesses. Sapa Profiles Inc. (SPI), a Portland, Oregon based subsidiary of Hydro Extruded Solutions AS (formerly Sapa AS) is under investigation by the United

States Department of Justice (DOJ) Civil and Criminal Divisions regarding certain aluminum extrusions that SPI manufactured from 1996 to 2015, including extrusions that were delivered to a supplier to NASA. SPI is cooperating fully in these investigations. The investigations are currently ongoing, and, at this point, the outcome of the investigations and of any identified quality issues, including financial consequences, is uncertain. SPI is also subject to proceedings regarding a potential debarment as a federal government contractor. Additional cost beyond the provision for these liabilities are possible. As part of the share purchase agreement for Sapa, the parties have agreed that Orkla ASA shall indemnify Hydro for 50 percent of any liability in relation to this case.

For Extruded Solutions, our analysis of the acquisition date liabilities is not yet completed, see note 6 Significant subsidiaries and changes to the consolidated group.

Note 35 - Contingent liabilities and contingent assets

Hydro is involved in or threatened with various legal and tax matters arising in the ordinary course of business. See note 5 Critical accounting judgment and key sources of estimation uncertainty for a discussion of how such items are assessed and measured. Where Hydro considers there is a current obligation based on a past event, and payment or remediation actions is probable, a provision is established, see note 34 Provisions. Where Hydro considers an obligation to be possible, i.e. not probable yet not remote, it is disclosed as a contingent liability.

Hydro is involved in a significant number of tax cases related to various types of taxes. Hydro's widespread business operations expose us to several tax regimes and their interaction. We see that tax authorities challenge transfer prices to an increasing degree. Although Hydro currently has no significant transfer price disputes with tax authorities, our long value chain with a large number of internal transactions and business operations covering multiple tax jurisdictions expose us to such disputes, both related to prior and future transactions. Hydro's businesses in Brazil have a large portfolio of cases disputed by tax authorities, of which the majority relates to indirect taxes. This includes cases in the administrative and legal dispute systems with various background and risk of loss. In total known cases amount to about NOK 5.5 billion, of which about NOK 3.7 billion is considered possible. About half of those amounts are 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. Additional cases may be raised by tax authorities based on tax declarations for periods not yet assessed. Hydro has provided for individual tax cases where the risk of loss is considered above 50 percent. Provisions for indirect taxes are included in provisions disclosed in Note 34 Provisions, while provisions for income tax expenses are included in Taxes payable.

Hydro has environmental liabilities related to several sites and issues. Where remediation is acknowledged as Hydro's responsibility or a legal obligation is deemed to exist, a provision for the best estimate of costs to be incurred is established and disclosed in note 34 Provisions. For many of our industrial sites, in particular sites where operation is expected to continue indefinitely, remediation costs are difficult to assess. The precise need for remediation actions, their timing and cost has not yet been planned, and is thus uncertain. For some sites, the exact level of pollution may also be uncertain as ground and water are not sampled where no indication of contamination is identified. Obligations for historic contamination of sites and surrounding areas in addition to areas provided for may be identified and deemed Hydro's responsibility, whether related to currently owned or used sites, or sites we previously have been owned and/or used. The cost of remediation of any additional contamination deemed Hydro's responsibility is uncertain.

Hydro is also exposed to increased product warranty responsibilities, both as result of contractual commitments and in response of liability under background law. Product warranty may impose significant costs depending amongst other on the application of the product sold.

Hydro is also exposed to legal cases based on contractual or other basis, including warranties and representations given in relation to sale of businesses. Where a payment is probable, a provision for the likely amount is deducted from the recognized sales proceeds, or recognized as an expense at the later date when a payment is considered probable. Currently, Hydro has limited provisions related to such divestments.

Note 36 - Employee retirement plans

Hydro provides post-employment benefits covering a substantial portion of employees. Plans and benefit levels vary between companies and countries. In recent years, there has been a shift from traditional final salary defined benefit plans to defined contribution and contribution-oriented plans. Many defined benefit plans have been closed for new entrants, and in some defined benefit plans, large groups of employees have converted to defined contribution arrangements. Still, a number of employees continues to earn benefits under defined benefit plans, but many of these plans are heavily impacted by deferred members and pensioners.

	2017				2016			
Amounts in NOK million	**Norway**	**Germany**	**Other**	**Total**	Norway	Germany	Other	Total
Pension expense								
Defined benefit plans	**132**	**186**	**29**	**347**	145	163	(3)	305
Defined contribution plans	**153**	**-**	**100**	**253**	86	-	41	127
Multiemployer plans	**48**	**-**	**2**	**50**	49	-	2	51
Termination benefits and other	**44**	**3**	**41**	**87**	29	(5)	27	51
Social security cost	**49**	**-**	**4**	**53**	46	-	-	46
Pension expense	**425**	**189**	**177**	**791**	355	158	67	579
Interest expense (income)	**(2)**	**136**	**18**	**152**	18	176	16	210
Remeasurement (gain) loss in other comprehensive income	**(763)**	**(167)**	**(56)**	**(986)**	(764)	596	1	(168)

	2017				2016			
Amounts in NOK million	**Norway**	**Germany**	**Other**	**Total**	Norway	Germany	Other	Total
Recognized defined benefit assets and liability								
Defined benefit obligation major plans	**(12 247)**	**(9 173)**	**(5 512)**	**(26 932)**	(12 495)	(8 327)	(102)	(20 924)
Plan assets	**13 189**	**-**	**5 343**	**18 532**	12 624	-	102	12 727
Reimbursement rights	**303**	**-**	**-**	**303**	311	-	-	311
Liability other plans	**(21)**	**(127)**	**(532)**	**(681)**	(16)	(28)	(221)	(265)
Social security cost	**(552)**	**-**	**(40)**	**(591)**	(524)	-	-	(524)
Net defined benefit liability	**673**	**(9 300)**	**(741)**	**(9 368)**	(100)	(8 355)	(220)	(8 676)
Recognized prepaid pension	**5 143**	**47**	**559**	**5 750**	4 149	45	1	4 195
Recognized pension liability	**(4 471)**	**(9 348)**	**(1 300)**	**(15 118)**	(4 249)	(8 401)	(221)	(12 871)
Net amount recognized	**673**	**(9 300)**	**(741)**	**(9 368)**	(100)	(8 355)	(220)	(8 676)

Other plans include some minor plans in various entities and countries. These plans may be funded or unfunded. None of these plans are considered material, neither individually nor combined.

	2017				2016			
Amounts in NOK million	**Norway**	**Germany**	**Other**	**Total**	Norway	Germany	Other	Total
Change in defined benefit obligation (DBO)								
Opening Balance	**(12 495)**	**(8 327)**	**(102)**	**(20 924)**	(13 044)	(8 116)	(92)	(21 252)
Current service cost	**(127)**	**(186)**	**(8)**	**(321)**	(139)	(163)	(1)	(302)
Past service cost and curtailment gain (loss)	**-**	**-**	**(19)**	**(19)**	-	-	4	4
Interest expense	**(305)**	**(135)**	**(42)**	**(482)**	(330)	(176)	(3)	(509)
Actuarial gain (loss) economic assumptions	**(164)**	**103**	**(165)**	**(227)**	199	(606)	(29)	(435)
Experience gain (loss)	**(44)**	**68**	**16**	**41**	77	11	-	88
Benefit payments	**618**	**266**	**56**	**940**	626	268	2	896
Termination benefits	**(46)**	**-**	**-**	**(46)**	(64)	-	-	(64)
Settlements	**340**	**-**	**147**	**487**	60	-	-	60
Business combinations	**(29)**	**(220)**	**(5 184)**	**(5 433)**	-	-	-	-
Divestments	**4**	**-**	**-**	**4**	119	-	-	119
Foreign currency translation	**-**	**(741)**	**(211)**	**(952)**	-	456	17	473
Closing Balance	**(12 247)**	**(9 173)**	**(5 512)**	**(26 932)**	(12 495)	(8 327)	(102)	(20 924)
Change in pension plan assets								
Opening Balance	**12 624**	**-**	**102**	**12 726**	12 298	-	108	12 406
Interest income	**312**	**-**	**41**	**353**	317	-	4	321
Return on plan assets above (below) interest income	**971**	**-**	**169**	**1 140**	473	-	11	484
Company contributions	**92**	**-**	**3**	**94**	145	-	1	146
Benefit payments	**(469)**	**-**	**(51)**	**(520)**	(481)	-	(2)	(483)
Settlements	**(340)**	**-**	**(147)**	**(487)**	(60)	-	-	(60)
Business combinations	**-**	**-**	**5 015**	**5 015**	-	-	-	-
Divestments	**-**	**-**	**-**	**-**	(68)	-	-	(68)
Foreign currency translation	**-**	**-**	**211**	**211**	-	-	(20)	(20)
Closing Balance	**13 189**	**-**	**5 343**	**18 532**	12 624	-	102	12 726

	2017				2016			
Amounts in NOK million	**Norway**	**Germany**	**Other**	**Total**	Norway	Germany	Other	Total
Analysis of the defined benefit obligation (DBO)								
Active members	**(3 462)**	**(4 622)**	**(631)**	**(8 716)**	(3 414)	(4 173)	-	(7 587)
Deferred members	**(706)**	**(731)**	**(2 181)**	**(3 618)**	(681)	(598)	(75)	(1 354)
Pensioners	**(8 079)**	**(3 819)**	**(2 700)**	**(14 598)**	(8 400)	(3 555)	(27)	(11 983)
Defined benefit obligation	**(12 247)**	**(9 173)**	**(5 512)**	**(26 932)**	(12 495)	(8 327)	(102)	(20 924)
Weighted average duration (years)	**13.1**	**18.5**			13.1	18.8		

Contributions to funded pension plans, benefit payments from unfunded pension plans, and social security tax imposed on such contributions and payments amounted to a cash outflow of about NOK 950 million for 2017 and about NOK 850 million for 2016. Hydro's cash impact is expected to be at a somewhat higher level in the coming year.

Hydro's main pension plans are offered in Norway and Germany. The plans are described below:

Norway

Hydro has closed the main defined benefit plans for new members, and the majority of employees are now covered by defined contribution plans that are based on salaries up to a maximum level subject to tax deduction. For additional salaries, employees earn retirement benefits in unfunded contribution based plans. The remaining employees are covered by defined benefit plans that offer benefits based on final salary level and the number of years in service, and include benefits for dependents. Contributions to the plans providing benefits based on salaries up to a maximum level are subject to tax deduction. The plans are funded; all vested benefits are required by law to be funded for such plans. Benefits based on salaries above this level are covered by unfunded plans. The main funded plans are managed by Norsk Hydros Pensjonskasse, a separate, regulated legal entity. Hydro's pension plans complement the public pension schemes in Norway. Plans providing benefits for salary levels above the tax deductible level have been closed for new members from January 1, 2017.

Effective January 1, 2017, Hydro increased contributions to defined contribution plans for most affected employees in Norway.

Hydro participates in a supplementary 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 contributions 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 2017**	**Benefit expense 2017**	Benefit obligation 2016	Benefit expense 2016
Discount rate	**2.40%**	**2.50%**	2.50%	2.60%
Expected salary increase	**2.25%**	**2.25%**	2.25%	2.25%
Expected pension increase	**1.00%**	**1.00%**	1.00%	1.25%
Mortality basis	**K2013**	**K2013**	K2013	K2013

The discount rate is based on the yield on covered bonds (debt securities backed by cash flows from mortgages) issued in Norway. The market for covered bonds has developed in size and liquidity, and we deem this market to be sufficiently deep to serve as reference for the discount rate for our post-employment benefit plans in Norway.

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	2017	2017
Discount rate increase 0.5% point	6.2%	760
Salary increase 0.5% point	(1.2%)	(147)
Pension increase 0.5% point	(6.1%)	(748)
One year longer life all members	(4.4%)	(535)

The plan assets in the funded plans provided through Norsk Hydros Pensjonskasse were invested as follows at the end of 2017 and 2016:

Amounts in NOK million, except percent	**2017**	**2017**	2016	2016
Cash and cash equivalents	**3.0%**	**393**	3.5%	434
Equity instruments Norway	**21.4%**	**2 767**	20.2%	2 493
Equity instruments other countries	**19.1%**	**2 463**	17.6%	2 170
Debt instruments	**32.1%**	**4 144**	32.3%	3 980
Investment funds	**6.0%**	**779**	6.7%	822
Real estate	**18.4%**	**2 379**	19.8%	2 440
Total	**100.0%**	**12 927**	100.0%	12 340

Real estate consists of office buildings in the Oslo area. A share of the buildings are leased and occupied by Hydro. Investment funds are primarily private equity funds investing in unlisted companies across various industries in Europe, the US and Asia, 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.

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. Hydro's main plans are closed for new entrants, and all new employees are now offered benefits under new defined contribution-oriented plans. These plans are unfunded and treated as defined benefit plans for financial reporting purposes.

Significant actuarial assumptions for the main German plans include:

Weighted-average assumptions	**Benefit obligation 2017**	**Benefit expense 2017**	Benefit obligation 2016	Benefit expense 2016
Discount rate	**1.6%**	**1.6%**	1.6%	2.3%
Expected salary increase	**2.4%**	**2.4%**	2.4%	2.8%
Expected pension increase	**1.5%**	**1.5%**	1.5%	1.7%
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	2017	2017
Discount rate increase 0.5% point	8.5%	780
Salary increase 0.5% point	(2.2%)	(204)
Pension increase 0.5% point	(6.4%)	(584)
One year longer life all members	(5.3%)	(483)

Other

Other includes Hydro's post-employment benefits outside Norway and Germany. Following the acquisition of the Sapa Group, October 2, 2017, Extruded Solutions' post-employment benefit plans outside Norway and Germany are included here. Most employees affected are covered by defined contribution plans. Defined benefit plans relate largely to the UK and the US, and where the majority of the benefit obligation is financed and administered through independent pension trusts.

Note 37- Shareholders' equity

Share capital

Number of shares	Ordinary shares issued	Treasury shares	Ordinary shares outstanding
December 31, 2015	2 068 998 276	(27 410 584)	2 041 587 692
Treasury shares issued to employees		1 306 424	1 306 424
December 31, 2016	2 068 998 276	(26 104 160)	2 042 894 116
Treasury shares issued to employees		1 803 232	1 803 232
December 31, 2017	2 068 998 276	(24 300 928)	2 044 697 348

The share capital of Norsk Hydro ASA as of December 31, 2017 and 2016 was NOK 2,271,760,107 consisting of 2,068,998,276 ordinary shares at a par value of NOK 1.098 per share. All shares have equal rights and are freely transferable.

Treasury shares

The treasury shares may, pursuant to the decision of the General Meeting at the time these shares were acquired, be used as consideration in connection with commercial transactions or share schemes for the employees and representatives of the Corporate Assembly and the Board of Directors.

The treasury shares amount per December 31, 2017 of NOK 810 million was comprised of NOK 27 million share capital and NOK 783 million retained earnings.

Change in Other components of equity

The table below specifies the changes in Other components of equity for 2017 and 2016.

Amounts in NOK million	**2017**	2016
Items that will not be reclassified to income statement:		
Remeasurement postemployment benefits		
January 1	**22**	(140)
Remeasurement postemployment benefits during the year	**986**	168
Reclassified to retained earnings on divestment of subsidiaries	**(14)**	(23)
Deferred tax offset	**(221)**	16
December 31	**773**	22
Remeasurement postemployment benefits equity accounted investments		
January 1	**(11)**	30
Remeasurement postemployment benefits during the year	**(2)**	(41)
Reclassified to retained earnings on divestment of equity accounted investments	**13**	-
December 31	**-**	(11)
Items that will be reclassified to income statement:		
Currency translation differences		
January 1	**(467)**	(4 581)
Currency translation differences during the year	**(1 394)**	4 114
Reclassified to Net income on liquidation of foreign operation	**8**	-
December 31	**(1 854)**	(467)
Unrealized gain (loss) on available-for-sale securities		
January 1	**16**	62
Period unrealized loss on available-for-sale securities	**(266)**	(71)
Tax expense	**11**	25
December 31	**(239)**	16
Cash flow hedges - See note 14 Derivative instruments and hedge accounting		
January 1	**(158)**	(273)
Period gain recognized in Other comprehensive income	**149**	39
Reclassification of hedging gain (loss) to Net income	**79**	117
Tax expense	**(55)**	(41)
December 31	**15**	(158)
Other components of equity in equity accounted investments		
January 1	**769**	1 050
Period gain (loss) recognized in Other comprehensive income	**15**	(272)
Reclassified to Net income on divestment of equity accounted investments	**(751)**	(9)
December 31	**33**	769
Total other components of equity attributable to Hydro shareholders as of December 31	**80**	1 224
Total other components of equity attributable to non-controlling interests as of December 31	**(1 352)**	(1 055)

Earnings per share

Basic and diluted earnings per share is computed using Net income attributable to Hydro shareholders and the weighted average number of outstanding shares in each year. There are no significant diluting elements. The weighted average number of outstanding shares used for calculating basic and diluted earnings per share was 2,044,105,404 for 2017 and 2,042,481,930 for the year 2016.

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.

Note 38 - 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. In October 2017 Hydro acquired Orkla's 50 percent share in Sapa. The transaction was financed with surplus cash and bond financing. During 2017 net cash provided by operating activities was sufficient to cover net cash used in investing activities.

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), both with stable outlook. Hydro targets, over the business cycle, a ratio of Funds from operations to Adjusted net cash (debt) of at least 40 percent, and an Adjusted net cash (debt) to Equity ratio below 55 percent.

Liquidity management and funding

Hydro manages its liquidity and funding requirements centrally to cover group operating requirements and long-term capital needs. Hydro operates cash pools in several currencies where all wholly-owned subsidiaries participate, to the extent permitted by country legislation. Such cash pool arrangements facilitate netting of cash positions within the group, thereby reducing the requirement for external financing, and centralizing management of aggregated positions to the parent company. At the end of 2017, NOK 3.2 billion of Hydro's cash position of NOK 11.8 billion was outside such group arrangements, mainly in Brazil.

Hydro has an ambition to access national and international capital markets as primary sources for external long-term funding. Hydro issued bonds amounting to NOK 3 billion and SEK 3 billion in 2017.

Hydro has a syndicated USD 1,700 million revolving credit facility maturing in 2020. Drawing per year-end 2017 was approximately NOK 3 billion, and was repaid in January 2018.

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 joint arrangements 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

Long-term return to shareholders should reflect the value created by Hydro, and consists of dividends and share price development. Hydro aims to provide its shareholders with a predictable and competitive return compared with alternative investments in similar companies. Our ambition is to pay out a predictable dividend and in the long term to pay out, on average, 40 percent of net income as ordinary dividend over the cycle to our shareholders. The dividend policy has a floor of NOK 1.25 per share. 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 cash (debt) to Equity ratio to assess the group's financial solidity and ability to absorb volatility in the markets. Net cash (debt) is defined as Hydro's cash and cash equivalents plus short-term investments, less short- and long-term interest-bearing debt. Adjusted net cash (debt) is adjusted for Net cash (debt) positions regarded as unavailable for servicing debt, and includes pension liabilities and other obligations which are considered debt-like in nature.

The ability to generate cash compared to financial liabilities is another important measure of risk exposure and financial solidity. Hydro's management uses Funds from operations and the ratio Funds from operations to Adjusted net cash (debt) as capital management measures. Funds from operations reflects the cash generation from Hydro's wholly and partly owned operating assets before changes in net operating capital, including the contribution from equity accounted investments, and after current tax expense.

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 cash generation and financial risk profile.

Adjusted net cash (debt), Equity, Funds from operations and the above mentioned financial ratios are presented in the following table.

Adjusted net cash (debt) including net debt equity accounted investments (EAI)

Amounts in NOK million, except ratio	2017	2016
Cash and cash equivalents	**11 828**	8 037
Short-term investments	**1 311**	4 611
Bank loans and other interest-bearing short-term debt	**(8 245)**	(3 283)
Long-term debt	**(9 012)**	(3 397)
Net cash (debt)	**(4 118)**	5 969
Cash and cash equivalents and short-term investments in captive insurance company [1)]	**(1 076)**	(1 103)
Net pension obligation at fair value, net of expected income tax benefit [2)]	**(7 895)**	(7 338)
Operating lease commitments, net of expected income tax benefit [3)]	**(1 585)**	(507)
Short- and long-term provisions net of expected income tax benefit, and other liabilites [4)]	**(3 295)**	(2 619)
Adjusted net cash (debt)	**(17 968)**	(5 598)
Net debt in EAI [5)]	**(5 798)**	(6 887)
Adjusted net cash (debt) including EAI	**(23 767)**	(12 485)

Adjusted net cash (debt) including EAI / Equity

Total equity	**(92 252)**	(87 640)
Adjusted net cash (debt) including EAI / Equity	**0.26**	0.14

Funds from operations / Adjusted net cash (debt) including EAI

Amounts in NOK million, except ratio	2017	2016
Net income (loss)	**9 184**	6 586
Depreciation, amortization and impairment	**6 161**	5 474
Deferred taxes	**(685)**	563
Loss (gain) on sale of non-current assets	**(2 046)**	(226)
Transaction related effects (Sapa)[6)]	**707**	-
Net foreign exchange (gain) loss	**875**	(2 266)
Capitalized interest	**(75)**	(97)
Commodity derivatives	**322**	(29)
Hydro's share of depreciation, amortization and impairment in EAI	**1 638**	1 802
Funds from operations	**16 081**	11 807
Funds from operations / Adjusted net cash (debt) including EAI	**0.68**	0.95

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 cash (debt).

2) The expected income tax benefit related to the net pension liability is NOK 1,474 million and NOK 1,338 million, respectively, for 2017 and 2016.

3) Operating lease commitments are discounted using a rate of 1.14 percent and 1.29 percent for 2017 and 2016, respectively. The expected tax benefit on operating lease commitments is estimated at 30 percent. Measurement of operating lease commitments is different from measurement under the forthcoming IFRS 16 Leases.

4) Consists of Hydro's short and long-term provisions related to asset retirement obligations, net of an expected tax benefit estimated at 30 percent, and other non-current financial liabilities.

5) Net debt in 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 debt per individual equity accounted investment is limited to a floor of zero. For 2017, the adjustment is related to Qatalum only. 2016 also includes share of net debt in Sapa.

6) Reversal of inventory re-valuation in Sapa.

Note 39 - 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 38 Capital management.

For fiscal year 2017 the Board of Directors has proposed a dividend of NOK 1.75 per share to be paid in May 2018. The Annual General Meeting, scheduled to be held May 7, 2018, will consider this dividend proposal. If approved, this would be a total dividend of approximately NOK 3,578 million. In accordance with IFRS, the fiscal year 2017 proposed dividend is not recognized as a liability in the 2017 financial statements.

Dividends declared and paid in 2017 and 2016 for the prior fiscal year, respectively, are as follows:

	Paid in 2017 for fiscal year 2016	Paid in 2016 for fiscal year 2015
Dividend per share paid, NOK	**1.25**	1.00
Total dividends paid, NOK million	**2 556**	2 043
Date proposed	**February 8, 2017**	February 16, 2016
Date approved	**May 3, 2017**	May 2, 2016
Dividend payment date	**May 12, 2017**	May 12, 2016

Dividends to non-controlling shareholders in Hydro's subsidiaries are reported as dividends in Consolidated statements of changes in equity.

Note 40 - Contractual commitments and commitments for future investments

Amounts in NOK million	2018	Investments thereafter	Total
Contract commitments for investments in property, plant and equipment	1 465	164	1 629
Additional authorized future investments in property, plant and equipment	1 489	631	2 119
Contract commitments for other future investments	34	3	38
Total	2 988	798	3 786

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 obligations under these commitments as of December 31, 2017 are shown in the table below:

Amounts in NOK million	Bauxite, alumina and aluminium	Energy related	Other	Sales commit-ments
2018	16 902	9 697	4 091	(20 789)
2019	6 892	7 923	2 777	(12 880)
2020	5 983	6 957	1 603	(10 466)
2021	5 164	5 813	1 040	(7 120)
2022	5 340	6 030	896	(5 177)
Thereafter	23 121	37 444	8 661	(19 221)
Total	63 403	73 864	19 069	(75 652)

Amounts relating to contracts which are entirely or partly linked to market prices such as LME are based on the spot price at the balance sheet date.

Long-term sales commitments mainly relate to alumina, aluminium and electricity. The amounts include commitments for the delivery of electricity from power stations that will revert to the Norwegian Government. The volume from these power stations is 547 GWh in 2018 and 12.2 TWh in total. Commitments relating to concession power from stations that are not subject to reversion have an annual volume of 258 GWh.

Hydro also has contractual commitments for the sales and purchase of products from part-owned entities, see note 31 Investments in joint arrangement and associates. These commitments are excluded from the table above. Furthermore, Hydro has additional long-term purchase and sales commitments which include variable elements that are not included in the table above.

Note 41 - Cash flow information

Cash disbursements and receipts included in cash from operations

Amounts in NOK million	**2017**	2016
Income taxes paid	**2 180**	1 110
Interest paid	**362**	379
Interest received	**322**	468
Dividends received from available-for-sale investments	**112**	87

In 2017 and 2016, non-cash investing activities for asset retirement costs amounted to NOK 118 million and NOK 953 million, respectively. In 2016, non-cash investing activities for assets acquired via finance lease amounted to NOK 370 million.

Note 42 - Auditor's remuneration

KPMG is the Group auditor of Norsk Hydro ASA. EY was the appointed group auditor for Sapa prior to the transaction on October 2, 2017, and has continued as auditor for the former Sapa units now constituting business area Extruded Solutions. The following table shows fees to the appointed auditors for 2017 and 2016. For 2017, the table includes fees to KPMG for the period January 1 to December 31, and fees to EY for the period October 2 to December 31. For all categories the reported fee is the recognized expense for the year.

Amounts in NOK million	Audit [1)]	Audit related [2)]	Other services [3)]	Tax related	Total
2017					
Norway	15	1	6	-	23
Outside Norway	24	1	2	-	27
Total	39	2	8	-	50
2016					
Norway	12	1	2	-	15
Outside Norway	12	-	-	1	13
Total	24	1	2	1	28

1) Audit fees included audit fee to other auditors than KPMG for one subsidiary in 2016. Following completion of the Sapa transaction, audit fees in 2017 include fees to EY for the period October 2, 2017 to December 31, 2017. Audit fees of NOK 39 million consist of fees to KPMG of NOK 28 million, and fees to EY of NOK 11 million.

2) Audit related fees of NOK 2 million are fees to KPMG.

3) Other services mainly include KPMG's review of viability performance and EY services related to tax and immigration services for expatriated employees. Fees for other services of NOK 8 million consist of fees to KPMG of NOK 2 million, and fees to EY of NOK 6 million.

Note 43 - Subsequent events

In February 2018, extreme rainfall in Barcarena in the state of Pará, Brazil, lead to regional flooding. Due to concerns over possible water contamination from Alunorte during this flooding, authorities have taken several measures against the alumina refinery. These include orders to reduce production by 50 percent and halt operations at its DRS2 bauxite residue deposit, which is currently under commissioning. In addition, suspending operations on one of two tailing dams at the Paragominas bauxite mine. All of these requirements have been fulfilled. Hydro issued a force majeure notice towards its alumina and alumina hydrate customers due to the production cuts and current lack of clarity into what measures it would take to return to normal operations.

Measures are being implemented to resolve the situation at Alunorte, including establishing an internal taskforce to conduct a review of Alunorte and commissioning an independent external review of Alunorte. Hydro has also decided to initiate a NOK 500 million investment to the water treatment system at Alunorte. This aims at increasing the water treatment capacity by 50 percent and improving the robustness of the plant to withstand future extreme weather conditions. So far, no spills or leakages have been detected from Alunorte's bauxite residue deposits after the extreme rain event.

Regardless of the cause of contamination, Hydro collaborates with local institutions on humanitarian relief to assist communities in Barcarena within health and water. For neighboring communities Vila Nova, Burajuba and Bom Futuro, Hydro commits to working with local partners and investing in proper water supply. Hydro further commits to work with community, civil society and government to clarify the sources of water pollution and other water-related issues in the Barcarena region.

Fines of about NOK 50 million have been issued to Hydro by Brazilian federal authorities. As the period of reduced production and measures required to resume full production is not yet known and potential additional negative effects might materialize, we are not in a position to estimate the financial impact of the incident.

On February 26, 2018, Hydro made a binding offer to acquire Rio Tinto's Icelandic aluminium plant Rio Tinto Iceland Ltd (ISAL), its 53 percent share in Dutch anode facility Aluminium & Chemie Rotterdam B.V. (Aluchemie) in which Hydro currently holds 47 percent, and 50 percent of the shares in Swedish aluminium fluoride plant Alufluor AB. The transaction is subject to statutory consultation with employees and other stakeholders, as well as approval from the EU competition authorities. The offered price is USD 345 million, equivalent to about NOK 2.8 billion, on a cash and debt free basis, subject to certain adjustments.

Financial statements Norsk Hydro ASA

Amounts in NOK million	Notes	**2017**	2016
Revenue		**317**	316
Gain (loss) on sale of subsidiaries, net	7	**41**	304
Total operating income		**357**	619
Employee benefit expense	2, 3	**535**	436
Depreciation and impairment	4	**18**	19
Other		**278**	182
Total operating expenses		**831**	637
Operating loss		**(474)**	(17)
Financial income, net	5	**(17)**	8 654
Income before tax		**(491)**	8 637
Income taxes	6	**307**	477
Net income		**(183)**	9 114
Appropriation of net income and equity transfers			
Dividend proposed		**3 578**	2 554
Retained earnings		**(3 762)**	6 560
Total appropriation		**(183)**	9 114

The accompanying notes are an integral part of the financial statements.

Amounts in NOK million, December 31	Notes	**2017**	2016
Assets			
Property, plant and equipment and intangible assets	4	**214**	205
Shares in subsidiaries	7	**57 052**	57 063
Receivables from subsidiaries	8, 10	**11 598**	11 884
Prepaid pension, investments and other non-current assets	2, 9	**4 943**	4 261
Total financial non-current assets		**73 592**	73 208
Receivables from subsidiaries		**10 142**	8 207
Prepaid expenses and other current assets	10	**40**	86
Short-term investments		**-**	3 350
Cash and cash equivalents		**7 889**	5 442
Total current assets		**18 072**	17 085
Total assets		**91 878**	90 498
Equity and liabilities			
Paid-in capital			
Share capital	13	**2 272**	2 272
Treasury shares	13	**(27)**	(29)
Paid-in premium	13	**28 987**	28 987
Other paid-in capital	13	**110**	82
Retained earnings			
Retained earnings	13	**30 521**	33 938
Treasury shares	13	**(783)**	(841)
Equity	13	**61 080**	64 409
Long-term provisions	2, 9	**3 219**	3 302
Long-term debt	12	**8 056**	2 365
Payables to subsidiaries		**49**	230
Other long-term liabilities		**8 105**	2 595
Bank loans and other interest-bearing short-term debt		**3 616**	578
Dividends payable		**3 578**	2 554
Payables to subsidiaries		**11 774**	16 287
Other current liabilities		**506**	773
Total current liabilities		**19 473**	20 192
Total equity and liabilities		**91 878**	90 498

The accompanying notes are an integral part of the financial statements.

Statements of cash flows

Amounts in NOK million	**2017**	2016
Net income	**(183)**	9 114
Depreciation and impairment	**18**	19
Net foreign exchange (gain) loss	**819**	(509)
Changes in receivables and payables, and other items	**3 883**	(5 087)
Net cash provided by operating activities	**4 537**	3 537
Purchases of short-term investments	**(5 094)**	(4 650)
Proceeds from sales of short-term investments	**8 402**	5 850
Net sales (purchases) of other investments	**(602)**	463
Net cash provided by investing activities	**2 706**	1 663
Dividends paid	**(2 556)**	(2 043)
Proceeds from shares issued	**37**	24
Other financing activities, net	**(2 405)**	(2 662)
Net cash used in financing activities	**(4 924)**	(4 681)
Foreign currency effects on cash	**128**	(23)
Net increase in cash and cash equivalents	**2 447**	496
Cash and cash equivalents at beginning of year	**5 442**	4 947
Cash and cash equivalents at end of year	**7 889**	5 442

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 for calculating net present values are rounded to the nearest 10 basis points for post employment benefits, to the nearest 25 basis points for other non financial assets and liabilities. As a result of rounding adjustments, the figures in one or more columns included in the financial statements may not add up to the total of that column.

Shares in subsidiaries, associates and jointly controlled entities

Shares in subsidiaries, associates and jointly controlled entities are presented according to the cost method. Group relief received is included in dividends from subsidiaries. Dividend from subsidiaries is recognized in the year for which it is proposed by the subsidiary to the extent Norsk Hydro ASA can control the decision of the subsidiary through its share holdings. Shares in subsidiaries, associates and jointly controlled entities are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may exceed the fair value of the investment. An impairment loss is reversed if the impairment situation is deemed to no longer exist.

Employee retirement plans

Norsk Hydro ASA has adopted the alternative treatment allowed in NRS 6 whereby employee retirement plans are measured as required by IAS 19, see note 2 Significant accounting policies to the consolidated financial statements for additional information.

Foreign currency

The functional currency of the company is the Norwegian kroner, NOK. Realized and unrealized currency gains or losses on transactions denominated in other currencies than NOK, as well as currency gains or losses on assets and liabilities denominated in a currency other than the NOK, are 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 listed equity and debt securities held for trading and 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 are considered financial lease, and recognized as asset and liability. Payments under other leases and rental arrangements are expensed over the lease term.

Derivative instruments

Forward currency contracts and currency options are recognized in the financial statements and measured at fair value at each balance sheet date with the resulting unrealized gain or loss recorded in Financial income, net.

Provisions

Provisions are recognized when Norsk Hydro ASA has a present obligation (legal or constructive) as a result of a past event, it is probable (more likely than not) that Norsk Hydro ASA 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. Uncertain outcomes are measured as the expected value of reasonably possible outcomes.

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 reliably estimable.

Share-based compensation

Norsk Hydro ASA accounts for share-based payment in accordance with NRS 15A Share-Based Payment. NRS 15A requires share-based payments to be accounted for as required by IFRS 2 Share-based Payment. See note 2 Significant accounting policies to the consolidated financial statements for additional information.

Risk management

For information about risk management in Norsk Hydro ASA see note 12 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' 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

Norsk Hydro ASA has closed the main defined benefit plans for new members, and the majority of employees are now covered by a defined contribution plan that is based on salaries up to a maximum level subject to tax deduction. For additional salaries, employees earn retirement benefits in an unfunded contribution based plan. The remaining employees are covered by defined benefit plans that offer benefits based on final salary level and the number of years in service, and include benefits for dependents. Contributions to the plan providing benefits based on salaries up to a maximum level are subject to tax deduction. This plan is funded; all vested benefits are required by law to be funded for such plans. Benefits based on salaries above this level are covered by unfunded plans. The main funded plan is managed by Norsk Hydros Pensjonskasse, a separate, regulated legal entity. Hydro's pension plans supplement the public pension schemes in Norway. The plans comply with legal requirements for pension plans in Norway. Plans providing benefits for salary levels above the tax deductible level have been closed for new members from January 1, 2017.

Norsk Hydro ASA participates in a pension plan that entitles the majority of its employees life-long benefits in addition to other pension benefits. The benefits are financed through a pooled arrangement by private sector employers (avtalefestet pensjon, AFP) where also the Norwegian state contributes. The plan is a defined benefit plan with limited funding and where plan assets are not segregated. The information required to calculate the share of the plan and account for the plan as a defined benefit plan is not available from the plan administrator. Hydro therefore accounts for the plan as if it were a defined contribution plan. The annual contributions have increased since inception and are expected to increase further. The employer contributions are included in Multiemployer plans.

Pension cost

Amounts in NOK million	**2017**	2016
Defined benefit plans	**36**	37
Defined contribution plans	**17**	8
Multiemployer plans	**3**	3
Termination benefits and other	**8**	4
Social security cost	**9**	9
Pension expense	**75**	61
Interest expense (income)	**(32)**	(21)
Remeasurement (gain) loss directly to equity	**(458)**	(422)

Recognized defined benefit assets and liability

Amounts in NOK million	**2017**	2016
Defined benefit obligation major plans	**(5 103)**	(5 205)
Plan assets	**6 832**	6 369
Reimbursement rights	**303**	311
Liability other plans	**(2)**	-
Social security cost	**(309)**	(298)
Net defined benefit asset	**1 722**	1 176
Recognized prepaid pension	**4 221**	3 590
Recognized pension liability	**(2 499)**	(2 414)
Net amount recognized	**1 722**	1 176

Change in defined benefit obligation (DBO)

Amounts in NOK million	**2017**	2016
Opening Balance	**(5 205)**	(5 402)
Current service cost	**(35)**	(36)
Interest expense	**(127)**	(137)
Actuarial gain (loss) economic assumptions	**(61)**	81
Experience gain (loss)	**(40)**	(20)
Benefit payments	**307**	313
Terminations benefits	**(6)**	(7)
Settlements	**65**	2
Closing Balance	**(5 103)**	(5 205)

Change in pension plan assets

Amounts in NOK million	2017	2016
Opening Balance	**6 369**	6 050
Interest income	**158**	158
Return on plan assets above (below) interest income	**563**	358
Contributions to plans	**20**	27
Benefit payments	**(211)**	(219)
Settlements	**(67)**	(4)
Closing Balance	**6 832**	6 369

Analysis of the defined benefit obligation (DBO)

Amounts in NOK million	2017	2016
Active members	**(1 119)**	(1 061)
Deferred members	**(426)**	(402)
Pensioners	**(3 557)**	(3 743)
Defined benefit obligation	**(5 103)**	(5 205)

Assumptions	**Benefit obligation 2017**	**Benefit expense 2017**	Benefit obligation 2016	Benefit expense 2016
Discount rate	**2.40%**	**2.50%**	2.50%	2.60%
Expected salary increase	**2.25%**	**2.25%**	2.25%	2.25%
Expected pension increase	**1.00%**	**1.00%**	1.00%	1.25%
Mortality basis	**K2013**	**K2013**	K2013	K2013

See note 36 Employee retirement plans in notes to the consolidated financial statements for information about sensitivities.

Note 3 - Management remuneration, employee costs and auditor fees

See note 9 Management remuneration in the notes to the consolidated financial statements for information and details related to the Corporate Management Board remuneration. Costs for some 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 10 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.

See note 17 Employee remuneration in the notes to the consolidated financial statements for information on the employee share purchase plan.

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 8 million in 2017 and NOK 7 million in 2016. Audit related fees were NOK 1 million in 2017. Fees for other services were NOK 1 million in both 2017 and 2016.

The average number of employees in Norsk Hydro ASA was 272 in 2017 as compared to 250 in 2016. As of year end 2017 and 2016, Norsk Hydro ASA employed 277 and 267 employees, respectively.

Total loans given by Norsk Hydro ASA to Norwegian employees as of December 31, 2017 were NOK 89 million. Loans to employees consist of NOK 40 million secured loans (home and car loans) with the remainder unsecured. The unsecured loan balance as of December 31, 2017 related to the employee share purchase plan was NOK 13 million.

Certain employee costs for Norsk Hydro ASA employees engaged in activities for other Group companies are accounted for on a net basis, reducing Employee benefit expense. Payroll related expenses are provided in the table below.

Amounts in NOK million	**2017**	2016
Employee benefit expense:		
Salaries	**402**	362
Social security costs	**60**	52
Other benefits	**1**	-
Pension expense (note 2)	**75**	61
Internal invoicing of payroll related costs	**(3)**	(39)
Total	**535**	436

Note 4 - Property, plant and equipment and intangible assets

Operating lease expense amounted to NOK 72 million in 2017 and NOK 76 million in 2016. The company has the following future operating lease commitments under non-cancellable leases: 2018: NOK 73 million, 2019: NOK 73 million, 2020: NOK 73 million, 2021: NOK 12 million.

Amounts in NOK million	Property, plant and equipment	Intangible assets	Total
Cost December 31, 2016	334	79	413
Additions at cost	11	18	29
Disposals at cost	(1)	(32)	(33)
Accumulated depreciation and impairment December 31, 2017	(176)	(19)	(195)
Carrying value December 31, 2017	167	47	214
Depreciation and impairment in 2017	(9)	(9)	(18)

Intangible assets mainly consist of software.

Note 5 - Financial income and expense

Amounts in NOK million	**2017**	2016
Dividends from subsidiaries	**588**	7 721
Interest from group companies	**362**	417
Other interest income	**73**	198
Interest paid to group companies	**(106)**	(42)
Other interest expense	**(151)**	(147)
Net foreign exchange gain (loss)	**(819)**	509
Loss on loans to group companies	**-**	(28)
Other, net	**36**	26
Financial income, net	**(17)**	8 654

Note 6 - Income taxes

The tax effect of temporary differences resulting in deferred tax assets (liabilities) are:

	Temporary differences Tax effect	
Amounts in NOK million	**2017**	2016
Short-term items	**6**	17
Long-term receivables from subsidiaries	**-**	(321)
Pensions[1)]	**(396)**	(282)
Long-term debt	**-**	98
Other long-term items	**25**	58
Tax loss carryforwards	**-**	-
Deferred tax assets (liabilities)	**(365)**	(430)

1) Include NOK (111) million and NOK (100) million of tax benefit (expense) allocated directly to equity in 2017 and 2016 respectively.

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, are netted.

Reconciliation of tax expense

Amounts in NOK million	**2017**	2016
Income (loss) before taxes	**(491)**	8 637
Expected income taxes at statutory tax rate	**(118)**	2 159
Dividend exclusion	**(44)**	(1 911)
Effect of tax law change	**(18)**	(24)
Favorable decisions in tax disputes	**(108)**	(602)
Permanent differences and other, net	**(20)**	(99)
Income taxes	**(307)**	(477)
Components of income taxes		
Current income taxes	**(131)**	(212)
Change in deferred taxes	**(176)**	(265)
Income taxes	**(307)**	(477)

See note 23 Income taxes in the consolidated financial statements for further information.

Taxes payable were NOK 63 million per December 31, 2017 and NOK 308 million per December 31, 2016.

Note 7 - Shares in subsidiaries and associates

The following shares in subsidiaries are directly owned by Norsk Hydro ASA.

Company name	Country	Location	Percentage of shares owned by Norsk Hydro ASA	Total share capital of the company (1,000's)	Book value (NOK million)
Hydro Aluminium AS	Norway	Oslo	100.00	14 472 252	51 293
Hydro Energi AS	Norway	Oslo	100.00	868 560	5 643
Hydro Aluminium Deutschland GmbH [1)]	Germany	Grevenbroich	25.04	73 894	92
Industriforsikring AS	Norway	Oslo	100.00	20 000	20
Hydro Kapitalforvaltning AS	Norway	Oslo	100.00	2 500	4
Total					57 052

1) The company is owned 74.96 percent by Hydro Aluminium AS, and 25.04 percent by Norsk Hydro ASA.

Percentage of shares owned equals percentage of voting shares owned. Several of the above-mentioned companies also own shares in other companies.

In addition to the directly owned subsidiaries listed above, Norsk Hydro ASA has the following subsidiaries with significant operational activities. Sales offices, companies mainly serving as holding companies, and dormant companies, as well as companies holding smaller operational activities are not included in the list below. A full list of subsidiaries is available in Hydro's country by country reporting and at www.hydro.com. The companies are listed by the business area in which the majority of their activities are managed.

Company name	Country	Ownership
Bauxite & Alumina		
ALUNORTE - Alumina do Norte do Brasil S.A.	Brazil	92,13
Mineração Paragominas SA	Brazil	100.00
Rolled Products		
Hydro Aluminium Rolled Products GmbH	Germany	100.00
Hydro Aluminium Rolled Products AS	Norway	100.00
Primary Metal		
ALBRAS - Alumínio Brasileiro SA	Brazil	51.00
Sør-Norge Aluminium AS	Norway	100.00
Slovalco a.s.	Slovakia	55.30
Metal Markets		
Extrusion Services S.a.r.l	France	100.00
Hydro Aluminium Gieβerei Rackwitz GmbH	Germany	100.00
Hydro Aluminium Clervaux S.A.	Luxembourg	100.00
Hydro Aluminium Iberia S.A.U	Spain	100.00
Hydro Aluminium Deeside Ltd.	United Kingdom	100.00
Hydro Aluminium Metals USA, LLC	United States	100.00
Extruded Products		
Hydro Extrusion Nenzing GmbH	Austria	100.00
Hydro Extrusion Lichtervelde NV	Belgium	100.00
Hydro Building Systems Belgium NV	Belgium	100.00
Sapa Precision Tubing Lichtervelde NV	Belgium	100.00
Hydro Extrusion Raeren SA	Belgium	100.00
Sapa Aluminium Brasil S.A.	Brazil	100.00
Sapa Canada Inc.	Canada	100.00
Sapa Precision Tubing (Suzhou) Co. Ltd.	China	100.00
Hydro Extrusion Denmark A/S	Denmark	100.00
Hydro Precision Tubing Tønder A/S	Denmark	100.00
Hydro Building Systems France SARL	France	100.00
Hydro BuildEx S.a.r.l.	France	100.00
Hydro Extrusion Lucé/Chateauroux SAS	France	100.00
Hydro Extrusion Puget SAS	France	100.00
Hydro Extrusion Albi SAS	France	100.00
Hydro Extrusion Offenburg GmbH	Germany	94.80
Hydro Extrusion Deutschland GmbH	Germany	100.00
Sapa Building Systems GmbH	Germany	100.00
Hydro Extrusion Hungary Kft	Hungary	100.00
Hydro Extrusion Italy Srl	Italy	100.00
Hydro Building Systems Italy S.p.a.	Italy	100.00
Hydro Extrusion Hoogezand B.V.	Netherlands	100.00
Hydro Extrusion Drunen B.V.	Netherlands	100.00
Sapa Aluminium Sp. z.o.o.	Poland	100.00
Hydro Extrusion Slovakia a.s.	Slovakia	100.00
Hydro Building Systems Spain S.L.U.	Spain	100.00
Hydro Extrusion Spain S.A.U.	Spain	100.00
Hydro Extrusion Sweden AB	Sweden	100.00
Hydro Extrusion UK Ltd.	United Kingdom	100.00
Hydro Components UK Ltd.	United Kingdom	100.00
Hydro Building Systems UK Ltd	United Kingdom	100.00
Hydro Extrusion USA LLC	United States	100.00
Hydro Extrusion Delhi LLC	United States	100.00
Hydro Extrusion North America LLC	United States	100.00
Sapa Precision Tubing Rockledge LLC	United States	100.00
Hydro Extrusion Portland Inc	United States	100.00
Hydro Extruder LLC	United States	100.00
Energy		
Røldal Suldal Kraft as	Norway	91.26

Net gain on sale of subsidiaries in 2017 refers to sale of Herøya Nett AS. Net gain on sale of subsidiaries in 2016 refers to liquidation of Norsk Hydro Plastic Pipe AS and sale of Herøya Industripark AS.

Norsk Hydro ASA has a 25.85 percent ownership and voting interest in Corvus Energy Inc. in Richmond, Canada. The carrying value was NOK 48 million as of the end of 2017.

Note 8 - Related party information

See note 11 Related party information in the notes to the consolidated financial statements for identification of related parties and primary relationships with those parties.

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 market conditions for corresponding services, allowing for a margin to cover administration and risk. See note 5 Financial income and expense for information on interest paid to and received from group companies.

Norsk Hydro ASA allocates costs for corporate staff services and shared services to subsidiaries. The total amount allocated was NOK 96 million in 2017 and NOK 107 million in 2016. Receivables related to such costs amounted to NOK 93 million and NOK 93 million per December 31, 2017 and 2016, respectively.

For information on transactions with employees and management, see note 3 Management remuneration, employee costs and auditor fees and note 9 Management remuneration in the notes to the consolidated financial statements. For information on transactions with Board of Directors and Corporate Assembly see note 10 Board of Directors and Corporate Assembly in the notes to the consolidated financial statements. See note 11 for information on guarantees provided on behalf of subsidiaries and jointly controlled entities.

Note 9 - Specification of balance sheet items

Amounts in NOK million	**2017**	2016
Securities	**535**	535
Prepaid pension	**4 221**	3 590
Investments in associates	**48**	1
Other non-current assets	**138**	134
Total prepaid pension, investments and other non-current assets	**4 943**	4 261
Pension liability	**2 499**	2 414
Deferred tax liabilities	**365**	430
Other long-term provisions	**356**	458
Total long-term provisions	**3 219**	3 302

Other long-term provisions relate primarily to an onerous contract of office space, see note 11 Related party information in the notes to the consolidated financial statements.

Note 10 - Financial instruments

Norsk Hydro ASA offers currency derivatives to subsidiaries using such instruments for risk management. Contracts are recognized at estimated market value, determined by calculating the contractual cash flows using currency rates at the balance sheet date and discounting those cash flows to a present value. At the end of 2017 and 2016, the value of currency forward contracts outstanding with subsidiaries were as follows:

Amounts in NOK million	**2017**	2016
Currency forward contracts, short-term	**5**	29
Currency forward contracts, long-term	**8**	157
Financial income, net	**13**	186

The contracts represent exposure mainly in US dollar and Euro. In addition, there are some contracts with exposure to British pounds, Swiss franc, Danish krone, Swedish krone, Japanese yen and Canadian dollars, representing lower amounts. The contracts mature no later than 2020.

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. All commercial guarantees are on behalf of subsidiaries.

Amounts in NOK million	**2017**	2016
Guarantees related to jointly controlled entities	**22**	20
Commercial guarantees	**3 449**	4 539
Total guarantees not recognized	**3 471**	4 559

Note 12 - Long-term debt

Amounts in NOK million	**2017**	2016
USD	**833**	1 160
SEK	**3 007**	-
NOK	**4 497**	1 500
Total unsecured loans	**8 337**	2 660
Less: Current portion	**(281)**	(295)
Total long-term debt	**8 056**	2 365

As of December 31, 2017, long-term debt that falls due after 2022 amounted to NOK 999 million. See note 33 Short and 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, 2017 was NOK 2,271,760,107 consisting of 2,068,998,276 ordinary shares at NOK 1.098 per share. As of December 31, 2017 Norsk Hydro ASA had purchased 24,300,928 treasury shares at a cost of NOK 810 million. See Consolidated statements of changes in equity and note 37 Shareholders' equity for additional information.

The table shows shareholders holding one percent or more of the total 2,044,697,348 shares outstanding as of December 31, 2017, according to information in the Norwegian securities' registry system (Verdipapirsentralen).

Name	**Number of shares**
The Ministry of Trade, Industry and Fisheries of Norway	708 865 253
Folketrygdfondet	133 912 794
JPMorgan Chase Bank, N.A., London I [1]	64 000 000
Clearstream Banking S.A. [1]	48 479 234
HSBC BANK PLC [1]	35 291 870
State Street Bank and Trust Comp I [1]	35 080 209
State Street Bank and Trust Comp II [1]	34 459 471
Banque Pictet & Cie SA [1]	33 730 160
The Northern Trust Comp, London Br [1]	31 664 313
State Street Bank and Trust Comp III [1]	21 766 049
JPMorgan Chase Bank, N.A., London II [1]	21 572 379
State Street Bank and Trust Comp IV [1]	20 761 351

1) Nominee accounts.

Changes in equity

Amounts in NOK million	Paid-in capital	Retained earnings	Total equity
December 31, 2016	31 313	33 097	64 409
Net income		(183)	(183)
Remeasurement postemployment benefits		347	347
Dividend paid in 2017 not accrued [1]		(2)	(2)
Dividend proposed		(3 578)	(3 578)
Treasury shares	29	58	87
December 31, 2017	31 342	29 738	61 080

1) Owners of shares sold from treasury shares in April 2017 received dividends for those shares in May 2017. However, this was not accrued in 2016.

Responsibility statement

We confirm to the best of our knowledge that the consolidated financial statements for 2017 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 2017 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, and that the country by country report for 2017 has been prepared in accordance with the Norwegian Accounting Act §3-3d and the Norwegian Security Trading Act §5-5a.

Oslo, March 19, 2018

Dag Mejdell
Chair

Irene Rummelhoff
Deputy chair

Liv Monica Bargem Stubholt
Board member

Billy Fredagsvik
Board member

Finn Jebsen
Board member

Sten Roar Martinsen
Board member

Thomas Schulz
Board member

Svein Kåre Sund
Board member

Marianne Wiinholt
Board member

Svein Richard Brandtzæg
President and CEO

Independent auditor's report

To the Annual Shareholders' Meeting of Norsk Hydro ASA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Norsk Hydro ASA. The financial statements comprise:

- The financial statements of the parent company Norsk Hydro ASA (the "Company"), which comprise the balance sheet as at 31 December 2017, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Norsk Hydro ASA and its subsidiaries (the "Group"), which comprise the balance sheet as at 31 December 2017, and income statement, statement of comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and 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 ("NGAAP").
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS").

Basis for Opinion

We conducted our audit in accordance with laws, regulations and auditing standards and practices generally accepted in Norway, including International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and of the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Purchase price allocation from the acquisition of Sapa AS with subsidiaries

Refer to Note 6 Significant subsidiaries and changes to the consolidated group

The key audit matter	How the matter was addressed in our audit
In October 2017, the group acquired the remaining shares of Sapa, a 50% owned joint venture. The relevant framework requires the Group to allocate fair values to the identified assets, liabilities and goodwill. The Sapa group is complex in terms of geographical spread, number of production plants, number of product groups and brands. There is also complexity associated with estimating the fair value of obligations including environmental provisions and contingent liabilities. Therefore, determining the fair value and subsequent allocation of the purchase price has been an area of focus in the audit as it requires a high level of judgement performed by management. In addition there are judgemental items related to the calculated gain pertaining to the previously existing share in Sapa and the total consideration. The Group engaged a valuation expert to assist in the valuation of the assets, liabilities and goodwill in addition to considering the estimated useful lives of the identified fixed and intangible assets. The calculation of goodwill is performed based on the residual fair value not allocated to identified assets and liabilities. The total value of Sapa's net assets is NOK 20,813 million consisting of NOK 11,906 million for the 50 % shares acquired, which includes post-closing adjustments of NOK 46 million and NOK 8,906 million for the 50 % previously held share in Sapa. The figures presented are preliminary and may be subject to adjustments until Q3 2018.	Our audit procedures in this area included: • Reading and understanding the share purchase agreement and other relevant documents to establish the date of acquisition and to identify other factors which may impact the financial statements • Re-calculation and evaluation of the gain on sale related to the 50% share previously held • Using our own valuation specialists to assist us in critically challenging the methodology used to identify the assets and liabilities acquired • Engaging our own valuation specialists to support us in challenging the valuation calculations and estimates made by the Group • Examining key assumptions and methodologies in determining the fair values using externally derived data • Assessing the credibility and substance of internally derived assumptions from sources such as business plans and forecasts • Assessing the completeness and valuation of the identified intangible assets by considering potential revenue streams generated from the assets and estimated use of brand and technology • Assessing the completeness of recognised contingent liabilities related to the acquisition by reading due diligence reports, legal letters, correspondence with tax offices and previous years financial statements • Evaluating the competence, capability and objectivity of experts engaged by the Group through enquiry and discussion • Considering the adequacy of the disclosure of the acquisition in the notes to the Financial statements.

Environmental clean-up cost and asset retirement obligations

Refer to Note 5 Critical accounting judgement and key sources of estimation uncertainty, Note 34 Provisions, Note 35 Contingent liabilities and contingent assets in the consolidated Financial Statements and Note 43 Subsequent events in the consolidated Financial Statements.

The key audit matter	How the matter was addressed in our audit
The Group is involved in operations such as bauxite mining, alumina refining and primary aluminium production. There is an inherent risk that these operations may generate significant obligations related to site restoration, reforestation and other remediation work. Such potential obligations are dependent on the environments in which the company operates and changes in the relevant political and legislative environments. Management decisions to expand, curtail or terminate operations in specific locations can also impact obligations as described above. Estimating and calculating these obligations and the probability they will occur requires significant management judgement. The risk of inaccurate estimates is increased due to the uncertainty of scope and timing of such obligations and the limited amount of historical data available. The Group has recognized environmental clean-up provisions and asset retirement obligations of NOK 4,585 million as explained in note 34 and disclosed information pertaining to contingent liabilities in note 35. Subsequent events related to high levels of rainfall and high water levels in and around Alunorte and Paragominas in February 2018 leading to an order by the authorities to reduce activity are described in note 43 Subsequent events.	Our audit procedures in this area included: • Performing retrospective reviews of the accuracy of management's estimates in terms of timing, cash outflows and other assumptions where historical data is available • Assessing the cost and timing of activities applied in the calculations by comparing management forecasts with prior year estimates and also assessing the appropriateness of intended methods for the various types of remediation work proposed • Comparing management's assumptions to relevant market data to test the reasonableness of discount rates, inflation rates, foreign exchange rates and other assumptions used in the calculations • Assessing the accounting treatment for compliance with IFRS and consistency of application, in particular related to the extent to which obligations are capitalized or expensed and the amortization period for capitalized assets • Testing the mathematical accuracy of the models used to calculate provisions and asset retirement obligations • Assessing the adequacy of the disclosures pertaining to estimation uncertainty, provisions, contingent liabilities and subsequent events.

Impairment of goodwill, intangible and non-current assets

Refer to Note 19 Impairment of non-current assets, Note 28 Property, plant and equipment, Note 29 Intangible assets and Note 30 Goodwill in the consolidated Financial Statements.

The key audit matter	How the matter was addressed in our audit
The Group's operations are sensitive to certain commodity prices and other factors, including aluminum and alumina prices, energy prices, inflation rates and relevant foreign exchange rates, which impact key assumptions in cash flow forecasts and can give rise to impairment indicators. The economic environment, and volatility of long-term assumptions indicate that impairment could be a risk related to specific assets, and cash generating units and can also impact the assessment of impairment of goodwill. Management exercise judgement related to expected timing of future cash flows and key assumptions related to commodity and other prices, foreign exchange rates and discount rates. As at 31 December 2017, the Group has goodwill of NOK 7,269 million, Property, plant and equipment of NOK 73,020 million and intangible assets of NOK 5,443 million. No significant impairment has been recognised during 2017.	Our audit procedures in this area included: • Assessing management's process and results for identification and classification of CGU's and assessing whether they were appropriate and in accordance with relevant accounting standards • Evaluating management's assessment of impairment indicators • Performing retrospective reviews of the accuracy of management's estimates in terms of timing of cash outflows and other assumptions such as long-term pricing where historical data is available • Evaluating and challenging the forecasted cash flows including timing of future cash flows applied in the models with reference to historical accuracy and approved business plans • Testing the sensitivity of movements in key assumptions • Evaluating, with assistance from our valuation specialists, key assumptions such as aluminium and alumina prices, inflation rates, energy and fuel prices, relevant foreign exchange rates and discount rates by reference to external sources and relevant benchmarks • Testing the mathematical accuracy of the models used to calculate value in use • Assessing the adequacy of the disclosures related to impairment

Tax assets and liabilities

Refer to Note 5 Critical accounting judgement and key sources of estimation uncertainty, Note 23 Income Tax, Note 27 Other non-current assets and Note 35 Contingent liabilities and contingent assets in the consolidated Financial Statements.

The key audit matter	How the matter was addressed in our audit
The Group's global operations create exposures to different tax regimes with complex legislation. The Group has recognized significant tax assets related to tax credits and losses carried forward and has exposure to tax claims in several jurisdictions. The volume of tax credits is significant and the assessment of recoverability is dependent on interpretation of laws and regulations which may be subject to change over time. Recoverability of deferred tax assets related to losses carried forward are assessed based on estimates of future taxable profits and are judgmental in nature. Tax provisions and contingent liabilities are recognized and disclosed based on management's assessment of the probability of a future cash outflow and also the ability to reliably estimate the amount of any obligation. Due to the complexity of the various tax regimes in which the Group operates, there is significant judgement involved in these assessments. As of 31 December 2017 the Group has recognized NOK 1,678 million in Prepaid taxes and tax credits, deferred tax assets of NOK 1,617 million including deferred tax assets related to losses carried forward and taxes payable of NOK 2,570 million.	Our audit procedures in this area included: • Assessing the eligibility of tax credits recognized as assets and the recoverability of these amounts • Assessing the judgment applied to the recognition of deferred tax assets and the reversal or recoverability of these within the many tax jurisdictions • Assessing the process for identification of uncertain tax positions and management's assessment of the probable outcome • Using our knowledge of local jurisdictions and involvement of our local tax specialists to obtain an overview of the local requirements relevant to management's judgements and conclusions for significant estimates • Reading correspondence with relevant tax authorities and assessments from external legal advisors and comparing these with the basis for accounting entries and disclosures • Challenging management as to which cases and exposures are significant and the level of corresponding disclosures to be included in the Annual report

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, with the exception of the financial statements and the Independent auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, with the exception of our report on Other Legal and Regulatory Requirements below.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the President and CEO ("Management")for the Financial Statements

The Board of Directors and the President and CEO ("Management") are responsible for the preparation in accordance with law and regulations, and fair presentation of the financial statements of the Company in accordance with NGAAP, and for the preparation and fair presentation of the financial statements of the Group in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's or the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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, including 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 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 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, 19 March 2018

KPMG AS

Lars Inge Pettersen

State Authorized Public Accountant

Note: This translation from Norwegian has been prepared 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 2017 and the Auditors' report have been submitted to the corporate assembly.

The Corporate Assembly recommends that the directors' proposal regarding the financial statements for 2017 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 2017 of Norsk Hydro ASA be appropriated as recommended by the directors.

Oslo, March 19, 2018

Terje Venold

Appendices to the Board of Directors' report

QUICK OVERVIEW

This section contains information that is part of the Board of Directors' formal responsibility and exceeding the information required directly in the Board of Directors' report.

All documents are approved by the Board of Directors and included in their signatures to the Board of Directors' Report.

The Country by Country report is also included in the Board of Directors' responsibility statement on page F86 as required by the Norwegian Accounting Act §3-3d and the Norwegian Securities Act §5-5a.

Activities in 40 COUNTRIES

34,625 EMPLOYEES

Alternative Performance Measures (APMs)

Alternative performance measures, i.e. financial performance measures not within the applicable financial reporting framework, are used by Hydro to provide supplemental information, by excluding items that, in Hydro's view, does not give an indication of the periodic operating results or cash flows of Hydro. Financial APMs are intended to enhance comparability of the results and cash flows from period to period, and it is Hydro's experience that these are frequently used by analysts, investors and other parties. Management also uses these measures internally to drive performance in terms of long-term target setting and as basis for performance related pay. These measures are adjusted IFRS measures defined, calculated and used in a consistent and transparent manner over the years and across the company where relevant. Operational measures such as, but not limited to, volumes, prices per mt, production costs and improvement programs are not defined as financial APMs. To provide a better understanding of the company's underlying financial performance for the relevant period, Hydro focuses on underlying EBIT in the discussions on periodic underlying financial and operating results and liquidity from the business areas and the group, while effects excluded from underlying EBIT and net income (loss) are discussed separately in the section on reported EBIT and net income. Financial APMs should not be considered as a substitute for measures of performance in accordance with the IFRS. Disclosures of APMs are subject to established internal control procedures.

Hydro's financial APMs

- *EBIT:* Income (loss) before tax, financial income and expense
- *Underlying EBIT:* EBIT +/- identified items to be excluded from underlying EBIT as described below
- *EBITDA:* EBIT + depreciation, amortization and impairments
- *Underlying EBITDA:* EBITDA +/- identified items to be excluded from underlying EBIT as described below + impairments
- *Underlying net income (loss):* Net income (loss) +/- items to be excluded from underlying income (loss) as described below
- *Underlying earnings per share:* Underlying net income/loss divided by a weighted average of outstanding shares (ref.: note 37 to the consolidated financial statements)
- *Investments:* Additions to property, plant and equipment (capital expenditures) plus long-term securities, intangible assets, long-term advances and investments in equity accounted investments, including amounts recognized in business combinations.
- *Adjusted net cash (debt):* Short- and long-term interest-bearing debt adjusted for Hydro's liquidity positions, and for liquidity positions regarded unavailable for servicing debt, pension obligation and other obligations which are considered debt-like in nature
- *Adjusted net cash (debt) to equity ratio:* Adjusted net cash debt/total equity
- *Funds from operations to adjusted net cash (debt) ratio*: Cash generation from Hydro's wholly and partly owned operating assets before changes in net operating capital, including the contribution from equity accounted investments, and after current tax expense/adjusted net cash (debt)
- *(Underlying) RoaCE:* (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 non-controlling 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.

Items excluded from underlying EBIT, EBITDA, net income (loss) and earnings per share

Hydro has defined two categories of items which are excluded from underlying results in all business areas, equity accounted investments and at group level. One category is the timing effects, which are unrealized changes to the market value of certain derivatives and the metal effect in Rolled Products. When realized, effects of changes in the market values since the inception are included in underlying EBIT. Changes in the market value of the trading portfolio are included in underlying results. The other category includes material items which are not regarded as part of underlying business performance for the period, such as major rationalization charges and closure costs, major impairments of property, plant and equipment, effects of disposals of businesses and operating assets, as well as other major effects of a special nature. Materiality is defined as items with a value above NOK 20 million. All items excluded from underlying results are reflecting a reversal of transactions recognized in the financial statements for the current period, except for the metal effect. Part-owned entities have implemented similar adjustments.

Items excluded from underlying net income[1)]

NOK million	**Year 2017**	Year 2016
Unrealized derivative effects on LME related contracts	**220**	(401)
Unrealized derivative effects on power and raw material contracts	**246**	(61)
Metal effect, Rolled Products	**(419)**	(91)
Significant rationalization charges and closure costs	**210**	192
Impairment charges (PP&E and equity accounted investments)	**-**	426
(Gains)/losses on divestment	**-**	(314)
Other effects	**212**	(223)
Transaction related effects (Sapa)	**(1 463)**	
Items excluded in equity accounted investments (Sapa)	**19**	(113)
Items excluded from underlying EBIT	**(974)**	(586)
Net foreign exchange (gain)/loss	**875**	(2 266)
Calculated income tax effect	**(564)**	841
Other adjustments to net income[2)]	**(125)**	(700)
Items excluded from underlying net income	**(788)**	(2 712)
Income (loss) tax rate	**17 %**	28 %
Underlying income (loss) tax rate	**24 %**	38 %

1) Negative figures indicate reversal of a gain and positive figures indicate reversal of a loss.

2) In 2017 underlying net income included a reduction in tax expense and related interest income of in total NOK 125 million in relation to a tax dispute that was ruled in favor of Hydro in September. In 2016 a reduction in tax expense and related interest income of NOK 700 million in total was included following settlement of a tax case in April 2016.

- *Unrealized derivative effects on LME related 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, where hedge accounting is not applied. Also includes elimination of changes in fair value of certain internal physical aluminium contracts.
- *Unrealized derivative effects on power and raw material contracts* include unrealized gains and losses on embedded derivatives in raw material and power contracts for Hydro's own use and for financial power contracts used for hedging purposes, as well as elimination of changes in fair value of embedded derivatives within certain internal power contracts.
- *Metal effect in Rolled Products* is an effect of timing differences resulting from inventory adjustments due to changing aluminium prices during the production, sales and logistics process, lasting two to three months. As a result, margins are impacted by timing differences resulting from the FIFO inventory valuation method (first in, first out), 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.
- *Significant rationalization charges and closure costs* include costs related to specifically defined major projects, and not considered to reflect periodic performance in the individual plants or operations. Such costs involve termination benefits, dismantling of installations and buildings, clean-up activities that exceed legal liabilities, etc. Costs related to regular and continuous improvement initiatives are included in underlying results.
- *Impairment charges (PP&E and equity accounted investments)* relate to significant write-downs of assets or groups of assets to estimated recoverable amounts in the event of an identified loss in value. Gains from reversal of impairment charges are simultaneously excluded from underlying results.
- *(Gains) losses on divestments* include a net gain or loss on divested businesses and/or individual major assets.
- *Other effects* include recognition of pension plan amendments and related curtailments and settlements, insurance proceeds covering asset damage, legal settlements, etc. Insurance proceeds covering lost income are included in underlying results.
- *Transaction related effects (Sapa)* reflect the net measurement gain relating to previously owned shares in Sapa and an inventory valuation expense related to the Sapa transaction.

- *Items excluded in equity accounted investments* reflects Hydro's share of items excluded from underlying net income in Sapa, until end of third quarter 2017, and Qatalum and are based on Hydro's definitions, including both timing effects and material items not regarded as part of underlying business performance for the period.
- *Net foreign exchange (gain) loss:* Realized and unrealized gains and losses on foreign currency denominated accounts receivable and payable, funding and deposits, embedded currency derivatives in certain power contracts and forward currency contracts purchasing and selling currencies that hedge net future cash flows from operations, sales contracts and operating capital.
- *Calculated income tax effect:* In order to present underlying net income on a basis comparable with our underlying operating performance, the underlying income taxes are adjusted for the expected taxable effects on items excluded from underlying income before tax using a general tax rate of 30 percent.
- *Other adjustments to net income* include other major financial and tax related effects not regarded as part of the underlying business performance of the period.

Items excluded from underlying EBIT[1)]

NOK million	**Year 2017**	Year 2016
Impairment charges	**-**	285
Other effects[2)]	**-**	(254)
Bauxite & Alumina	**-**	31
Unrealized derivative effects on LME related contracts	**101**	(93)
Unrealized derivative effects on power contracts	**50**	(125)
Significant rationalization charges and closure costs	**181**	192
Primary Metal	**331**	(27)
Unrealized derivative effects on LME related contracts	**58**	(119)
Metal Markets	**58**	(119)
Unrealized derivative effects on LME related contracts	**41**	(183)
Metal effect	**(419)**	(91)
(Gains)/losses on divestments	**-**	28
Other effects[3)]	**245**	
Rolled Products	**(132)**	(246)
Unrealized derivative effects on LME related contracts	**(4)**	
Significant rationalization charges and closure costs	**29**	
Transaction related effects (Sapa)[4)]	**(1 463)**	
Extruded Solutions	**(1 438)**	
Energy	**-**	-
Unrealized derivative effects on power contracts[5)]	**197**	64
Unrealized derivative effects on LME related contracts[5)]	**23**	(6)
Impairment charges	**-**	140
(Gains)/losses on divestments	**-**	(342)
Other effects[6)]	**(33)**	32
Unrealized derivative effects (Sapa)	**20**	(166)
Significant rationalization charges and closure costs (Sapa)	**-**	55
Net foreign exchange (gain) loss (Sapa)	**5**	(49)
Calculated income tax effect (Sapa)	**(6)**	48
Other and eliminations	**206**	(225)
Items excluded from underlying EBIT	**(974)**	(586)

1) Negative figures indicate reversal of a gain and positive figures indicate reversal of a loss.
2) Other effects in Bauxite & Alumina include a compensation relating to the completion of outstanding contractual arrangements with Vale.
3) Other effects in Rolled Products include a compensation relating to a customs case in Germany.
4) Transaction related effects include the revaluation gain of Hydro's pre-transactional 50 percent share in Sapa, as well as the fair value allocated to inventory of finished goods and to the backlog of contractual deliveries as of closure, sold during fourth quarter 2017.
5) Unrealized derivative effects on power contracts and LME related contracts result from elimination of changes in the valuation of embedded derivatives within certain internal power contracts and in the valuation of certain internal aluminium contracts.
6) Other effects in Other and eliminations include the re measurement of environmental liabilities related to closed business in Germany.

Underlying EBITDA

NOK million	**Year 2017**	Year 2016
EBITDA	**18 344**	12 485
Items excluded from underlying EBIT	**(974)**	(586)
Reversal of impairments	**-**	(426)
Underlying EBITDA	**17 369**	11 474

Underlying earnings per share

NOK million	**Year 2017**	Year 2016
Net income (loss)	**9 184**	6 586
Items excluded from net income (loss)	**(788)**	(2 712)
Underlying net income (loss)	**8 396**	3 875
Underlying net income attributable to non-controlling interests	**331**	112
Underlying net income attributable to Hydro shareholders	**8 066**	3 762
Number of shares	**2 044**	2 042
Underlying earnings per share	**3.95**	1.84

Adjusted net cash (debt), adjusted net cash (debt) to equity ratio and funds from operations to adjusted net cash (debt) ratio

Hydro's capital management measures are described in note 38 to the consolidated financial statements, including reconciliations and comparable information.

Underlying 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.

	Reported		Underlying	
NOK million	**2017**	2016	**2017**	2016
EBIT	**12 189**	7 011	**11 215**	6 425
Adjusted Income tax expense [1)]	**(2 225)**	(1 913)	**(2 651)**	(2 452)
EBIT after tax	**9 964**	5 098	**8 564**	3 973

	December 31		
NOK million	**2017**	2016	2015
Current assets [2)]	**41 459**	23 722	23 491
Property, plant and equipment	**73 020**	58 734	51 174
Other non-current assets	**35 710**	35 688	35 210
Current liabilities [3)]	**(25 081)**	(13 823)	(13 837)
Non-current liabilities [4)]	**(28 737)**	(22 651)	(21 847)
Capital Employed	**96 370**	81 670	74 191

	Reported		Underlying	
Return on average Capital Employed (RoaCE)	**2017**	2016	**2017**	2016
Hydro	**11.2 %**	6.5 %	**9.6 %**	5.1 %

1) Adjusted income tax expense on EBIT is calculated based on realized reported/ underlying tax expense excluding tax on financial items, on which a 30 percent tax rate is applied as of 2017 (adjusted income tax expense for 2016 is restated).
2) Excluding cash and cash equivalents and short-term investments.
3) Excluding bank loans and other interest-bearing short-term debt.
4) Excluding long-term debt.

Country by country report

Hydro's country by country report has been developed to comply with legal requirements as stated in the Norwegian Accounting Act §3-3d and the Norwegian Security Trading Act §5-5a, valid from 2014, and updated in 2017, and replaces our former reporting on payments to host governments according to the Extractive Industries Transparency Initiative (EITI). Our reporting includes, and goes beyond, the EITI requirements. According to the Norwegian Accounting Act, the country-by-country reporting should be on a project level, and payments should be reported per public authority. Following a thorough evaluation, we have defined "project" as legal entity in the report, and "public authority" as the three levels federal; state(s); and municipality(-ies).

The reporting requirement applies to Hydro as a Norwegian listed company with exploration and extractive activities. Currently, this includes Hydro's consolidated operations in Brazil, through exploration and extractive activities in Paragominas, in the state of Pará. On a voluntary basis, and in line with our EITI reporting since 2005, we also include the alumina refinery Alunorte. Alumina is refined from bauxite and is the commercial product from Hydro's Bauxite & Alumina business area.

Hydro's primary aluminium production facility Albras is also closely linked to the extraction of raw materials in Pará. In order to better illustrate the tax contribution from Hydro's aluminium value chain in Pará, Albras is included on a voluntary basis in the country-by-country report. In addition, Hydro voluntarily report on indirect tax contributions not covered by the requirements in the country by country report.

To comply with the Norwegian country-by-country regulation, Hydro is required to report on certain information at corporate level related to legal entities, where they are registered, number of employees, and interest paid to other legal entities in Hydro within another jurisdiction. From 2017, it is also required to give a short description of each legal entity's activities, revenue, income before tax, tax accrued and paid in the reporting year, and accumulated earnings.

The Country-by-country report is approved by the board of directors and included in their responsibility statement on page F86.

Payments to authorities per project and authority (exploration and extractive activities, alumina refining and aluminium production) in 2017

Extractive related activities (all in Brazil) [1]	Taxes and fees [2]	Royalties	License fees [3]	Infrastructure, contractual [4]	Infrastructure, voluntary [4]	Investments	Revenue [5]	Production volume	Total expenses [5] [6]
	NOK million	NOK million	NOK million	NOK million	NOK million	NOK million	NOK million	1 000 mt	NOK million
Mineracao Paragominas SA, total	**152**	**89**	**1**	**1**	**1**	**996**	**3 022**	**11 435**	**2 382**
Federal	74	11	1						
Pará State	78	21	-						
Paragominas municipality	-	58	-						
Norsk Hydro Brasil Ltda, total	**17**	**-**	**-**	**1**	**4**	**30**	**5**	**-**	**41**
Federal	17	-	-						
Rio de Janeiro State	-	-	-						
São Paulo Municipality	-	-	-						
Alunorte - Alumina do Norte do Brasil SA, total	**39**	**-**	**-**	**-**	**2**	**608**	**14 342**	**6 397**	**14 604**
Federal	**30**	-	-						
Pará State	9	-	-						
Barcarena Municipality	**-**	-	-						
Albras - Alumínio Brasileiro SA, total	**207**			-	**1**	**420**	**7 802**	**398**	**6 900**
Federal	205	-	-						
Pará State	2	-	-						
Barcarena Municipality	**-**	-	-						
Total [7]	**415**	**89**	**1**	**2**	**8**				

1) In 2017, Hydro's extractive activities did not have the following types of payments to host authorities:
- production entitlements
- dividends
- signature, findings and production bonuses
- stocks, shares or other ownership rights

2) Taxes and fees (income, profit and production) except taxes and fees on consumption such as VAT, withholding taxes on behalf of employees, sales tax.

3) License, lease or access fees or other payments for licenses or commissions

4) Payments on improved infrastructure, either contractual based on exploration or operational licenses, or voluntary is based on Hydro's reporting on social investments, please see note S9 to the social statements in Hydro's Annual Report 2017.

5) Including power procurement and sales

6) Costs at Alunorte include purchase of bauxite from Paragominas. Costs at Albras inlcude purchase of alumina from Alunorte.

7) Only figures where a total is presented can be consolidated.

Other tax contributions to authorities in Brazil

The Brazilian tax system is complex and volatile. In addition to the direct taxes reported above on income, profit and production, Brazil has several indirect taxes levied at the federal and state levels, and other taxes levied at the municipal level.

For Hydro, there are three relevant indirect tax mechanisms not covered by the country-by-country requirements, i.e ICMS and PIS/COFINS.

ICMS is a Brazilian state tax on the sale of goods, freight and certain services, similar to VAT. ICMS is intended to be a non-cumulative tax, which means that sales are generating ICMS debits with the seller, and purchases are generating ICMS credits with the buyer. However, as export transactions are exempt from ICMS and not generating ICMS debits, exporters accumulate ICMS credits, which cannot be offset with any other taxes. Since ICMS in an indirect tax, the net ICMS effect is reported as a cost in Hydro's financial accounts, instead of as a tax item.

In the state of Pará, Hydro is subject to a tax regime that aims at preventing the accumulation of ICMS recognized credits, and reduces net payable ICMS. From our operations, we generate ICMS tax revenue to Pará when purchasing diesel and fuel oil, when Albras acquires electricity, and also on sales of products to customers located outside the state.

The ICMS regime Hydro is subject to requires Hydro to comply with certain conditions related to vertical integration of aluminium production in Pará. It also requires Hydro to contribute to the development in the region and enable sustainable growth in Pará.

PIS and COFINS are two social contribution taxes charged on gross income, in most cases at the rate of 9.25 percent. Hydro's group companies in Brazil are charged under a non-cumulative system that resembles VAT. Similar to ICMS, export transactions are not subject to this tax. As a result, Brazilian exporters, like Alunorte and Albras, accumulate credits that can be either reimbursed or offset against debts of other federal taxes.

In addition to the indirect taxes described above, Brazilian municipalities levies a property tax. The property tax, IPTU, is a tax levied on the ownership or possession of urban land and property located in the urban area within the municipality. IPTU is due yearly based on the value of the property, according to rates and conditions foreseen in each municipality's legislation.

The table below includes Hydro entities involved in extractive activities as well as other Hydro entities in the state of Pará.

Other taxes paid to authorities in Brazil*

Extractive related activities	ICMS	PIS	COFINS	IPTU	Total contribution
	NOK million	NOK million	NOK million	NOK million	NOK million
Mineracao Paragominas SA, total	**37**	**-**	**-**	-	**37**
Federal	-	-	-	-	-
Pará State	37	-	-	-	37
Paragominas municipality		-	-	-	
Norsk Hydro Brasil Ltda, total	**1**	**-**	**1**	-	**2**
Federal	-	-	1	-	1
Rio de Janeiro State	1	-	-	-	1
São Paulo Municipality	-	-	-	-	-
Alunorte - Alumina do Norte do Brasil SA, total	**657**	**-**	**-**	**38**	**696**
Federal	**-**	-	-	-	-
Pará State	657	-	-	-	657
Barcarena Municipality				38	38
Albras - Alumínio Brasileiro SA, total	**379**	**-**	**-**	**36**	**415**
Federal	-	-	-	-	-
Pará State	379		-	-	379
Barcarena Municipality				36	36
Total	**1 074**	-	**1**	**74**	**1149**

*Tax off-sets are not included

Further country by country information for all consolidated legal entities

The Norwegian country by country reporting requirement as stated in the Norwegian Accounting Act and the Country by Country Regulation also require reporting on certain information at corporate level related to legal entities, as included in the table below.

Hydro's subsidiaries have both external revenue derived from sale to Hydro's end customers, and internal revenue derived from sale to other Hydro entities. In the table below both revenue streams are included per legal entity, but in Hydro's consolidated financial statements all internal transactions have been eliminated to arrive at Hydro's revenue. The sum of the different items for Hydro's subsidiaries will therefore not add up to the respective consolidated figures.

In order to present a Grand Total in the country by country report that is comparable to Hydro's consolidated financial statements, we have included all group eliminations as a separate line. These include, but are not limited to, eliminations of internal revenue and cost, internal receivables and payables, distributed profit such as dividends within the group, goodwill and excess values not attributable to individual legal entities, accumulated profits allocated to non-controlling interests and all joint operations and joint ventures.

Assets and liabilities in subsidiaries that have been acquired have been remeasured to fair value in Hydro's financial statements. This value adjustment, often referred to as excess value, represents the difference between the fair value of the company as paid by Hydro, and the carrying value of assets and liabilities as recognized by the subsidiary at the time of purchase. This premium is not reflected in the subsidiaries local statutory reporting. Due to this, figures reported in Hydro's country by country report are not necessarily comparable to the entities' local statutory reporting. Acquired entities are included from the date of acquisition. As a result of rounding adjustments, the figures in one or more of the columns in the table below may not add up to the total of that column.

The information is included in the independent auditors assurance report.

Further country by country information for all consolidated legal entities

Jurisdiction	Legal entity	Description of the entity's activity	Ownership 31.12	Number of permanent employees 1)	Number of temporary employees 1)	Interest paid to Hydro legal entities in another jurisdiction, NOK million	Revenue, NOK million 2)	Income before tax, NOK million 3)	Income taxes, NOK million 4)	Income taxes paid, NOK million 5)	Retained earnings, NOK million 6)
Argentina	Sapa Aluminium Argentina S. A.	Precision tubing production	100 %	130	-	-	72	5	2	2	51
Total Argentina				**130**	**-**	**-**	**72**	**5**	**2**	**2**	**51**
Australia	Hydro Aluminium Australia Pty. Limited	Local holding company	100 %	-	-	-					
	Hydro Aluminium Kurri Kurri Pty. Limited	Real estate	100 %	10	-	-	6	-264	-	-	-2 091
Total Australia				**10**	**-**	**-**	**6**	**-264**	-	-	**-2 091**
Austria	Hydro Building Systems Austria GmbH	Sales company	100 %	33	-	-	33	-3	-3	6	-12
	Hydro Components Nenzing GmbH	Extrusion component production	100 %	108	-	-	23	1	2	-	20

Jurisdiction	Legal entity	Description of the entity's activity	Ownership 31.12	Number of permanent employees 1)	Number of temporary employees 1)	Interest paid to Hydro legal entities in another jurisdiction, NOK million	Revenue, NOK million 2)	Income before tax, NOK million 3)	Income taxes, NOK million 4)	Income taxes paid, NOK million 5)	Retained earnings, NOK million 6)
	Hydro Extrusion Nenzing GmbH	Extrusion production	100 %	298	-	-	411	19	33	5	278
	Hydro Holding Austria GmbH	Local holding company	100 %	-	-	-	-	-11	-	12	76
Total Austria				**439**	**-**	-	**467**	**5**	**31**	**22**	**363**
Belgium	Hydro Allease NV	Support services	100 %	-	-	-	1	1	1	1	16
	Hydro Aluminium Belgium BVBA	Support services	100 %	-	-	-	-	-	-	-	-
	Hydro Building Systems Belgium N.V	Building systems production	100 %	215	2	-	118	7	1	1	-211
	Hydro Extrusion Licthervelde NV	Precision tubing production	100 %	180	-	-	370	19	23	-	297
	Hydro Extrusion Raeren S.A	Extrusion production	100 %	185	10	-	171	8	-9	-	189
	Norsk Hydro EU Sprl	Public affairs	100 %	3	-	-	5	-	-	-	-
	Sapa Building Systems International NV	*Liquidated in 2017*	-	-	-	-	-	-	-	-	-
	Sapa Extrusion EXPA S.A	Dies production	100 %	58	-	-	17	-11	-10	-	125
	Sapa Precision Tubing Lichtervelde NV	Precision tubing production	100 %	179	-	-	118	-1	-9	-	68
	Sapa Precision Tubing Seneffe S.A	*Entity is dormant*	100 %	-	-		-	-	-	-	10
Total Belgium				**820**	**12**	**-**	**799**	**23**	**-3**	**1**	**494**
Brazil	ALBRAS - Alumínio Brasileiro SA	Primary aluminium production	51 %	1 187	103	-	7 802	935	299	176	2 959
	ALUNORTE - Alumina do Norte do Brasil S. A. 7)	Alumina refinery	92.1 %	1 961	92	31	14 342	-437	-237	133	5 322
	Ananke Alumina SA	Local holding company	100 %	-	-	-	88	890	31	18	1 897
	Atlas Alumínio SA	Local holding company	100 %	-	-	-	201	482	53	78	446
	Calypso Alumina SA	Local holding company	100 %	-	-	-	-	-	-	-	-1
	CAP - Companhia de Alumina do Pará SA	Planned alumina refinery	81 %	-	-	-	-	-15	-	1	-429
	Mineração Paragominas SA	Bauxite mining	100 %	1 367	92	-	3 022	755	191	72	996
	Norsk Hydro Brasil Ltda.	Local holding company	100 %	333	40	-	12	34	17	17	-418
	Norsk Hydro Energia Ltda.	Power trading & Energy services	100 %	-	-	-	1 114	42	15	19	19
	Sapa Aluminium Brazil S.A	Precision tubing production	100 %	372	20	-	190	-9	1	-	13
Total Brazil				**5 220**	**347**	**31**	**26 770**	**2 677**	**371**	**515**	**10 804**

Jurisdiction	Legal entity	Description of the entity's activity	Ownership 31.12	Number of permanent employees 1)	Number of temporary employees 1)	Interest paid to Hydro legal entities in another jurisdiction, NOK million	Revenue, NOK million 2)	Income before tax, NOK million 3)	Income taxes, NOK million 4)	Income taxes paid, NOK million 5)	Retained earnings, NOK million 6)
Canada	Hydro Aluminium Canada & Co. Ltd.	Local holding company	100 %	3	-	-	1 996	8	27	60	931
	Hydro Aluminium Canada Inc.	Local holding company	100 %	-	-	-	1	1	-	-	24
	Sapa Canada Inc.	Extrusion production	100 %	540	-	1	611	7	21	23	490
Total Canada				**543**	**-**	**1**	**2 608**	**16**	**48**	**84**	**1 446**
China & Hong Kong	Hydro Aluminium Beijing Ltd.	Sales company	100 %	10	-	-	1 036	48	12	12	48
	Sapa (Shanghai) Management Co. Ltd	*Entity is dormant*	100 %	-	-	-	-	-	-	1	-16
	Sapa Asia Limited	*Entity is in liquidation*	100 %	-	-	-	-	-	-	-	-4
	Sapa Building Systems (Beijing) Co. Limited	Sales company	100 %	21	-	-	23	2	1	1	-67
	Sapa Extrusion (Jiangyin) Co. Ltd	*Entity is dormant*	100 %	-	-	-	-	-	-	-	-26
	Sapa Extrusion (Shanghai) Company Ltd	Precision tubing production	100 %	215	-	-	67	-1	-1	-	111
	Sapa Precision Tubing (Suzhou) Co. Ltd.	Precision tubing production	100 %	360	-	-	226	13	7	12	-41
	Sapa Precision Tubing Shanghai Ltd.	Precision tubing production	100 %	64	-	-	30	-1	-	-	15
Total China & Hong Kong				**670**	**-**	**-**	**1 383**	**61**	**19**	**25**	**20**
Czech Republic	Sapa Building System sro CZ	Sales company	100 %	-	-	-	2	-	-	-	1
Total Czech Republic				-	-	-	**2**	**-**	**-**	**-**	**1**
Denmark	Datoselskabet af 23. august 2016 A/S under frivillig likvidation	*Entity is in liquidation*	100 %	-	-	-	-	-	2	-	-
	Hydro Aluminium Rolled Products Denmark A/S	Sales company	100 %	2	-	-	4	1	-	-	5
	Hydro Extrusion Denmark A/S	Extrusion production	100 %	278	-	-	323	8	6	9	124
	Hydro Holding Denmark A/S	Local holding company	100 %	-	-	-	0	-3	-3	-1	1 427
	Hydro Precision Tubing Tønder A/S	Precision tubing production	100 %	449	-	-	355	30	24	19	474
Total Denmark				**729**	**-**	**-**	**682**	**36**	**29**	**28**	**2 030**
Estonia	Hydro Extrusion Estonia AS	Extrusion production	100 %	13	-	-	15	1	-	-	10
Total Estonia				**13**	**-**	**-**	**15**	**1**	**-**	**-**	**10**
Finland	Hydro Extrusion Finland Oy	Sales company	100 %	-	-	-	43	-1	-	1	13
Total Finland				-	-	-	**43**	**-1**	**-**	**1**	**13**
France	Extrusion Services S.a.r.l	Local holding company	100 %	40	1	-	595	19	4	1	150

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	Hydro Albi SNC	Extrusion production	100 %	22	-	-	-	-	-	-	-
	Hydro Aluminium France S.A.S.	Local holding company	100 %	10	-	-	14	3	1	2	5
	Hydro Aluminium Sales and Trading s.n.c.	Sales company	100 %	3	-	-	7	1	-	-	1
	Hydro Buildex	Extrusion production	100 %	99	7	-	134	14	13	4	87
	Hydro Building Systems France Sarl	Building systems production	100 %	676	27	-	592	17	36	-	285
	Hydro Building Systems Holding France SAS	Local holding company	100 %	-	-	-	-	119	6	-	873
	Hydro Extrusion Albi SAS	Administrative services	100 %	159	5	-	189	-8	-5	-1	125
	Hydro Extrusion Lucé/ Châteauroux SAS	Extrusion production	100 %	336	4	-	233	-6	1	7	-204
	Hydro Extrusion Puget SAS	Extrusion production	100 %	285	-	-	186	1	1	1	-9
	Hydro France SAS	Local holding company	100 %	-	-	-	-	-	-	-	395
	Hydro Holding France SAS	Local holding company	100 %	-	-	-	-	197	-32	-67	167
	Hydro Laquage Albi SAS	Sales company	100 %	72	-	-	26	2	1	1	22
	Hydro Tool Center SAS	Tool and spare parts services	100 %	5	-	-	10	-	-	-	2
	Sapa Building Systems Puget SAS	Building systems production	100 %	122	-	-	149	-14	3	2	76
	Sapa Shared Services France I.T.C. s.n.c.	IT shared services	100 %	-	-	-	4	-	-	-	1
Total France				**1 829**	**44**	**-**	**2 140**	**346**	**30**	**-50**	**1 975**
Germany	Hydro Aluminium Deutschland GmbH	Local holding company	100 %	68	4	-	39	401	-129	333	4 868
	Hydro Aluminium Dormagen GmbH	Finishing	100 %	18	4	-	50	14	-	-	5
	Hydro Aluminium Gießerei Rackwitz GmbH	Remelter	100 %	59	5	-	907	48	1	-	29
	Hydro Aluminium High Purity GmbH	High-purity aluminium production	100 %	62	4	-	247	-18	4	-	69
	Hydro Aluminium Recycling Deutschland GmbH	Remelter	100 %	27	4	-	53	5	-	-5	80
	Hydro Aluminium Rolled Products GmbH	Local holding company	100 %	3 371	420	-	21 466	444	236	14	3 655
	Hydro Building Systems GmbH	Building systems production	100 %	86	7	-	287	-3	-2	-	122
	Hydro Energy GmbH	Energy sourcing	100 %	-	-	-	5	4	-	-	107

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	Hydro Extrusion Deutschland GmbH	Extrusion production	100 %	424	-	-	385	12	-1	-	104
	Hydro Extrusion Offenburg GmbH	Extrusion production	100 %	211	-	-	147	-4	-	-	93
	Hydro Holding Offenburg GmbH	Local holding company	100 %	46	-	-	10	-	10	-1	41
	Hydro Precision Tubing Remscheid GmbH	Precision tubing production	100 %	154	-	-	58	-2	-	-	35
	Norsk Hydro Deutschland Verwaltungs GmbH	Local holding company	100 %	-	-	-	-	-	-	-	-1
	Sapa Building Systems Germany GmbH	Building systems production	100%	331	11	-	111	2	-	-	-8
	Sapa Germany GmbH	Local holding company	100 %	-	-	-	-	-5	23	15	31
	SEGN Standort-Entwicklungs-Gesellschaft Nabwerk mbH	Real estate	100 %	-	-	-	-	-	-	-	-
	VAW-Innwerk Unterstützungs-Gesellschaft GmbH	Pension fund	77.5 %	-	-	-	-	-	1	-	219
Total Germany				**4 857**	**459**	**-**	**23 766**	**899**	**142**	**355**	**9 448**
Greece	Hydro Building Systems A.E.	*Entity is in liquidation*	100 %	-	-	-	-	-	-	-	-33
Total Greece				**-**	**-**	-	-	**-**	**-**	**-**	**-33**
Hungary	Hydro Extrusion Hungary Kft.	Extrusion production and support services	100%	1 523	-	-	665	35	-5	6	318
Total Hungary				**1 523**	-	-	**665**	**35**	**-5**	**6**	**318**
India	Sapa BS India Private Limited	Sales company	100 %	26	-	-	11	-1	-	-	-8
	Sapa Building System Private Limited	*Entity is dormant*	100 %	-	-	-	-	-	-	-	-43
	Sapa Extrusion India Private Ltd	Precision tubing production	100 %	-	-	-	85	2	-	-	-358
	Sapa Precision Tubing Pune Private Limited	Precision tubing production	100 %	51	-	-	22	2	-	-1	-2
Total India				**77**	**-**	**-**	**119**	**3**	**-**	**-1**	**-411**
Italy	Hydro Aluminium Metal Products S.r.l.	Sales company	100 %	2	-	-	8	1	-	-	16
	Hydro Building Systems Italy S.P.A	Building systems production	100 %	318	2	-	376	9	-	-	78
	Hydro Extrusion Italy Srl	Extrusion production	100 %	276	27	-	325	-6	3	1	235
	Hydro Holding Italy SPA	Local holding company	100 %	15	-	-	-9	-	3	-1	878
Total Italy				**611**	**29**	**-**	**700**	**3**	**5**	**1**	**1 207**
Japan	Hydro Aluminium Japan KK	Sales company	100 %	7	-	-	228	18	7	5	51
	Sapa Profiles Japan Ltd.	*Entity is in liquidation*	100 %	-	-	-	-	-	-	-	-

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Total Japan				**7**	**-**	**-**	**229**	**18**	**7**	**5**	**51**
Latvia	Hydro Extrusion Latvia SIA	Sales company	100 %	486	-	-	2	-	-	-	-6
Total Latvia				**486**	**-**	**-**	**2**	**-**	**-**	**-**	**-6**
Lithuania	Hydro Building Systems Lithuania	Sales company	100 %	-	-	-	21	-	1	1	8
	Hydro Extrusion Lithuania UAB	Extrusion production	100 %	-	-	-	49	2	-	-	24
Total Lithuania				**-**	**-**	**-**	**70**	**2**	**1**	**1**	**32**
Luxembourg	Hydro Aluminium Clervaux S. A.	Remelter	100 %	53	3	-	1 388	42	10	13	239
Total Luxembourg				**53**	**3**	**-**	**1 388**	**42**	**10**	**13**	**239**
Mexico	Monterrey Extrusion Services S DE R.L. DE	Precision tubing production	100 %	-	-	-	9	-	-	-	-2
	Sapa Precision Tubing Monterrey S. de R.L. de C.V.	Precision tubing production	100 %	131	-	-	20	-1	-1	-	109
	Sapa Precision Tubing Reynosa S. de R.L. de C.V.	Precision tubing production	100 %	206	-	-	20	-1	-	-	10
Total Mexico				**337**	**-**	**-**	**49**	**-1**	**-**	**-**	**117**
Mozambique	Sapa Building Systems Moçambique Lda	*Entity is dormant*	100 %	-	-	-	1	-	-	-	-
Total Mozambique				-	-	-	**1**	**-**	**-**	**-**	**-**
Netherlands	Fintuna Holding (Nederland) B. V.	Real estate	100 %	-	-	-	-	6	-	-	-20
	Hydro Albras B.V.	Local holding company	100 %	-	-	-	-	234	-	-	-10
	Hydro Aluminium Brasil Investment B.V.	Local holding company	100 %	-	-	-	-	546	-	-	894
	Hydro Aluminium Investment B.V.	Local holding company	100 %	-	-	-	-	-	-	-	-
	Hydro Aluminium Netherlands B.V.	Local holding company	100 %	-	-	-	-	522	-	-	256
	Hydro Aluminium Pará B.V.	Local holding company	100 %	-	-	-	-	-115	-	-	-115
	Hydro Aluminium Qatalum Holding B.V.	Local holding company	100 %	-	-	-	-	746	-	-	896
	Hydro Aluminium Rolled Products Benelux B.V.	Sales company	100 %	3	-	-	4	1	-	-	2
	Hydro Alunorte B.V.	Local holding company	100 %	-	-	-	-	813	-	-	-44
	Hydro Building Systems Netherlands B.V.	Building systems production	100 %	-	-	-	9	-	-	-	-7
	Hydro CAP B.V.	Local holding company	100 %	-	-	-	-	-369	-	-	-370

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	Hydro Extrusion Drunen B.V.	Extrusion production	100 %	477	32	-	361	4	-3	-	747
	Hydro Extrusion Hoogezand B.V.	Extrusion production	100 %	160	-	-	130	2	-	-	150
	Hydro Paragominas B.V.	Local holding company	100 %	-	-	-	-	-	-	-	7
	Norsk Hydro Holland B.V.	Local holding company	100 %	4	-	-	15	2 248	-	-	5 263
	Sapa Holdings (Nederland) B.V.	*Entity is dormant*	100 %	-	-	-	-	-	-	-	-
	Sapa Nederland B.V.	Local holding company	100 %	-	-	-	-	-51	-	-	60
Total Netherlands				**644**	**32**	**-**	**518**	**4 586**	**-3**	**-**	**7 706**
Norway	Herøya Nett AS	*Entity sold during 2017*	-	-	-	-	8	-4	-1	-	-
	Hycast AS	Remelter	100 %	52	1	-	298	14	3	-	111
	Hydro Aluminium AS	Primary aluminium production	100 %	2 336	414	-	47 069	9 388	1 300	452	19 079
	Hydro Aluminium Rolled Products AS	Rolling mill	100 %	649	38	-	4 277	52	12	-	695
	Hydro Energi AS	Power production	100 %	179	15	-	7 088	71	358	336	-505
	Hydro Extruded Solutions AS	Local holding company	100 %	145	3	-	-	428	78	1	2 293
	Hydro Extrusion Norway AS	Extrusion production	100 %	109	6	-	91	1	-7	-	51
	Hydro Invest Porsgrunn AS	Local holding company	100 %	-	-	-	-	2	-	-	-
	Hydro Kapitalforvaltning AS	Local holding company	100 %	4	-	-	10	-	-	-	-
	Hydro Vigelands Brug AS	High-purity aluminium production	100 %	32	4	-	80	10	2	-	66
	Hydro Vigelandsfoss AS	Power production	100 %	-	-	-	41	6	8	12	180
	Industriforsikring AS	Insurance	100 %	9	-	-	165	154	27	-	577
	Norsk Hydro ASA	Parent company	-	266	6	-	316	-491	-307	114	32 903
	Røldal-Suldal Kraft AS	Power production	91.3 %	-	-	-	486	343	208	123	124
	Svælgfos AS	Power trading	100 %	-	-	-	-	-	-	-	1
	Sør-Norge Aluminium AS	Primary aluminium production	100 %	250	134	-	2 299	96	34	-	668
	Vækerø Gård Barnehage ANS	Company kindergarden	100 %	-	-	-	-	-	-	-	-
Total Norway				**4 031**	**621**	-	**62 230**	**10 070**	**1 714**	**1 039**	**56 240**
Poland	Hydro Aluminium Rolled Products Polska Sp. zo.o.	Sales company	100 %	6	-	-	4	-	-	-	5

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	Sapa Aluminium Sp. zo.o	Extrusion production	100 %	1 073	10	-	479	22	17	2	522
	Sapa Building Systems Sp. zo. o.	Sales company	100 %	51	-	-	44	-1	-	-	-6
Total Poland				**1 130**	**10**	**-**	**526**	**22**	**17**	**2**	**520**
Portugal	Hydro Aluminium Extrusion Portugal HAEP, S.A.	Extrusion production	100 %	104	21	-	87	-1	-	-	125
	Hydro Building Systems Lda.	Sales company	100 %	14	-	-	23	2	2	-	34
	Naco Portugal SGPS Lda.	*Entity is dormant*	100 %	-	-	-	-	-	-	-	-94
	Sapa Portugal SA	Sales company	100 %	43	-	-	41	-1	5	-	-6
Total Portugal				**161**	**21**	**-**	**150**	**-1**	**8**	**-**	**59**
Romania	Hydro Extrusion S.R.L	Extrusion production	100 %	249	-	-	109	-6	-	-	-145
Total Romania				**249**	**-**	-	**109**	**-6**	-	**-**	**-145**
Russian Federation	OOO Sapa Building Systems	*Entity is in liquidation*	100 %	-	-	-	-	-	-	-	-
Total Russian Federation				-	-	-	**-**	**-**	**-**	**-**	**-**
Singapore	Hydro Aluminium Asia Pte. Ltd.	Trading company	100 %	16	-	-	7 935	104	10	9	555
	Hydro Aluminium Asia Rolled Products Private Limited	Sales company	100 %	2	-	-	3	1	-	-	4
	Hydro Holding Singapore Pte Ltd	Sales and local holding company	100 %	19	-	-	11	-	-	-	-394
Total Singapore				**37**	**-**	**-**	**7 948**	**105**	**10**	**9**	**165**
Slovakia	Hydro Extrusion Slovakia a.s.	Extrusion production	100 %	373	-	-	149	-	5	-	-50
	Slovalco a.s.	Primary aluminium production	55.3 %	498	-	-	3 381	259	39	55	494
	ZSNP DA, s.r.o.	Transportation	55.3 %	-	-	-	9	2	-	1	3
Total Slovakia				**871**	**-**	**-**	**3 539**	**260**	**44**	**55**	**447**
South Africa	Technal Systems South Africa (Pty) Ltd.	*Entity is in liquidation*	100 %	-	-	**-**	-	-	-	-	-12
Total South Africa				-	-	-	**-**	**-**	**-**	**-**	**-12**
Spain	Hydro Aluminium Iberia S.A.U	Remelter	100 %	51	3	-	819	43	3	7	173
	Hydro Aluminium Rolled Products Iberia S.L.	Sales company	100 %	6	1	-	9	1	-	-1	4
	Hydro Building Systems Spain S.L.U.	Building systems production	100 %	254	-	-	156	-1	-11	-	9
	Hydro Extruded Solutions Holding S.L.U	Local holding company	100 %	42	2	-	12	-3	-	-	548
	Hydro Extrusion Spain S.A.U	Extrusion production	100 %	383	18	-	340	-12	-	2	409
Total Spain				**736**	**24**	**-**	**1 337**	**29**	**-9**	**8**	**1 142**
Sweden	Hydro Aluminium Sverige AB	Sales company	100 %	3	-	-	4	1	-	-	6
	Hydro Building Systems Sweden AB	Building systems production	100 %	104	-	-	162	24	17	-	15

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	Hydro Extruded Solutions AB	Local holding company | R&D	100 %	42	1	2	17	30	21	2	1 686
	Hydro Extrusion Sweden AB	Extrusion production	100 %	919	10	-	635	-1	5	-6	268
	Sapa China Holding AB	Local holding company	100 %	-	-	-	-	-	-	-	-
Total Sweden				**1 068**	**11**	**2**	**818**	**53**	**44**	**-3**	**1 975**
Switzerland	Hydro Aluminium International S.A. (HAI S.A.)[7]	Sales company	100 %	10	-	17	20 260	1 253	126	-	-742
	Hydro Aluminium SA	*Entity liquidated during 2017*	-	-	-	-	-	-	-	-	-
	Hydro Aluminium Walzprodukte AG	Sales company	100 %	2	-	-	4	1	-	-	3
	Hydro Building Systems Switzerland AG	Sales company	100 %	44	-	-	61	3	-	-	33
Total Switzerland				**56**	**-**	**17**	**20 325**	**1 258**	**126**	**-**	**-705**
Turkey	Hydro Yapi Sistem Sanayi VE Ticaret AS	Sales company	100 %	33	-	-1	38	10	1	-	65
Total Turkey				**33**	**-**	**-1**	**38**	**10**	**1**	**-**	**65**
Ukraine	Sapa Profiles UA	*Entity is in liquidation*	100 %	-	-	-	-	-	-	-	-
Total Ukraine				**-**	**-**	-	-	**-**	**-**	**-**	**-**
United Arab Emirates	Hydro Building Systems Middle East FZE	Sales company	100 %	15	-	-	41	5	-	-	18
Total United Arab Emirates				**15**	**-**	-	**41**	**5**	**-**	**-**	**18**
United Kingdom	Hydro Aluminium Deeside Ltd.	Remelter	100 %	48	1	-	706	16	3	5	46
	Hydro Aluminium Rolled Products Ltd.	Sales company	100 %	6	-		11	3	1	1	2
	Hydro Building Systems UK Ltd.	Building systems production	100 %	118	-	-	139	-11	2	7	341
	Hydro Components UK Ltd.	Extrusion component production	100 %	324	13	-	181	5	1	8	185
	Hydro Extrusion UK Ltd.	Extrusion production	100 %	550	-	-	362	11	2	-1	-32
	Hydro Holdings UK Ltd.	Local holding company	100 %	-	-	-	2	1	-	-8	155
	Hydro Motorcast Leeds (Property) Ltd	*Entity liquidated during 2017*	100 %	-	-	-	-	-	-	-	-
	Sapa Aluminium Extrusion Ltd.	*Entity is dormant*	100 %	-	-	-	-	-	-	-	-
	Sapa Building Systems (Wakefield) Ltd.	*Entity is dormant*	100 %	11	-	-	-	-	-	-	-
	Sapa UK Ltd.	*Entity is dormant*	100 %				-	-	-	-	27
Total United Kingdom				**1 057**	**14**	**-**	**1 401**	**26**	**9**	**12**	**724**

Further country by country information for all consolidated legal entities

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USA	EMC Ashtabula, Inc.	*Entity is dormant*	100 %	-	-	-	-	-2	28	-	-1 966
	EMC Metals Inc	Local holding company	100 %	-	-	-	-	586	21	-	416
	Hydro Aluminum Metals USA, LLC	Local holding company	100 %	134	2	-	5 161	108	7	-	-1 851
	Hydro Aluminum Tomago Inc.	Local holding company	100 %	-	-	-	-	1	-	-	-165
	Hydro Aluminum USA, Inc.	Sales company	100 %	6	-	-	17	6	-	-	12
	Hydro Extruder LLC	Extrusion production	100 %	1 083	-	-	1 296	-16	-42	7	423
	Hydro Extrusion Dehli LLC	Extrusion production	100 %	326	-	-	323	-22	-8	3	45
	Hydro Extrusion North America LLC	Extrusion production	100 %	1 099	-	1	1 059	-29	60	2	-2 204
	Hydro Extrusion Portland Holding Inc.	Local holding company	100 %	615	-	-	-	-9	-	-	5
	Hydro Extrusion Portland Inc.	Extrusion production	100 %	-	-	-	444	-18	-13	-	616
	Hydro Extrusion USA LLC	Extrusion production and support services	100 %	2 501	10	4	2 499	1 144	-131	20	303
	Hydro Holding North America Inc.	Local holding company	100 %	-	-	-	-	-	-	-	-
	Hydro Metals Holding US LLC	Local holding company	100 %	-	-	-	-	-	-	-	-
	Hydro Precision Tubing Adrian Inc.	*Entity is dormant*	100 %	-	-	-	-	-2	14	-	-279
	Hydro Precision Tubing Louisville Inc.	*Entity is dormant*	100 %	-	-	-	-	-	1	-	-66
	Norsk Hydro North America, Inc.	Local holding company	100 %	-	-	1	-	162	-35	17	-196
	Sapa Precision Tubing Central LLC	Precision tubing production	100 %	-	-	-	-	-	-	-	-
	Sapa Precision Tubing LLC	Precision tubing production	100 %	-	-	-	114	11	-	-	122
	Sapa Precision Tubing Rockledge	Precision tubing production	100 %	174	2	-	264	17	-14	-	-102
Total USA				**5 938**	**14**	**6**	**11 178**	**1 938**	**-110**	**49**	**-4 888**
Vietnam	Sapa Ben Thanh Aluminium Profiles Co.	Extrusion production	65 %	234	5	-	50	-2	-	-	-6
Total Vietnam				**234**	**5**		**50**	**-2**	**-**	**-**	**-6**
Total Eliminations, non-controlling interests and goodwill and excess values not attributable to specific legal entities							**-66 950**	**-14 330**	**-644**	**-10**	**-52 110**
Total joint operations and joint ventures							**3 987**	**3 148**	**-4**	**9**	**19 165**
Grand total [8)]				**34 625**	**1 646**	**56**	**109 220**	**11 075**	**1 891**	**2 180**	**56 435**

1) Number of employees is based on the legal entity each employee is employed by
2) Revenue consists of external and internal revenue from sales of products and services, and realized and unrealized results from derivatives related to sale of products. Elimination of sale to other Hydro companies is presented on a combined basis in “Eliminations”. Revenue in this report equals revenue in Hydro’s consolidated financial statements
3) For the composition of income before tax, please refer to consolidated income statements and related notes
4) For a description and the composition of income taxes, please refer to consolidated income statements and related notes
5) Income taxes paid represents the actual payments made during the year independent of which year the tax relates to. In some tax regimes including Brazil, tax payments include settlement of tax liabilities with tax credits generated from other payments to federal authorities
6) Retained earnings consists of accumulated gains and losses, net of distributed profits from the point of view of the legal entity. Retained earnings existing in the companies at the time of Hydro’s acquisition is deducted in “Eliminations”. In addition, “Eliminations” consists of unrealized gains in transactions between Hydro companies
7) Interest paid from Alumina do Norte do Brasil S.A. and Hydro Aluminium International SA relates to interest on loans and credit facilities in Norsk Hydro ASA
8) Only figures where a total is presented can be consolidated

Entity descriptions

In the table above, each company has been given a short description of its main activities. Some of the entities can also have other activities as listed below. For a complete overview of the description given of each company in public registers, see www.hydro.com/reporting2017

Short description	Main activities
Alumina refinery	Refining of bauxite to alumina. Hydro operates the Alunorte alumina refinery
Bauxite mining	Mining of bauxite, the raw material for aluminium productions. Hydro has only one consolidated bauxite mine
Building systems production	Manufacturing or production of building systems
Company kindergarden	Kindergarden for children of employees or tenants
Dies production	Production of dies for extrusion of aluminium
Energy sourcing	Sourcing of energy for Hydro operations
Extrusion component production	Manufacturing or production of components
Extrusion production	Includes one or more extrusion plant(s) and is normally also responsible for sales and marketing of its products. R&D activities can also be included
Finishing	Slitting of rolled products for automotive
High-purity aluminium production	Production of aluminium of minimum 99.99 percent purity
Insurance	In-house insurance
IT shared services	IT shared services for Hydro operations
Local holding company	Holding & Financing. Holding shares or other equity instruments. Administrative, management or support services
Pension fund	Employee pension fund
Power production	Production of hydropower in Norway
Power trading	Trading of power and energy services
Precision tubing production	Manufacturing or production of extruded aluminium products, such as aluminium tubes, micro-port extrusions, and welded aluminium tubes
Primary aluminium production	Includes one or more primary aluminium plant(s), and may also include casting, anode production and/or R&D activities
Public affairs	Hydro's Brussels office
Real estate	Development and property management. Owner of land. Developing of infrastructure
R&D	Research and development activities
Remelter	Facility remelting standard ingots, process scrap and/or post-consumer scrap
Rolling mill	Production of rolled products
Sales company	Sales, marketing and distribution offices
Support services	Administrative, management or support services
Tool and spare parts services	Provides tool and spare parts services, in addition to administrative and management support
Trading company	Sales, marketing and distribution of casthouse aluminium products
Transportation	Transport of raw materials by train tracks

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 2017.

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 three deviations from this section:

1) *"Ensure that the members of the board of directors ... are present at the general meeting":* 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.

2) *"Ensure that the members of ... the nomination committee ... are present at the general meeting":* The entire nomination committee 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 nomination committee is always on hand to present the nominations and answer any questions. Other committee members participate as needed. The nomination committee considers this to be adequate.

3) *"Making arrangements to ensure an independent chairman for the general meeting":* Section 9 in Hydro's articles of association 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:
Hydro has one deviation from this section:

"The company's guidelines for the nomination committee should establish rules for rotation of the members of the nomination committee": The nomination committee has no formal rules on rotation of its members. The nomination committee's mandate expresses, however, the intention to "over the course of time balance the need for continuity against the need for renewal in respect of each governing organ." The chairperson of the committee, who is also the chairperson of the corporate assembly, has been a member of the committee since 2012, became acting chairperson in 2014 and was elected chairperson in 2015. The other members were elected to the nomination committee in 2008, 2014 and 2015.

Section 14, Takeovers:
Hydro has one deviation from this section:

"The board of directors should establish guiding principles for how it will act in the event of a take-over bid": 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, Industry and Fisheries, owns 34.3 percent of the Hydro shares (as of 31.12.2017) and has by virtue of the Active Ownership Report (Report to the Storting no. 27 (2013-2014)) expressed a long-term ownership perspective in the company for the purpose of retaining its head office and research activities in Norway.

1. Statement of corporate governance

Hydro follows the Norwegian Code of Practice for Corporate Governance of 2014. The Hydro Way represents our framework for leadership, organization and culture and is the foundation for our governance system, including our code of conduct. Hydro's Code of Conduct has been approved by the board of directors, which also oversees that Hydro has appropriate corporate directives for, among other things, risk management, HSE and corporate responsibility.

References: Learn more about The Hydro Way at www.hydro.com/principles

2. Hydro's business

Hydro is a global aluminium company with production, sales and trading activities throughout the value chain, from bauxite, alumina and energy generation to the production of primary aluminium and rolled and extruded products as well as recycling. Based in Norway, the company has 35,000 employees involved in activities in 40 countries on all continents. Rooted in more than a century of experience in renewable energy production, technology development and partnerships, Hydro is committed to strengthening the viability of the customers and communities we serve.

The company's objectives, as stated in its articles of association, are to engage in industry, commerce and transport, to utilize energy resources and raw materials, and to engage in other activities connected with these objectives. Its business activities may also be conducted through participation in or in cooperation with other enterprises.

References: Hydro's articles of association are available at www.hydro.com/governance

3. Equity and dividend

In the opinion of the board of directors, Hydro's equity capital is appropriate to the company's objectives, strategy and risk profile.

Hydro's dividend policy is to pay out a predictable dividend and in the long term to pay out, on average, 40 percent of net income as ordinary dividend over the cycle to our shareholders. The dividend policy has a floor of NOK 1.25 per share.

The board of directors may obtain authorization from the general meeting of shareholders to buy back Hydro shares in the market. In such cases, the board will normally request that the shares are acquired in the open market, and that the authority lasts no longer than until the next general meeting.

When the general meeting of shareholders considers whether or not to authorize the board of directors to carry out share capital increases for different 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. Such authorization was last given in 2010 in connection with the Vale transaction.

The dividend per share is normally proposed by the board of directors, based on Hydro's dividend policy, and approved by the general meeting of shareholders.

See also item 4.

References: Learn more about Hydro's equity and dividend policy at page 136 in Hydro's Annual Report 2017

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 at the general meeting of shareholders. Invitations are sent to the shareholders or to the bank/broker where the shareholder's securities account is held.

Sales of shares to employees in Norway 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 dialogue directly with investors.

Transactions with related parties

Hydro's Code of Conduct contains guidelines for, among other things, how any conflicts of interest that may arise should be dealt with. The code applies to all of Hydro's board members and employees. It is the opinion of the board of directors that there were no transactions that were material between the group and its shareholders, board members, corporate management board or related parties in 2017 except those described under item 8.

Regulation of share issues and preemptive rights are described in the company's articles of association.

State ownership

As of December 31, 2017 the Norwegian state, represented by the Ministry of Trade, Industry and Fisheries, 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 major shareholders at page 137 in Hydro's Annual Report 2017 and sale of the Hydro share to employees in note 17 (Employee remuneration) 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. See also note 11 (Related party information) to the consolidated financial statements.

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, 2017 the Norwegian state, represented by the Ministry of Trade, Industry and Fisheries, owned 34.3 percent of Hydro's shares, while the

Government Pension Fund Norway owned 6.5 percent. Shareholding is based on information from the Norwegian Central Securities Depositary (VPS) as of December 31, 2017. Due to lending of shares, an investor's holdings registered in its VPS account may vary.

References: Learn more about the Hydro share at page 136 in Hydro's Annual Report 2017.

6. General meeting of shareholders

Notice of a general meeting of shareholders with supporting information is normally published on www.hydro.com more than three 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 chairperson of the corporate assembly or, in his or her absence, by the deputy chairperson.

The chairperson of the board of directors, minimum one nomination committee representative, the President and CEO, and the auditor attend the general meeting.

References: Learn more about the general meeting of shareholders at www.hydro.com/investor

Deviations: See the first page of this section.

7. Nomination committee

In accordance with Hydro's articles of association, the company must appoint a nomination committee. This committee is comprised of minimum three members, maximum four, who are either shareholders or shareholder representatives. The committee's chairperson and members are appointed by the general meeting of shareholders. At least two, including the chairperson, must be elected from among the shareholder-elected representatives in the corporate assembly. If the chairperson resigns as member of the Nomination Committee during the electoral period, the Nomination Committee shall elect among its members a new chairperson for the remainder of the new chairperson's electoral period.

The guidelines for the nomination committee have been approved by the general meeting of shareholders, which also determines the remuneration of the committee. All shareholders may propose candidates for the nomination committee at any time. In order to be considered at the next ordinary election, proposals must be submitted by the end of November in the year before the election year.

The recommendations of the nomination committee include details on the candidates' background and independence.

The nomination committee ensures that due attention is paid to the interests of the shareholder community and the company's requirements for competence, capacity and diversity. The nomination committee also takes account of relevant statutory requirements regarding the composition of the company's governing bodies.

According to its mandate, the Nomination Committee shall be receptive to external views and shall ensure that any deadlines for proposals regarding members of the Corporate Assembly, the Nomination Committee and the Board of Directors are published well in advance on the Company's website. In carrying out its duties the Nomination Committee should actively maintain contact with the shareholder community and should ensure that its recommendations are anchored with major shareholders.

All members of the nomination committee are independent of Hydro's board of directors, chief executive officer and other executive management staff. As the largest shareholder, the Norwegian state is represented on the nomination committee by department head Mette I. Wikborg.

References: Hydro's Articles of Association can be found at www.hydro.com/governance. More information about Hydro's nomination committee can be found at the same site. Members of the nomination committee are listed on www.hydro.com/governance. Nominations can be submitted electronically, also from www.hydro.com/governance

Deviations: See the first page of this section.

8. Corporate assembly and board of directors: composition and independence

All board directors, members of the board committees and members of the corporate assembly are independent of the company's executive management and material business relationships. One member of the corporate assembly is dependent of major Hydro shareholders: Nils Bastiansen, who is an employee of the Government Pension Fund Norway, is a member of the corporate assembly. There were a few matters where certain board members were disqualified. Liv Monica Stubholt has been a partner of Advokatfirmaet Selmer ANS since 1 September 2015. Selmer invoiced services to Hydro in 2017 with a legal fee of NOK 2 million. Stubholt did not participate personally or directly in any form of provisions of legal services to Hydro. Finn Jebsen holds, personally and through three companies controlled by him (Fateburet AS, Bele AS and Bela AS), a total of 387 740 shares in Orkla ASA. As a consequence he did not participate in the decision of the board of directors to acquire the remaining 50% of the shares in Sapa AS, nor in the deliberations of the board of directors on the value of the transaction.

Two-thirds of the corporate assembly and their deputies are elected by the general meeting of shareholders. The nomination committee nominates candidates with a view to obtain a broad representation by the company's shareholders and other relevant stakeholders with competence in, for example, technology, finance, and corporate social responsibility.

The corporate assembly elects the board of directors, including its chair and deputy chair.

In compliance with Hydro's articles of association, the board of directors consists of between nine and 11 members. These are elected for a period of up to two years.

The nomination committee aims to achieve a board composition whereby the members complement each other professionally and the board of directors is able to function as a corporate body.

As of December 31, 2017, seven of the board's directors owned a total of 117,816 shares. Hydro has no share purchase program for board members, with the exception of the employee representatives, who are entitled to buy shares through the Norwegian 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. An overview of the members of the corporate assembly, the current composition of the board of directors and information about their independence, and Hydro's articles of association 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. The audit committee has four members and the compensation committee three members. The shareholder-elected members are all independent of the company. In the opinion of the board of directors, the audit committee meets the Norwegian requirements regarding independence and competence.

The board of directors conducts an annual self-assessment of its work, competence and cooperation with management and a separate assessment of the chairperson of the board. In addition, the audit committee performs a self-assessment. The assessment results are submitted to the nomination committee, which in turn assesses the board's composition and competence.

References: See the section Board developments in the Board of Directors' report. Information about the board of directors and its committees, and the board members' competence can be found on page 144-145 and 148-149 in Hydro's Annual Report 2017. The board of directors' mandate 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. A more detailed description of the company's internal controls and risk management systems related to financial reporting can be found at www.hydro.com/governance

References: A review of Hydro's major risks can be found in the section Risk review in the Board of Directors' report.

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 10 (Board of directors and corporate assembly) 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.

The board of directors' statement on management remuneration is made public through note 8 to the consolidated financial statements and sent forward to the general meeting of shareholders for advisory vote to the annual general meeting of shareholders.

References: The board's guidelines for management remuneration are described in note 8 (Board of directors' statement on management remuneration) to the consolidated financial statements. All aspects of remuneration of executive management are described in note 9 (Management remuneration). The employee share purchase plan is described in note 17 (Employee remuneration). Hydro's remuneration policy is also described in Hydro's people policy, which can be found at www.hydro.com/principles

13. Information and communication

Hydro has established guidelines for the company's reporting of financial and extra-financial information based on transparency and with regard to the requirement of equal treatment of all parties in the securities market. This also pertains to contact with shareholders outside of the general meeting of shareholders.

Shareholder information is available at 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 with known addresses unless they have consented to receive these documents electronically. All information sent to the shareholders is made available at hydro.com when distributed. Presentation of the quarterly reports as well as the annual shareholder meeting are simultaneously broadcasted through web casts. All relevant information is sent to the Oslo Stock Exchange electronically for public storage.

Hydro has emergency plans that are regularly exercised. Rules for who can speak on behalf of the company are regulated through Hydro's code of conduct.

References: A financial calendar is available in this report and at www.hydro.com/investor where also more information about web casts and the Hydro share can be found, including key legal information for shareholders in Norsk Hydro ASA. Hydro's code of conduct is available at www.hydro.com/principles

14. Takeovers

The board of directors will handle takeover bids in accordance with Norwegian law and the Norwegian Code of Practice for Corporate Governance. There are no defense mechanisms against acquisition offers in our articles of association or in any underlying steering document. We have not implemented any measures to limit the opportunity to acquire shares in the company. See also item 5.

Deviations: See the first page of this section.

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 in 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 meet at least annually, and 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.

In 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 V41-V42, 143 and 149 in Hydro's Annual Report 2017, note 42 (Auditor's remuneration) to the consolidated financial statements and page F78.

UK Modern Slavery Act transparency statement

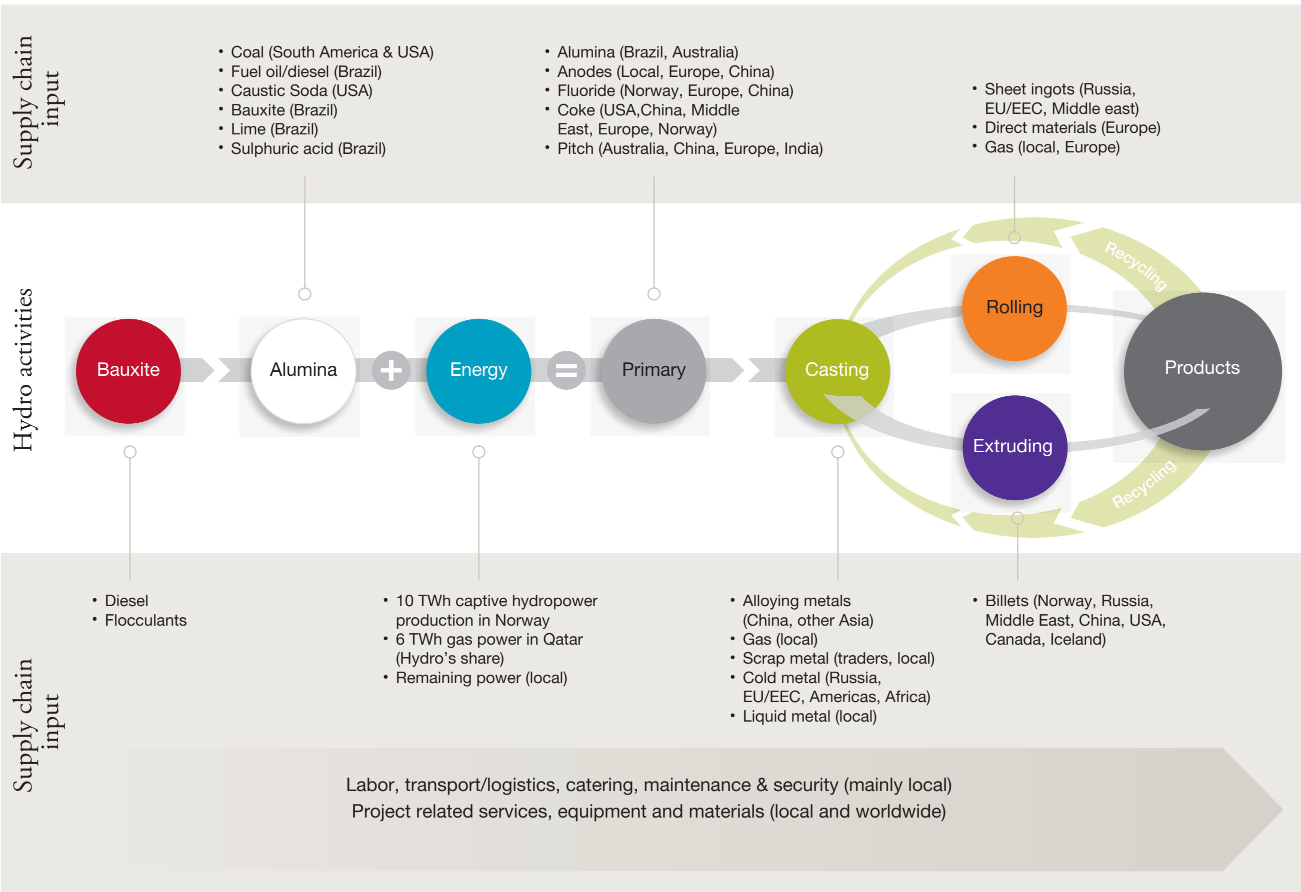
Hydro's UK Modern Slavery Act transparency statement has been developed to comply with the legal requirements as stated in the UK Modern Slavery Act, valid to Hydro from 2016. The reporting requirement applies to Hydro as a supplier of goods with a total turnover of £36 million or more in the UK. The statement is valid for Norsk Hydro ASA and its consolidated subsidiaries including Hydro Aluminium Deeside Ltd, Hydro Components UK Ltd and Hydro Extrusion UK Ltd. Entities that are not fully owned by, but are controlled by Hydro, can have different policies. We believe that their relevant policies are aligned with the ones of Hydro.

The UK Modern Slavery Act transparency statement is approved by the board of directors.

Our business and supply chain

Hydro is a fully integrated aluminium company with 35,000 employees in 40 countries on all continents, following the Sapa acquisition 2 October 2017. In addition to production of primary aluminium, rolled and extruded products and recycling, Hydro also extracts bauxite, refines alumina and generates energy to be the only 360° company in the global aluminium industry. 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. Hydro is a large operator of power production in Norway. Extrusion activities are mainly located in Europe and North America, but we also have significant operations in Asia and Brazil. Hydro is present within all market segments for aluminium, with sales and trading activities throughout the value chain serving more than 30,000 customers. Following the Sapa acquisition, Hydro has more than 30,000 active suppliers globally, the majority of which are situated close to our production facilities.

Hydro's supply chain



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

Our policies and commitments

As a global aluminium company with mining interests, ensuring responsible conduct in relation to society at large is important throughout Hydro's activities. We have to consider our exposure to human rights violations, both within our own operations and in the supply chain. We require adherence to external laws and regulations as well as internal directives relating to identifying and mitigating human rights violations.

Hydro is committed to respecting and promoting the internationally recognized human rights, including the rights of all individuals and groups actually or potentially affected by our operations, including:

- Our direct employees and third-party employees working under our supervision
- Employees of our suppliers and contractors
- Individuals and groups in the communities in which we operate
- Individuals and groups affected by the use and disposal of our products.

We support the principles underlying the Universal Declaration of Human Rights, the UN Global Compact and ILO's eight core conventions. Our human rights policy is based on the UN Guiding Principles on Business and Human Rights, and we report on our adherence in the GRI index. We are a member of the International Council on Mining and Metals (ICMM) and are committed to following their principles and position statements. We use the GRI Standards for voluntary reporting of sustainable development.

Hydro works together with other organizations for decent working conditions in the value chain, inter alias through Aluminium Stewardship Initiative and ICMM.

Hydro's supplier requirements regarding corporate responsibility are, as stated in our global directives and procedures, an integral part of all stages of the procurement process. The vast majority of suppliers to Hydro, have to confirm that they are in compliance with Hydro's Supplier Code of Conduct. The Supplier Code of Conduct is then attached to the contract and made binding through contractual clauses. The contracts shall include clauses regarding auditing rights and the supplier's responsibility to actively promote the principles set out in Hydro's Supplier Code of Conduct with its own suppliers/contractors and sub-suppliers/subcontractors of any tier that have a material contribution to the supply of goods and services to Hydro under the contract.

For legal entities where Hydro holds less than 100 percent of the voting rights, Hydro representatives in the boards of directors shall endeavor to implement the ambitions and principles related to Hydro's global policies including human rights.

Training and capacity building

Leaders and specialists go through training on CSR and human rights on a regular basis. The training is related to Hydro's CSR policy, guidelines and aspirations supporting our business strategy and emphasizing responsible sourcing.

During 2017, Hydro had a thorough process to develop a strategic approach on our contribution to the UN Sustainable Development Goals. The process involved employees from all parts of the organization and external stakeholders. The selected focus areas and targets from this process are the framework for an internal training program on our social impact that is under development and will be launched in 2018.

Hydro has also further developed the cooperation with FIEPA (Pará Federation of employers) and REDES (a supplier development network developed by the Industry Federation of Pará), both in Brazil. Together we have organized training for 23 local Hydro suppliers and strengthened their competence on HSE, management systems, quality and labor rights. About 2,100 employees have been reached so far.

Risk assessments of human and labor rights

As a global aluminium company with mining interests and about 30,000 active suppliers, Hydro is at risk of being exposed to human rights violations including modern slavery. Human rights are integrated in our business planning, enterprise risk management and follow-up process including relevant key performance indicators. Human rights risks and issues are evaluated in the annual enterprise risk mapping. We also carry out more specific analysis related to operations or certain countries or regions. Our participation in ICMM also gives input to our assessments of human rights risks.

In 2017, the Danish Institute for Human Rights (DIHR) performed a comprehensive mapping of Hydro's human rights risks. The mapping covered all countries in which Hydro operates, excluding Extruded Solutions, and the report was made publicly available in January 2018.

Hydro's procedure for integrity risk management of business partners includes suppliers and customers, strategic partners and intermediaries/agents and sets requirements for integrity due diligence. Implementation is risk-based and takes into consideration contractual value, country risk, etc. Business partners to Hydro shall be risk-assessed prior to entering into a new contract or renewing an existing contract.

The risk of incidents of child labor abuse, compulsory or forced labor in our supply chain is considered to be low in the majority of Hydro's own operations. We do, however, recognize a risk of forced or compulsory labor among suppliers in the Middle East, South America and Asia.

Responsible behavior

We recognize that business can have an important role in supporting the fulfillment of human rights. Hydro did not detect any significant breaches of human rights in our own operations in 2017. Some of the measures we pursue to ensure integrity and responsible behavior include:

- Ongoing human rights due diligence, including of joint ventures and suppliers
- Continuous stakeholder engagement linked to existing operations and new projects

Through our operations, we contribute to the economic and human development of our employees and the communities in which we operate. We work to ensure informed and effective participation by individuals and groups who are actually or potentially affected by our operations. We respect indigenous peoples' rights, including the right to free, prior and informed consent, and the rights of local communities when our activities may affect their lands, territories and livelihoods.

Hydro's Corporate Social Responsibility (CSR) is built on the basis of making a positive difference by strengthening our business partners and the local communities where we operate. To do this, we target the fundamental drivers of long-term development. In line with stakeholder expectations and needs, and through strong partnerships, we aim to:

- Contribute to quality education in our communities
- Promote decent work throughout the value and supply chain
- Foster economic growth in our communities
- Strengthen local communities and institutions through capacity building on human rights and good governance

Our most important contribution toward respecting human rights is to secure decent working conditions in our organization and promote the same standards in jointly operated and minority-owned companies, and with our suppliers. In Qatalum, in Qatar, where Hydro holds a 50 percent share, the large majority of employees are migrant workers. We strive to secure good working conditions for people employed directly as well as those supplied by contractors.

We are concerned about fundamental labor rights, such as freedom of association and collective bargaining, minimum wage requirements and the regulation of working hours. We have a long tradition of maintaining a good dialogue with employee organizations. Hydro's major sites in Europe and Brazil are unionized. Extruded Solutions has a major presence in the USA, and 60 percent of our US employees are working at unionized sites. We have activities in countries where trade unions are restricted, where we look for alternative forums to empower employees. In 2016, Hydro renewed its global frame agreement with labor unions until the end of 2018. The agreement aims at creating an open channel of information between the parties about industrial relation issues in order to continuously improve and develop good work practices in Hydro's worldwide operations.

We establish or facilitate access to effective grievance mechanisms for individuals and groups that may be affected by our operations.

All suppliers and customers registered in our main accounting systems are screened on a weekly basis against international sanction lists, in particular related to anti-terror. Furthermore, supplier audits and site visits are performed by Hydro personnel and independent auditors based on risk analysis. In total 109 supplier audits were performed in 2017, of which 98 included HSE and CSR related topics. Our approach to any audit finding is to correct, then act in a transparent manner, learn and implement corrective actions. We are in particular concerned about corrective actions in relation to possible child, forced or compulsory labor.

Security guards are employed to protect our personnel and assets. No armed guards were engaged in our activities in 2017, 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.

Our compliance system is based on prevention, detection, reporting and responding. 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.

All documents listed under References below are also valid for all our subsidiaries subject to the UK Modern Slavery Act.

Sapa had similar requirements as embedded in Hydro global directives and procedures. Implementation of Hydro's global directives and procedures has started in the new business area Extruded Solutions.

References

A number of Hydro's steering documents are relevant for our work against modern slavery. These include, but are not limited to:

- NHC-CD07 Hydro's Code of Conduct
- GD02 Hydro's People Policy
- GD03 Health, Security, Safety and Environment
- GD09 Hydro's Social Responsibility
- GP09-01 Corporate Social Responsibility in the supply chain
- GP09-01 Hydro Supplier Code of Conduct
- GP09-03 Hydro's Human Rights Policy
- The Hydro Integrity Program Handbook

All documents are available at www.hydro.com/principles

Additional information

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.

Annual General Meeting

The Annual General Meeting will be held at the company's offices at Drammensveien 260, Oslo, Norway, on Monday, May 7, 2018, at 14:00 CET. Shareholders who wish to attend are asked to inform the registrar by 12:00 CET on Thursday, May 3:

DNB Bank ASA
Registrar's Department
P.O.Box 1600 Sentrum
N-0021 Oslo, Norway

You may also register electronically on our website www.hydro.com/register or via VPS Investor Services. Any shareholder may appoint a proxy with written authority to attend the meeting and vote on his or her behalf. Voting rights are discussed under "Major shareholders and voting rights".

Change of address

Shareholders registered in the Norwegian Central Securities Depository should send information on changes of address to their registrar and not directly to Hydro.

Financial calendar 2018

April 25	First quarter results
May 7	Annual General Meeting
May 8	Shares traded ex-dividend
May 9	Record date for dividend
May 18	Dividend payment date
July 24	Second quarter results
October 24	Third quarter results

Hydro reserves the right to revise these dates.

Hydro is a fully integrated aluminium company with 35,000 employees in 40 countries on all continents, combining local expertise, worldwide reach and unmatched capabilities in R&D. In addition to production of primary aluminium, rolled and extruded products and recycling, Hydro also extracts bauxite, refines alumina and generates energy to be the only 360° company of the global aluminium industry. Hydro is present within all market segments for aluminium, with sales and trading activities throughout the value chain serving more than 30,000 customers. Based in Norway and rooted in more than a century of experience in renewable energy, technology and innovation, Hydro is committed to strengthening the viability of its customers and communities, shaping a sustainable future through innovative aluminium solutions.

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HYDRO

Infinite aluminium