



**OPTION PLAN FOR SELECTED MEMBERS OF
HYDRO'S TOP MANAGEMENT GROUP**

2006 - 2012

1. Background information

This document comprises a description of the option plan for the Top Management Group in Hydro, in which Jørgen Kristian Andersen (**"the Option Holder"**) has been offered to participate.

The Option Plan is offered as an incentive to stimulate growth in the value of the Company's shares. The Company's Board of Directors also places importance on selected persons having an ownership interest in the Company for as long as they are employed in a top management position.

The Option Plan is offered to members of the Corporate Management Board and other persons designated by the President and CEO.

The Board of Directors in Norsk Hydro ASA (**"the Company"**) determines the framework for the Option Plan, and grants options to the President and CEO. The President and CEO grants options to the Corporate Management Board and the Top Management Group.

The President and CEO, or person authorized by the President and CEO, draws up and maintains a list of: the persons to whom the plan is currently available, the persons who are currently taking part in the plan (the Option Holders) and the number of options granted to each person; and draws up the necessary routines for the execution of the Option Plan.

The Company's Board of Directors, or person appointed by the Board, shall decide questions relating to the options granted to the President and CEO in accordance with this plan that would otherwise be decided by the President and CEO.

2. The number of options granted

Jørgen Kristian Andersen is granted 12 500 options for the year 2006.

The grant and exercise of options does not constitute part of the Option Holder's salary or entitlement to other benefits in accordance with his or her employment contract. The value of the options or any Profit acquired through this agreement is not included in the basis for calculating holiday pay. Grant and exercise of options does not give any pension rights.

The options granted may not be sold, mortgaged, given away or transferred in any other way than as determined below.

3. Exercise Price (strike price)

The Exercise Price is fixed at NOK 175.

Not a specific enough principle

4. Exercise of options

- a. Each option entitles the Option Holder to the difference in Norwegian kroner between the Hydro share's average market price (share price on the Oslo Stock Exchange at the end of trading) for the five – 5 – trading days prior to the day on which the option is exercised and the Exercise Price, in accordance with the conditions given below. This entitlement is hereinafter called "the Profit".
- b. Options may be exercised from and including 1 July, 2009. The last day for exercising the options is 30 June 2012, after which date, unexercised options will no longer be valid. Options may be exercised earlier, cf. Section 6 below. The Option Holder decides when and how many options are to be exercised at any time in relation to options that he or she is entitled to exercise, subject, however, to the limitations in section 4.c below.
- c. The Option Holder may not exercise options that will result in a Profit per calendar year that exceeds the Option Holder's gross salary excluding bonus and additional benefits during the same period. This limitation applies in aggregate for all options granted from and including the year 2004 regardless of the option plan, unless otherwise explicitly stated in a new plan.
- d. On exercise of an option, the Option Holder is entitled to payment of the Profit with the deduction of the tax to which the Profit is subject, cf. section 8, hereinafter called "the Net Profit".

5. Duty of ownership and investment of the Profit from the Option Plan in Hydro shares for the duration of employment in the Company

- a. The Option Holder is obliged to invest the Net Profit within 6 months after it has been received in Hydro shares at market price. The duty to invest the Net Profit in Hydro shares does not, however, apply to:
 - o The President and CEO, if he has already purchased Hydro shares of a total market value equivalent to twice his annual salary at this point in time with previously disbursed Net Profit,
 - o Other members of the Corporate Management Board, if they have already purchased Hydro shares of a total market value equivalent to their annual salary at this point in time with previously disbursed Net Profit, or
 - o Option Holders who are not members of the Corporate Management Board, if they have already purchased Hydro shares of a total market value equivalent to half their annual salary at this point in time with previously disbursed Net Profit.
- b. The Option Holder may include other Hydro shares that he or she owns, but which have not been purchased with Net Profit, cf. the above paragraph, in his or her overall share portfolio in relation to fulfilling the annual-salary-based threshold, cf. the above paragraph. Hydro shares that are purchased with the Net Profit, and other Hydro shares which are included in the Option Holder's calculation of his or her overall share portfolio in relation to the above annual-salary-based threshold, cf. sections 5.a and 5.b. are collectively referred to as "Restricted Shares".
- c. The assessment of whether the Option Holder needs to purchase shares will be based on the market value of his or her portfolio of Restricted Shares and his or her base salary at the time the option was exercised.
- d. The Option Holder shall inform Corporate Human Resources (CHR) when their obligation to buy or to own Hydro shares has been fulfilled.
- e. Except as otherwise provided in this Option Plan (in particular section 5.f below), Restricted Shares may not be sold, given away or transferred in any other way for as long as the Option Holder is employed in Norsk Hydro ASA or in one of its subsidiaries. The Restricted Shares

may be used as security (pledge or mortgage) for the Option Holder's personal long-term debt with financial institution provided the debt is in financing sound long-term investments.

- f. If the Option Holder transfers to a new position in Hydro, and is thus no longer part of the Company's Top Management Group for which this and equivalent future plans apply, the duty to own the Restricted Shares no longer applies. In such cases, the duty to invest the Net Profit in Hydro shares, cf. section 5.a. first sentence will no longer apply.
- g. In particular cases, the Company's President and CEO may waive the requirement for investment of the Net Profit in Hydro shares and ownership of Restricted Shares.
- h. The Option Holder may invest the Net Profit in Hydro shares through a limited liability company that he or she owns 100%. In such case, the limited liability company shall be under the same restrictions as if the Option Holder had made the investment directly.

6. Requirements regarding employment relationship

The main rule is that options are granted and can only be exercised for as long as the Option Holder is employed in Norsk Hydro ASA or one of its subsidiaries.

If the Option Holder's employment relationship ends as a result of

- the Option Holder's death,
- dismissal from the Company/Group as a result of redundancy or reorganization,
- ownership of the company/operation in which the Option Holder is employed changing, excluding demerger, in such a way as Hydro no longer has determining influence or more than 50% ownership (cf. the Public Limited Companies Act § 1-3),

the Option Holder (or the Option Holder's estate) may exercise the granted options within 12 months of the date of change of ownership or death, regardless of the condition laid down in the first sentence of section 4.b. Options that are not exercised within this deadline will automatically become invalid. In the cases listed above in this paragraph as well as for retirement, injury, disability or illness, the Option Holder (or the Option Holder's estate) is not obliged to invest the Net Profit in Hydro shares. The restriction on the amount of Profit in relation to salary, cf. section 4.c. applies in so far as the total Profit on the exercise of options in the 12 month period in question may not exceed the Option Holder's gross annual salary (last applicable salary for retirees), excluding bonus and additional benefits, at the time of /change in company ownership. In case of demerger, the rules defined in this paragraph applies, unless the Board of Directors of Norsk Hydro ASA decides differently.

If the Option Holder

- resigns from the Company (or subsidiary), or
- is dismissed as a result of breach of duty or other unacceptable circumstances on the part of the Option Holder, and the dismissal is accepted by the Option Holder or is legally determined as valid,

all granted options that have not been exercised will be withdrawn, and this option plan will no longer apply for the Option Holder in question, with immediate effect. In such cases, the Option Holder will not have any entitlement to compensation for the loss of the options.

7. Changes in the company conditions

In the event of any company law changes to Norsk Hydro ASA, such as demerger, merger, reduction of capital, increase of capital, share split or share splice, the number of options granted and/or the Exercise Price shall be adjusted as the Company's Board deems to reasonably maintain the principle of Option Holders having exposure to a value development reflecting that of the shareholders. Option Holders shall be notified of any such adjustment.

8. Tax issues

The Net Profit is the Profit after deduction of marginal tax as deemed to be relevant for the Option Holder by the Company.

The Profit gained on the exercise of an option shall be treated as the top income the Option Holder earns in the tax year in question, and will therefore normally be subject to the highest marginal tax. The Option Holder shall report his or her marginal tax rate on exercising an option. The Company can, however, freely assess what marginal tax rate shall be applied.

It is the sole risk of the Option Holder should it later be found that the wrong tax rate was applied. Any reimbursed tax or tax arrears shall not have any effect on the Option Holder's obligation to purchase Hydro shares for the Net Profit stipulated or to his or her obligation to own Hydro shares.

The Option Holder is personally responsible for any tax obligation (including any employee social security contributions) that may arise from the Option Plan. The tax effect of grant, holding and exercise of options will vary between different jurisdictions. If an Option Holder incurs tax or employee social security contributions at the time of the grant of an Option but subsequently also incurs such liabilities on the exercise of that Option consequent on his being transferred across jurisdictions by the Group, the Company will, subject to and adjusted for any applicable Mitigation (as defined below), reimburse the lesser of the amount of such liabilities incurred at the time of grant or exercise. The Option Holder shall seek to mitigate the effects of such double taxation by *inter alia* claiming any available tax credit, relief or remission for, or repayment of any paid or due taxes (including social security contributions) ("Mitigation"). The Option Holder is advised to seek personal tax advice on these questions.

In jurisdictions where this is required, the Company (or subsidiary) will deduct tax in advance. Where advance tax deduction is not practiced, the whole Profit will be paid to the Option Holder, and the same obligation to invest the Net Profit will apply, cf. section 5.a.

9. Stock exchange rules

The Option Holder is responsible for ensuring that his or her options are exercised in accordance with stock exchange and securities legislation, and that the exercise of options is not in conflict with rules on inside trading and trading restrictions during certain periods. The Option Holder must ensure that he or she meets the obligation to report to the Oslo Stock Exchange and other relevant authorized market places in connection with the exercise of an option.

To assist the Option Holder, The President and CEO, or person authorized by the President and CEO, shall draw up routines for reporting in connection with exercising options, investment of the Net Profit in Hydro shares and sale of the Option Holder's shares in Hydro.

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This Option Plan is entered into today between the Option Holder and Norsk Hydro ASA.

Oslo, July 1, 2006

for Norsk Hydro ASA



Option Holder

