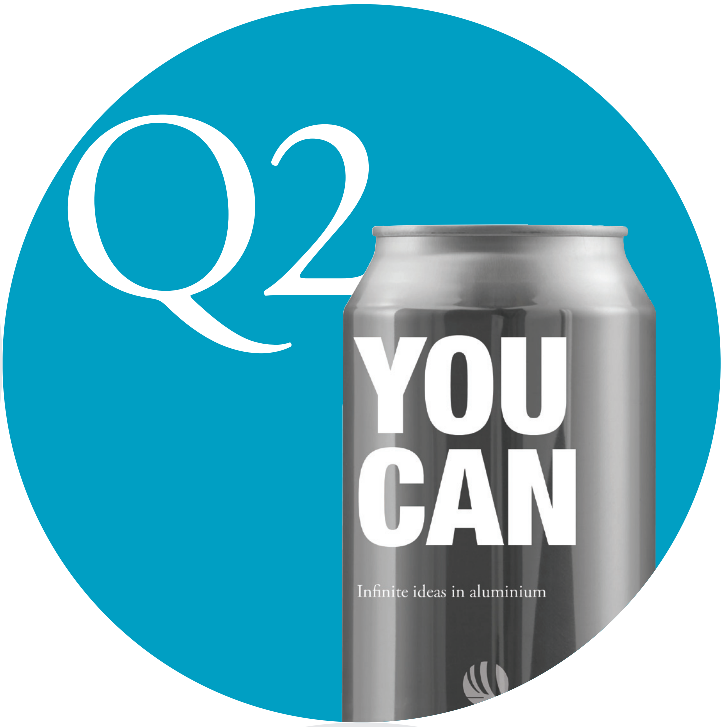
HYDRO

Second quarter report – 2010



Contents

About our reporting

To provide a better understanding of Hydro's underlying performance, the following discussion of operating performance excludes certain items from EBIT (earnings before financial items and tax) and net income. See "Items excluded from underlying EBIT and net income" later in this report for more information on these items.

Overview

Summary underlying operating results and liquidity

Key financial information NOK million, except per share data	**Second quarter 2010**	First quarter 2010	% change prior quarter	Second quarter 2009	% change prior year quarter	**First half 2010**	First half 2009	Year 2009
Revenue	**19 779**	18 145	9 %	17 617	12 %	**37 924**	34 186	67 409
Earnings before financial items and tax (EBIT)	**1 157**	985	17 %	410	>100 %	**2 142**	(1 188)	(1 407)
Items excluded from underlying EBIT [1]	**(47)**	(297)		(1 029)		**(344)**	77	(1 148)
Underlying EBIT	**1 110**	688	61 %	(618)	>100 %	**1 798**	(1 111)	(2 555)
Underlying EBIT :								
Primary Metal	**657**	(49)	>100 %	(895)	>100 %	**607**	(1 079)	(2 556)
Metal Markets	**31**	65	(52) %	196	(84) %	**96**	(48)	(83)
Rolled Products	**309**	223	39 %	(28)	>100 %	**532**	(82)	26
Extruded Products	**201**	117	72 %	(26)	>100 %	**318**	(230)	(67)
Energy	**177**	588	(70) %	281	(37) %	**766**	728	1 240
Other and eliminations	**(265)**	(255)	(4) %	(146)	(81) %	**(520)**	(400)	(1 114)
Underlying EBIT	**1 110**	688	61 %	(618)	>100 %	**1 798**	(1 111)	(2 555)
Net income (loss)	**598**	924	(35) %	282	>100 %	**1 523**	2	416
Underlying net income (loss)	**530**	401	32 %	(572)	>100 %	**931**	(1 052)	(3 066)
Earnings per share [2]	**0.40**	0.68	(42) %	0.17	>100 %	**1.08**	(0.11)	0.24
Underlying earnings per share [2]	**0.34**	0.27	26 %	(0.51)	>100 %	**0.61**	(0.94)	(2.50)
Financial data:								
Investments	**1 261**	1 766	(29) %	765	65 %	**3 028**	1 450	5 947
Adjusted net interest-bearing debt [3]	**(18 191)**	(16 939)	(7) %	(19 236)	5 %	**(18 191)**	(19 236)	(15 645)
Key Operational information [4]								
Primary aluminium production (kmt)	**362**	339	7 %	338	7 %	**701**	735	1 396
Realized aluminium price LME (USD/mt) [5]	**2 200**	1 997	10 %	1 468	50 %	**2 099**	1 727	1 698
Realized aluminium price LME (NOK/mt) [5]	**13 302**	11 542	15 %	9 598	39 %	**12 401**	11 456	10 764
Realized NOK/USD exchange rate	**6.05**	5.78	5 %	6.54	(7) %	**5.91**	6.63	6.34
Metal Markets sales volumes to external market, excl. ingot trading (kmt)	**457**	414	10 %	375	22 %	**871**	695	1 468
Rolled Products sales volumes to external market (kmt)	**242**	231	5 %	187	30 %	**473**	378	794
Extruded Products sales volumes to external market (kmt) [6]	**141**	128	10 %	112	26 %	**269**	218	453
Power production (GWh)	**1 621**	2 781	(42) %	1 809	(10) %	**4 402**	4 286	7 897

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

2) "Earnings per share" and "Underlying earnings per share" are computed using Net income and Underlying net income attributable to Hydro shareholders, and using the weighted average number of ordinary shares outstanding adjusted for the discount element in the rights issue completed in July 2010. There were no significant diluting elements.

3) Calculation is based on amounts as of the end of the periods presented. See note 35 *Capital Management* in Hydro's Financial statements - 2009 for a discussion on net interest-bearing debt.

4) Operating statistics includes proportionate share of production and prices in equity accounted investments.

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

6) Excluding volumes for Automotive Structures divested in December 2009. Second quarter 2009: 8 kmt, first half 2009: 18 kmt and year 2009: 35 kmt.

Hydro had underlying earnings before financial items and tax of NOK 1,110 million in the second quarter improving substantially from NOK 688 million in the first quarter. Higher realized aluminium prices, improved performance from Hydro's alumina and raw materials operations and higher downstream sales volumes all made a significant contribution to underlying results for the quarter.

Underlying results for Primary Metal improved during the quarter compared to the first quarter due to higher realized aluminium prices and increased underlying results for Hydro's alumina and raw materials business. Underlying results improved significantly for Alunorte mainly due to higher sales volumes as a result of more stable production. Variable costs increased during the quarter for Hydro's smelter operations. Underlying results for Qatalum improved slightly but remained negative due to low output and increasing depreciation during ramp-up of the plant.

The ramp-up of Qatalum continued during the quarter with about 48 percent of the 704 cells operating at the end of June 2010. Production of liquid metal reached approximately 49,000 mt for the second quarter with shipments of around 38,000 mt of extrusion ingot and foundry alloys. Production from the plant's remaining cells will be phased in during 2010 and the ramp-up is expected to be completed in the fourth quarter of the year.

Metal Markets underlying results declined in the second quarter mainly due to an increase in negative currency effects as a result of the weakening Euro against the US dollar. Capacity utilization and margins remained firm in the quarter despite increased raw material costs.

Underlying EBIT for Rolled Products increased substantially compared to the first quarter mainly driven by higher sales volumes. Higher margins and lower operating costs per mt also contributed to the improved underlying results. Extruded Products also delivered significantly improved underlying results due to higher volumes and firm margins in all business sectors.

Underlying EBIT for Energy decreased substantially compared to the previous quarter due to significantly lower production.

Net cash generated from operating activities amounted to NOK 1.6 billion for the quarter. Investments amounted to NOK 1.3 billion in the quarter including about NOK 740 million relating to Qatalum. Qatalum investments are expected to be somewhat lower in the second half compared to the first half of 2010 as the project nears completion. Hydro had a net debt position amounting to NOK 0.1 billion at the end of the quarter.

On 2 May 2010, Hydro announced an agreement to take over the majority of Vale's aluminium business in Brazil. The closing of the transaction is expected to take place in the fourth quarter of 2010. In order to mitigate the risk of a weaker aluminium price and secure a robust cash flow, Hydro has hedged the majority of the net aluminium price exposure in the acquired business until the end of 2011 at about USD 2,400 per mt. For more information on the hedge transaction see section Items excluded from underlying EBIT and net income later in this report.

To partly finance the transaction, support the company's investment grade rating and capacity to implement future projects, Hydro launched a rights offering to strengthen its equity by NOK 10 billion. The rights offering was successfully completed with the proceeds received by Hydro on 16 July 2010 and the new shares delivered to the subscribers and admitted to trading on the Oslo Stock Exchange and London Stock Exchange on 19 July 2010. For further information about the transaction and the rights offering, please refer to the Information Memorandum and Prospectus dated 2 June 2010 and 21 June 2010 respectively.

Reported EBIT and net income

Reported EBIT for Hydro amounted to NOK 1,157 million for the second quarter of 2010 including net positive effects of NOK 47 million comprised of net unrealized derivative losses of NOK 292 million, positive metal effects of NOK 206 million and other positive effects of NOK 133 million, mainly related to changes in pension plans in Norway.

In the previous quarter, reported EBIT for Hydro amounted to NOK 985 million including net positive effects of NOK 297 million comprised of net unrealized derivative losses of NOK 42 million, positive metal effects of NOK 314 million and other positive effects of NOK 25 million.

Net income amounted to NOK 598 million in the second quarter including net foreign exchange gains of NOK 151 million relating to intercompany balances denominated in Euro. These gains have no cash effect and are offset in equity by translation of the corresponding subsidiaries during consolidation. In the first quarter, net income amounted to NOK 924 million including net foreign exchange gains of NOK 515 million relating to intercompany balances denominated in Euro.

Market developments and outlook

Market statistics 1)	**Second quarter 2010**	First quarter 2010	% change prior quarter	Second quarter 2009	% change prior year quarter	**First half 2010**	First half 2009	Year 2009
NOK/USD Average exchange rate	**6.22**	5.86	6 %	6.50	(4) %	**6.04**	6.69	6.28
NOK/USD Balance sheet date exchange rate	**6.50**	5.98	9 %	6.38	2 %	**6.50**	6.38	5.78
NOK/EUR Average exchange rate	**7.91**	8.11	(2) %	8.84	(11) %	**8.01**	8.89	8.73
NOK/EUR Balance sheet date exchange rate	**7.97**	8.03	(1) %	9.02	(12) %	**7.97**	9.02	8.32
Primary Metal and Metal Markets:								
LME three month average (USD/mt)	**2 121**	2 197	(3) %	1 524	39 %	**2 159**	1 459	1 702
LME three month average (NOK/mt)	**13 197**	12 862	3 %	9 883	34 %	**13 027**	9 730	10 575
Global production of primary aluminium (kmt)	**10 627**	10 298	3 %	8 983	18 %	**20 925**	17 875	37 668
Global consumption of primary aluminum (kmt)	**10 375**	9 483	9 %	8 389	24 %	**19 858**	15 818	34 292
Global production of primary aluminium (ex. China) (kmt)	**6 245**	6 021	4 %	5 928	5 %	**12 266**	12 043	24 026
Global consumption of primary aluminum (ex. China) (kmt)	**5 975**	5 636	6 %	4 956	21 %	**11 611**	9 689	20 362
Reported primary aluminium inventories (kmt)	**6 414**	6 368	1 %	6 018	7 %	**6 414**	6 018	6 321
Rolled Products and Extruded Products:								
Consumption Rolled Products - Europe (kmt)	**1 000**	952	5 %	898	11 %	**1 952**	1 768	3 593
Consumption Rolled Products - USA & Canada (kmt)	**1 034**	1 000	3 %	929	11 %	**2 034**	1 806	3 669
Consumption Extruded Products - Europe (kmt)	**545**	561	(3) %	515	6 %	**1 106**	1 021	2 098
Consumption Extruded Products - USA & Canada (kmt)	**367**	315	17 %	282	30 %	**682**	543	1 177
Energy:								
Southern Norway spot price (NO2) (NOK/MWh) 2)	**368**	430	(14) %	297	24 %	**398**	319	295
Nordic system spot price (NOK/MWh)	**355**	485	(27) %	301	18 %	**420**	322	306

1) Industry statistics have been derived from analyst reports, trade associations and other public sources unless otherwise indicated. Recent information is based partly on estimates and is subject to revision as new information becomes available. As a result, differences between general market developments and actual Hydro volumes are not necessarily indicative of significant changes in market share. Amounts presented in prior reports may have been restated based on updated information. Currency rates have been derived from Norges Bank.

2) Southern Norway spot price NO2 for 2010 figures and NO1 for 2009 figures due to the establishment of new price areas.

Average LME three month prices declined during the second quarter. Prices started the quarter at a level of around USD 2,300 per mt and traded between a peak of USD 2,482 per mt in the middle April and a low of USD 1,860 per mt in the beginning of June. The quarter ended with the LME three month price at USD 1,954 per mt.

Global demand for primary aluminium excluding China strengthened in the second quarter reaching an annualized consumption of around 24 million mt. Production outside China increased to 25 million mt on an annualized basis. The increase in production was mainly due to the ramp-up of new capacity. Around 0.4 million mt of annual production capacity of the around 3.2 million mt of capacity that was curtailed as a result of the market downturn has been restarted. Hydro expects there will be a market surplus in 2010.

Demand for primary aluminium in China increased from the previous quarter to around 17.6 million mt on an annual basis. Production was relatively stable at around the same level resulting in a balanced market during the quarter. China is expected to produce a modest surplus and export a small amount of primary metal throughout 2010.

LME stocks declined somewhat to around 4.4 million mt at the end of the second quarter compared to 4.6 million mt in the beginning of the quarter. Industry analysts indicate that there has been a further increase of unreported stocks during the second quarter. Much of the metal in stock is owned by financial investors, taking advantage of low interest rates, inexpensive warehousing and the contango in the aluminium forward market. Such contracts are now believed to be of a shorter duration than previously.

Demand for metal products (extrusion ingot, sheet ingot, foundry alloys and wire rod) during the second quarter continued above levels experienced in the same quarter of last year.

Consumption in the European flat rolled product market improved by 5 percent in the second quarter of 2010 compared with the previous quarter. Order levels have remained firm, reflecting growth in end use demand compared to 2009. Demand in the automotive market segment remained strong, in Germany in particular, but the outlook for the second half of 2010 is more moderate. In the packaging segment, booking levels for can stock remained relatively high supported by demand from both domestic and export markets. General engineering applications continued to show a good development, also driven by export markets and the weakening Euro. The construction segment experienced some seasonal increase but remained weak overall. Demand in the North American market showed similar developments. Demand is expected to be stable in the third quarter but with a normal seasonal decline.

European demand for extruded aluminium products declined slightly from the first quarter which was influenced by customer restocking. Demand improved compared to second quarter of the previous year but is weak within the construction sector. The market recovery has been strongest in Germany and in northern Europe in general. Demand in southern Europe remains weak. North America experienced a seasonal increase in demand compared with the first quarter of 2010 and the weak second quarter of 2009 and the market appears to be improving following a long period of continuous decline. Market demand in South America continued to be positive, mainly in Brazil. Overall demand in the European and US extrusion markets is expected to decline during the seasonally lower third quarter including the construction segment which has been weak for some time.

On a combined basis we continue to expect demand in our main upstream and downstream markets to grow around 12 percent in 2010.

Nordic electricity spot prices decreased during the second quarter due to a decline in demand following a record cold winter. Supply also increased due to the restart of production from Swedish nuclear power plants following maintenance shut-downs. Despite a continued negative hydrological balance in the Nordic market, spot prices fell as melting snow commenced replenishing water reservoirs. Dry spring weather in Southern Norway has resulted in lower reservoir levels in this region than in Northern Norway and Sweden. Power production is expected to be lower than normal until reservoir levels are normalized.

Additional factors impacting Hydro

Hydro has sold forward substantially all of its primary aluminium production for the third quarter of 2010 at a price level of around USD 2,175 per mt, excluding expected Qatalum production.

Qatalum will continue incurring operating losses during the ramp-up of production. Qatalum prices production with a one month lag to LME prices. As a result, declining aluminium price during the second quarter 2010 is expected to negatively affect Qatalum's results in the third quarter of 2010. High depreciation relative to actual production is also expected to impact results for the quarter.

Underlying results for Hydro's Alumina and raw materials business are expected to decline in the second half of 2010 as a result of lower expected realized alumina prices due to a lower LME, and higher raw material costs due to time-lag effects in the pricing formula for bauxite which is partly linked to LME prices. In addition, a decline in the results for alumina commercial activities is expected in the second half of 2010 from the strong performance in the first half of 2010. The decline is due to lower expected margins.

Low snow accumulations in Southern Norway have resulted in a low replenishment to Hydro's reservoirs. As a result, power production is expected to remain at a low level in the third quarter unless there is a higher than normal level of precipitation.

During 2009, Hydro curtailed production capacity and reduced production at several plants. If it becomes necessary to permanently close plants that have been curtailed on a temporary basis, additional substantial closure costs will be incurred.

The risk of counterparty default continues under the present economic conditions. So far we have not experienced any significant defaults and are carefully monitoring the situation.

Underlying EBIT

Primary Metal

Operational and financial information [1]	**Second quarter 2010**	First quarter 2010	% change prior quarter	Second quarter 2009	% change prior year quarter	**First half 2010**	First half 2009	Year 2009
Underlying EBIT (NOK million)	**657**	(49)	>100 %	(895)	>100 %	**607**	(1 079)	(2 556)
Underlying EBIT - Alumina and raw materials (NOK million) [2]	**289**	170	70 %	(101)	>100 %	**459**	(337)	(483)
Underlying EBIT - Primary aluminium (NOK million) [2]	**368**	(219)	>100 %	(794)	>100 %	**148**	(742)	(2 074)
Alumina production (kmt)	**518**	474	9 %	494	5 %	**992**	1 073	2 091
Realized aluminium price LME (USD/mt) [3]	**2 200**	1 997	10 %	1 468	50 %	**2 099**	1 727	1 698
Realized aluminium price LME (NOK/mt) [3]	**13 302**	11 542	15 %	9 598	39 %	**12 401**	11 456	10 764
Realized premium above LME (USD/mt) [4]	**307**	294	4 %	230	33 %	**299**	230	246
Realized premium above LME (NOK/mt) [4]	**1 856**	1 699	9 %	1 505	23 %	**1 771**	1 524	1 559
Realized NOK/USD exchange rate	**6.05**	5.78	5 %	6.54	(7) %	**5.91**	6.63	6.34
Primary aluminium production (kmt)	**362**	339	7 %	338	7 %	**701**	735	1 396
Casthouse production (kmt)	**512**	484	6 %	411	25 %	**996**	844	1 782
Casthouse sales (kmt)	**521**	495	5 %	461	13 %	**1 015**	902	1 822

1) Operating and financial information includes Hydro's proportionate share of underlying profit (loss), production, prices, premiums and exchange rates in equity accounted investments.

2) Beginning with the first quarter of 2010 we are presenting additional information relating to underlying EBIT for certain operating sectors including our alumina and raw materials operations (formerly referred to as our bauxite and alumina business) and our primary metal operations; and for our share of underlying results in equity accounted investments.

3) Including effect of strategic LME hedges (hedge accounting applied).

4) Average realized premium above LME for total metal products sold from Primary Metal.

Underlying results in equity accounted investments [5]	**Second quarter 2010**	First quarter 2010	% change prior quarter	Second quarter 2009	% change prior year quarter	**First half 2010**	First half 2009	Year 2009
Alunorte (34.03%)	**114**	41	>100 %	(69)	>100 %	**156**	(137)	(98)
Søral (49.90%)	**7**	(4)	>100 %	(46)	>100 %	**3**	(59)	(98)
Qatalum (50.00%)	**(137)**	(146)	6 %	(91)	(51) %	**(283)**	(190)	(489)

5) Underlying results are defined as share of net income adjusted for items excluded.

Underlying results for Primary Metal improved during the quarter compared to the first quarter due to higher realized aluminium prices and improved performance in Alumina and Raw Materials.[6]

Alumina and Raw Materials' underlying EBIT increased further in the second quarter from the improved performance in the first quarter. Underlying results improved significantly for Alunorte mainly due to higher sales volumes as a result of more stable production. Realized alumina prices were relatively unchanged during the quarter while operating costs declined somewhat. Underlying results were positively impacted by a settlement of a claim for business interruption insurance.

Underlying results for alumina commercial activities improved in the quarter following a strong performance in the first quarter mainly due to higher volumes on external contracts. Margins remained good but declined somewhat from the previous quarter. Underlying EBIT was positively influenced by unrealized gains on LME forward contracts.

Underlying results for Primary Aluminium improved significantly in the second quarter with higher realized aluminium prices contributing roughly NOK 600 million compared with the previous quarter. Higher sales volumes and product premiums also made a positive contribution to underlying EBIT for the quarter.

Variable costs increased by roughly NOK 120 million during the quarter mainly due to higher alumina costs and somewhat higher power costs. Other costs were overall stable.

Underlying results for Qatalum improved slightly, but were still negative due to a substantial increase in depreciation charges combined with low output during ramp-up of production at the plant.

Underlying EBIT for Primary Metal improved in the first half of 2010 from a significant loss in first half 2009 mainly due to substantially higher realized aluminium prices and improved performance from Hydro's Alumina and raw materials business. Underlying results for Alunorte were positively influenced by substantially higher realized alumina prices due to higher LME prices. Increased alumina costs had a negative impact on underlying EBIT for Primary aluminium, together with higher operating losses at Qatalum due to the ongoing ramp-up of production at the plant. Carbon costs declined for the first half of 2010 and fixed costs were lower compared to the first half of the previous year.

Underlying EBIT for the second quarter also improved significantly compared with the same quarter of last year, impacted mainly by the same factors discussed above.

6) Due to hedging and inventory effects, our realized aluminium prices lag LME price developments by about 4 months. There is no time lag for the effects of LME price developments on the results of our alumina commercial operations, while there is a time lag of about one month for the effects of LME price developments on realized alumina prices impacting the results for Alunorte.

Metal Markets

Operational and financial information	**Second quarter 2010**	First quarter 2010	% change prior quarter	Second quarter 2009	% change prior year quarter	**First half 2010**	First half 2009	Year 2009
Underlying EBIT (NOK million)	**31**	65	(52) %	196	(84) %	**96**	(48)	(83)
Remelt production (kmt)	**160**	148	8 %	111	44 %	**308**	200	455
Sale of metal products from own production (kmt) 1)	**720**	656	10 %	594	21 %	**1 376**	1 144	2 351
Sale of third-party metal products (kmt)	**13**	13	-	20	(33) %	**27**	44	63
Total metal products sales excluding ingot trading (kmt)	**733**	670	9 %	614	19 %	**1 403**	1 198	2 414
Hereof external sales excluding ingot trading (kmt)	**457**	414	10 %	375	22 %	**871**	695	1 468
External revenue (NOK million) 2)	**7 040**	6 536	8 %	6 730	5 %	**13 576**	12 059	23 650
Product sales (NOK million) 3)	**6 069**	5 349	13 %	4 095	48 %	**11 418**	7 873	17 209

1) Includes external and internal sales from our primary casthouse operations, remelters, high purity aluminium business and part owned metal sources.
2) External sales revenue from our commercial operations described above and revenues from aluminium trading and hedging activities, including derivatives.
3) Excludes revenues from our aluminium trading and hedging activities and derivatives.

Underlying EBIT for Metal Markets declined in the second quarter mainly due to an increase in negative currency effects as a result of the weakening Euro against the US dollar. Negative currency effects amounted to about NOK 140 million in the second quarter compared with negative effects of approximately NOK 100 million in the previous quarter.4)

Underlying results from remelt operations declined slightly compared to the first quarter. Positive effects from higher production and sales volumes were offset by higher raw material costs.

Total metal sales from own production and third party contracts increased significantly compared with the first quarter of 2010 mainly due to seasonally higher shipments of extrusion ingots in all markets and increased sales from Qatalum.

Underlying results for our metal sourcing and trading operations were largely unchanged from the first quarter, with good operating performance and positive results in both periods.

Metal Markets underlying EBIT declined substantially compared with the second quarter of 2009, primarily due to the negative currency effects described above compared to largely neutral effects in the same quarter last year.

Underlying EBIT for Metal Markets improved in the first half of 2010 compared with the first half of 2009, which was impacted by weak market conditions and substantial negative currency effects amounting to about NOK 400 million in the first half of 2009 compared with negative effects of NOK 240 million in the first half of 2010.

4) Currency effects for our commercial activities include the effects of changes in currency rates on sales and purchase contracts denominated in foreign currencies (mainly US dollar and Euro for our Norwegian operations) and the effects of changes in currency rates on the fair market valuation of dollar denominated derivative contracts (including LME futures) and inventories mainly translated to Norwegian kroner. Currency exposure for our commercial activities is partly hedged internally with offsetting gains and losses recognized in Financial income and expense. Hydro manages its external currency exposure on a consolidated basis in order to take advantage of offsetting positions.

The impact of currency effects are commented on at aggregated level across business units in Metal Markets, whereas business unit results, such as for sourcing and trading activities, are commented on excluding currency effects.

Rolled Products

Operational and financial information	**Second quarter 2010**	First quarter 2010	% change prior quarter	Second quarter 2009	% change prior year quarter	**First half 2010**	First half 2009	Year 2009
Underlying EBIT (NOK million)	**309**	223	39 %	(28)	>100 %	**532**	(82)	26
Sales volumes to external market (kmt)	**242**	231	5 %	187	30 %	**473**	378	794

Underlying EBIT for Rolled Products increased substantially compared to the first quarter mainly driven by higher sales volumes. Higher margins and lower operating costs per mt also contributed to the improved underlying results.

Shipments improved across all market segments except for lithographic sheet which was stable. Beverage can shipments improved by 11 percent supported by continued good market demand. Automotive products shipments increased by 8 percent influenced by a continued strength in the market for premium cars. Shipments of thin gauge foil products improved 7 percent compared to the first quarter, mainly driven by strong demand in the liquid packaging market. General engineering shipments increased by 5 percent.

Cost focus continued and cost per mt declined further compared to the first quarter. Labour productivity also improved further compared to the first quarter of 2010 and was above the level achieved in 2008 even though volumes were below 2008 levels.

Underlying EBIT was substantially higher compared to the second quarter of 2009 mainly due to higher shipments for all product segments. Margins and operating costs developed in the same manner as described above.

For the first half of 2010, underlying results were also significantly higher than in the same period of last year influenced by the same factors described above.

Extruded Products

Operational and financial information	**Second quarter 2010**	First quarter 2010	% change prior quarter	Second quarter 2009	% change prior year quarter	**First half 2010**	First half 2009	Year 2009
Underlying EBIT (NOK million)	**201**	117	72 %	(26)	>100 %	**318**	(230)	(67)
Sales volumes to external market (kmt) [1]	**141**	128	10 %	112	26 %	**269**	218	453

1) Excluding volumes for Automotive Structures divested in December 2009. Second quarter 2009: 8 kmt, first half 2009: 15 kmt and year 2009: 35 kmt.

Underlying results for Extruded Products improved from the first quarter of 2010 due to seasonally higher volumes and stable margins in all business sectors.

Sales volumes for our extrusion operations in Europe and the Americas increased significantly from the previous quarter mainly as a result of stronger seasonal demand. Volumes for our building systems operations were also seasonally higher compared with first quarter, but the recovery of the building and construction market segment is slow compared to other market segments. Our precision tubing business delivered somewhat higher volumes compared to the previous quarter supported by a continued strong demand from the automotive segment. Margin and cost developments were stable for all sectors compared to the previous quarter.

Underlying EBIT improved from the underlying losses incurred in the second quarter of 2009 mainly due to substantially higher volumes for all business sectors except building systems, which increased slightly during the quarter. Volumes for our extrusion operations in Europe and the Americas increased significantly compared with the same quarter last year driven by stronger demand in most market segments. Our precision tubing business delivered significantly higher volumes compared to the second quarter of 2009. Margins remained stable for all business sectors.

For the first half of 2010, underlying EBIT increased substantially compared to the significant operating losses incurred in the first half of 2009 which was heavily influenced by the severe drop in demand following the market downturn at the end of 2008. The improvement reflects substantial cost reductions achieved in all business sectors and the positive developments in sales volumes for all business operations with the exception of slightly lower volumes for our building systems business due to lower demand in the construction sector.

Energy

Operational and financial information	**Second quarter 2010**	First quarter 2010	% change prior quarter	Second quarter 2009	% change prior year quarter	**First half 2010**	First half 2009	Year 2009
Underlying EBIT (NOK million)	**177**	588	(70) %	281	(37) %	**766**	728	1 240
Direct production costs (NOK million) [1]	**114**	163	(30) %	95	20 %	**277**	212	438
Power production (GWh)	**1 621**	2 781	(42) %	1 809	(10) %	**4 402**	4 286	7 897
External power sourcing (GWh) [2] [3]	**2 065**	2 175	(5) %	2 211	(7) %	**4 240**	5 127	9 480
Internal contract sales (GWh) [3] [4]	**3 081**	3 065	1 %	3 190	(3) %	**6 146**	7 223	13 339
External contract sales (GWh) [5]	**459**	569	(19) %	416	10 %	**1 028**	938	1 820
Net spot sales (GWh) [6]	**144**	1 323	(89) %	413	(65) %	**1 467**	1 251	2 217

1) Includes maintenance and operational costs, transmission costs, property taxes and concession fees for Hydro as operator.
2) Includes long-term sourcing contracts and industrial sourcing in Germany.
3) Volume balances for 2009 and forward are adjusted to also include financial hedges of power consumption and related internal physical contracts.
4) Internal contract sales in Norway and Germany, including sales from own production and resale of externally sourced volumes.
5) External contract sales, mainly concession power deliveries and volumes to former Hydro businesses.
6) Spot sales volumes net of spot purchases.

Underlying EBIT for Energy decreased compared to the previous quarter due to substantially lower production. The corresponding reduction in net spot sales had a negative impact on underlying EBIT amounting to NOK 565 million. High realized spot prices, low area price differences and lower transmission costs offset the negative impact to some extent.

Underlying EBIT declined compared with the corresponding quarter of 2009 due to lower power production. The second quarter of 2009 also included proceeds from business interruption insurance relating to the Suldal 1 production outage.

Energy's underlying EBIT for the first half of 2010 improved somewhat compared to the first half of 2009 due to higher prices and higher production. The positive effects were partly offset by increased area price differences and transmission costs in 2010. The first half of 2009 included insurance proceeds relating to Suldal 1 described above.

Other and eliminations

Underlying EBIT for Other and eliminations amounted to a charge of NOK 265 million in the second quarter compared with a charge of NOK 255 million in the previous quarter and a charge of NOK 146 million in the second quarter of 2009. Underlying EBIT includes the elimination of internal gains and losses on inventories purchased from group companies which amounted to a charge of NOK 85 million in the second quarter compared with a charge of NOK 116 million in the previous quarter and an income of NOK 7 million in the second quarter of 2009.

Hydro's solar activities incurred an underlying loss of NOK 47 million in the second quarter compared with a loss of NOK 25 million in the previous quarter and a loss of NOK 29 million in the second quarter of 2009.

Underlying EBIT for Other and eliminations in the second quarter also included costs related to the acquisition of Vale's aluminium operations amounting to about NOK 50 million.

Items excluded from underlying EBIT and net income

To provide a better understanding of Hydro's underlying performance, the items in the table below have been excluded from EBIT and net income.

Items excluded from underlying EBIT are comprised mainly of unrealized gains and losses on certain derivatives, impairment and rationalization charges, effects of disposals of businesses and operating assets, as well as other items that are of a special nature or are not expected to be incurred on an ongoing basis.

Linked to the agreement to acquire the majority of Vale's aluminium businesses in Brazil (Vale Aluminium) it was decided to hedge the majority of the net aluminium price exposure in Vale Aluminium until end 2011. The hedges are aimed at mitigating the risk of a weaker aluminium price and will secure a robust cash flow from the acquired assets in the transition phase. The hedges are not conditional upon completion of the transaction. The significant part of the positions expiring after closing of the transaction are subject to hedge accounting and included in other comprehensive income. Recognized unrealized and realized effects of positions not subject to hedge accounting are classified as items excluded from underlying EBIT.

During second quarter some of Hydro's Norwegian employees accepted an offer of transferring their pension agreements from a defined benefit plan to the new defined contribution plan. The transition resulted in curtailment and settlement gain of the funded plans related to these employees. The recognized gain has been excluded from underlying EBIT.

Items excluded from underlying net income [1] NOK million	**Second quarter 2010**	First quarter 2010	Second quarter 2009	**First half 2010**	First half 2009	Year 2009
Unrealized derivative effects on LME related contracts [2]	**389**	(253)	(1 223)	**136**	(496)	(2 630)
Derivative effects on LME related contracts (Vale Aluminium) [3]	**(320)**	-	-	**(320)**	-	-
Unrealized derivative effects on power contracts [4]	**211**	272	118	**483**	(463)	(198)
Unrealized derivative effects on currency contracts [5]	**12**	23	(204)	**35**	(223)	(345)
Metal effect, Rolled Products [6]	**(206)**	(314)	225	**(520)**	887	588
Significant rationalization charges and closure costs [7]	**18**	(19)	117	**(1)**	423	518
Impairment charges (PP&E and equity accounted investments) [8]	**-**	61	4	**61**	14	438
Pension [9]	**(151)**	-	-	**(151)**	-	(52)
Insurance compensation [10]	**-**	-	(66)	**-**	(66)	(152)
(Gains)/losses on divestments [11]	**-**	(67)	-	**(67)**	-	684
Items excluded from underlying EBIT	**(47)**	(297)	(1 029)	**(344)**	77	(1 148)
Net foreign exchange (gain)/loss [12]	**(59)**	(468)	(88)	**(527)**	(1 566)	(2 774)
Calculated income tax effect [13]	**38**	241	262	**279**	436	441
Items excluded from underlying net income	**(68)**	(523)	(854)	**(592)**	(1 054)	(3 481)

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

2) Unrealized gains and losses on contracts used for operational hedging purposes where hedge accounting is not applied, as well as for LME derivatives in equity accounted investments and elimination of changes in fair value of certain internal physical aluminium contracts.

3) Realized and unrealized derivative effects on LME contracts, related to the hedge of the net aluminium price exposure in Vale Aluminium not subject to hedge accounting.

4) Unrealized gains and losses on embedded derivatives in power contracts for own use and financial power contracts used for hedging purposes.

5) Relates to currency effects in equity accounted investments.

6) Timing differences resulting from inventory adjustments due to changing aluminium prices during the production, sales and logistics process, as well as inventory write downs for our rolled products business.

7) Costs that are typically non-recurring for significant individual plants or operations, for example termination benefits, plant removal costs and clean-up activities in excess of legal liabilities.

8) Write-downs of assets or groups of assets to estimated recoverable amounts in the event of an identified loss in value.

9) Recognition of pension plan amendments, curtailments and settlements.

10) Insurance compensation for damages on assets recognized as income.

11) Net gain or loss on divested businesses and individual major assets.

12) Realized and unrealized gains and losses on foreign currency denominated accounts receivable and payables, funding and deposits, and forward currency contracts purchasing and selling currencies that hedge net future cash flows from operations, sales contracts and working capital.

13) In order to present underlying net income on a basis comparable with our underlying operating performance, we have calculated the income tax effect of Net foreign exchange (gain)/loss with 28% and of items excluded from underlying EBIT using Hydro's effective tax rate excluding tax (28%) on Financial income/(expense), net.

Items excluded from underlying EBIT - Operating segments

The following includes a summary table of items excluded from underlying EBIT for each of the operating segments and for Other and eliminations, with a brief discussion of the major factors affecting the development of these items in the first quarter of 2010.

Items excluded from underlying EBIT 1) NOK million	**Second quarter 2010**	First quarter 2010	Second quarter 2009	**First half 2010**	First half 2009	Year 2009
Unrealized derivative effects on currency contracts (Alunorte)	**12**	23	(222)	**35**	(233)	(357)
Derivative effects on LME related contracts (Vale Aluminium)	**(320)**	-	-	**(320)**	-	-
Unrealized derivative effects on power contracts (Søral)	**(18)**	5	(41)	**(12)**	(40)	(77)
Pension plan amendment (Søral)	**-**	-	-	**-**	-	(52)
Unrealized derivative effects on currency contracts (Qatalum)	**-**	-	18	**-**	11	12
Unrealized derivative effects on LME related contracts	**(56)**	(212)	(231)	**(268)**	796	285
Unrealized derivative effects on power contracts	**(186)**	64	57	**(122)**	395	671
Rationalization charges and closure costs	**18**	(19)	62	**(1)**	367	363
Primary Metal	**(550)**	(138)	(357)	**(688)**	1 295	846
Unrealized derivative effects on LME related contracts	**(26)**	97	(275)	**71**	(205)	(487)
Pension - curtailment and settlement	**(2)**	-	-	**(2)**	-	-
Metal Markets	**(28)**	97	(275)	**69**	(205)	(487)
Unrealized derivative effects on LME related contracts	**476**	(147)	(692)	**330**	(1 028)	(2 265)
Metal effect	**(206)**	(314)	225	**(520)**	887	588
Impairment charges	**-**	-	-	**-**	-	286
Pension - curtailment and settlement	**(12)**	-	-	**(12)**	-	-
(Gains)/losses on divestments	**-**	-	-	**-**	-	231
Rolled Products	**259**	(461)	(466)	**(202)**	(141)	(1 160)
Unrealized derivative effects on LME related contracts	**24**	12	(125)	**36**	(152)	(247)
Rationalization charges and closure costs	**-**	-	7	**-**	7	107
Impairment charges	**-**	-	4	**-**	14	14
Pension - curtailment and settlement	**(25)**	-	-	**(25)**	-	-
(Gains)/losses on divestments	**-**	(67)	-	**(67)**	-	472
Extruded Products	**(1)**	(55)	(114)	**(56)**	(130)	346
Unrealized derivative effects on power contracts	**1**	(16)	12	**(15)**	8	(9)
Rationalization charges and closure costs	**-**	-	14	**-**	14	14
Insurance compensation	**-**	-	(66)	**-**	(66)	(152)
Energy	**1**	(16)	(40)	**(15)**	(44)	(146)
Unrealized derivative effects on power contracts	**413**	220	90	**633**	(825)	(784)
Unrealized derivative effects on LME related contracts	**(30)**	(3)	100	**(33)**	93	83
Rationalization charges and closure costs	**-**	-	34	**-**	34	34
Impairment charges	**-**	61	-	**61**	-	138
Pension - curtailment and settlement	**(112)**	-	-	**(112)**	-	-
(Gains)/losses on divestments	**-**	-	-	**-**	-	(19)
Other and eliminations	**271**	277	224	**548**	(698)	(548)
Items excluded from underlying EBIT	**(47)**	(297)	(1 029)	**(344)**	77	(1 148)

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

Primary Metal
A further strengthening of the US dollar against the Brazilian real resulted in unrealized losses on long-term US dollar denominated loans for Alunorte. Realized and unrealized effects on LME derivative contracts related to the hedge of the net aluminium price exposure in Vale Aluminium, not subject to hedge accounting, resulted in a gain due to the downward shift in LME forward prices. No positions were realized end of June 2010. Increasing forward prices on power resulted in an unrealized gain on power contracts in Søral. Unrealized gains on LME derivative contracts related to our operational hedging program were mainly also an effect of the downward shift in LME forward prices. Unrealized derivative effects on power contracts were influenced by the downward shift in LME forward prices, resulting in unrealized gains on embedded derivatives. Rationalization charges relate to the rationalization program at the Sunndal and Årdal plants.

Metal Markets
Unrealized gain on LME derivative contracts related to our operational hedging program was mainly an effect of the downward shift in LME forward prices.

Rolled Products
Unrealized loss on LME derivative contracts related to our operational hedging program was mainly an effect of the downward shift in LME forward prices in addition to increasing volumes being hedged. The positive metal effect reflected increasing LME prices affecting inventories.

Extruded Products
Unrealized loss on LME derivative contracts related to our operational hedging program was mainly an effect of the downward shift in LME forward prices and volumes being realized.

Energy
Unrealized loss on financial power contracts related to hedging of our power portfolio was mainly an effect of volumes being realized.

Other and eliminations
Unrealized derivative effects on power contracts result from changes in the fair value of certain internal power contracts related to the delivery of power from Hydro's Energy segment to consuming units. These internal contracts, or embedded derivatives within the contracts, are accounted for at fair value by the Energy segment. Valuation effects are eliminated as part of Other and eliminations, and excluded from underlying results. The net unrealized loss reflected a strengthened US dollar and an increase in coal forward prices partly offset by the downward shift in the LME forward prices. Unrealized derivative effects on LME related contracts resulted from changes in the fair value of certain internal aluminium contracts between Metal Markets and other units. These internal contracts are accounted for at fair value by Metal Markets. Valuation effects are eliminated as part of Other and eliminations, and excluded from underlying results.

Finance

Financial income (expense) NOK million	Second quarter 2010	First quarter 2010	% change prior quarter	Second quarter 2009	% change prior year quarter	First half 2010	First half 2009	Year 2009
Interest income	**29**	26	10 %	46	(38)%	**55**	101	233
Dividendes received and net gain (loss) on securities	**(39)**	124	>(100)%	120	>(100)%	**85**	139	197
Financial income	**(11)**	150	>(100)%	166	>(100)%	**140**	239	429
Interest expense	**(104)**	(58)	(80)%	(93)	(11)%	**(161)**	(144)	(337)
Capitalized interest	**1**	1	-	1	-	**3**	1	3
Net foreign exchange gain (loss)	**59**	468	(87)%	88	(33)%	**527**	1 566	2 774
Other	**(43)**	(17)	>(100)%	(17)	>(100)%	**(60)**	(45)	(96)
Financial expense	**(86)**	394	>(100)%	(21)	>(100)%	**308**	1 378	2 344
Financial income (expense), net	**(97)**	545	>(100)%	145	>(100)%	**448**	1 617	2 774

Interest expense increased in the second quarter as a result of interest on tax claims in Germany.

In the second quarter, currency gains on intercompany balances denominated in Euro amounted to NOK 151 million, due to a weaker Euro against the Norwegian kroner. These gains have no cash effect and are offset in equity by translation of the corresponding subsidiaries during consolidation [1)]. Other net currency losses amounted to NOK 92 million.

In the previous quarter, currency gains on intercompany balances denominated in Euro amounted to NOK 515 million due to weaker Euro against the Norwegian kroner.

1) The gains on intercompany balances arise from group positions that create an accounting gain recognized in the income statement of the parent company when the value of other currencies weaken against the Norwegian kroner. No corresponding losses are recognized in the income statement of the subsidiaries that use other currencies as a functional currency. This has no cash effect for the group. When the subsidiaries financial statements are translated into NOK for consolidation, currency effects on intercompany deposits are included directly in consolidated equity in the balance sheet, offsetting the currency gain recognized through the income statement of the parent company.

Tax

Income tax expense amounted to a charge of NOK 462 million in the second quarter compared with a charge of NOK 605 million in the previous quarter and a charge of NOK 273 million in the second quarter of 2009. Tax expense in the second quarter included approximately NOK 30 million relating to tax claims in Germany.

For the first half of 2010 income tax expense was roughly 41 percent of pre-tax income. The tax rate is influenced by the effects of power sur-tax and results from equity accounted investments which are recognized net of tax.

Interim financial statements

Condensed consolidated statements of income (unaudited)

NOK million, except per share data	Second quarter 2010	Second quarter 2009	First half 2010	First half 2009	Year 2009
Revenue	**19 779**	17 617	**37 924**	34 186	67 409
Share of the profit (loss) in equity accounted investments	**(83)**	(42)	**(319)**	(455)	(809)
Other income, net	**154**	223	**337**	357	107
Total revenue and income	**19 850**	17 799	**37 942**	34 089	66 706
Depreciation, amortization and impairment	**740**	805	**1 461**	1 632	3 494
Other expenses	**17 954**	16 584	**34 339**	33 645	64 619
Total expenses	**18 693**	17 389	**35 800**	35 277	68 113
Earnings before financial items and tax (EBIT)	**1 157**	410	**2 142**	(1 188)	(1 407)
Financial income (expense), net	**(97)**	145	**448**	1 617	2 774
Income (loss) before tax	**1 060**	555	**2 590**	429	1 367
Income taxes	**(462)**	(273)	**(1 067)**	(428)	(951)
Net income (loss)	**598**	282	**1 523**	2	416
Net income (loss) attributable to minority interests	**95**	71	**151**	138	117
Net income (loss) attributable to Hydro shareholders	**503**	211	**1 372**	(137)	299
Adjusted basic and diluted earnings per share attributable to Hydro shareholders (in NOK) [1)]	**0.40**	0.17	**1.08**	(0.11)	0.24
Adjusted weighted average number of outstanding shares (million)	**1 273**	1 272	**1 272**	1 272	1 272

1) Basic earnings per share are computed using the weighted average number of ordinary shares outstanding adjusted for the rights issue completed in July 2010. There were no significant diluting elements.

The accompanying notes are an integral part of the condensed consolidated financial statements (unaudited).

Condensed consolidated statements of comprehensive income (unaudited)

	Second quarter		First half		Year
NOK million	**2010**	2009	**2010**	2009	2009
Net income (loss)	**598**	282	**1 523**	2	416
Other comprehensive income					
Currency translation differences, net of tax	**1 578**	256	**1 119**	(3 037)	(6 908)
Unrealized gain (loss) on securities, net of tax	**60**	(68)	**12**	(30)	18
Cash flow hedges, net of tax	**850**	(30)	**845**	(28)	(84)
Share of other comprehensive income in equity accounted investments, net of tax	**(200)**	49	**(239)**	69	87
Other comprehensive income	**2 287**	207	**1 737**	(3 025)	(6 888)
Total comprehensive income	**2 886**	489	**3 259**	(3 024)	(6 472)
Total comprehensive income attributable to minority interests	**197**	(5)	**281**	19	(150)
Total comprehensive income attributable to Hydro shareholders	**2 689**	494	**2 978**	(3 042)	(6 322)

The accompanying notes are an integral part of the condensed consolidated financial statements (unaudited).

Condensed consolidated balance sheets (unaudited)

NOK million, except number of shares	30 June **2010**	30 June 2009	31 December 2009
Assets			
Cash and cash equivalents	**2 192**	4 860	2 573
Short-term investments	**1 311**	1 439	1 519
Receivables and other current assets	**17 338**	14 988	13 679
Inventories	**10 273**	10 654	10 030
Total current assets	**31 115**	31 941	27 802
Property, plant and equipment	**25 758**	27 621	25 647
Other non-current assets	**26 566**	24 843	24 150
Total non-current assets	**52 324**	52 464	49 797
Total assets	**83 439**	84 404	77 599
Liabilities and equity			
Bank loans and other interest-bearing short-term debt	**1 480**	2 245	2 010
Other current liabilities	**14 909**	14 081	13 032
Total current liabilities	**16 388**	16 325	15 042
Long-term debt	**2 142**	1 094	88
Other long-term liabilities	**14 429**	14 974	14 425
Deferred tax liabilities	**803**	1 199	849
Total non-current liabilities	**17 373**	17 267	15 361
Total liabilities	**33 762**	33 593	30 403
Equity attributable to Hydro shareholders	**48 624**	49 450	46 169
Minority interest	**1 053**	1 362	1 026
Total equity	**49 677**	50 812	47 195
Total liabilities and equity	**83 439**	84 404	77 599
Total number of outstanding shares (million)	**1 207**	1 205	1 205

The accompanying notes are an integral part of the condensed consolidated financial statements (unaudited).

Condensed consolidated statements of cash flows (unaudited)

NOK million	Six months ended 30 June 2010	Six months ended 30 June 2009	Year 2009
Operating activities:			
Net income	**1 523**	2	416
Depreciation, amortization and impairment	**1 461**	1 632	3 494
Other adjustments	**(1 198)**	(735)	636
Net cash provided by operating activities	**1 786**	899	4 546
Investing activities:			
Purchases of property, plant and equipment	**(830)**	(1 147)	(2 743)
Purchases of other long-term investments	**(2 067)**	(307)	(3 137)
Proceeds from sales of property, plant and equipment	**13**	19	24
Proceeds from sales of other long-term investments	**118**	72	8
Net cash used in investing activities	**(2 766)**	(1 363)	(5 848)
Financing activities:			
Loan proceeds	**2 931**	1 878	2 878
Principal repayments	**(1 499)**	(78)	(1 978)
Net increase (decrease) in other short-term debt	**(69)**	168	15
Purchases of shares	**-**	-	(124)
Proceeds from shares issued	**19**	26	43
Dividends paid	**(865)**	-	(166)
Net cash provided by financing activities	**517**	1 994	668
Foreign currency effects on cash and bank overdraft	**82**	(4)	(56)
Net increase (decrease) in cash, cash equivalents and bank overdraft	**(381)**	1 526	(690)
Cash, cash equivalents and bank overdraft at beginning of period	**2 499**	3 189	3 189
Cash, cash equivalents and bank overdraft at end of period	**2 118**	4 715	2 499

The accompanying notes are an integral part of the condensed consolidated financial statements (unaudited).

Condensed consolidated statements of changes in equity (unaudited)

NOK million	Share capital	Additional paid-in capital	Treasury shares	Retained earnings	Other components of equity	Equity attributable to Hydro shareholders	Minority interests	Total equity
1 January 2009	1 370	309	(4 274)	47 968	7 435	52 808	1 333	54 141
Changes in equity for 2009								
Treasury shares reissued to employees		(17)	63			46		46
Cancellation treasury shares	(5)	(61)	147	(81)		-		-
Redeemed shares, the Ministry of Trade and Industry	(4)	(121)		-		(124)		(124)
Equity interests purchased (sold)							10	10
Demerger adjustment				(237)		(237)		(237)
Other adjustments		(67)	2 887	(2 820)		-		-
Total comprehensive income for the period				(137)	(2 906)	(3 042)	19	(3 024)
30 June 2009	1 362	43	(1 177)	44 693	4 529	49 450	1 362	50 812
1 January 2010	1 362	43	(1 177)	45 128	813	46 169	1 026	47 195
Changes in equity for 2010								
Treasury shares reissued to employees		15	65			80		80
Dividends declared and paid				(603)		(603)	(262)	(865)
Minority interest recognized at aquisition of subsidiary							8	8
Total comprehensive income for the period				1 372	1 607	2 978	281	3 259
30 June 2010	1 362	58	(1 112)	45 897	2 420	48 624	1 053	49 677

The accompanying notes are an integral part of the condensed consolidated financial statements (unaudited).

Notes to the condensed consolidated financial statements

Note 1: Accounting policies

All reported figures in the financial statements are based on International Financial Reporting Standards (IFRS). Hydro's accounting principles are presented in note 1 Significant accounting policies and reporting entity and note 2 Changes in accounting principles and new pronouncements in Hydro's Financial Statements - 2009.

The interim accounts are presented in accordance with IAS 34 Interim Financial Reporting. The condensed consolidated interim financial information should be read in conjunction with Hydro's Financial Statements - 2009 that are a part of the Norsk Hydro Annual Report - 2009.

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

Note 2: Operating segment information

Hydro identifies its reportable segments and discloses segment information under IFRS 8 Operating Segments. This standard requires Hydro to identify its segments according to the organization and reporting structure used by management. See Hydro's Financial statements - 2009 note 8 Operating and geographic segment information for a description of Hydro's management model and segments, including a description of Hydro's segment measures and accounting principles used for segment reporting.

The following tables include information about Hydro's operating segments, including a reconciliation of EBITDA to EBIT for Hydro's operating segments.

	Second quarter		First half		Year
NOK million	**2010**	2009	**2010**	2009	2009
Total revenue					
Primary Metal	**8 666**	6 468	**15 960**	12 654	25 486
Metal Markets	**11 419**	8 921	**21 368**	16 866	34 197
Rolled Products	**5 019**	4 449	**10 241**	8 892	18 411
Extruded Products	**5 097**	5 119	**9 637**	10 190	20 065
Energy	**1 838**	1 330	**3 824**	2 845	5 286
Other and eliminations	**(12 260)**	(8 670)	**(23 105)**	(17 260)	(36 036)
Total	**19 779**	17 617	**37 924**	34 186	67 409
External revenue					
Primary Metal	**1 641**	1 084	**2 667**	1 923	4 132
Metal Markets	**7 040**	6 730	**13 576**	12 059	23 650
Rolled Products	**5 206**	4 232	**10 099**	8 861	17 486
Extruded Products	**5 066**	5 055	**9 589**	10 163	19 906
Energy	**697**	361	**1 740**	860	1 682
Other and eliminations	**128**	155	**253**	321	554
Total	**19 779**	17 617	**37 924**	34 186	67 409
Internal revenue					
Primary Metal	**7 025**	5 384	**13 293**	10 731	21 354
Metal Markets	**4 379**	2 191	**7 792**	4 807	10 548
Rolled Products	**(187)**	217	**142**	31	925
Extruded Products	**31**	64	**48**	27	159
Energy	**1 141**	969	**2 083**	1 985	3 605
Other and eliminations	**(12 388)**	(8 825)	**(23 358)**	(17 581)	(36 590)
Total	**-**	-	**-**	-	-
Share of the profit (loss) in equity accounted investments					
Primary Metal	**(23)**	3	**(156)**	(373)	(503)
Metal Markets	**-**	(1)	**(4)**	(2)	(14)
Rolled Products	**(13)**	(19)	**(31)**	(52)	(91)
Extruded Products	**2**	3	**7**	8	12
Energy	**1**	(3)	**15**	5	24
Other and eliminations	**(50)**	(25)	**(151)**	(40)	(237)
Total	**(83)**	(42)	**(319)**	(455)	(809)

	Second quarter		First half		Year
NOK million	**2010**	2009	**2010**	2009	2009
Depreciation, amortization and impairment					
Primary Metal	**431**	461	**847**	924	1 820
Metal Markets	**28**	30	**54**	62	118
Rolled Products	**96**	112	**194**	228	730
Extruded Products	**136**	169	**271**	351	666
Energy	**35**	23	**68**	45	109
Other and eliminations	**13**	11	**25**	21	50
Total	**740**	805	**1 461**	1 632	3 494
Earnings before financial items and tax (EBIT) [1]					
Primary Metal	**1 206**	(537)	**1 296**	(2 375)	(3 403)
Metal Markets	**59**	472	**27**	157	403
Rolled Products	**50**	438	**733**	59	1 186
Extruded Products	**202**	87	**374**	(100)	(413)
Energy	**176**	321	**781**	772	1 386
Other and eliminations	**(536)**	(370)	**(1 069)**	298	(567)
Total	**1 157**	410	**2 142**	(1 188)	(1 407)
EBITDA					
Primary Metal	**1 649**	(15)	**2 169**	(1 378)	(1 449)
Metal Markets	**87**	502	**82**	219	523
Rolled Products	**160**	566	**956**	319	1 977
Extruded Products	**338**	256	**645**	251	253
Energy	**213**	345	**852**	820	1 501
Other and eliminations	**(523)**	(355)	**(982)**	324	(374)
Total	**1 924**	1 299	**3 722**	555	2 432
Investments [2]					
Primary Metal	**1 052**	451	**2 547**	839	4 416
Metal Markets	**11**	20	**109**	29	54
Rolled Products	**22**	51	**52**	92	314
Extruded Products	**81**	122	**141**	242	617
Energy	**47**	74	**115**	101	340
Other and eliminations	**49**	46	**63**	147	206
Total	**1 261**	765	**3 028**	1 450	5 947

1) Total segment EBIT is the same as Hydro group's total EBIT. Financial income and expense are not allocated to the segments. There are no reconciling items between segment EBIT to Hydro EBIT. Therefore, a separate reconciliation table is not presented.

2) Additions to property, plant and equipment (capital expenditures) plus long-term securities, intangible assets, long-term advances and investments in equity accounted investments.

NOK million	EBIT	Depr., amor. and impairment [1]	EBITDA
EBIT - EBITDA Second quarter 2010			
Primary Metal	1 206	442	1 649
Metal Markets	59	28	87
Rolled Products	50	110	160
Extruded Products	202	136	338
Energy	176	37	213
Other and eliminations	(536)	13	(523)
Total	1 157	767	1 924
EBIT - EBITDA First half 2010			
Primary Metal	1 296	873	2 169
Metal Markets	27	54	82
Rolled Products	733	222	956
Extruded Products	374	271	645
Energy	781	71	852
Other and eliminations	(1 069)	87	(982)
Total	2 142	1 579	3 722

1) Depreciation, amortization and impairment write-down of tangible and intangible assets, and amortization of excess values in equity accounted investments and impairment loss of such investments.

Note 3: Contingencies

Hydro is involved in or threatened with various legal and tax matters arising in the ordinary course of business. Hydro is of the opinion that resulting liabilities, if any, will not have a material adverse effect on its consolidated results of operations, liquidity or financial position.

Note 4: Earnings per share and rights issue

Hydro issued a total of 381,053,600 shares at a price of NOK 26.30 for gross proceeds of NOK 10,021,709,680 in a rights issue completed on 16 July 2010.

Earnings per share is computed using net income attributable to Hydro shareholders and the weighted average number of outstanding shares in each period. The number of shares for the second quarter of 2010 and all previous presented periods are adjusted for the implicit rebate in the subscription price compared to the theoretical ex-rights price at closing 24 June 2010, i.e. immediately before trading of the subscription rights. The adjustment represent a factor of 1.055 to the number of outstanding shares for all periods.

Hydro's outstanding founder certificates and subscription certificates entitles 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. However, the effect of the dilution is insignificant for the rights issue in the period 25 June to 16 July 2010. Diluted earnings per share is therefore not presented.

Responsibility Statement

We confirm to the best of our knowledge that the condensed set of financial statements for the period 1 January to 30 June 2010 has been prepared in accordance with IAS 34 - Interim Financial Reporting, and gives a true and fair view of the Hydro Group's assets, liabilities, financial position and result for the period. We also confirm to the best of our knowledge that the financial review includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the financial statements, any major related parties transactions, and a description of the principal risks and uncertainties for the remaining six months of the financial year.

Oslo, 26 July 2010

Terje Vareberg
Chair

Bente Rathe
Deputy chair

Billy Fredagsvik
Board member

Finn Jebsen
Board member

Inge K. Hansen
Board member

Jørn B. Lilleby
Board member

Sten Roar Martinsen
Board member

Liv Monica Bargem Stubholt
Board member

Eva Persson
Board member

Svein Richard Brandtzæg
President and CEO

Additional information

Financial calendar 2010

27 October	Third quarter results
1 December	Capital Markets Day

The quarterly results will be released at 07:30 hours CET. Hydro reserves the right to revise these dates.

Cautionary note

This announcement is not an offer for sale of securities in the United States or any other country. The securities referred to herein have not been registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), and may not be sold in the United States absent registration or pursuant to an exemption from registration under the U.S. Securities Act. Any offering of securities will be made by means of a prospectus that may be obtained from Hydro and that will contain detailed information about the company and management, as well as financial statements. Copies of this announcement are not being made and may not be distributed or sent into the United States, Canada, Australia, Japan or any other jurisdiction in which such distribution would be unlawful or would require registration or other measures.

In any EEA Member State that has implemented Directive 2003/71/EC (together with any applicable implementing measures in any member State, the "Prospectus Directive"), this communication is only addressed to and is only directed at qualified investors in that Member State within the meaning of the Prospectus Directive.

This announcement is only directed at (a) persons who are outside the United Kingdom; or (b) investment professionals within the meaning of Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"); or (c) persons falling within Article 49(2)(a) to (d) of the Order; or (d) persons to whom any invitation or inducement to engage in investment activity can be communicated in circumstances where Section 21(1) of the Financial Services and Markets Act 2000 does not apply.

Certain statements included within this announcement contain forward-looking information, including, without limitation, those relating to (a) forecasts, projections and estimates, (b) statements of management's plans, objectives and strategies for Hydro, such as planned expansions, investments or other projects, (c) targeted production volumes and costs, capacities or rates, start-up costs, cost reductions and profit objectives, (d) various expectations about future developments in Hydro's markets, particularly prices, supply and demand and competition, (e) results of operations, (f) margins, (g) growth rates, (h) risk management, as well as (i) statements preceded by "expected", "scheduled", "targeted", "planned", "proposed", "intended" or similar statements.

Although we believe that the expectations reflected in such forward-looking statements are reasonable, these forward-looking statements are based on a number of assumptions and forecasts that, by their nature, involve risk and uncertainty. Various factors could cause our actual results to differ materially from those projected in a forward-looking statement or affect the extent to which a particular projection is realized. Factors that could cause these differences include, but are not limited to: our continued ability to reposition and restructure our upstream and downstream aluminium business; changes in availability and cost of energy and raw materials; global supply and demand for aluminium and aluminium products; world economic growth, including rates of inflation and industrial production; changes in the relative value of currencies and the value of commodity contracts; trends in Hydro's key markets and competition; and legislative, regulatory and political factors.

No assurance can be given that such expectations will prove to have been correct. Hydro disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Hydro is a global supplier of aluminium and aluminium products. Based in Norway, the company employs more than 19,000 people in 40 countries and has activities on all continents. Rooted in a century of experience in renewable energy production, technology development and progressive partnerships, Hydro is committed to strengthening the viability of the customers and communities we serve.

Norsk Hydro ASA
NO-0240 Oslo
Norway

Tel: +47 22 53 81 00
Fax: +47 22 53 85 53
E-mail: corporate@hydro.com
www.hydro.com

Production: Hydro
Print: Printbox

HYDRO