HYDRO

Fourth quarter report – 2010

Q1

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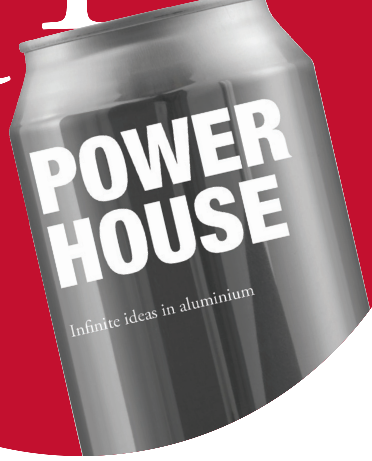

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About our reporting

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	**Fourth quarter 2010**	Third quarter 2010	% change prior quarter	Fourth quarter 2009	% change prior year quarter	**Year 2010**	Year 2009
Revenue	**19 406**	18 424	5 %	16 427	18 %	**75 754**	67 409
Earnings before financial items and tax (EBIT)	**768**	274	>100 %	(938)	>100 %	**3 184**	(1 407)
Items excluded from underlying EBIT [1]	**(180)**	690		287		**167**	(1 148)
Underlying EBIT	**588**	965	(39) %	(651)	>100 %	**3 351**	(2 555)
Underlying EBIT :							
Primary Metal	**191**	399	(52) %	(717)	>100 %	**1 198**	(2 556)
Metal Markets	**62**	163	(62) %	(20)	>100 %	**321**	(83)
Rolled Products	**105**	227	(54) %	57	84 %	**864**	26
Extruded Products	**24**	102	(77) %	68	(65) %	**444**	(67)
Energy	**482**	169	>100 %	295	63 %	**1 416**	1 240
Other and eliminations	**(277)**	(95)	>(100) %	(334)	17 %	**(893)**	(1 114)
Underlying EBIT	**588**	965	(39) %	(651)	>100 %	**3 351**	(2 555)
Net income (loss)	**658**	(63)	>100 %	(587)	>100 %	**2 118**	416
Underlying net income (loss)	**376**	545	(31) %	(791)	>100 %	**1 852**	(3 066)
Earnings per share [2]	**0.39**	(0.07)	>100 %	(0.45)	>100 %	**1.33**	0.24
Underlying earnings per share [2]	**0.21**	0.33	(35) %	(0.61)	>100 %	**1.14**	(2.50)
Financial data:							
Investments	**1 613**	1 591	1 %	2 371	(32) %	**6 231**	5 947
Adjusted net interest-bearing debt [3]	**(6 427)**	(8 280)	22 %	(15 645)	59 %	**(6 427)**	(15 645)
Key Operational information [4]							
Primary aluminium production (kmt)	**360**	355	2 %	332	8 %	**1 415**	1 396
Realized aluminium price LME (USD/mt) [5]	**2 074**	2 179	(5) %	1 804	15 %	**2 113**	1 698
Realized aluminium price LME (NOK/mt) [5]	**12 436**	13 503	(8) %	10 452	19 %	**12 674**	10 764
Realized NOK/USD exchange rate	**6.00**	6.20	(3) %	5.80	3 %	**6.00**	6.34
Metal Markets sales volumes to external market (kmt) [6]	**417**	429	(3) %	375	11 %	**1 717**	1 468
Rolled Products sales volumes to external market (kmt)	**234**	239	(2) %	211	11 %	**945**	794
Extruded Products sales volumes to external market (kmt) [7]	**127**	134	(5) %	119	6 %	**529**	463
Power production (GWh)	**2 263**	1 479	53 %	1 929	17 %	**8 144**	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 ingot trading volumes.

7) Excluding volumes for Automotive Structures divested in December 2009. Fourth quarter 2009: 10 kmt and year 2009: 35 kmt. Volumes have also been adjusted to include extrusion shipments made to Automotive Structures that were eliminated earlier as internal transactions in order to make prior periods comparable following the divestment.

Hydro's underlying earnings before financial items and tax amounted to NOK 588 million in the fourth quarter down from NOK 965 million in the third quarter. Lower realized aluminium prices, higher operating costs and seasonally lower sales volumes all had a negative impact on underlying results for the period.

Underlying results for Primary Metal declined during the quarter mainly due to lower realized aluminium prices partly offset by insurance proceeds relating to the power outage at Qatalum in the previous quarter. Alumina and Raw Materials' underlying results were stable supported by good earnings for our alumina commercial activities.

Operating losses for Qatalum, the joint venture between Qatar Petroleum and Hydro, increased in the fourth quarter as expected. Insurance proceeds amounting to NOK 300 million were recorded in the fourth quarter of which NOK 210 million is included in underlying EBIT. Ramp-up of the plant restarted in the middle of September. At the end of the fourth quarter 321 out of 704 cells were fully operational. Final ramp-up of the plant will be hampered by delayed commissioning of the power plant steam turbines but is expected to be completed with full output reached from June 2011.

Hydro's mid- and downstream operations delivered lower underlying EBIT compared to the third quarter, mainly due to higher operating costs, including costs for planned maintenance activities, and seasonally lower sales volumes. Margins remained firm.

Underlying EBIT for Energy increased substantially compared to the previous quarter due to higher spot prices and significantly higher production levels.

For the full year 2010, Hydro had underlying EBIT of NOK 3,351 million, compared with underlying losses of NOK 2,555 million in 2009. The significant improvement was driven by market recovery which lifted prices and strengthened demand, as well as reduced costs and manning throughout our operations. Overall sales volumes increased by 17 percent compared with a decline of 18 percent in the previous year partly reflecting customer restocking activities. The overall market surplus was reduced throughout the year, but inventories remained at record levels.

Underlying results improved substantially for our upstream business mainly due to higher realized aluminium prices and an improved performance for Hydro's existing alumina and raw materials operations. Focus on reducing the operating costs of our smelter portfolio continued. Roughly USD 50 per mt of the USD 300 per mt cost improvement program was achieved by the end of 2010 with the remainder targeted for the end of 2013. Underlying EBIT for our midstream business was heavily influenced by negative currency effects in 2009. Our downstream business delivered substantially higher underlying results as sales approached pre-crisis levels. Continued focus on cost reduction measures and firm operating margins leveraged the positive market developments and our rolled products business achieved record results for the year. Underlying EBIT for our energy business improved in 2010 due to increased spot prices and higher production.

Following a decade of restructuring and consolidation, 2010 marks another turning point in Hydro's industrial development. On 2 May 2010, we announced an agreement to take over the majority of Vale's aluminium business in Brazil. Closing of the Vale transaction will most likely take place in the first quarter of 2011. Combining Vale Aluminium with Hydro will result in a stronger company, fully integrated into bauxite, with a long alumina balance and a preferred position in a more consolidated market. Hydro completed a rights offering strengthening its equity by NOK 10 billion in July 2010.

Net cash generated from operating activities amounted to NOK 3.6 billion for the quarter. Investments amounted to NOK 1.6 billion in the quarter including about NOK 0.6 billion relating to Qatalum. Hydro had a net cash position amounting to NOK 11 billion at the end of the quarter.

Hydro's Board of Directors proposes to pay a dividend of NOK 0.75 per share for 2010 reflecting the company's strong commitment to provide a cash return to its shareholders. The decision is based on improved earnings and market outlook as well as Hydro's strong financial position and cash generating capabilities.

Reported EBIT and net income

Reported EBIT for Hydro amounted to NOK 768 million in the fourth quarter including net positive effects of NOK 180 million. These effects were comprised of net unrealized derivative gains of NOK 132 million, positive metal effects of NOK 92 million, insurance proceeds of NOK 90 million relating to the Qatalum power outage and other net negative effects of NOK 134 million including rationalization and closure costs.

In the previous quarter, reported EBIT for Hydro amounted to NOK 274 million including net negative effects of NOK 690 million. These effects were comprised of net unrealized derivative losses of NOK 524 million, negative metal effects of NOK 52 million and impairment charges relating to Qatalum amounting to NOK 114 million.

Net income for the fourth quarter amounted to NOK 658 million including net foreign exchange gains of NOK 232 million. In the third quarter Hydro incurred a net loss amounting to NOK 63 million including net foreign exchange losses of NOK 246 million.

Market developments and outlook

Market statistics [1]	**Fourth quarter 2010**	Third quarter 2010	% change prior quarter	Fourth quarter 2009	% change prior year quarter	**Year 2010**	Year 2009
NOK/USD Average exchange rate	**5.93**	6.17	(4) %	5.68	4 %	**6.05**	6.28
NOK/USD Balance sheet date exchange rate	**5.86**	5.84	-	5.78	1 %	**5.86**	5.78
NOK/EUR Average exchange rate	**8.05**	7.96	1 %	8.39	(4) %	**8.01**	8.73
NOK/EUR Balance sheet date exchange rate	**7.81**	7.97	(2) %	8.32	(6) %	**7.81**	8.32
Primary Metal and Metal Markets:							
LME three month average (USD/mt)	**2 368**	2 106	12 %	2 035	16 %	**2 199**	1 702
LME three month average (NOK/mt)	**14 036**	12 941	8 %	11 567	21 %	**13 257**	10 575
Global production of primary aluminium (kmt)	**10 404**	10 624	(2) %	10 196	2 %	**41 989**	37 669
Global consumption of primary aluminum (kmt)	**10 702**	10 398	3 %	9 495	13 %	**41 115**	34 301
Global production of primary aluminium (ex. China) (kmt)	**6 490**	6 304	3 %	6 025	8 %	**25 024**	24 027
Global consumption of primary aluminum (ex. China) (kmt)	**6 369**	6 116	4 %	5 448	17 %	**24 266**	20 370
Reported primary aluminium inventories (kmt)	**6 234**	6 361	(2) %	6 321	(1) %	**6 234**	6 321
Rolled Products and Extruded Products:							
Consumption Rolled Products - Europe (kmt)	**1 055**	1 085	(3) %	946	12 %	**4 292**	3 682
Consumption Rolled Products - USA & Canada (kmt)	**1 033**	1 074	(4) %	943	10 %	**4 167**	3 726
Consumption Extruded Products - Europe (kmt)	**610**	599	2 %	544	12 %	**2 438**	2 102
Consumption Extruded Products - USA & Canada (kmt)	**296**	350	(15) %	308	(4) %	**1 372**	1 177
Energy:							
Southern Norway spot price (NO2) (NOK/MWh) [2]	**469**	363	29 %	296	59 %	**407**	295
Nordic system spot price (NOK/MWh)	**498**	365	37 %	307	62 %	**426**	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.

Upstream

LME prices continued to increase in the fourth quarter. Average three month prices started the quarter at a level of around USD 2,370 per mt and ended around USD 2,470 per mt. Market volatility continued with prices fluctuating within the range of USD 2,250 - 2,500 per mt in the quarter.

Global demand for primary aluminium excluding China increased 4 percent in the fourth quarter compared to the third quarter partly due to customer restocking. Annualized consumption and production amounted to 25.3 million mt and 25.7 million mt respectively. Around 1.1 million mt of annual production capacity out of the 3.4 million mt that was curtailed during the market downturn, has been restarted or is in the process of being restarted. Primary aluminium consumption outside China grew 19 percent from 2009. We expect corresponding growth of about 7 percent in 2011 and somewhat slower growth in 2012. The market is expected to be within a manageable surplus in 2011.

Production in China declined in the fourth quarter by around 10 percent compared to the previous quarter, assumed to be due to the need to meet energy saving targets. Total production amounted to about 17 million mt for 2010. Demand increased by around 2 percent in the fourth quarter resulting in a decline in inventories. Total consumption for 2010 amounted to about 17 million mt. We expect the Chinese primary aluminium market to remain in balance for 2011.

LME stocks were relatively stable around 4.3 million mt during the quarter with financial investors continuing to own a large share of the metal. The ongoing market surplus has resulted in a further increase of global unreported inventories. Global inventories days have been falling as a result of improved demand.

Demand for metal products, in particular extrusion ingot and sheet ingot was strong and unchanged from the previous quarter. Demand for primary foundry alloys improved in Northern Europe, in particular in Germany and was also stronger in export markets in Asia.

Rolled products

Consumption in the European rolled products market was seasonally lower in the fourth quarter compared with the previous quarter. Demand increased around 17 percent in 2010 compared to 2009, but remained below the peak achieved in 2007. We expect a healthy demand to continue into the first half of 2011.

Demand in the automotive sector decreased slightly in the fourth quarter compared to the previous quarter but is expected to grow throughout 2011 due to a higher usage of aluminium components in the manufacturing process. Demand for building and construction applications was stable compared to the previous quarter and continued to be relatively strong in spite of the severe winter weather conditions and reductions in government support programs. In the packaging sector consumption was good, in particular for beverage cans, while demand for foil was stable compared to third quarter. In total, packaging demand is expected to remain at a high level in the first half of 2011. Demand for general engineering applications, which comprises about 30 percent of the European market, declined compared to the third quarter.

Extruded products

European demand for extruded aluminium products improved significantly compared to fourth quarter of the previous year, but remained weak within the building and construction sector, in particular in southern Europe as a consequence of the weak economy. The market recovery has been strongest in Germany and in northern Europe. In North America demand was seasonally lower compared with the third quarter of 2010, and also lower than the fourth quarter of 2009. Developments in South America continued to be positive, especially in Brazil. Demand for precision tubing remains strong, driven by developments within the automotive market sector, including strong Chinese demand for premium cars, and positive developments within the North American transport segment. Overall demand in the European and US extrusion markets is expected to continue to grow into the seasonally stronger first quarter of 2011. Recovery in the building and construction segment is expected to remain slow, and demand for building systems products has not improved during the year.

Energy

Nordic electricity spot prices increased during the fourth quarter in parallel with deteriorating hydrological conditions. Water reservoir levels in Norway declined to about 45 percent of full capacity by the end of 2010. This is 25 percentage points lower than normal and more than 20 percentage points lower than the same period in 2009. Snow accumulation levels were 50 percent below normal. Colder weather beginning in the middle of November lifted spot prices further due to very high demand. This was exacerbated by reduced output from Swedish nuclear power plants. In mid-December the Nordic system spot price levels had increased by more than 80 percent compared to the beginning of October. Prices declined in January due to milder weather and more stable nuclear output, but reservoir levels remain at historically low levels and prices are expected to remain fairly high throughout the first quarter of 2011.

Additional factors impacting Hydro

Hydro has sold forward substantially all of its primary aluminium production for the first quarter at a price level of around USD 2,325 per mt, excluding expected Qatalum production.

Qatalum is expected to produce roughly 500,000 mt of primary metal in 2011.

Hydro's water and snow reservoirs were lower than normal at the end of January and also lower than the corresponding period in 2009. Due to the high spot price levels, Hydro's power production during the first quarter of 2011 is expected to be at same level as for fourth quarter 2010.

Underlying EBIT

Primary Metal

Operational and financial information [1]	**Fourth quarter 2010**	Third quarter 2010	% change prior quarter	Fourth quarter 2009	% change prior year quarter	**Year 2010**	Year 2009
Underlying EBIT (NOK million)	**191**	399	(52) %	(717)	>100 %	**1 198**	(2 556)
Underlying EBIT - Alumina and raw materials (NOK million) [2]	**111**	106	5 %	(125)	>100 %	**676**	(483)
Underlying EBIT - Primary aluminium (NOK million) [2]	**80**	294	(73) %	(593)	>100 %	**522**	(2 074)
Alumina production (kmt)	**493**	491	-	504	(2) %	**1 976**	2 091
Realized aluminium price LME (USD/mt) [3]	**2 074**	2 179	(5) %	1 804	15 %	**2 113**	1 698
Realized aluminium price LME (NOK/mt) [3]	**12 436**	13 503	(8) %	10 452	19 %	**12 674**	10 764
Realized premium above LME (USD/mt) [4]	**340**	329	3 %	272	25 %	**317**	246
Realized premium above LME (NOK/mt) [4]	**2 040**	2 041	-	1 576	29 %	**1 906**	1 559
Realized NOK/USD exchange rate	**6.00**	6.20	(3) %	5.80	3 %	**6.00**	6.34
Primary aluminium production (kmt)	**360**	355	2 %	332	8 %	**1 415**	1 396
Casthouse production (kmt)	**512**	513	-	473	8 %	**2 022**	1 782
Casthouse sales (kmt)	**494**	499	(1) %	450	10 %	**2 008**	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 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] NOK million	**Fourth quarter 2010**	Third quarter 2010	% change prior quarter	Fourth quarter 2009	% change prior year quarter	**Year 2010**	Year 2009
Alunorte (34.03%)	**(2)**	(15)	87 %	29	>(100) %	**138**	(98)
Søral (49.90%)	**(2)**	6	>(100) %	(22)	93 %	**7**	(98)
Qatalum (50.00%)	**(136)**	(229)	40 %	(174)	22 %	**(648)**	(489)

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

Underlying results for Primary Metal declined during the quarter compared to the third quarter mainly due to lower realized aluminium prices partly offset by insurance proceeds relating to the power outage at Qatalum in the previous quarter.

Alumina and raw materials underlying results improved slightly in the quarter compared with the third quarter. For Alunorte, positive effects of higher realized alumina prices[6] were partly offset by lower sales, higher bauxite, caustic costs and other operating costs. Underlying earnings for our alumina commercial activities were somewhat higher than the previous quarter driven by higher volumes and good margins on third party sales contracts.

Lower realized aluminium prices had a negative effect on underlying results for Primary aluminium amounting to about NOK 350 million in the quarter.7) Our cost improvement program continued according to plan, however, fourth quarter operating costs were somewhat higher than in the third quarter due to seasonal effects.

Operating losses for Qatalum increased in the fourth quarter due to higher depreciation charges and higher fixed costs including costs relating to restart of the ramp up at the plant. Insurance proceeds amounting to NOK 300 million were recorded in the fourth quarter of which NOK 210 million was included in underlying EBIT. Ramp-up of the plant restarted in the middle of September. At the end of the fourth quarter 321 out of 704 cells were fully operational. Final ramp-up of the plant will be hampered by delayed commissioning of the power plant steam turbines but is expected to be completed with full output reached from June 2011.

Underlying EBIT for Primary Metal increased significantly for 2010 from a substantial loss in 2009 heavily influenced by higher realized aluminium prices and an improved performance for 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 in addition to the negative effects of the power outage. Fixed costs declined further in 2010.

Underlying EBIT for the fourth quarter improved significantly compared with the same quarter of the previous year heavily impacted by higher realized aluminium prices as well as by the same factors discussed above.

6) 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. Bauxite prices are based on average LME prices for the preceding three quarters with a one quarter delay. There is no time lag for the effects of LME price developments on the results of our alumina commercial operations.

7) Due to hedging and inventory effects, our realized aluminium prices lag LME price developments by about 4 months.

Metal Markets

Operational and financial information	**Fourth quarter 2010**	Third quarter 2010	% change prior quarter	Fourth quarter 2009	% change prior year quarter	**Year 2010**	Year 2009
Underlying EBIT (NOK million)	**62**	163	(62) %	(20)	>100 %	**321**	(83)
Currency effects [1]	**(11)**	118	>(100) %	(13)	17 %	**(145)**	(603)
Ingot inventory valuation effects [2]	**(1)**	(70)	99 %	(51)	99 %	**20**	(91)
Underlying EBIT excl. currency and ingot inventory effects	**73**	115	(36) %	44	65 %	**447**	611
Remelt production (kmt)	**151**	144	4 %	133	13 %	**603**	455
Sale of metal products from own production (kmt) [3]	**657**	656	-	596	10 %	**2 666**	2 351
Sale of third-party metal products (kmt)	**32**	38	(17) %	9	>100 %	**121**	63
Total metal products sales excluding ingot trading (kmt)	**688**	695	(1) %	605	14 %	**2 787**	2 414
Hereof external sales excluding ingot trading (kmt)	**417**	429	(3) %	375	11 %	**1 717**	1 468
External revenue (NOK million) [4]	**7 003**	6 511	8 %	5 638	24 %	**27 090**	23 650
Product sales (NOK million) [5]	**6 323**	5 875	8 %	4 891	29 %	**23 616**	17 209

1) Includes the effects of changes in currency rates on sales and purchase contracts denominated in foreign currencies (mainly US dollar and Euro for our European operations) and the effects of changes in currency rates on the fair valuation of dollar denominated derivative contracts (including LME futures) and inventories mainly translated into Norwegian kroner. Hydro manages its external currency exposure on a consolidated basis in order to take advantage of offsetting positions.

2) Comprised of hedging gains and losses relating to standard ingot inventories in our metal sourcing and trading operations. Increasing LME prices result in unrealized hedging losses, while the offsetting gains on physical inventories are not recognized until realized. In periods of declining prices, unrealized hedging gains are offset by write-downs of physical inventories.

3) Includes external and internal sales from our primary casthouse operations, remelters and part owned metal sources. Sale of Qatalum volumes above Hydro's ownership share moved to sale of third party metal products.

4) External sales revenue from our primary casthouse operations, remelters and part owned metal sources as well as aluminium trading and hedging activities, including derivatives.

5) Excludes revenues from our aluminium trading and hedging activities and derivatives.

Underlying EBIT for Metal Markets declined in the fourth quarter. Currency and ingot inventory valuation effects were relatively neutral in the fourth quarter compared with substantial net positive effects in the previous quarter.

Excluding currency and ingot inventory valuation effects, underlying EBIT for Metal Markets also declined in the quarter. Our remelt operations delivered lower underlying results during the quarter mainly due to planned maintenance activities. Lower sales volumes for resale of third party products also had a negative impact on underlying results for the quarter. Underlying results for our metal sourcing and trading activities continued to be firm.

Total metal product sales excluding ingot trading was slightly lower mainly due to seasonally lower shipments of extrusion ingots in all markets.

Metal Markets underlying EBIT excluding currency and ingot inventory valuation effects improved compared to the fourth quarter of 2009 mainly due to higher operating margins from our metal sourcing and trading operations.

Underlying EBIT excluding currency and ingot inventory valuation effects declined in 2010 compared to the previous year mainly as a result of lower contribution from resale of third party metal products and lower trading margins.

Rolled Products

Operational and financial information	**Fourth quarter 2010**	Third quarter 2010	% change prior quarter	Fourth quarter 2009	% change prior year quarter	**Year 2010**	Year 2009
Underlying EBIT (NOK million)	**105**	227	(54) %	57	84 %	**864**	26
Sales volumes to external market (kmt)	**234**	239	(2) %	211	11 %	**945**	794
Sales volumes to external markets (kmt) - Customer business units							
Foil	**31**	34	(9) %	29	7 %	**129**	115
Can beverage	**42**	47	(10) %	33	27 %	**177**	145
Other packaging and building	**20**	21	(6) %	24	(15) %	**89**	84
Automotive, heat exchanger	**32**	31	5 %	25	31 %	**122**	86
General engineering	**64**	64	-	61	6 %	**259**	216
Lithography	**43**	41	5 %	40	9 %	**169**	148
Rolled Products	**234**	239	(2) %	211	11 %	**945**	794

Underlying EBIT for Rolled Products declined compared to the third quarter of 2010 due to higher operating costs, including costs for planned maintenance activities, and somewhat lower sales volume.

Volume developments varied between our different business sectors. Lithography shipments increased together with a good production performance. General engineering sales were stable while automotive, heat exchanger sales were slightly higher, supported by continued firm demand. Volumes for our thin gauge foil, beverage can and other packaging and building products declined mainly due to seasonal maintenance and other capacity constraints. Margins remained firm.

Underlying EBIT was substantially higher compared to the fourth quarter of 2009. Higher sales volumes contributed to the positive development with improvements for all product segments excluding construction applications. Margins improved, in particular for our general engineering and beverage can sectors. Operating cost were higher in absolute terms but declined on a per metric ton basis, driven by a continued focus on productivity and cost reduction programs.

Rolled Products achieved record results for 2010, increasing substantially compared with the previous year. Continued focus on cost and firm operating margins contributed strongly together with a significant increase in sales volumes as the market recovered.

Extruded Products

Operational and financial information	Fourth quarter 2010	Third quarter 2010	% change prior quarter	Fourth quarter 2009	% change prior year quarter	Year 2010	Year 2009
Underlying EBIT (NOK million)	**24**	102	(77) %	68	(65) %	**444**	(67)
Sales volumes to external market (kmt) [1)]	**127**	134	(5) %	119	6 %	**529**	463
Sales volumes to external markets (kmt) - sectors							
Extrusion Eurasia [1)]	**71**	75	(6) %	63	13 %	**293**	246
Building Systems	**18**	17	7 %	20	(7) %	**73**	77
Extrusion Americas	**22**	25	(14) %	22	-	**95**	87
Precision Tubing	**16**	16	-	15	5 %	**67**	52
Extruded Products	**127**	134	(5) %	119	6 %	**529**	463

1) Excluding volumes for Automotive Structures divested in December 2009. Fourth quarter 2009: 10 kmt and year 2009: 35 kmt. Volumes have also been adjusted to include extrusion shipments made to Automotive Structures that were eliminated earlier as internal transactions in order to make prior periods comparable following the divestment.

Underlying EBIT for Extruded Products declined compared with the third quarter of 2010 mainly due to higher operating costs and seasonally lower volumes. The cost increases were due to planned maintenance activities and charges for ongoing improvement programs mainly related to rationalization initiatives, the implementation of a new IT system and increased marketing efforts. In the previous quarter, operating costs were positively impacted by seasonally lower employee related costs. Margins were firm for most business sectors in the fourth quarter.

Volumes for our European, North American and South American extrusion operations were all seasonally lower in the fourth quarter. Recovery in the building systems markets continued to lag the general extrusion market, in particular in southern Europe, where demand fell in the fourth quarter due to reduced public spending and increased uncertainty concerning economic developments. As a result, we have initiated further rationalization programs to improve the results of this business.

Compared to the fourth quarter of 2009, underlying EBIT declined mainly due to higher operating costs and lower volumes for our building systems operations. Volumes from our European extrusion operations increased driven by stronger demand in most market segments. Volumes from our precision tubing business also increased. Our South American operations delivered somewhat higher volumes but lower than the overall market increase due to capacity constraints in Brazil. Volumes declined slightly for our North American extrusion business which included shipments to a large solar project in the same quarter of the previous year. Margins were stable for all business sectors excluding our building systems operations which declined compared to the fourth quarter of 2009.

Underlying EBIT for Extruded Products increased significantly in 2010 compared with an underlying loss in 2009 driven by higher volumes and cost reductions. Volumes increased for all sectors, excluding building systems, impacted by customer restocking and the general economic recovery.

Energy

Operational and financial information	**Fourth quarter 2010**	Third quarter 2010	% change prior quarter	Fourth quarter 2009	% change prior year quarter	**Year 2010**	Year 2009
Underlying EBIT (NOK million)	**482**	169	>100 %	295	63 %	**1 416**	1 240
Direct production costs (NOK million) 1)	**147**	91	62 %	127	16 %	**515**	438
Power production (GWh)	**2 263**	1 479	53 %	1 929	17 %	**8 144**	7 897
External power sourcing (GWh) 2) 3)	**2 167**	2 132	2 %	2 112	3 %	**8 539**	9 480
Internal contract sales (GWh) 3) 4)	**3 068**	3 122	(2) %	3 062	-	**12 336**	13 339
External contract sales (GWh) 5)	**535**	405	32 %	493	8 %	**1 968**	1 820
Net spot sales (GWh) 6)	**827**	86	>100 %	486	70 %	**2 380**	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 increased substantially compared to the previous quarter due to higher spot prices and significantly higher production. Cold winter weather, marginal precipitation and outages of nuclear power in Sweden resulted in high spot prices during the period.

Compared to the corresponding quarter of 2009 underlying results increased primarily due to higher power production and significantly higher spot prices. Production in the fourth quarter of 2009 was impacted by the outage of the Suldal I power station.

Underlying EBIT increased in 2010 compared to 2009 primarily due to higher spot prices.

Other and eliminations

Underlying EBIT for Other and eliminations amounted to a charge of NOK 277 million for the fourth quarter compared with a charge of NOK 95 million in the previous quarter and a charge of NOK 334 million in the fourth quarter of 2009. Eliminations included in underlying EBIT amounted to a charge of NOK 12 million in the fourth quarter compared with a income of NOK 39 million in the previous quarter and a charge of NOK 108 million in the fourth quarter of 2009.

Underlying results for the fourth quarter included increased costs for integration planning and other transaction costs relating to the Vale aluminium acquisition, as well as year-end adjustments for employee and pension costs.

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 the end of 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.

Items excluded from underlying net income [1)] NOK million	**Fourth quarter 2010**	Third quarter 2010	Fourth quarter 2009	**Year 2010**	Year 2009
Unrealized derivative effects on LME related contracts [2)]	**(162)**	515	(728)	**489**	(2 630)
Derivative effects on LME related contracts (Vale Aluminium) [3)]	**55**	99	-	**(166)**	-
Unrealized derivative effects on power contracts [4)]	**151**	(25)	318	**609**	(198)
Unrealized derivative effects on currency contracts [5)]	**(20)**	(65)	(19)	**(50)**	(345)
Unrealized derivative effects on raw material contracts [6)]	**(156)**	-	-	**(156)**	-
Metal effect, Rolled Products [7)]	**(92)**	52	(157)	**(560)**	588
Significant rationalization charges and closure costs [8)]	**131**	-	65	**130**	518
Impairment charges (PP&E and equity accounted investments) [9)]	**12**	114	138	**187**	438
Pension [10)]	**-**	-	-	**(151)**	(52)
Insurance compensation [11)]	**(91)**	-	(13)	**(91)**	(152)
(Gains)/losses on divestments [12)]	**(7)**	-	684	**(74)**	684
Items excluded from underlying EBIT	**(180)**	690	287	**167**	(1 148)
Net foreign exchange (gain)/loss [13)]	**(232)**	246	(216)	**(513)**	(2 774)
Calculated income tax effect [14)]	**129**	(328)	(275)	**80**	441
Items excluded from underlying net income	**(282)**	608	(204)	**(266)**	(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) Unrealized gains and losses on embedded derivatives in raw material contracts for own use.

7) 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.

8) 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.

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

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

11) Insurance compensation for damages on assets recognized as income (includes equity accounted investments).

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

13) 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.

14) 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 fourth quarter of 2010.

Items excluded from underlying EBIT [1)] NOK million	**Fourth quarter 2010**	Third quarter 2010	Fourth quarter 2009	**Year 2010**	Year 2009
Unrealized derivative effects on currency contracts (Alunorte)	**(20)**	(65)	(18)	**(50)**	(357)
Unrealized derivative effects on LME related contracts (Alunorte)	**-**	-	16	**-**	-
Derivative effects on LME related contracts (Vale Aluminium)	**55**	99	-	**(166)**	-
Unrealized derivative effects on power contracts (Søral)	**(46)**	2	(42)	**(56)**	(77)
Pension plan amendment (Søral)	**-**	-	-	**-**	(52)
Unrealized derivative effects on currency contracts (Qatalum)	**-**	-	(2)	**-**	12
Unrealized derivative effects on LME related contracts	**(61)**	424	8	**95**	285
Unrealized derivative effects on power contracts	**21**	150	196	**49**	671
Unrealized derivative effects on raw material contracts	**(156)**	-	-	**(156)**	-
Impairment charge (Qatalum)	**(16)**	114	-	**98**	-
Insurance compensation (Qatalum)	**(91)**	-	-	**(91)**	-
Rationalization charges and closure costs	**66**	-	-	**66**	363
Primary Metal	**(247)**	724	158	**(212)**	846
Unrealized derivative effects on LME related contracts	**(53)**	145	(59)	**164**	(487)
Pension - curtailment and settlement	**-**	-	-	**(2)**	-
Metal Markets	**(53)**	145	(59)	**162**	(487)
Unrealized derivative effects on LME related contracts	**(22)**	(86)	(659)	**222**	(2 265)
Metal effect	**(92)**	52	(157)	**(560)**	588
Impairment charges	**-**	-	-	**-**	286
Pension - curtailment and settlement	**-**	-	-	**(12)**	-
(Gains)/losses on divestments	**-**	-	231	**-**	231
Rolled Products	**(114)**	(34)	(585)	**(350)**	(1 160)
Unrealized derivative effects on LME related contracts	**-**	(18)	(47)	**18**	(247)
Rationalization charges and closure costs	**64**	-	65	**64**	107
Impairment charges	**28**	-	-	**28**	14
Pension - curtailment and settlement	**-**	-	-	**(25)**	-
(Gains)/losses on divestments	**-**	-	472	**(67)**	472
Extruded Products	**92**	(18)	490	**18**	346
Unrealized derivative effects on power contracts	**(7)**	1	11	**(21)**	(9)
Rationalization charges and closure costs	**-**	-	-	**-**	14
Insurance compensation	**-**	-	(13)	**-**	(152)
Energy	**(7)**	1	(2)	**(21)**	(146)
Unrealized derivative effects on power contracts	**182**	(178)	153	**637**	(784)
Unrealized derivative effects on LME related contracts	**(26)**	50	13	**(9)**	83
Rationalization charges and closure costs	**-**	-	-	**-**	34
Impairment charges	**-**	-	138	**61**	138
Pension - curtailment and settlement	**-**	-	-	**(112)**	-
(Gains)/losses on divestments	**(7)**	-	(19)	**(7)**	(19)
Other and eliminations	**149**	(127)	286	**569**	(548)
Items excluded from underlying EBIT	**(180)**	690	287	**167**	(1 148)

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

Primary Metal

A weakening of the US dollar against the Brazilian real resulted in unrealized gains 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 net loss due to the upward shift in LME forward prices in addition to effects of the postponed closing of the Vale transaction. Increasing forward prices on power resulted in an unrealized gain on power contracts in Søral. Unrealized gain on LME derivative contracts related to our operational hedging program were mainly an effect of realized positions, somewhat offset by effects of the upward shift in LME forward prices. Unrealized derivative effects on power contracts were influenced by the upward shift in LME forward prices, resulting in unrealized losses on embedded derivatives. Unrealized gain on embedded derivatives in raw material contracts resulted from a significantly increased forward price on petroleum coke relative to the LME price. Insurance compensation relates to recognized refund for damaged assets following the power outage in Qatalum. Impairment credit relates to adjustment of the impairment charge recognized in third quarter. Rationalization charges relate to programs at the Sunndal and Karmøy plants, in addition to the Technology organization.

Metal Markets

Unrealized gains on LME derivative contracts related to our operational hedging program was the net effect of gains on realized positions and losses on short positions due to the upward shift in LME forward prices.

Rolled Products

Unrealized gains on LME derivative contracts related to our operational hedging program was mainly an effect of realized positions. The positive metal effect reflected increasing LME prices affecting inventories.

Extruded Products

Rationalization charges and closure costs relate to the planned closure of our extrusion plant at Karmøy in Norway, the downsizing of building systems operations in Spain, as well as clean-up of contaminated soil related to the closed Adrian plant in United States. Impairment charges relate to the write-down of our extrusion plant at Karmøy.

Energy

Unrealized gain on financial power contracts relates to hedging of our power portfolio positions.

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 included in Other and eliminations, and excluded from underlying results. The net unrealized loss reflected an increase in the forward curve for coal and an upward shift in the LME forward prices, partly offset by a weakened US dollar. 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. Gains on divestments reflect a dilution gain recognized as a result of our reduced ownership interest in Ascent.

Finance

Financial income (expense) NOK million	**Fourth quarter 2010**	Third quarter 2010	% change prior quarter	Fourth quarter 2009	% change prior year quarter	**Year 2010**	Year 2009
Interest income	**84**	62	37 %	86	(2)%	**201**	233
Dividendes received and net gain (loss) on securities	**22**	38	(40)%	16	38 %	**145**	197
Financial income	**107**	99	8 %	102	5 %	**346**	429
Interest expense	**(30)**	(61)	51 %	(121)	75 %	**(253)**	(337)
Capitalized interest	**-**	2	-	1	-	**5**	3
Net foreign exchange gain (loss)	**232**	(246)	>100%	216	7 %	**513**	2 774
Other	**(16)**	(12)	(30)%	(30)	47 %	**(89)**	(96)
Financial expense	**185**	(318)	>100%	65	>100%	**176**	2 344
Financial income (expense), net	**292**	(218)	>100%	167	75 %	**522**	2 774

Financial income was relatively unchanged in the fourth quarter compared with the previous quarter. Interest expense in fourth quarter is lower than previous quarter due to lower interest on tax claims in Germany.

The net currency gain in the fourth quarter included gains amounting to NOK 274 million relating to intercompany balances denominated in Euro due to a weaker Euro against the Norwegian kroner.[1)] Other net currency losses amounted to NOK 42 million.

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 401 million in the fourth quarter compared with a charge of NOK 119 million in the previous quarter and a credit of NOK 183 million in the fourth quarter of 2009.

For 2010 income tax expense was roughly 43 percent of pre-tax income. The tax rate for the year was 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)

	Fourth quarter		Year	
NOK million, except per share data	**2010**	2009	**2010**	2009
Revenue	**19 406**	16 427	**75 754**	67 409
Share of the profit (loss) in equity accounted investments	**17**	(341)	**(606)**	(809)
Other income, net	**112**	(488)	**568**	107
Total revenue and income	**19 535**	15 598	**75 717**	66 706
Depreciation, amortization and impairment	**794**	786	**2 985**	3 494
Other expenses	**17 973**	15 750	**69 548**	64 619
Total expenses	**18 768**	16 535	**72 533**	68 113
Earnings before financial items and tax (EBIT)	**768**	(938)	**3 184**	(1 407)
Financial income (expense), net	**292**	167	**522**	2 774
Income (loss) before tax	**1 060**	(770)	**3 706**	1 367
Income taxes	**(401)**	183	**(1 588)**	(951)
Net income (loss)	**658**	(587)	**2 118**	416
Net income (loss) attributable to minority interests	**38**	(18)	**230**	117
Net income (loss) attributable to Hydro shareholders	**620**	(569)	**1 888**	299
Adjusted basic and diluted earnings per share attributable to Hydro shareholders (in NOK) [1]	**0.39**	(0.45)	**1.33**	0.24
Adjusted weighted average number of outstanding shares (million)	**1 588**	1 271	**1 419**	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)

	Fourth quarter		Year	
NOK million	**2010**	2009	**2010**	2009
Net income (loss)	**658**	(587)	**2 118**	416
Other comprehensive income				
Currency translation differences, net of tax	**(492)**	(534)	**(932)**	(6 908)
Unrealized gain (loss) on securities, net of tax	**86**	84	**22**	18
Cash flow hedges, net of tax	**(118)**	(24)	**(58)**	(84)
Share of other comprehensive income in equity accounted investments, net of tax	**149**	57	**(234)**	87
Other comprehensive income	**(375)**	(418)	**(1 201)**	(6 888)
Total comprehensive income	**283**	(1 005)	**917**	(6 472)
Total comprehensive income attributable to minority interests	**35**	(31)	**260**	(150)
Total comprehensive income attributable to Hydro shareholders	**248**	(974)	**657**	(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	31 December **2010**	2009
Assets		
Cash and cash equivalents	**10 929**	2 573
Short-term investments	**1 321**	1 519
Receivables and other current assets	**13 597**	13 679
Inventories	**10 971**	10 030
Total current assets	**36 817**	27 802
Property, plant and equipment	**24 849**	25 647
Other non-current assets	**27 122**	24 150
Total non-current assets	**51 971**	49 797
Total assets	**88 788**	77 599
Liabilities and equity		
Bank loans and other interest-bearing short-term debt	**940**	2 010
Other current liabilities	**14 896**	13 032
Total current liabilities	**15 836**	15 042
Long-term debt	**328**	88
Other long-term liabilities	**14 270**	14 425
Deferred tax liabilities	**1 108**	849
Total non-current liabilities	**15 706**	15 361
Total liabilities	**31 542**	30 403
Equity attributable to Hydro shareholders	**56 221**	46 169
Minority interest	**1 025**	1 026
Total equity	**57 246**	47 195
Total liabilities and equity	**88 788**	77 599
Total number of outstanding shares (million)	**1 588**	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	Year 2010	2009
Operating activities:		
Net income	**2 118**	416
Depreciation, amortization and impairment	**2 985**	3 494
Other adjustments	**1 260**	636
Net cash provided by operating activities	**6 363**	4 546
Investing activities:		
Purchases of property, plant and equipment	**(2 138)**	(2 743)
Purchases of other long-term investments	**(3 918)**	(3 137)
Proceeds from sales of property, plant and equipment	**23**	24
Proceeds from sales of other long-term investments	**(18)**	8
Net cash used in investing activities	**(6 051)**	(5 848)
Financing activities:		
Loan proceeds	**3 167**	2 878
Principal repayments	**(4 056)**	(1 978)
Net increase (decrease) in other short-term debt	**(180)**	15
Purchases of shares	**-**	(124)
Proceeds from shares issued	**9 910**	43
Dividends paid	**(866)**	(166)
Net cash provided by financing activities	**7 975**	668
Foreign currency effects on cash and bank overdraft	**(51)**	(56)
Net increase (decrease) in cash, cash equivalents and bank overdraft	**8 236**	(690)
Cash, cash equivalents and bank overdraft at beginning of period	**2 499**	3 189
Cash, cash equivalents and bank overdraft at end of period	**10 735**	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)
Dividends declared and paid				-		-	(166)	(166)
Equity interests purchased (sold)							9	9
Demerger adjustment				(237)		(237)		(237)
Other adjustments		(67)	2 887	(2 820)		-		-
Total comprehensive income for the period				299	(6 621)	(6 322)	(150)	(6 472)
31 December 2009	1 362	43	(1 177)	45 128	813	46 169	1 026	47 195
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
Shares issued	418	9 495				9 913		9 913
Dividends declared and paid				(603)		(603)	(263)	(866)
Equity interests purchased				6		6	2	8
Total comprehensive income for the period				1 888	(1 231)	657	260	917
31 December 2010	1 780	9 553	(1 112)	46 419	(418)	56 221	1 025	57 246

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.

	Fourth quarter		Year	
NOK million	**2010**	2009	**2010**	2009
Total revenue				
Primary Metal	**7 918**	6 319	**31 079**	25 486
Metal Markets	**11 134**	8 480	**43 001**	34 197
Rolled Products	**5 492**	4 909	**21 180**	18 411
Extruded Products	**4 867**	4 909	**19 405**	20 065
Energy	**1 976**	1 362	**7 055**	5 286
Other and eliminations	**(11 980)**	(9 552)	**(45 965)**	(36 036)
Total	**19 406**	16 427	**75 754**	67 409
External revenue				
Primary Metal	**1 249**	1 100	**4 967**	4 132
Metal Markets	**7 003**	5 638	**27 090**	23 650
Rolled Products	**5 275**	4 308	**20 611**	17 486
Extruded Products	**4 804**	4 821	**19 225**	19 906
Energy	**1 025**	467	**3 448**	1 682
Other and eliminations	**50**	94	**414**	554
Total	**19 406**	16 427	**75 754**	67 409
Internal revenue				
Primary Metal	**6 668**	5 219	**26 112**	21 354
Metal Markets	**4 131**	2 843	**15 911**	10 548
Rolled Products	**217**	601	**569**	925
Extruded Products	**63**	88	**180**	159
Energy	**951**	895	**3 607**	3 605
Other and eliminations	**(12 030)**	(9 645)	**(46 378)**	(36 590)
Total	**-**	-	**-**	-
Share of the profit (loss) in equity accounted investments				
Primary Metal	**51**	(152)	**(386)**	(503)
Metal Markets	**1**	(7)	**(4)**	(14)
Rolled Products	**(23)**	(27)	**(64)**	(91)
Extruded Products	**4**	3	**13**	12
Energy	**9**	20	**29**	24
Other and eliminations	**(25)**	(178)	**(193)**	(237)
Total	**17**	(341)	**(606)**	(809)

	Fourth quarter		Year	
NOK million	**2010**	2009	**2010**	2009
Depreciation, amortization and impairment				
Primary Metal	**463**	444	**1 739**	1 820
Metal Markets	**26**	27	**106**	118
Rolled Products	**107**	107	**398**	730
Extruded Products	**166**	164	**571**	666
Energy	**18**	29	**118**	109
Other and eliminations	**14**	15	**52**	50
Total	**794**	786	**2 985**	3 494
Earnings before financial items and tax (EBIT) [1]				
Primary Metal	**439**	(875)	**1 410**	(3 403)
Metal Markets	**115**	39	**160**	403
Rolled Products	**219**	642	**1 214**	1 186
Extruded Products	**(68)**	(422)	**426**	(413)
Energy	**489**	297	**1 438**	1 386
Other and eliminations	**(426)**	(619)	**(1 462)**	(567)
Total	**768**	(938)	**3 184**	(1 407)
EBITDA				
Primary Metal	**911**	(392)	**3 194**	(1 449)
Metal Markets	**140**	67	**266**	523
Rolled Products	**340**	764	**1 668**	1 977
Extruded Products	**98**	(258)	**997**	253
Energy	**509**	327	**1 561**	1 501
Other and eliminations	**(407)**	(467)	**(1 343)**	(374)
Total	**1 592**	41	**6 343**	2 432
Investments [2]				
Primary Metal	**1 084**	1 762	**4 964**	4 416
Metal Markets	**27**	11	**148**	54
Rolled Products	**196**	163	**296**	314
Extruded Products	**171**	252	**434**	617
Energy	**109**	136	**284**	340
Other and eliminations	**26**	48	**105**	206
Total	**1 613**	2 371	**6 231**	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 Fourth quarter 2010			
Primary Metal	439	473	911
Metal Markets	115	26	140
Rolled Products	219	121	340
Extruded Products	(68)	166	98
Energy	489	20	509
Other and eliminations	(426)	19	(407)
Total	768	824	1 592
EBIT - EBITDA Year			
Primary Metal	1 410	1 785	3 194
Metal Markets	160	106	266
Rolled Products	1 214	454	1 668
Extruded Products	426	571	997
Energy	1 438	123	1 561
Other and eliminations	(1 462)	119	(1 343)
Total	3 184	3 158	6 343

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 period until the rights issue was completed in the third 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 was insignificant for the rights issue in the period 25 June to 16 July 2010. Diluted earnings per share is therefore the same as basic earnings per share.

Additional information

Return on average Capital Employed (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 the operating results of its business segments.

(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 based on Hydro's effective tax rate. "Capital Employed" is defined as "Shareholders' Equity" including minority 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.

	Underlying		Reported	
NOK million	**2010**	2009	**2010**	2009
EBIT	**3 351**	(2 555)	**3 184**	(1 407)
Adjusted Income tax expense	**(1 505)**	(510)	**(1 442)**	(175)
EBIT after tax	**1 845**	(3 065)	**1 742**	(1 581)

	31 December		
NOK million	**2010**	2009	2008
Current assets [1)]	**24 567**	23 710	35 126
Property, plant and equipment	**24 849**	25 647	29 338
Other assets [2)]	**27 122**	24 150	25 711
Other current liabilities	**(14 896)**	(13 032)	(22 175)
Other long-term liabilities [3)]	**(15 378)**	(15 274)	(17 394)
Capital Employed	**46 263**	45 200	50 607

	Underlying		Reported	
Return on average Capital Employed (RoaCE)	**2010**	2009	**2010**	2009
Hydro [4)]	**4.0 %**	(6.4) %	**3.8 %**	(3.3) %
Business areas [5)]				
Primary Metal	**2.2 %**	(6.1) %	**2.7 %**	(7.9) %
Metal Markets	**9.7 %**	(1.8) %	**4.8 %**	8.0 %
Rolled Products	**7.7 %**	(0.1) %	**10.9 %**	10.1 %
Extruded Products	**5.5 %**	(0.6) %	**5.2 %**	(4.2) %
Energy	**21.4 %**	19.5 %	**21.7 %**	21.7 %

1) Excluding cash and cash equivalents and short-term investments.

2) Including deferred tax assets.

3) Including provisions for pension and deferred tax liabilities.

4) RoaCE is based on Adjusted Income tax expense calculated excluding tax on financial items. Underlying RoaCE is, in addition, adjusted with the tax effect of items excluded of NOK (63) million and NOK (336) million for 2010 and 2009, respectively. Hydro's effective tax rate is used.

5) RoaCE at business area level is calculated using 30% tax rate, except for Energy (50%).

Financial calendar 2011

29 April	First quarter result
5 May	Annual General Meeting
26 July	Second quarter result
27 October	Third quarter result

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
www.hydro.com

Production: Hydro
Print: Printbox

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