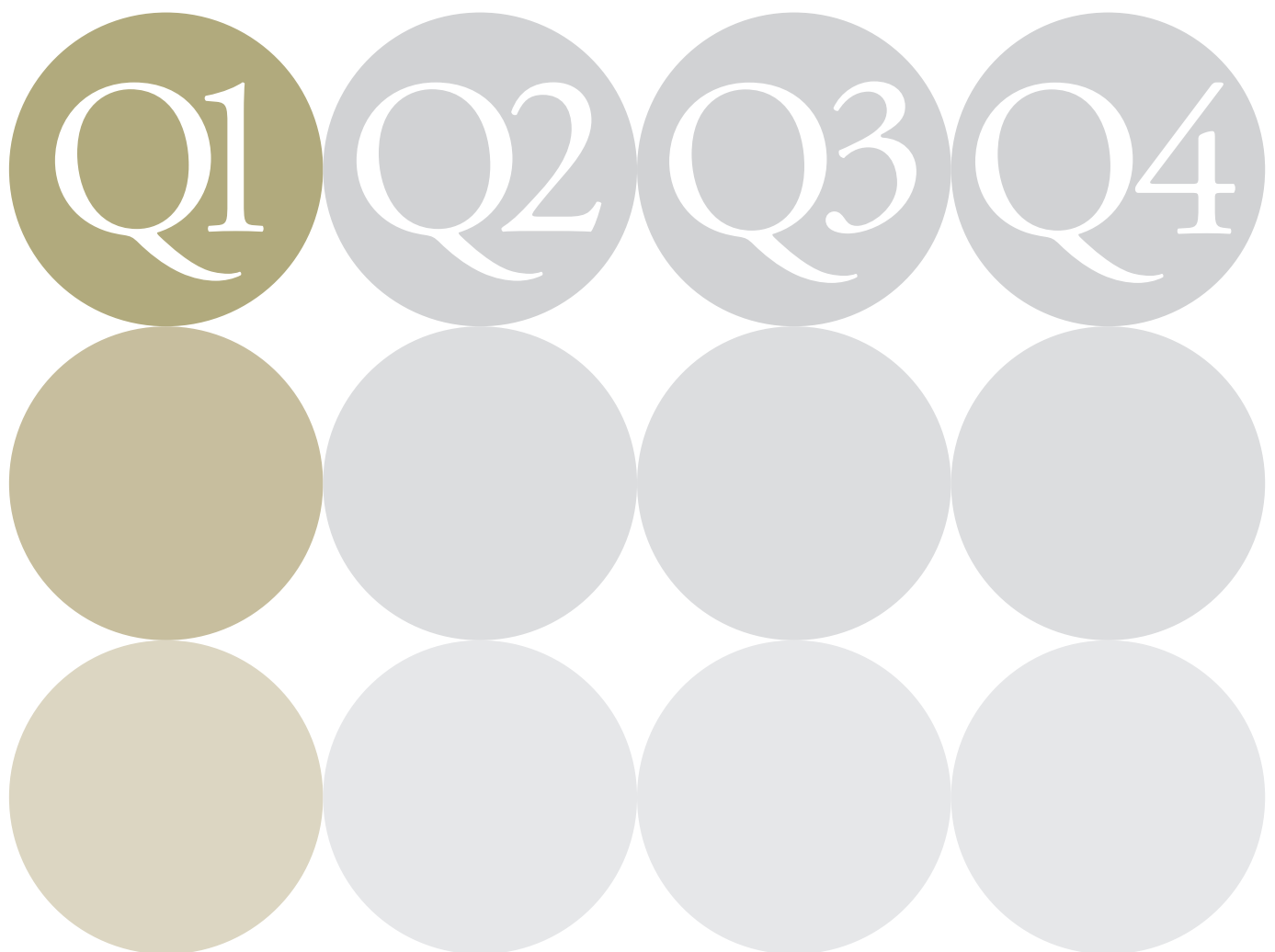




HYDRO

First quarter report – 2011



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About our reporting

Underlying EBIT

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.

Acquisition of Vale's aluminium business

On February 28, 2011 Hydro completed the take-over of the majority of Vale's aluminium business in Brazil. See note 4 to the condensed consolidated financial statements later in this report for more information on the acquisition.

Effective from the first quarter of 2011, we are including a new operating segment, Bauxite & Alumina, in our reporting structure in addition to our other five operating segments. Bauxite & Alumina includes our bauxite mining activities comprised of 60 percent ownership interest in the Paragominas mine and 5 percent interest in Mineracao Rio de Norte (MRN), both located in Brazil, as well as 91 percent interest in the Brazilian alumina refinery, Alunorte, and 35 percent interest in the Alpart refinery in Jamaica. The segment also includes our long-term bauxite and alumina sourcing arrangements and related commercial operations. Hydro's bauxite and alumina activities previously included in the Primary Metal segment have been transferred to the new Bauxite & Alumina segment and prior periods have been restated. Following the transaction with Vale, Primary Metal also includes the Albras aluminium smelter where Hydro has a 51 percent ownership, in addition to Hydro's pre-transaction primary aluminium production activities. Also effective from the first quarter of 2011, elimination of internal gains and losses on alumina previously included in the Primary Metal segment is included in Other and Eliminations, and prior periods have been restated.

The following discussion on reported and underlying operating results includes the acquired bauxite and alumina activities from Vale from March 1, 2011. Amounts relating to previous periods have not been restated to reflect the reported and underlying results of the acquired assets.

Pro forma information related to acquisition of Vale's aluminium business

To provide a presentation of Hydro's performance on comparable basis, certain pro forma financial and operating information is also presented on page 5 and page 17 based on including the results of the acquired Vale assets for the full calendar quarter and for all previous periods presented in this report. The fair values of assets acquired and liabilities assumed are presented in note 4 to the condensed consolidated financial statements. Adjustments are made in the pro forma combined financial information to reflect how the fair value adjustments affect the income statement. The adjustments are carried back to prior periods including depreciation of excess values allocated to property, plant and equipment, the effect of unfavorable sales contracts for alumina representing a credit to revenue and interest on the cash purchase price, as well as calculated interest expense on the deferred payment included in the put/call arrangement reflecting the mix of cash and equity consideration.

Overview

Summary underlying financial and operating results and liquidity

Key financial information	First quarter 2011	Fourth quarter 2010	% change prior quarter	First quarter 2010	% change prior year quarter	Year 2010
NOK million, except per share data						
Revenue	21 138	19 406	9 %	18 145	16 %	75 754
Earnings before financial items and tax (EBIT)	5 855	768	>100 %	985	>100 %	3 184
Items excluded from underlying EBIT ¹⁾	(4 408)	(180)		(297)		167
Underlying EBIT	1 448	588	>100 %	688	>100 %	3 351
<i>Underlying EBIT :</i>						
Bauxite & Alumina	155	113	38 %	162	(4) %	633
Primary Metal	583	86	>100 %	(169)	>100 %	617
Metal Markets	143	62	>100 %	65	>100 %	321
Rolled Products	232	105	>100 %	223	4 %	864
Extruded Products	105	24	>100 %	117	(10) %	444
Energy	573	482	19 %	588	(3) %	1 416
Other and eliminations	(344)	(284)	(21) %	(297)	(16) %	(945)
Underlying EBIT	1 448	588	>100 %	688	>100 %	3 351
Underlying EBITDA	2 415	1 383	75 %	1 440	68 %	6 420
Net income (loss)	5 154	658	>100 %	924	>100 %	2 118
Underlying net income (loss)	1 244	376	>100 %	401	>100 %	1 852
Earnings per share ²⁾	2.89	0.39	>100 %	0.68	>100 %	1.33
Underlying earnings per share ²⁾	0.65	0.21	>100 %	0.27	>100 %	1.14
<i>Financial data:</i>						
Investments	41 625	1 613	>100 %	1 766	>100 %	6 231
Adjusted net interest-bearing debt end of period ³⁾	(20 490)	(6 427)	>(100) %	(16 939)	(21) %	(6 427)
Key operational information ⁴⁾						
Alumina production (kmt)	773	493	57 %	474	63 %	1 976
Primary aluminium production (kmt)	415	360	15 %	339	23 %	1 415
Realized aluminium price LME (USD/mt) ⁵⁾	2 358	2 074	14 %	1 997	18 %	2 113
Realized aluminium price LME (NOK/mt) ⁵⁾	13 607	12 436	9 %	11 542	18 %	12 674
Realized NOK/USD exchange rate	5.77	6.00	(4) %	5.78	-	6.00
Metal Markets sales volumes to external market (kmt) ⁶⁾	467	417	12 %	414	13 %	1 717
Rolled Products sales volumes to external market (kmt)	245	234	5 %	231	6 %	945
Extruded Products sales volumes to external market (kmt)	136	127	8 %	128	6 %	529
Power production (GWh)	2 308	2 263	2 %	2 781	(17) %	8 144

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

2) Per share amounts are computed using Net income and Underlying net income respectively, attributable to Hydro shareholders based on weighted average number of shares outstanding adjusted for the discount element in the July 2010 rights issue.

3) See note 35 *Capital Management* in Hydro's Financial statements - 2010 for a discussion on adjusted net interest-bearing debt definition.

4) 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.

Hydro's underlying earnings before financial items and tax amounted to NOK 1,448 million in the first quarter up from NOK 588 million in the fourth quarter. Higher realized aluminium prices and premiums, higher volumes and lower operating costs all had a positive impact on underlying results for the quarter.

Underlying EBIT for Bauxite & Alumina improved due to higher LME-linked alumina prices and the effect of including the acquired bauxite and alumina activities from Vale from March 1. Weak production performance had a negative impact.

Underlying results for Primary Metal improved significantly during the quarter compared to the fourth quarter mainly due to higher realized aluminium prices, higher realized premiums and lower fixed costs. Positive developments were partly offset by higher raw material costs. Operating results for Qatalum improved in the quarter. Ramp-up of production continued and the plant is expected to reach full capacity in June 2011. Underlying EBIT included NOK 145 million of insurance proceeds relating to the power outage at the plant compared with NOK 210 million in the fourth quarter.

Hydro's mid and downstream operations delivered substantially higher underlying EBIT compared to the fourth quarter, mainly due to higher sales volumes, higher margins and lower operating and maintenance costs.

Underlying EBIT for Energy increased due to higher spot prices, higher net spot sales and lower transmission costs.

Net cash used in operating activities amounted to NOK 0.6 billion for the quarter including an increase in working capital. Including the Vale transaction, net cash used in investment activities amounted to NOK 6.4 billion in the quarter. Following the Vale transaction, debt increased by NOK 5.7 billion on a consolidated basis resulting in a net debt position of NOK 2.0 billion at the end of the quarter.

Pro forma underlying financial and operating results

Key financial information	First quarter 2011	Fourth quarter 2010	% change prior quarter	First quarter 2010	% change prior year quarter	Year 2010
NOK million						
Revenue	22 815	22 590	1 %	20 788	10 %	87 272
Earnings before financial items and tax (EBIT)	1 604	960	67 %	1 018	58 %	3 696
Items excluded from underlying EBIT	(66)	(119)		(320)		445
Underlying EBIT	1 538	841	83 %	698	>100 %	4 141
Underlying EBITDA	2 881	2 213	30 %	1 979	46 %	9 450
Net income (loss) attributable to Hydro shareholders	782	745	5 %	779	-	2 220
Key operational information						
Alumina production (kmt)	1 336	1 448	(8) %	1 394	(4) %	5 805
Primary aluminium production (kmt)	490	475	3 %	447	10 %	1 867

Hydro's pro forma underlying earnings before financial items and tax amounted to NOK 1,538 million in the first quarter, up from NOK 841 million in the fourth quarter.

Pro forma underlying EBIT for Bauxite & Alumina improved slightly compared to the fourth quarter of 2010 mainly due to increased alumina prices partly offset by higher raw material costs and lower sales volumes. Weak production performance had a negative impact.

Pro forma underlying results for Primary Metal included about NOK 50 million relating to Albras in the first quarter compared with NOK 144 million in the fourth quarter of 2010. The decline in underlying results for Albras was mainly due to lower casthouse sales volumes.

Reported EBIT and net income

Reported EBIT for Hydro amounted to NOK 5,855 million in the first quarter including net unrealized derivative losses of NOK 96 million, positive metal effects of NOK 176 million and net transaction related gains attributable to the acquisition of Vale aluminium amounting to NOK 4,328 million. This amount included revaluation gains on Hydro's pre-existing interest in Alunorte and the CAP joint venture.

In the previous quarter, reported EBIT for Hydro amounted to NOK 768 million including 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 comprised mainly of rationalization and closure costs.

Net income for the first quarter amounted to NOK 5,154 million including net foreign exchange losses of NOK 30 million. In the fourth quarter net income amounted to NOK 658 million including net foreign exchange gains of NOK 232 million.

Market developments and outlook

Market statistics ¹⁾	First quarter 2011	Fourth quarter 2010	% change prior quarter	First quarter 2010	% change prior year quarter	Year 2010
NOK/USD Average exchange rate	5.73	5.93	(3) %	5.86	(2) %	6.05
NOK/USD Balance sheet date exchange rate	5.51	5.86	(6) %	5.98	(8) %	5.86
NOK/EUR Average exchange rate	7.82	8.05	(3) %	8.11	(4) %	8.01
NOK/EUR Balance sheet date exchange rate	7.83	7.81	-	8.03	(2) %	7.81
<i>Bauxite & Alumina:</i>						
Alumina price - Platts PAX FOB Australia (USD/t) ²⁾	392	361	9 %	335	17 %	339
Global production of alumina (kmt)	21 237	20 382	4 %	19 778	7 %	81 328
Global production of alumina (ex. China) (kmt)	13 234	13 285	-	12 704	4 %	52 282
<i>Primary Metal and Metal Markets:</i>						
LME three month average (USD/mt)	2 527	2 368	7 %	2 197	15 %	2 199
LME three month average (NOK/mt)	14 437	14 036	3 %	12 862	12 %	13 257
Global production of primary aluminium (kmt)	10 751	10 390	3 %	10 297	4 %	41 998
Global consumption of primary aluminium (kmt)	10 439	10 498	(1) %	9 495	10 %	41 011
Global production of primary aluminium (ex. China) (kmt)	6 465	6 480	-	6 021	7 %	25 039
Global consumption of primary aluminium (ex. China) (kmt)	6 252	6 176	1 %	5 643	11 %	24 171
Reported primary aluminium inventories (kmt)	6 695	6 337	6 %	6 369	5 %	6 337
<i>Rolled Products and Extruded Products:</i>						
Consumption Rolled Products - Europe (kmt)	1 119	1 043	7 %	1 053	6 %	4 287
Consumption Rolled Products - USA & Canada (kmt)	1 054	987	7 %	1 006	5 %	4 121
Consumption Extruded Products - Europe (kmt)	604	610	(1) %	594	2 %	2 439
Consumption Extruded Products - USA & Canada (kmt)	336	273	23 %	321	5 %	1 320
<i>Energy:</i>						
Southern Norway spot price (NO2) (NOK/MWh)	520	469	11 %	430	21 %	407
Nordic system spot price (NOK/MWh)	518	498	4 %	485	7 %	426

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) The daily Platts alumina index was established in August 2010. The average monthly CRU Australian spot price is used as a reference prior to the third quarter of 2010.

Alumina

Introduction

Due to the inherent flexibility in the production process of alumina, the market is normally balanced. However, due to differences in the time required to adjust production for alumina refineries and limitations on storage capability, relatively short periods of surplus or deficit may occur. Approximately 10 million mt of alumina production capacity outside China was curtailed during the financial crisis. Some capacity was restarted in 2010 due to increased demand and improved prices.

Historically, China has been dependent on imported alumina. However, this dependency has decreased in recent years as China has increased its alumina refining capacity. China has limited bauxite reserves, and is dependent on imported bauxite for approximately 40 percent of its domestic alumina production. China imported about 4.2 million mt of alumina in 2010 compared to 5.1 million mt in 2009. Bauxite imports to China, however, increased from 20 million mt in 2009 to 30 million mt in 2010.

Historically, alumina has been sold on medium and long-term contracts and priced at a certain percentage of the LME price. More recent developments indicate the alumina market is moving towards shorter duration contracts and indexed pricing formulas. In August 2010, the Platts alumina index was established resulting in a daily quoted alumina market price. The Platts quoted price started at USD 313 per mt (14.8 percent of LME) and ended 2010 at USD 372 per mt (15.1 percent of LME). Prior to the establishment of the Platts index, prices ranged between USD 348 per mt (16.8 percent of LME) at the beginning of 2010 to USD 300 per mt (14.9 percent of LME) in the middle of the year.³⁾

Due to existing sales contracts, Hydro has limited volumes available for sale for the next few years. As a result, short-term alumina market developments have limited influence on Hydro's earnings for this period.

3) The average monthly CRU Australian spot price is used as a reference prior to the third quarter of 2010.

Market developments

The alumina market was relatively strong in the beginning of 2011 with increased prices due to higher demand. Platts alumina spot prices started the quarter at USD 372 per mt and ended around USD 404 per mt, representing a range of roughly 15-16 percent of LME.

Global demand for alumina excluding China was slightly higher in the first quarter compared to the fourth quarter. This was mainly due to ramp-up of new and restart of curtailed primary aluminium production capacity. Annualized demand and production of alumina both amounted to about 84 million mt. Only limited portions of the curtailed alumina capacity has been restarted. The alumina market is expected to be relatively tight in 2011 due to refinery production problems and the start-up of additional primary aluminium production capacity.

Alumina demand and production in China increased in the first quarter compared to the previous quarter, mainly due to the commissioning of new primary aluminium production and alumina projects. Increased domestic capacity resulted in China importing less alumina.

Primary aluminium

LME prices continued to increase in the first quarter. Average three-month prices started the quarter at a level of around USD 2,500 per mt and ended around USD 2,630 per mt. Market volatility continued with prices fluctuating within the range of USD 2,380 - 2,630 per mt in the quarter. Due to the weakening USD, LME prices measured in NOK and EUR were relatively stable.

Demand and supply of primary aluminium in the world outside China was relatively stable in the first quarter compared to the fourth quarter amounting to an annualized consumption and production of 25.3 million mt and 26.2 million mt respectively. We expect demand to increase by 7 percent for 2011 to around 26 million mt. The market is still expected to be in a manageable surplus for 2011.

Production in China increased in the first quarter by almost 10 percent compared to the previous quarter, while demand was seasonally lower. In the fourth quarter many Chinese smelters were curtailed to meet energy saving targets. Most of these smelters have been restarted during the first quarter. We expect the Chinese primary aluminium market to be largely balanced for 2011.

LME stocks increased by 0.3 million mt to around 4.6 million mt during the quarter which is believed to partly reflect unreported metal moved into reported warehouses. A large portion of the metal in LME warehouses continues to be owned by financial investors. Reported global inventory days was stable as a result of improved demand.

Demand for metal products (extrusion ingot, sheet ingot, primary foundry alloys and wire rod) remained stable with no significant change from the previous quarter in most regions except for normal seasonal effects. However, demand for extrusion ingot in Southern Europe showed some signs of weakening, linked to the weaker general economic developments.

Rolled products

Consumption in the European rolled products market increased seasonally in the first quarter of 2011 compared to fourth quarter of 2010 and was further supported by improved end-use demand.

Demand for rolled products in the automotive sector increased further from the strong demand experienced in the fourth quarter. Demand for building and construction applications did not demonstrate an expected seasonal increase. Beverage can and thin gauge foil market demand remained at the healthy levels experienced in the fourth quarter supported by an ongoing improvement in consumer confidence. Demand for general engineering applications, which comprise about 30 percent of the European market for rolled products, demonstrated solid growth due to robust industrial activity. However, stretched lead times and higher margins resulted in increased imports.

We expect a robust growth in demand across most end-use market segments in 2011 with the exception of the building and construction segment which has shown signs of weakening.

Extruded products

Based on available market data, European demand for extruded aluminium products exhibited a seasonal increase in the first quarter, although shipments according to analysts reports were slightly lower. Demand remained weak within the building and construction sector, in particular in southern Europe. Demand in the engineering and transport industries continued to improve in most European markets. However, margins came under pressure as European extruders shifted capacity from the weak building and construction sector to other market segments.

In North America demand improved compared with the fourth quarter of 2010, and was also higher than the first quarter of 2010 primarily driven by strong transport and automotive segments. Developments in South America continued to be positive, especially in Brazil, and the outlook remains positive.

Demand for precision tubing continued to be strong in the quarter, driven by strong demand for premium cars. Developments were positive in the North American transport and automotive market segment and are expected to continue for the second quarter.

The European and US extrusion markets are expected to be seasonally stronger in the second quarter. Recovery in the building and construction segment is expected to remain slow, especially in southern Europe, where demand for building systems continues to decline. However, building permit statistics indicate somewhat firmer markets in France and Germany going forward.

Energy

Nordic electricity spot prices started the quarter at very high levels driven by the dry hydrological situation. However, lower than normal demand, milder weather, higher imports and stable Swedish nuclear production put downward pressure on prices which declined in January and stabilized for the remainder of the quarter. Reservoirs remain at historical low levels in many areas, and uncertainties including concerns about future nuclear production in Germany and the effect of the unrest in the Middle East and North Africa on oil supplies, are expected to limit the downside for spot prices.

Water reservoir levels in Norway declined to about 18 percent by the end of the first quarter. This is almost 20 percentage points lower than normal and more than 8 percentage points lower than the same period in 2010.

Additional factors impacting Hydro

Hydro has sold forward substantially all of its primary aluminium production for the second quarter at a price level of around USD 2,450 per mt. This includes expected volumes from Albras, but excludes expected volumes from Qatalum.

Hydro has hedged the majority of the net aluminium price exposure in the business acquired from Vale until the end of 2011 at about USD 2,400 per mt.

Hydro will start up 15,000 mt of annual primary aluminium capacity at its Sunndal 3 production line in June this year. Conditional on continued satisfactory market conditions, Hydro's ambition is to resume full production at the Sunndal 3 line by the end of 2011 representing 100,000 mt of annual production capacity. The timing for a full restart will be decided later.

Hydro's water and snow reservoirs were lower than normal at the end of March, but higher than the end of the corresponding period last year. Higher precipitation throughout the first quarter has improved the reservoir balance. Production in second quarter 2011 is expected to be seasonally lower than in first quarter.

Underlying EBIT

Bauxite & Alumina

Operational and financial information	First quarter 2011	Fourth quarter 2010	% change prior quarter	First quarter 2010	% change prior year quarter	Year 2010
Underlying EBIT (NOK million)	155	113	38 %	162	(4) %	633
Underlying EBITDA (NOK million)	340	118	>100 %	172	98 %	661
Alumina production (kmt)	773	493	57 %	474	63 %	1 976

Underlying EBIT was positively influenced by higher LME-linked alumina prices and the inclusion of the acquired bauxite and alumina activities from Vale from March 1.

Please also see the section on Pro forma information - Bauxite & Alumina on page 18.

Primary Metal

Operational and financial information ¹⁾	First quarter 2011	Fourth quarter 2010	% change prior quarter	First quarter 2010	% change prior year quarter	Year 2010
Underlying EBIT (NOK million)	583	86	>100 %	(169)	>100 %	617
Underlying EBITDA (NOK million)	1 055	553	91 %	252	>100 %	2 374
Realized aluminium price LME (USD/mt) ²⁾	2 358	2 074	14 %	1 997	18 %	2 113
Realized aluminium price LME (NOK/mt) ²⁾	13 607	12 436	9 %	11 542	18 %	12 674
Realized premium above LME (USD/mt) ³⁾	376	340	11 %	294	28 %	317
Realized premium above LME (NOK/mt) ³⁾	2 169	2 040	6 %	1 699	28 %	1 906
Realized NOK/USD exchange rate	5.77	6.00	(4) %	5.78	-	6.00
Primary aluminium production (kmt)	415	360	15 %	339	23 %	1 415
Casthouse production (kmt)	560	512	9 %	484	16 %	2 022
Casthouse sales (kmt)	568	494	15 %	495	15 %	2 008

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

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

Underlying results in equity accounted investments ⁴⁾ NOK million	First quarter 2011	Fourth quarter 2010	% change prior quarter	First quarter 2010	% change prior year quarter	Year 2010
Sørval (49.90%)	3	(2)	>100 %	(4)	>100 %	7
Qatalum (50.00%)	20	(136)	>100 %	(146)	>100 %	(648)

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

Underlying results for Primary Metal improved significantly during the quarter compared to the fourth quarter mainly due to higher realized aluminium prices, higher realized premiums and lower fixed costs. Positive developments were partly offset by higher raw material costs. Underlying EBIT also included results from the Albras smelter acquired from Vale from March 1, 2011.

Higher realized aluminium prices⁵⁾ and premiums had a positive effect on underlying results amounting to about NOK 480 million for the quarter. This was partly offset by higher alumina, petroleum coke and power costs of roughly NOK 290 million. Our USD 300 per mt cost improvement program targeted to reach USD 175 per mt by the end of 2011 continued according to plan. Fixed costs for our smelters declined by roughly NOK 120 million compared to the fourth quarter which was impacted by seasonal cost increases.⁶⁾

Primary aluminium and casthouse production and casthouse sales volumes increased compared to the fourth quarter mainly due to the inclusion of Albras from March 1, 2011, and increased volumes from Qatalum.

Underlying results for Qatalum improved during the quarter mainly due to higher realized aluminium prices. Underlying results for the quarter included NOK 145 million of insurance proceeds relating to the power outage at the plant in August 2010 compared with NOK 210 million in the fourth quarter. Ramp-up of the plant progressed further in the quarter, and by the end of March, 440 out of 704 production cells were in operation. Additional cells have been started in April, and Qatalum is expected to reach full capacity in June 2011. Completion of the ramp-up is depending on commissioning of the power plant steam turbines.

Compared to the first quarter of 2010 underlying EBIT improved substantially, mainly influenced by higher realized aluminium prices. Increased raw material costs had a negative impact on underlying EBIT. Excluding the effect of insurance proceeds, operating losses declined for Qatalum due to higher production volumes which amounted to about 40,000 mt in the first quarter of 2011 compared with 7,000 mt in corresponding quarter of 2010.

Please also see the section on Pro forma information - Primary Metal on page 19.

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

6) Quantified variances excludes Albras which was included in Primary Metal from March 1, 2011 and Qatalum which is discussed separately.

Metal Markets

Operational and financial information	First quarter 2011	Fourth quarter 2010	% change prior quarter	First quarter 2010	% change prior year quarter	Year 2010
Underlying EBIT (NOK million)	143	62	>100 %	65	>100 %	321
Currency effects ¹⁾	56	(11)	>100 %	(108)	>100 %	(145)
Ingot inventory valuation effects ²⁾	(7)	(1)	>(100) %	30	>(100) %	20
Underlying EBIT excl. currency and ingot inventory effects	95	73	29 %	144	(34) %	447
Underlying EBITDA (NOK million)	168	88	92 %	91	84 %	428
Remelt production (kmt) ³⁾	150	147	2 %	143	4 %	586
Sale of metal products from own production (kmt) ⁴⁾	734	657	12 %	651	13 %	2 666
Sale of third-party metal products (kmt)	38	32	18 %	19	96 %	121
Total metal products sales excluding ingot trading (kmt)	772	688	12 %	670	15 %	2 787
Hereof external sales excluding ingot trading (kmt)	467	417	12 %	414	13 %	1 717
External revenue (NOK million) ⁵⁾	7 520	7 003	7 %	6 536	15 %	27 090
Product sales (NOK million) ⁶⁾	6 983	6 323	10 %	5 349	31 %	23 616

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) Production in Metal Markets' soft alloy remelt casthouses. Hannover casthouse production excluded from Q1 2011 (2010 production volumes are restated).

4) Includes external and internal sales from our primary casthouse operations, remelters, part owned and third party metal sources. Includes volumes from Albras casthouse from March 1, 2011.

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

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

Underlying EBIT for Metal Markets increased in the first quarter due to positive currency effects and improved operational performance.

Excluding currency and ingot inventory valuation effects, underlying EBIT for Metal Markets improved in the quarter.

Production from remelt operations was relatively stable compared to the fourth quarter, but higher margins contributed to increased results. Increased sales volumes for resale of third party products made a positive contribution to underlying results for the quarter. Compared to the previous quarter, sourcing and trading activities delivered lower results.

Total metal product sales excluding ingot trading increased reflecting seasonally higher shipments of all products in all markets.

Metal Markets underlying EBIT excluding currency and ingot inventory valuation effects declined compared to the first quarter of 2010 mainly due to reduced contribution from sourcing and trading activities.

Rolled Products

Operational and financial information	First quarter 2011	Fourth quarter 2010	% change prior quarter	First quarter 2010	% change prior year quarter	Year 2010
Underlying EBIT (NOK million)	232	105	>100 %	223	4 %	864
Underlying EBITDA (NOK million)	342	226	51 %	335	2 %	1 318
Sales volumes to external market (kmt)	245	234	5 %	231	6 %	945

Sales volumes to external markets (kmt) - Customer business units

Foil	32	31	3 %	30	7 %	129
Can beverage	44	42	4 %	42	5 %	177
Other packaging and building	23	20	14 %	24	(4) %	89
Automotive, heat exchanger	37	32	16 %	28	32 %	122
General engineering	66	64	3 %	64	3 %	259
Lithography	44	43	1 %	42	5 %	169
Rolled Products	245	234	5 %	231	6 %	945

Underlying EBIT for Rolled Products improved substantially compared to the fourth quarter of 2010 mainly due to higher shipments and increased margins. Operating costs per mt declined compared to the previous quarter and were stable in absolute terms. Energy costs increased due to higher prices while maintenance costs were lower.

Shipments for all of our business sectors were up, supported by continued good demand and a normal increase in business activities from the seasonally lower fourth quarter. Automotive applications and other packaging and building products in particular showed significant improvement. Volumes for can beverage, thin gauge foil and general engineering also increased while lithography shipments were stable. Overall margins were higher, in particular for general engineering applications.

Underlying EBIT improved somewhat compared to the first quarter of 2010, supported by higher shipments and improved margins. Operating costs were higher in absolute terms due to higher production volumes but also impacted by higher energy and maintenance costs. In the first quarter of 2010, certain maintenance activities were postponed having a positive influence on underlying results for the quarter.

Extruded Products

Operational and financial information	First quarter 2011	Fourth quarter 2010	% change prior quarter	First quarter 2010	% change prior year quarter	Year 2010
Underlying EBIT (NOK million)	105	24	>100 %	117	(10) %	444
Underlying EBITDA (NOK million)	237	162	46 %	252	(6) %	987
Sales volumes to external market (kmt)	136	127	8 %	128	6 %	529

Sales volumes to external markets (kmt) - sectors

Extrusion Eurasia	78	71	10 %	70	12 %	293
Building Systems	16	18	(13) %	18	(12) %	73
Extrusion Americas	24	22	11 %	23	4 %	95
Precision Tubing	19	16	17 %	17	9 %	67
Extruded Products	136	127	8 %	128	6 %	529

Underlying EBIT for Extruded Products improved compared with the fourth quarter of 2010 mainly due to lower operating costs and seasonally higher volumes. Positive developments were partly offset by lower volumes from our high-margin building systems operations and somewhat lower margins for our European extrusion operations. Demand for building systems in southern Europe was particularly weak during the quarter.

Our precision tubing business delivered strong underlying results in the quarter compared to the fourth quarter. Underlying EBIT improved significantly for our north American business in the first quarter and our south American extrusion operations continued to deliver solid underlying results compared to the fourth quarter.

Compared to the first quarter of 2010, underlying EBIT decreased somewhat, mainly due to lower volumes for our building systems operations. Sales volumes for our general extrusion operations and precision tubing business in Europe and in North America and South America improved as the market recovery continued. Margins were stable or increasing for all business sectors excluding our extrusion activities in Europe. Fixed costs were stable compared to the first quarter in 2010, but lower per unit due to higher volumes.

Energy

Operational and financial information	First quarter 2011	Fourth quarter 2010	% change prior quarter	First quarter 2010	% change prior year quarter	Year 2010
Underlying EBIT (NOK million)	573	482	19 %	588	(3) %	1 416
Underlying EBITDA (NOK million)	600	502	20 %	623	(4) %	1 540
Direct production costs (NOK million) ¹⁾	122	147	(17) %	163	(25) %	515
Power production (GWh)	2 308	2 263	2 %	2 781	(17) %	8 144
External power sourcing (GWh) ²⁾	2 096	2 167	(3) %	2 175	(4) %	8 539
Internal contract sales (GWh) ³⁾	3 072	3 068	-	3 065	-	12 336
External contract sales (GWh) ⁴⁾	377	535	(30) %	569	(34) %	1 968
Net spot sales (GWh) ⁵⁾	955	827	16 %	1 323	(28) %	2 380

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) Internal contract sales in Norway and Germany, including sales from own production and resale of externally sourced volumes.

4) External contract sales, mainly concession power deliveries and volumes to former Hydro businesses.

5) Spot sales volumes net of spot purchases.

Underlying EBIT for Energy increased compared to the previous quarter due to higher spot prices, higher net spot sales and lower transmission costs. Cold winter weather and the tight hydrological balance resulted in high spot prices during the period.

Compared to the corresponding strong quarter of 2010 underlying results decreased somewhat due to lower power production. This was largely offset by higher spot prices and reduced area costs.

Other and eliminations

Underlying EBIT for Other and eliminations amounted to a charge of NOK 344 million in the first quarter compared with a charge of NOK 284 million in the previous quarter and a charge of NOK 297 million in the first quarter of 2010.

Eliminations, mainly comprised of unrealized gains and losses on inventories purchased from group companies amounted to a charge of NOK 157 million in the first quarter, compared with a charge of NOK 19 million in the previous quarter, and a charge of NOK 162 million in the first quarter of 2010.

Underlying results for the fourth quarter included 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 acquisition of Vale S.A.'s aluminium businesses on February 28, 2011, the transaction involves certain one-time gains and losses affecting the results in the first quarter 2011. These transaction related effects are excluded from underlying EBIT.

Items excluded from underlying net income ¹⁾	First quarter 2011	Fourth quarter 2010	First quarter 2010	Year 2010
NOK million				
Unrealized derivative effects on LME related contracts ²⁾	79	(162)	(253)	489
Derivative effects on LME related contracts (Vale Aluminium) ³⁾	42	55	-	(166)
Unrealized derivative effects on power contracts ⁴⁾	(40)	151	272	609
Unrealized derivative effects on currency contracts ⁵⁾	(1)	(20)	23	(50)
Unrealized derivative effects on raw material contracts ⁶⁾	16	(156)	-	(156)
Metal effect, Rolled Products ⁷⁾	(176)	(92)	(314)	(560)
Significant rationalization charges and closure costs ⁸⁾	-	131	(19)	130
Impairment charges (PP&E and equity accounted investments) ⁹⁾	-	12	61	187
Pension ¹⁰⁾	-	-	-	(151)
Insurance compensation ¹¹⁾	-	(91)	-	(91)
(Gains)/losses on divestments ¹²⁾	-	(7)	(67)	(74)
Transaction related effects (Vale Aluminium) ¹³⁾	(4 328)	-	-	-
Items excluded from underlying EBIT	(4 408)	(180)	(297)	167
Net foreign exchange (gain)/loss ¹⁴⁾	30	(232)	(468)	(513)
Calculated income tax effect ¹⁵⁾	467	129	241	80
Items excluded from underlying net income	(3 911)	(282)	(523)	(266)

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. Realized effects recognized as of March 1, 2011 are included in underlying EBIT.

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 (Alunorte) prior to February 28, 2011.

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) Impairment charges reflect 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 damaged assets recognized as income (includes equity accounted investments).

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

13) Transaction related effects include the revaluation gain of Hydro's pre-transaction stake in Alunorte and CAP, gains and losses related to settlement of pre-existing contracts and agreements, as well as the fair value adjustment of inventory of finished goods sold.

14) 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.

15) 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 percent and of items excluded from underlying EBIT using Hydro's effective tax rate excluding tax (28 percent) 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 2011.

Items excluded from underlying EBIT ¹⁾	First quarter 2011	Fourth quarter 2010	First quarter 2010	Year 2010
NOK million				
Unrealized derivative effects on currency contracts (Alunorte)	(1)	(20)	23	(50)
Derivative effects on LME related contracts (Vale Aluminium)	16	41	-	(164)
Transaction related effects (Vale Aluminium)	(4 421)	-	-	-
Bauxite & Alumina	(4 406)	22	23	(214)
Derivative effects on LME related contracts (Vale Aluminium)	27	14	-	(2)
Unrealized derivative effects on LME related contracts	(23)	(61)	(212)	95
Unrealized derivative effects on power contracts (Sørål)	30	(46)	5	(56)
Unrealized derivative effects on power contracts	(84)	21	64	49
Unrealized derivative effects on raw material contracts	16	(156)	-	(156)
Impairment charge (Qatalum)	-	(16)	-	98
Insurance compensation (Qatalum)	-	(91)	-	(91)
Rationalization charges and closure costs	-	66	(19)	66
Transaction related effects (Vale Aluminium)	93	-	-	-
Primary Metal	59	(269)	(161)	2
Unrealized derivative effects on LME related contracts	(8)	(53)	97	164
Pension - curtailment and settlement	-	-	-	(2)
Metal Markets	(8)	(53)	97	162
Unrealized derivative effects on LME related contracts	59	(22)	(147)	222
Metal effect	(176)	(92)	(314)	(560)
Pension - curtailment and settlement	-	-	-	(12)
Rolled Products	(117)	(114)	(461)	(350)
Unrealized derivative effects on LME related contracts	(3)	-	12	18
Rationalization charges and closure costs	-	64	-	64
Impairment charges	-	28	-	28
Pension - curtailment and settlement	-	-	-	(25)
(Gains)/losses on divestments	-	-	(67)	(67)
Extruded Products	(3)	92	(55)	18
Unrealized derivative effects on power contracts	7	(7)	(16)	(21)
Energy	7	(7)	(16)	(21)
Unrealized derivative effects on power contracts	8	182	220	637
Unrealized derivative effects on LME related contracts	54	(26)	(3)	(9)
Impairment charges	-	-	61	61
Pension - curtailment and settlement	-	-	-	(112)
(Gains)/losses on divestments	-	(7)	-	(7)
Other and eliminations	61	149	277	569
Items excluded from underlying EBIT	(4 408)	(180)	(297)	167

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

Bauxite & Alumina

Derivative effects on LME related contracts (Vale Aluminium) reflect the upward shift in the LME forward prices resulting in unrealized losses, partly offset by realized gains recognized in the period prior to the acquisition of Vale Aluminium.

Transaction related effects (Vale Aluminium) include the revaluation gain of Hydro's pre-transaction stake in Alunorte and CAP, as well as gains and losses related to settlement of pre-existing contracts and agreements.

Primary Metal

Derivative effects on LME related contracts (Vale Aluminium) reflect the upward shift in the LME forward prices resulting in unrealized losses, partly offset by realized gains recognized in the period prior to the acquisition of Vale Aluminium. Unrealized gains on LME derivative contracts related to our operational hedging program were the net effect of realized positions and losses on forward positions due to the upward shift in LME forward prices. Decreasing forward prices on power resulted in unrealized losses on power contracts in Sørval. Unrealized derivative effects on power were mainly influenced by the upward shift in LME forward prices resulting in unrealized losses on embedded derivatives. Unrealized losses on embedded derivatives in raw material contracts resulted mainly from realization of positions. Transaction related effects include adjustments for fair value allocated to inventory of finished goods at Albras sold during March 2011.

Metal Markets

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

Rolled Products

Unrealized losses on LME derivative contracts related to our operational hedging program were the net effect of realized positions and unrealized gains on forward positions due to the upward shift in LME forward prices. The positive metal effect reflected increasing LME prices affecting inventories.

Extruded Products

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

Energy

Unrealized losses on financial power contracts relates to hedging of our power portfolio positions, reflecting realized gains in the first quarter.

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 reflects an increase in the forward curve for coal and an upward shift in the LME forward prices, partly offset by a weakened US dollar and a change to historical indices. 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)	First quarter 2011	Fourth quarter 2010	% change prior quarter	First quarter 2010	% change prior year quarter	Year 2010
NOK million						
Interest income	51	84	(40)%	26	94 %	201
Dividends received and net gain (loss) on securities	(10)	22	>(100)%	124	>(100)%	145
Financial income	41	107	(62)%	150	(73)%	346
Interest expense	(80)	(30)	>(100)%	(58)	(39)%	(253)
Capitalized interest	-	-	-	1	-	5
Net foreign exchange gain (loss)	(30)	232	>(100)%	468	>(100)%	513
Other	(25)	(16)	(52)%	(17)	(48)%	(89)
Financial expense	(134)	185	>(100)%	394	>(100)%	176
Financial income (expense), net	(93)	292	>(100)%	545	>(100)%	522

Financial income was lower in the first quarter compared with the previous quarter due to lower cash positions. Interest expense increased in the first quarter compared to the fourth quarter due to debt assumed relating to the Vale transaction. In addition, the fourth quarter included a credit to interest expense relating to tax claims in Germany.

The net currency loss in the first quarter included losses on financial positions denominated in USD amounting to NOK 167 million. Other net currency gains amounted to NOK 137 million, mainly on intercompany balances¹⁾ denominated in EUR.

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 608 million in the first quarter compared with a charge of NOK 401 million in the previous quarter and a charge of NOK 605 million in the first quarter of 2010.

For first quarter of 2011 income tax expense was 11 percent of pre-tax income. The low tax rate results from a tax-free gain on the revaluation of Hydro's previous ownership interests in Alunorte and the CAP joint-venture project recognized in the quarter.

Pro forma information

The following section is comprised of selected financial and operating information and a discussion of underlying developments including the acquired Vale aluminium assets for the full calendar quarter ending March 31, 2011 on a comparable basis with the earlier periods presented. In addition to the following pro forma information, please see table of proforma key financial information and summary discussion of pro forma underlying EBIT included on page 5. See also note 4 to the condensed consolidated financial statements later in this report for more information on the acquisition.

Bauxite & Alumina

Operational and financial information	First quarter 2011	Fourth quarter 2010	% change prior quarter	First quarter 2010	% change prior year quarter	Year 2010
Underlying EBIT (NOK million)	237	223	6 %	205	16 %	1 225
Underlying EBITDA (NOK million)	725	693	5 %	643	13 %	3 061
Alumina production (kmt) ¹⁾	1 336	1 448	(8) %	1 394	(4) %	5 805
Sourced alumina (kmt)	453	556	(19) %	539	(16) %	2 141
Total alumina sales (kmt) ²⁾	1 762	2 018	(13) %	1 843	(4) %	7 941
Realized alumina price (USD/mt) ³⁾	329	311	6 %	293	12 %	295
Apparent alumina cash cost (USD/mt) ⁴⁾	266	251	6 %	231	15 %	238
Bauxite production (kmt) ⁵⁾	1 720	2 017	(15) %	1 745	(1) %	7 524
Sourced bauxite (kmt) ⁶⁾	1 711	2 143	(20) %	1 544	11 %	7 832

1) Including Alunorte on a 100 percent basis.

2) Including own production and third party contracts.

3) Weighted average of own production and third party contracts.

4) Apparent integrated alumina cash production cost based on cost of produced alumina and cost of alumina sourced on contracts. Paragominas bauxite included at cost and MRN bauxite included at contract price.

5) Paragominas on wet basis (100 percent).

6) 40 percent MRN offtake from Vale and 5 percent Hydro share on wet basis.

Pro forma underlying EBIT for Bauxite & Alumina improved slightly compared to the fourth quarter of 2010 mainly due to increased alumina prices⁷⁾ partly offset by higher raw material costs and lower sales volumes. Weak production performance had a negative impact.

Higher realized alumina prices driven by higher LME prices had a positive influence on underlying EBIT, but was partly offset by lower sales volumes. Alumina production declined from the fourth quarter due to operational disruptions in the older part of the Alunorte refinery. The decline was also influenced to some extent by reduced bauxite production at Paragominas and consequently lower bauxite deliveries to Alunorte.

Energy costs increased due to higher coal and oil prices. In addition lower utilization of the coal boilers in the Alunorte refinery required a higher relative consumption of more costly fuel oil. Costs for caustic soda increased due to higher prices, partly offset by lower consumption per mt.

Bauxite costs increased somewhat during the quarter mainly due to planned maintenance activities. Operating costs at Paragominas increased due to increased energy prices and higher maintenance costs. Bauxite production at Paragominas declined, mainly due to maintenance and a temporary shut-down of the bauxite slurry pipeline for a planned inspection.

Underlying results from our commercial operations declined from fourth quarter due to significantly lower external sales volumes compared with high volumes in the fourth quarter in 2010.

Underlying EBIT increased somewhat compared to the first quarter of 2010, due to increased alumina prices, partly offset by lower sales volumes.

7) The majority of the alumina is sold linked to LME with one month delay.

Primary Metal

Operational and financial information ¹⁾	First quarter 2011	Fourth quarter 2010	% change prior quarter	First quarter 2010	% change prior year quarter	Year 2010
Underlying EBIT (NOK million)	592	230	>100 %	(203)	>100 %	816
Underlying EBITDA (NOK million)	1 137	808	41 %	320	>100 %	3 006
Realized aluminium price LME (USD/mt) ²⁾	2 366	2 131	11 %	2 039	16 %	2 128
Realized aluminium price LME (NOK/mt) ²⁾	13 664	12 739	7 %	11 826	16 %	12 758
Realized premium above LME (USD/mt) ³⁾	347	284	22 %	255	36 %	273
Realized premium above LME (NOK/mt) ³⁾	2 004	1 705	18 %	1 474	36 %	1 641
Realized NOK/USD exchange rate	5.77	5.98	(3) %	5.80	-	5.96
Primary aluminium production (kmt)	490	475	3 %	447	10 %	1 867
Casthouse production (kmt)	634	627	1 %	591	7 %	2 470
Casthouse sales (kmt)	627	624	-	601	4 %	2 453

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

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

Pro forma underlying results for Primary Metal included about NOK 50 million related to Albras in the first quarter compared with NOK 144 million in the fourth quarter of 2010. The decline in underlying results for Albras was mainly due to lower casthouse sales volumes which amounted to around 100,000 mt in the first quarter compared with roughly 130,000 mt in the fourth quarter.

Consolidated statement of income (unaudited) and other information

Pro forma consolidated statements of income (unaudited) NOK million, except per share data	First quarter 2011	Fourth quarter 2010	First quarter 2010	Year 2010
Revenue	22 815	22 590	20 788	87 272
Share of the profit (loss) in equity accounted investments	(45)	-	(255)	(791)
Other income, net	132	112	183	568
Total revenue and income	22 902	22 702	20 717	87 049
Depreciation, amortization and impairment	1 316	1 370	1 252	5 226
Other expenses	19 981	20 372	18 448	78 128
Total expenses	21 298	21 741	19 699	83 354
Earnings before financial items and tax (EBIT)	1 604	960	1 018	3 696
Financial income (expense), net	(137)	356	368	580
Income (loss) before tax	1 468	1 316	1 386	4 275
Income taxes	(543)	(504)	(625)	(1 822)
Net income (loss)	925	813	761	2 454
Net income (loss) attributable to minority interests	144	68	(18)	233
Net income (loss) attributable to Hydro shareholders	782	745	779	2 220
Earnings per share attributable to Hydro shareholders ¹⁾	0.38	0.37	0.38	1.09
Number of shares (million)	2 036	2 036	2 036	2 036

1) Earnings per share is calculated using the number of shares outstanding after completion of the transaction February 28, 2011.

Underlying EBIT and EBITDA per business area	First quarter 2011		Fourth quarter 2010		First quarter 2010		Year 2010	
	Underlying EBIT	Underlying EBITDA	Underlying EBIT	Underlying EBITDA	Underlying EBIT	Underlying EBITDA	Underlying EBIT	Underlying EBITDA
Bauxite & Alumina	237	725	223	693	205	643	1 225	3 061
Primary Metal	592	1 137	230	808	(203)	320	816	3 006
Metal Markets	143	168	62	88	65	91	321	428
Rolled Products	232	342	105	226	223	335	864	1 318
Extruded Products	105	237	24	162	117	252	444	987
Energy	573	600	482	502	588	623	1 416	1 540
Other and eliminations	(344)	(328)	(285)	(266)	(297)	(285)	(945)	(889)
Underlying EBIT / EBITDA	1 538	2 881	841	2 213	698	1 979	4 141	9 450

Interim financial statements

Condensed consolidated statements of income (unaudited)

NOK million, except per share data	First quarter 2011	2010	Year 2010
Revenue	21 138	18 145	75 754
Share of the profit (loss) in equity accounted investments	(19)	(236)	(606)
Other income, net	4 553	183	568
Total revenue and income	25 672	18 091	75 717
Depreciation, amortization and impairment	940	721	2 985
Other expenses	18 877	16 385	69 548
Total expenses	19 817	17 106	72 533
Earnings before financial items and tax (EBIT)	5 855	985	3 184
Financial income (expense), net	(93)	545	522
Income before tax	5 762	1 530	3 706
Income taxes	(608)	(605)	(1 588)
Net income	5 154	924	2 118
Net income attributable to minority interests	112	55	230
Net income attributable to Hydro shareholders	5 043	869	1 888
Adjusted basic and diluted earnings per share attributable to Hydro shareholders (in NOK) ¹⁾	2.89	0.68	1.33
Adjusted weighted average number of outstanding shares (million)	1 747	1 271	1 419

1) Basic earnings per share are computed using the weighted average number of ordinary shares outstanding. 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)

NOK million	First quarter 2011	2010	Year 2010
Net income	5 154	924	2 118
Other comprehensive income			
Currency translation differences, net of tax	(1 623)	(459)	(932)
Unrealized gain (loss) on securities, net of tax	(30)	(47)	22
Cash flow hedges, net of tax	(132)	(5)	(58)
Share of other comprehensive income in equity accounted investments, net of tax	22	(39)	(234)
Other comprehensive income	(1 763)	(551)	(1 201)
Total comprehensive income	3 391	374	917
Total comprehensive income attributable to minority interests	75	289	260
Total comprehensive income attributable to Hydro shareholders	3 316	85	657

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 March 2011	31 December 2010	2010 ¹⁾
Assets			
Cash and cash equivalents	3 698	2 502	10 929
Short-term investments	1 319	1 554	1 321
Receivables and other current assets	20 440	15 576	13 597
Inventories	13 827	9 678	10 971
Total current assets	39 286	29 311	36 817
Property, plant and equipment	69 042	25 499	24 849
Other non-current assets	26 732	25 109	27 122
Total non-current assets	95 774	50 608	51 971
Total assets	135 060	79 919	88 788
Liabilities and equity			
Bank loans and other interest-bearing short-term debt	2 482	972	940
Other current liabilities	17 058	13 551	14 970
Total current liabilities	19 540	14 523	15 910
Long-term debt	4 539	2 574	328
Other long-term liabilities	16 321	14 430	13 925
Deferred tax liabilities	6 692	816	1 183
Total non-current liabilities	27 552	17 820	15 435
Total liabilities	47 092	32 343	31 346
Equity attributable to Hydro shareholders	79 719	46 458	56 418
Minority interest	8 250	1 118	1 025
Total equity	87 968	47 577	57 443
Total liabilities and equity	135 060	79 919	88 788
Total number of outstanding shares (million)	2 036	1 205	1 588

1) The numbers have been restated, see note 1 Accounting policies for more information.

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

Condensed consolidated statements of cash flows (unaudited)

NOK million	First quarter		Year
	2011	2010	2010
Operating activities			
Net income	5 154	924	2 118
Depreciation, amortization and impairment	940	721	2 985
Other adjustments	(6 711)	(1 459)	1 260
Net cash provided by (used in) operating activities	(617)	186	6 363
Investing activities			
Purchases of property, plant and equipment	(515)	(436)	(2 138)
Purchases of other long-term investments	(5 955)	(1 221)	(3 918)
Proceeds from sales of property, plant and equipment	41	6	23
Proceeds from sales of other long-term investments	23	111	(18)
Net cash used in investing activities	(6 406)	(1 540)	(6 051)
Financing activities			
Loan proceeds	-	2 431	3 167
Principal repayments	(22)	(1 081)	(4 056)
Net increase (decrease) in other short-term debt	200	(50)	(180)
Proceeds from shares issued	7	9	9 910
Dividends paid	-	-	(866)
Net cash provided by financing activities	185	1 309	7 975
Foreign currency effects on cash and bank overdraft	(218)	23	(51)
Net increase (decrease) in cash, cash equivalents and bank overdraft	(7 056)	(22)	8 236
Cash, cash equivalents and bank overdraft at beginning of period	10 735	2 499	2 499
Cash, cash equivalents and bank overdraft at end of period	3 679	2 477	10 735

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 2010	1 362	43	(1 177)	45 128	813	46 169	1 026	47 195
<i>Changes in equity for 2010</i>								
Minority interest recognized at acquisition of subsidiary							8	8
Total comprehensive income for the period				869	(580)	289	85	374
31 March 2010	1 362	43	(1 177)	45 997	234	46 458	1 118	47 577
31 December 2010	1 780	9 553	(1 112)	46 419	(418)	56 221	1 025	57 246
Change in accounting policy				197		197		197
1 January 2011	1 780	9 553	(1 112)	46 616	(418)	56 418	1 025	57 443
<i>Changes in equity for 2011</i>								
Shares issued	492	19 493				19 985		19 985
Minority interest recognized at acquisition of subsidiaries							7 150	7 150
Total comprehensive income for the period				5 043	(1 727)	3 316	75	3 391
31 March 2011	2 272	29 045	(1 112)	51 658	(2 145)	79 719	8 250	87 968

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 - 2010, except for the change in accounting policy related to measurement of embedded derivatives described below.

Hydro has elected to change the accounting policy for valuation of its embedded derivatives as of 1 January 2011. All embedded derivatives are now calculated on the basis of committed volumes for liability positions rather than estimated volumes. To reflect this change, equity as of 1 January 2011 was increased by 197 million kroner. The change is reflected in the restated balance sheet for 2010. The income statement effects for 2010 would have been immaterial, therefore the income statement for 2010 has not been restated.

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 - 2010 that are a part of Hydro's Annual Report - 2010.

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 - 2010 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. Hydro's segments were changed as of 28 February 2011. The financial information in this report is restated to reflect the current segment structure.

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

NOK million	First quarter		Year
	2011	2010	2010
Total revenue			
Bauxite & Alumina	2 183	1 631	7 882
Primary Metal	8 234	6 607	27 592
Metal Markets	12 005	9 950	43 001
Rolled Products	5 703	5 222	21 180
Extruded Products	5 102	4 540	19 405
Energy	2 080	1 985	7 055
Other and eliminations	(14 168)	(11 790)	(50 360)
Total	21 138	18 145	75 754
External revenue			
Bauxite & Alumina	1 014	628	3 364
Primary Metal	651	397	1 603
Metal Markets	7 520	6 536	27 090
Rolled Products	5 585	4 893	20 611
Extruded Products	5 068	4 523	19 225
Energy	1 226	1 043	3 448
Other and eliminations	73	124	414
Total	21 138	18 145	75 754
Internal revenue			
Bauxite & Alumina	1 168	1 003	4 518
Primary Metal	7 582	6 210	25 988
Metal Markets	4 485	3 414	15 911
Rolled Products	118	329	569
Extruded Products	34	17	180
Energy	855	942	3 607
Other and eliminations	(14 241)	(11 915)	(50 774)
Total	-	-	-
Share of the profit (loss) in equity accounted investments			
Bauxite & Alumina	13	15	177
Primary Metal	(6)	(159)	(574)
Metal Markets	-	(4)	(4)
Rolled Products	(22)	(17)	(64)
Extruded Products	4	5	13
Energy	7	14	29
Other and eliminations	(15)	(91)	(182)
Total	(19)	(236)	(606)

NOK million	First quarter 2011	2010	Year 2010
Depreciation, amortization and impairment			
Bauxite & Alumina	178	-	2
Primary Metal	467	416	1 737
Metal Markets	25	26	106
Rolled Products	96	98	398
Extruded Products	132	135	571
Energy	26	33	118
Other and eliminations	16	13	52
Total	940	721	2 985
Earnings before financial items and tax (EBIT) ¹⁾			
Bauxite & Alumina	4 561	139	847
Primary Metal	525	(8)	615
Metal Markets	151	(32)	160
Rolled Products	349	684	1 214
Extruded Products	108	172	426
Energy	566	605	1 438
Other and eliminations	(405)	(574)	(1 514)
Total	5 855	985	3 184
EBITDA			
Bauxite & Alumina	4 746	149	875
Primary Metal	997	413	2 372
Metal Markets	176	(6)	266
Rolled Products	459	796	1 668
Extruded Products	240	307	997
Energy	593	639	1 561
Other and eliminations	(389)	(500)	(1 395)
Total	6 822	1 798	6 343
Investments ²⁾			
Bauxite & Alumina	31 614	56	65
Primary Metal	7 128	1 439	4 900
Metal Markets	9	98	148
Rolled Products	36	29	296
Extruded Products	52	61	434
Energy	69	68	284
Other and eliminations ³⁾	2 716	15	105
Total	41 625	1 766	6 231

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.

3) Other and eliminations includes the unallocated goodwill related to the acquisition of Vale Aluminium, see note 4 Acquisition.

NOK million	EBIT	Depr., amor. and impairment ¹⁾	EBITDA
EBIT - EBITDA First quarter 2011			
Bauxite & Alumina	4 561	185	4 746
Primary Metal	525	472	997
Metal Markets	151	25	176
Rolled Products	349	110	459
Extruded Products	108	132	240
Energy	566	27	593
Other and eliminations	(405)	16	(389)
Total	5 855	967	6 822

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: Acquisition

On 28 February 2011 Hydro acquired the majority of Vale S.A.'s aluminium business, held through the wholly owned subsidiary Vale Austria Holdings GmbH. The acquisition will improve Hydro's access to bauxite and alumina, the primary raw materials for production of aluminium.

Hydro acquired the following equity interests in this transaction: 57 percent of the shares in the alumina refinery Alunorte - Alumina do Norte do Brasil S.A. (Alunorte), in which we previously held 34 percent giving a total ownership interest of 91 percent, and 60 percent ownership interest in the bauxite mine Paragominas. Through a put/call arrangement, Hydro has the right to acquire the remaining 40 percent ownership and Vale has the right to sell the remaining 40 percent in Paragominas. The put and call arrangements are at a fixed price and effectively transfer the majority of the economic exposure to Hydro. The put/call arrangement is thus accounted for as a purchase of the remaining shares with deferred payment. Further, Hydro acquired Vale's 51 percent ownership in the aluminium smelter Albras - Aluminio Brasileiro S.A. (Albras), and the 61 percent ownership in Companhia de Alumina do Pará S.A. (CAP), an alumina refinery in a development phase. Hydro previously held 20 percent in CAP, and achieved a total ownership interest of 81 percent. All of these assets are located in the Pará state in Brazil. In addition, Hydro acquired certain commercial contracts related to sale of alumina and aluminium. The combined businesses and assets are referred to as Vale Aluminium. The acquired business was consolidated from the time of transaction completion.

The fair value of consideration for the ownership interests as of the acquisition date is as follows:

Amounts in NOK million

Consideration shares	19 987
Cash consideration paid	6 290
Deferred cash payment	1 541
Cost of acquired shares	27 818
Fair value of previously held shares in Alunorte and CAP	9 162
Cost of shares held	36 980

The consideration paid consisted of a cash element at closing of approximately USD 1.1 billion and 447,834,465 Hydro shares corresponding to 22 percent of Hydro's outstanding shares. The fair value of equity consideration was determined as the price at Oslo Børs (Oslo Stock Exchange) as of the end of trading 25 February, the latest market observation prior to completion of the transaction. The consideration also includes deferred payment for the remaining shares in Paragominas inherent in the put and call arrangement described above, certain estimated closing adjustments and contingent compensation arrangements. The seller has issued certain representations and warranties primarily related to tax issues. These contract clauses may result in recognition of indemnification assets. In addition, the fair value of Hydro's previous ownership interests in Alunorte and CAP is part of the initial recognition of the acquired entities. The remeasurement resulted in a gain of NOK 4,222 million recognized in Other income, net, in the first quarter 2011.

Certain adjustments to the cash consideration and certain other variables are currently not determined. The final values are expected to be determined during 2011.

Initial accounting for the acquisition is incomplete as of the date this interim financial report is issued. This is because the identification and valuation of tangible and intangible assets acquired and liabilities assumed, including certain adjustment elements towards the seller, is in process. Important parts of the process started after closing of the transaction. The provisionally determined values of assets acquired and liabilities assumed are included in the table below:

Amounts in NOK million

Cash and cash equivalents	553
Inventories	2 129
Other current assets	5 061
Total current assets	7 743
Property, plant and equipment	44 827
Other non-current assets, including goodwill	7 180
Total non-current asset	52 007
Total assets acquired	59 750
Interest-bearing short-term liabilities	2 086
Other current liabilities	1 611
Total current liabilities	3 697
Long-term debt	4 818
Deferred tax liabilities	6 177
Other long-term liabilities	928
Total non-current liabilities	11 923
Net assets acquired	44 130
Minority interests	7 150
Net assets acquired by Hydro	36 980

Other current assets include receivables. The majority of receivables are on shareholders related to their right and obligation to purchase products from the entities. Receivables are considered fully collectible.

Hydro has elected to utilize the option to measure non-controlling interests (minority interests) at their proportionate share of the acquiree's identifiable net assets. Minority interest are recognized with NOK 4,834 million related to the 49 percent minority in Albras, with NOK 2,199 million related to the 9 percent minority in Alunorte and with NOK 116 million related to the 19 percent minority in CAP. Goodwill is provisionally determined to be NOK 2,714 million. As the valuation of assets acquired and liabilities assumed is not finalized, we have not allocated the goodwill to cash generating units, and the factors resulting in goodwill are not fully analyzed. No amount of goodwill is expected to be deductible for tax purposes.

Hydro has existing contracts and balances with Vale Aluminium, primarily an off-take arrangement considered part of the previous equity investment in Alunorte and related payables, receivables and loans. In addition, the acquiree held certain long-term sales contracts with Hydro. The fair value of these contracts is determined to be a liability for the acquiree as the contracted terms are below current market. This difference was accounted for as settlement of a pre-existing relationship as a credit to Other income, net, of NOK 267 million and thus excluded from the purchase price and purchase accounting. An existing loan to Alunorte is at interest terms below the current market. The estimated difference was accounted for as settlement of a pre-existing loan, resulting in a loss of NOK 68 million included in Other income, net.

Acquisition related costs incurred during the first quarter 2011 was approximately NOK 20 million, in total for the transaction approximately NOK 90 million, included in operating costs.

Results of the acquired businesses is included in Hydro's consolidated income statement as of 28 February 2011. The acquired businesses is under integration with existing Hydro operations and thus not separately reported. The acquired businesses contributed approximately NOK 900 million to the group's revenue, and approximately NOK 100 million to EBIT.

The following information represent unaudited pro forma financial information as if the acquisition was completed as of the beginning of 2011. This pro forma information is based on Hydro's actual financial statements for the first quarter of 2011. As Vale Aluminium has not been incorporated or reported as a separate reporting entity, separate financial information does not exist for the acquired entities. This pro forma financial information is based on financial information for the separate entities acquired, and carve-out condensed financial information derived from Vale's financial reporting records, provided by Vale for illustrative purposes. The financial information for Vale Aluminium have been translated to NOK using the average exchange rate for the period. The pro forma revenue is based on the transactions actually completed by Hydro and Vale, the trading pattern might have been different had the transaction been completed at an earlier time. The pro forma net income is based on preliminary estimates of fair values of assets acquired and liabilities assumed as well as preliminary estimates for useful life of assets and certain other uncertain assumptions. The pro forma information has been prepared for information purposes only, and does not purport to be indicative of what the results of the operations would have been had the transaction occurred at the beginning of 2011.

Amounts in NOK million

Revenue	22 815
Earnings before financial items and tax (EBIT)	1 604
Net income	925
Net income attributable to minority interests	144
Net income attributable to Hydro shareholders	782

Hydro has issued an Information Memorandum dated June 2, 2010, describing the acquisition, and a Prospectus dated June 21, 2010, for the rights issue in July 2010 and the private placement to Vale in connection with the agreement for sale and contribution of Vale Aluminium. Both documents contain more detailed information about the transactions, and are available at www.hydro.com.

Additional information

Financial calendar 2011

5 May	Annual General Meeting
6 May	Share trades ex-dividend
18 May	Payment of dividend
26 July	Second quarter result
27 October	Third quarter result

Hydro reserves the right to revise these dates.

Cautionary note

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 with activities throughout the value chain, from bauxite extraction to the production of rolled and extruded aluminium products and building systems. Based in Norway, the company employs 23,000 people in more than 40 countries.

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.

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