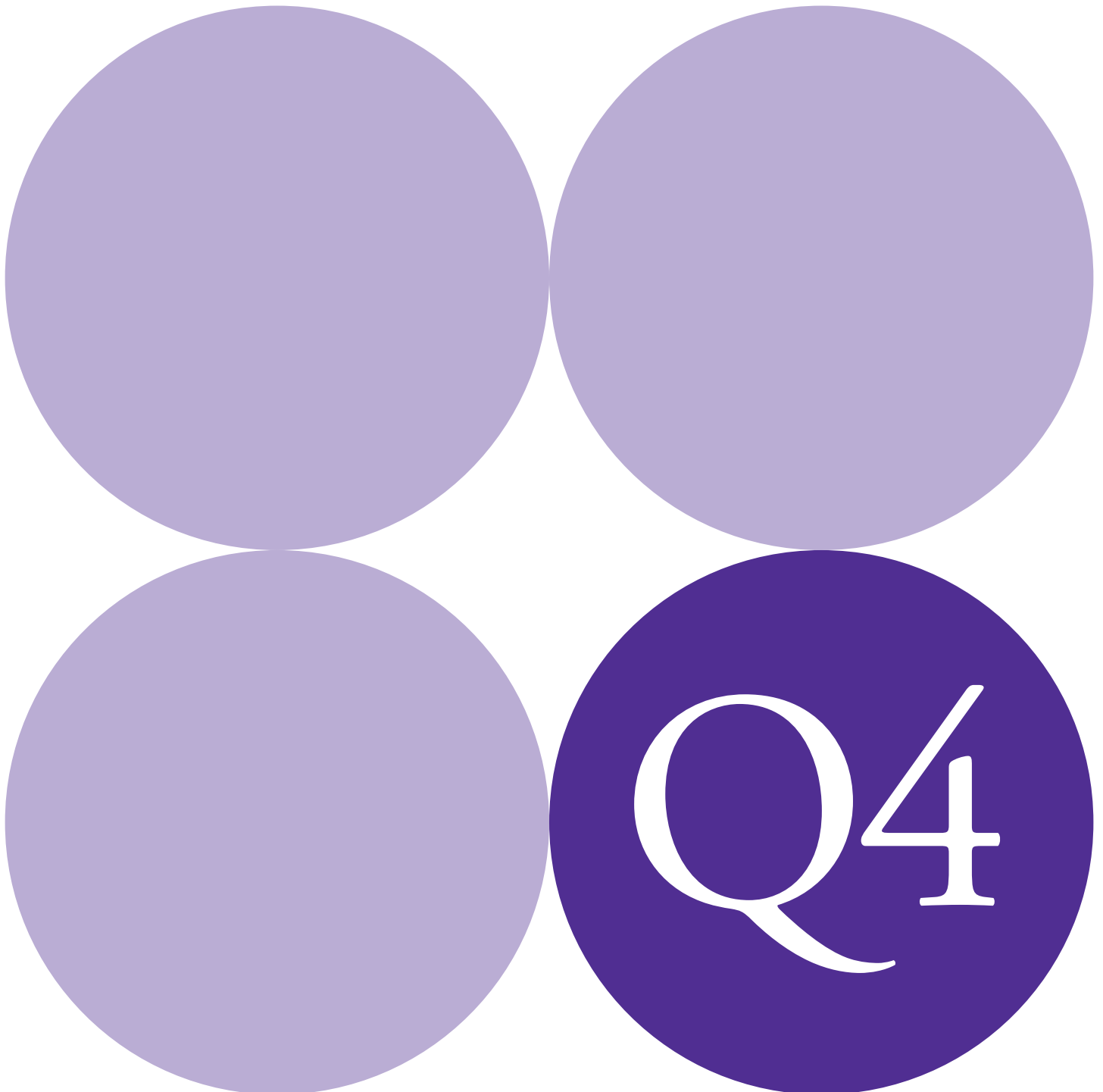




HYDRO

Fourth quarter report 2009



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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 income from continuing operations. See "Items excluded from underlying EBIT and income from continuing operations" later in this report for more information on these items.

Effective from the end of March, Hydro has reorganized its business, dividing each of the former Aluminium Metal and Aluminium Products into two and increasing the number of operating segments from three to five including Primary Metal, Metal Markets, Rolled Products, Extruded Products and Energy. From the beginning of the second quarter, Hydro has presented its financial results in accordance with the new structure. Prior periods presented in our report have been reclassified in accordance with the new structure.

Overview

Summary underlying operating results and liquidity

Key financial information	Fourth quarter 2009	Third quarter 2009	% change prior quarter	Fourth quarter 2008	% change prior year quarter	Year 2009	Year 2008
NOK million, except per share data							
Revenue	16 427	16 795	(2) %	20 665	(21) %	67 409	88 455
Earnings before financial items and tax (EBIT)	(938)	719	>(100) %	(3 106)	70 %	(1 407)	1 194
Items excluded from underlying EBIT ¹⁾	287	(1 512)		3 975		(1 148)	4 815
Underlying EBIT	(651)	(793)	18 %	868	>(100) %	(2 555)	6 009
<i>Underlying EBIT :</i>							
Primary Metal	(717)	(760)	6 %	93	>(100) %	(2 556)	2 732
Metal Markets	(20)	(15)	(32) %	242	>(100) %	(83)	703
Rolled Products	57	51	12 %	93	(39) %	26	651
Extruded Products	68	95	(28) %	(332)	>100 %	(67)	338
Energy	295	217	36 %	649	(55) %	1 240	1 865
Other and eliminations	(334)	(381)	12 %	124	>(100) %	(1 114)	(279)
Underlying EBIT	(651)	(793)	18 %	868	>(100) %	(2 555)	6 009
Income (loss) from continuing operations	(587)	1 001	>(100) %	(5 845)	90 %	416	(3 267)
Underlying income (loss) from continuing operations	(791)	(1 222)	35 %	(184)	>(100) %	(3 066)	3 579
Earnings per share from continuing operations ²⁾	(0.47)	0.83	>(100) %	(4.99)	91 %	0.25	(3.04)
Underlying earnings per share from continuing operations ²⁾	(0.64)	(1.01)	37 %	(0.29)	>(100) %	(2.64)	2.62
<i>Financial data:</i>							
Investments	2 371	2 126	11 %	2 749	(14) %	5 947	9 012
Adjusted net interest-bearing debt ³⁾	(15 645)	(19 044)	18 %	(15 440)	(1) %	(15 645)	(15 440)
Key Operational information ⁴⁾							
Primary aluminium production (kmt)	332	330	1 %	442	(25) %	1 396	1 750
Realized aluminium price LME (USD/mt) ⁵⁾	1 804	1 523	18 %	2 654	(32) %	1 698	2 638
Realized aluminium price LME (NOK/mt) ⁵⁾	10 452	9 480	10 %	16 905	(38) %	10 764	14 699
Realized NOK/USD exchange rate ⁶⁾	5.80	6.22	(7) %	6.37	(9) %	6.34	5.57
Rolled Products sales volumes to external market (kmt)	211	205	3 %	213	(1) %	794	965
Extrusion products sales volumes to external market (kmt)	101	104	(3) %	103	(2) %	401	488
Automotive products sales volumes to external market (kmt)	25	24	7 %	18	43 %	87	105
Power production (GWh)	1 929	1 682	15 %	2 813	(31) %	7 897	11 361

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

2) "Earnings per share from continuing operations" and "Underlying earnings per share from continuing operations" are calculated using Income from continuing operations and Underlying income from continuing operations less Net income attributable to minority interests, and using the weighted average number of ordinary shares outstanding. There were no 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 - 2008 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) Including the effect of strategic currency hedges (hedge accounting applied).

Hydro had an underlying loss before financial items and tax of NOK 651 million in the fourth quarter compared with a loss of NOK 793 million in the third quarter of 2009. Higher aluminium prices contributed to an improvement in the underlying results for our electrolysis operations, however, the positive price effects were partly offset by negative developments within our bauxite and alumina business. Weak operating results for our sourcing and trading activities also had a negative impact on underlying EBIT for the quarter.

Excluding increased losses from our automotive structures business which was divested during the quarter, underlying results from Hydro's downstream operations continued to improve in a normally seasonally weaker fourth quarter. Overall demand was relatively stable with seasonal declines offset by increased demand for certain product segments and customer restocking of inventories. Margins were stable.

Underlying EBIT for our energy business increased from the third quarter of 2009 mainly due to higher spot prices together with increased production.

For the full year 2009, Hydro had a negative underlying EBIT of NOK 2,555 million compared with positive underlying EBIT of NOK 6,009 million in 2008. Underlying results were significantly impacted by the global economic downturn which led to a drop in overall sales volumes of about 18 percent compared to 2008. Underlying EBIT was heavily influenced by an unprecedented decline in aluminium prices which occurred toward the end of 2008 and the beginning of 2009. Hydro acted quickly to the market decline including substantial reduction of remelted metal and curtailments of high-cost primary aluminium and alumina capacity. Both fixed and variable costs declined significantly partly offsetting the negative market effects. Downstream, our focused cost reduction efforts have enabled us to cover a substantial portion of the loss due to the market downturn helping these operations to return to profitability during the second half of 2009. Underlying EBIT for our energy business declined for the year compared to 2008 mainly due to lower power production.

Hydro completed the sale of its automotive structures business and the Inasa rolling mill in Spain during the fourth quarter of 2009. Results for the quarter included an after tax loss of roughly NOK 400 million relating to these transactions.

In December, we reached a major milestone at Qatalum with the start-up of the first cell. The plant was 95 percent complete at the end of the year. Successful ramp-up of Qatalum will be a key priority in 2010. Production from the plant's 704 cells will be phased in during 2010 and is expected to be completed in the fourth quarter of the year.

Net cash generated from operating activities amounted to NOK 2.0 billion for the quarter. About half of the amount resulted from positive cash effects due to the realization of LME derivative contracts. Net cash generated by operating activities amounted to NOK 1.6 billion in the previous quarter. Investments amounted to NOK 2.4 billion in the quarter including about NOK 1.2 billion relating to Qatalum. Qatalum was funded by project financing directly in the joint venture during the first half 2009 and was financed by equity contributions from the owners during the second half 2009. Qatalum investments are expected to be of a similar magnitude in the first quarter of 2010. Hydro had a net cash position amounting to NOK 2.0 billion at the end of the quarter.

Hydro's Board of Directors proposes to pay a dividend of NOK 0.50 per share for 2009 reflecting the company's strong commitment to provide a cash return to its shareholders. The decision is based on increased market and earnings visibility compared to the beginning of the 2009 and Hydro's cash position.

Reported EBIT and income from continuing operations

Reported EBIT for Hydro amounted to a loss of NOK 938 million for the fourth quarter including net negative effects of NOK 287 million comprised of net unrealized derivative gains of NOK 429 million, positive metal effects of NOK 157 million, losses on divestments of NOK 684 million, and other negative effects of NOK 51 million. Reported EBIT also included impairment charges of NOK 138 million relating to solar activities including a write down of our shares in Norsun by NOK 135 million. In the previous quarter, reported EBIT amounted to NOK 719 million including net positive effects of NOK 1,512 million comprised of net unrealized derivative gains of NOK 1,562 million, positive metal effects of NOK 141 million, other positive effects of NOK 95 million and impairment charges of NOK 286 million.

Losses from continuing operations were NOK 587 million in the fourth quarter including net foreign exchange gains of NOK 312 million relating to intercompany balances denominated mainly in Euro. These gains have no cash effect and are offset in

equity by translation of the corresponding subsidiaries during consolidation. Income from continuing operations was NOK 1,001 million in the third quarter including net foreign exchange gains of NOK 992 million mainly relating to intercompany balances denominated in Euro.

Market developments and outlook

Market statistics ¹⁾	Fourth quarter 2009	Third quarter 2009	% change prior quarter	Fourth quarter 2008	% change prior year quarter	Year 2009	Year 2008
NOK/USD Average exchange rate	5.68	6.11	(7) %	6.80	(16) %	6.28	5.64
NOK/USD Balance sheet date exchange rate	5.78	5.78	-	7.00	(17) %	5.78	7.00
NOK/EUR Average exchange rate	8.39	8.74	(4) %	8.94	(6) %	8.73	8.22
NOK/EUR Balance sheet date exchange rate	8.32	8.46	(2) %	9.87	(16) %	8.32	9.87
<i>Primary Metal and Metal Markets:</i>							
LME three month average (USD/mt)	2 035	1 837	11 %	1 882	8 %	1 702	2 620
LME three month average (NOK/mt)	11 567	11 209	3 %	12 725	(9) %	10 575	14 453
Global production of primary aluminium (kmt)	10 199	9 602	6 %	9 758	5 %	37 683	40 131
Global consumption of primary aluminum (kmt)	9 506	8 927	6 %	8 481	12 %	34 281	37 418
Global production of primary aluminium (ex. China) (kmt)	6 028	5 963	1 %	6 582	(8) %	24 041	26 438
Global consumption of primary aluminum (ex. China) (kmt)	5 459	5 173	6 %	5 579	(2) %	20 350	24 816
Reported primary aluminium inventories (kmt)	6 319	6 219	2 %	4 563	38 %	6 319	4 563
<i>Rolled Products and Extruded Products:</i>							
Consumption Rolled Products - Europe (kmt)	795	789	1 %	800	(1) %	3 060	3 783
Consumption Rolled Products - USA & Canada (kmt)	952	956	-	945	1 %	3 714	4 345
Consumption Extruded Products - Europe (kmt)	520	513	1 %	571	(9) %	2 061	2 653
Consumption Extruded Products - USA & Canada (kmt)	325	343	(5) %	293	11 %	1 224	1 506
<i>Energy:</i>							
Southern Norway spot price (NO1) (NOK/MWh)	296	249	19 %	433	(32) %	295	324
Nordic system spot price (NOK/MWh)	307	274	12 %	452	(32) %	306	369

1) Industry statistics have been derived from analyst reports, trade associations and other public sources unless otherwise indicated. Amounts presented in prior reports may have been restated based on updated information. Currency rates have been derived from Norges Bank.

Aluminium prices continued to increase during the fourth quarter similar to price developments for other commodities in general. LME three month prices traded between USD 1,800 - 1,900 per mt in the beginning of the quarter increasing to around USD 2,250 per mt by the end of the year.

In China, demand for primary aluminium continued to grow strongly. Correspondingly, production increased during the quarter and it is believed that most of the previous curtailed capacity has been restarted. With additional new capacity coming on stream, production in China reached an all time high of around 16.5 million mt in the quarter on an annual basis. China imported 1.4 million mt of primary aluminium in 2009, but only limited volumes in the fourth quarter. China is expected to produce a slight surplus of metal in 2010. As a result, prices between the LME and SHFE are expected to converge and no significant imports of primary metal are expected in 2010.

Outside China, demand for primary aluminium in the fourth quarter was relatively stable amounting to around 21.7 million mt on an annual basis. Demand for primary aluminium is expected to improve in 2010 but the magnitude of the increase is uncertain.

In the fourth quarter production outside China was 23.9 million mt annualized compared to a total production of about 26.4 million mt in 2008. Except for about 220,000 mt of capacity, most of the more than 3 million mt of capacity that was curtailed in response to the sharp fall in demand at the end of 2008 and beginning of 2009 has not been restarted. Additional new production is expected to come on stream with the ramp-up of projects both in the Middle East and India. However some further curtailments of existing capacity are also expected during 2010.

The market surplus experienced in 2009 is expected to continue in 2010 but at a somewhat lower level depending on developments in demand and the strength of economic developments in general.

LME stocks were stable at around 4.6 million mt during the quarter. Industry analysis indicates that there has been an increase of unreported stocks also throughout the fourth quarter. Much of metal in stock is owned by financial investors, taking advantage of low interest rates, inexpensive warehousing and the contango in the aluminium forward market.

The slightly positive development of demand for metal products (extrusion ingot, sheet ingot, foundry alloys and wire rod) in the third quarter continued in the fourth quarter. However, the consumption of metal products in both Europe and North America remains significantly below the levels experienced in 2007 and 2008 and there are no apparent indications of a strong recovery to pre-crisis consumption levels.

Demand in the normally seasonally lower flat rolled products market in Europe was slightly higher in the quarter compared to the previous quarter. Order intake improved toward the end of the year and we expect market demand to grow in the first quarter of 2010 and continue growing moderately into the second quarter. In North America, demand was stable following an improvement in the third quarter and is expected to continue to improve in the first quarter of 2010.

European demand for extruded aluminium products increased slightly compared to the previous quarter indicating some level of customer restocking during the normally seasonally lower fourth quarter. However, demand remained at a low level. Demand in North America has followed a normal seasonal pattern throughout the year. However the fourth quarter was the first time demand increased compared to same quarter of the previous year since 2006 when the market deterioration began. Market demand in South America continued to be positive, mainly in Brazil. Demand strengthened in the automotive sector during the quarter as the OEMs rebuilt inventories after higher sales volumes in previous quarters due to government incentive packages. The overall outlook for the European and US extrusion markets continues to be weak, but demand is expected to stabilize across most markets during the first quarter with construction being the most challenging market segment.

Nordic electricity spot prices increased during the fourth quarter in parallel with deteriorating hydrological conditions. Water reservoir levels in Norway declined to about 54 percent of full capacity by the middle of January 2010. This is 11 percentage points lower than normal and 6 percentage points lower than the same period in 2009. Snow accumulation levels were about 50 percent of normal. Colder weather beginning in the middle of December lifted spot prices further due to very high demand. This was exacerbated by reduced output from Swedish nuclear power plants. At the end of January the Nordic system spot price levels increased by around 80 percent compared to the beginning of October. Prices are expected to remain at a fairly high level throughout the first quarter of 2010.

Additional factors impacting Hydro

Hydro has sold forward more than 90 percent of its primary aluminium production for the first quarter of 2010 at a price level of around USD 2,000 per mt. The higher realized prices will improve Hydro's results in the first quarter of 2010. However, the overall impact of LME price improvements for Hydro will be influenced by developments in the US dollar/Norwegian kroner currency exchange rates.

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

Qatalum is expected to continue incurring operating losses during the ramp-up of production at the site. The losses will decline as production volumes increase during the year.

Hydro's water and snow reservoirs were lower than normal in the middle of January and also lower than the corresponding period in 2009. Despite the decreased reservoir levels, Hydro's power production is expected to be at seasonally high levels during the first quarter of 2010, partly due to Suldal I being back in operation.

The tight power supply situation in Mid-Norway (NO3) has at times in December and January caused significantly higher spot prices in this area than the Nordic system spot prices. Since the Sunndal smelter is located in Mid-Norway while Hydro's captive hydro power is produced and sold in Southern Norway (NO1/NO2), such differences in area prices may lead to significant area costs for Energy.¹⁾

The present weak economic conditions increase the risk of counterparties defaulting on their obligations. So far we have not experienced any significant defaults and are carefully monitoring the situation.

1) Energy provides power to the Sunndal smelter at fixed price contracts. As a result, the higher levels experienced in NO3 will represent costs to our energy segment.

Underlying EBIT

Primary Metal

Operational and financial information ¹⁾	Fourth quarter 2009	Third quarter 2009	% change prior quarter	Fourth quarter 2008	% change prior year quarter	Year 2009	Year 2008
Underlying EBIT (NOK million)	(717)	(760)	6 %	93	>(100) %	(2 556)	2 732
Alumina production (kmt)	504	514	(2) %	685	(26) %	2 091	2 289
Realized aluminium price LME (USD/mt) ²⁾	1 804	1 523	18 %	2 654	(32) %	1 698	2 638
Realized aluminium price LME (NOK/mt) ²⁾	10 452	9 480	10 %	16 905	(38) %	10 764	14 699
Realized premium above LME (USD/mt) ³⁾	272	260	5 %	268	2 %	246	327
Realized premium above LME (NOK/mt) ³⁾	1 576	1 618	(3) %	1 706	(8) %	1 559	1 801
Realized NOK/USD exchange rate ⁴⁾	5.80	6.22	(7) %	6.37	(9) %	6.34	5.57
Primary aluminium production (kmt)	332	330	1 %	442	(25) %	1 396	1 750
Casthouse production (kmt)	473	466	2 %	494	(4) %	1 782	2 166
Casthouse sales (kmt)	450	470	(4) %	451	-	1 822	2 137

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.

4) Including effects of strategic currency hedges (hedge accounting applied).

Primary Metal incurred an underlying loss for the quarter somewhat lower than the loss incurred in the third quarter. Underlying results improved for our smelting operations but the positive effects were partly offset by negative developments within our bauxite and alumina business.

Higher aluminium prices improved underlying EBIT for our smelters by roughly NOK 320 million compared with the previous quarter. However most of our operations continued to operate at a loss. The change in inventory write-downs resulted in a positive effect of about NOK 40 million for the fourth quarter on an isolated basis compared with NOK 125 million in the third quarter.

Variable costs at our smelters were stable compared to the third quarter of 2009. Higher alumina costs due to the increase in LME prices were offset by lower carbon cost as a result of lower prices for petroleum coke, and somewhat lower power costs.

Seasonally lower sales volume impacted the results marginally in the fourth quarter.

The underlying loss from our equity accounted smelters increased by about NOK 60 million mainly due to costs relating to the build up of the operating organization at Qatalum which increased to NOK 174 million for the quarter compared with NOK 125 million in the third quarter.

Underlying EBIT for Alunorte, our equity accounted alumina refinery, amounted to NOK 29 million in the fourth quarter, up from NOK 10 million in the third quarter. The improvement resulted from higher alumina prices due to the increasing LME price, partly offset by realized hedging losses. Production was down somewhat during the quarter. Variable costs were relatively stable with the effects of lower caustic prices being offset by increasing energy costs. The temporary measures put in place in March to address Alunorte's challenging financial situation in 2009 continued to have a positive effect.⁵⁾

Underlying results from our alumina commercial activities declined despite higher external volumes and good margins. The decline was mainly caused by unrealized losses on LME forward positions.

Underlying EBIT for 2009 declined significantly compared with 2008 mainly due to substantially lower LME prices measured in both US dollars and Norwegian kroner. In addition, lower casthouse production and sales volumes, lower product premiums, and higher costs related increased activity at the Qatalum project contributed to the lower results, together with lower operating results from Alunorte. Both fixed and variable costs declined significantly partly offsetting the negative market effects. Write downs reversed in inventory amounted to NOK 470 million in 2009 compared with write-downs of NOK 550 million in 2008.

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

5) In March the Board of Directors of Alunorte agreed on a set of temporary measures to address the challenging financial situation in the company. These measures include an increase in the alumina price Hydro and its partners pay to Alunorte and changes to the pricing formulas for bauxite purchased by Alunorte. The cost of alumina to our smelters has not been adjusted for these measures and the effect is excluded from the above discussion on developments in variable costs for our smelters. These measures were terminated at the end of 2009.

Metal Markets

Operational and financial information	Fourth quarter 2009	Third quarter 2009	% change prior quarter	Fourth quarter 2008	% change prior year quarter	Year 2009	Year 2008
Underlying EBIT (NOK million)	(20)	(15)	(32) %	242	>(100) %	(83)	703
Remelt production (kmt)	133	123	8 %	97	37 %	455	505
Sale of metal products from own production (kmt) ¹⁾	596	608	(2) %	571	4 %	2 351	2 716
Sale of third-party metal products (kmt)	9	10	(10) %	39	(77) %	63	207
Total metal products sales excluding ingot trading (kmt)	605	618	(2) %	610	(1) %	2 414	2 923
Hereof external sales excluding ingot trading (kmt)	375	395	(5) %	324	16 %	1 468	1 733
External revenue (NOK million) ²⁾	5 638	5 953	(5) %	7 798	(28) %	23 650	32 962
Product sales (NOK million) ³⁾	4 891	4 444	10 %	5 341	(8) %	17 209	25 505

1) Includes external and internal sales from our primary casthouse operations, remelters, high purity aluminium business and third party metal sources.

2) External sales revenue from our commercial operations described above and revenues from aluminium trading and hedging activities, including derivatives.

3) Excludes results from our aluminium trading and hedging activities and derivatives.

The fourth quarter underlying loss in Metal Markets was mainly due to negative results from our sourcing and trading activities compared with good operating results in the previous quarter. The net impact of currency effects was largely neutral for the quarter compared with negative effects of roughly NOK 150 million in the third quarter. ⁴⁾

Underlying results from our remelter operations increased from the third quarter, which was influenced by seasonal maintenance shutdowns. The improvement primarily resulted from increased production and sales volumes from our European remelters, but also better results from our two remelters in the US.

Total metal sales from own production and third party contracts declined moderately from the third quarter, mainly due to somewhat lower sales of foundry alloys in Asia and Europe and sheet ingots in Europe.

Our metal sourcing and trading operations incurred operating losses for the quarter following three quarters with strong results. The fourth quarter was also negatively impacted by hedging losses related to standard ingot inventories. Offsetting unrealized gains on physical inventories are not recognized in underlying results.

Underlying EBIT for Metal Markets was substantially lower compared with the fourth quarter of 2008 mainly due to significantly lower results from sourcing and trading activities and backwardation risk mitigation contracts ⁵⁾ as well as significant positive impact of currency effects in the fourth quarter of 2008.

Metal Markets incurred an underlying loss for the year, declining substantially from underlying results in 2008. The decline reflects substantial negative currency effects of roughly NOK 600 million incurred in 2009 as a result of the weakening US dollar compared with positive currency effects of nearly NOK 500 million in 2008. Excluding the currency effects, developments in 2009 was characterized by improved operating results for our remelters, sourcing and trading operations and resale of third party metal products.

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

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

5) In market situations where forward prices are, or could become, lower than spot prices (backwardation) our operational hedge program and our aluminium trading activities expose us to potential losses as hedge positions mature and are replaced with new forward contracts. To offset this exposure, we have backwardation risk mitigation strategies in place with contracts that result in unrealized and realized gains and losses.

Rolled Products

Operational and financial information	Fourth quarter 2009	Third quarter 2009	% change prior quarter	Fourth quarter 2008	% change prior year quarter	Year 2009	Year 2008
Underlying EBIT (NOK million)	57	51	12 %	93	(39) %	26	651
Sales volumes to external market (kmt)	211	205	3 %	213	(1) %	794	965

Underlying EBIT for Rolled Products improved somewhat compared to the third quarter mainly due to slightly higher volumes and ongoing cost reduction measures. Normal seasonal volume declines were more than offset by increased demand for certain product segments combined with some restocking effects.

Shipments of industrial and automotive applications increased further during the quarter while shipments into the construction sector recovered from declines experienced in the previous quarter. Shipments declined for packaging (beverage can) and foil applications. Margins measured in Euro were stable compared to the levels achieved during the year.

Underlying results were lower compared to the fourth quarter of 2008 mainly due to lower margins for standard products and negative currency effects of the stronger Euro on US dollar denominated contracts.¹⁾ Shipments were on the same level. Costs declined due to cost cutting measures carried out throughout the year.

Rolled Products underlying results for 2009 declined significantly compared to the previous year. Shipments declined sharply following the market downturn, in particular during the first half of 2009. Demand improved in the second half of the year, but shipments were 18 percent lower for 2009 as a whole. Margins measured in Euro were somewhat lower than in 2008. Cost reduction measures focused on personnel, maintenance, procurement and costs in general, enabled us to compensate more than 70 percent of the loss in shipments due to the market downturn and return to profitability in the second half of the year.

1) Rolled Products maintains internal currency hedges on such contracts. Offsetting gains are included in Financial income (expense), net.

Extruded Products

Operational and financial information	Fourth quarter 2009	Third quarter 2009	% change prior quarter	Fourth quarter 2008	% change prior year quarter	Year 2009	Year 2008
Underlying EBIT (NOK million)	68	95	(28) %	(332)	>100 %	(67)	338
Underlying EBIT - Extrusion (NOK million)	122	89	38 %	(88)	>100 %	128	668
Underlying EBIT - Automotive (NOK million)	(60)	9	>(100) %	(235)	74 %	(203)	(326)
Extrusion products sales volumes to external market (kmt)	101	104	(3) %	103	(2) %	401	488
Automotive products sales volumes to external market (kmt)	25	24	7 %	18	43 %	87	105

Underlying results for Extruded Products declined for the quarter. Results increased for our extrusion operations driven by an improved performance from our building systems business. The positive effects were more than offset by increased losses within our automotive structures business which was divested at the end of the year.

Volumes for our European extrusion business decreased slightly from the previous quarter. Normal seasonal declines were partly offset by restocking of customer inventories. Margins improved compared to the third quarter but remained lower than the fourth quarter of the previous year. Underlying results for our building systems business exhibited a strong seasonal improvement with higher volumes and firm margins compared to the previous quarter. In addition, results were positively impacted by certain one-time effects including R&D grants as well as other items. A normal seasonal decline reduced the underlying results for our American operations compared to the third quarter but margins remained firm.

The underlying loss for our automotive operations was mainly related to our divested automotive structures business which was negatively impacted by lower margins and higher cost compared to the previous quarter. Results for our precision tubing operations continued to be positive and improved somewhat during the quarter due to stronger demand.

Underlying EBIT for Extruded Products increased substantially compared to significant operating losses incurred in the fourth quarter of 2008 which was heavily influenced by the severe market drop toward the end of the year, in particular for the automotive sector. The improvement reflected substantial cost reductions and positive developments in sales volumes for our automotive business.

Extruded Products underlying results for 2009 declined significantly compared to the previous year. Shipments fell sharply following the market downturn at the end of 2008 declining 18 percent for 2009 as a whole. Margins also declined. Measures to significantly reduce costs were implemented throughout our operations. These measures have enabled us to recover roughly 80 percent of the loss due to the significant volume decline and return to profitability in the second half of the year.

Energy

Operational and financial information	Fourth quarter 2009	Third quarter 2009	% change prior quarter	Fourth quarter 2008	% change prior year quarter	Year 2009	Year 2008
Underlying EBIT (NOK million)	295	217	36 %	649	(55) %	1 240	1 865
Direct production costs (NOK million) ¹⁾	127	99	28 %	131	(3) %	438	462
Power production (GWh)	1 929	1 682	15 %	2 813	(31) %	7 897	11 361
External power sourcing (GWh) ²⁾	2 147	2 055	4 %	2 395	(10) %	8 712	9 415
Internal contract sales (GWh) ³⁾	3 097	2 868	8 %	3 569	(13) %	12 571	14 349
External contract sales (GWh) ⁴⁾	493	389	27 %	510	(3) %	1 820	1 764
Net spot sales (GWh) ⁵⁾	486	480	1 %	1 130	(57) %	2 217	4 663

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 from the previous quarter due to higher spot prices and increased production as a result of lower maintenance during the normally higher price winter season. However, production levels continued to be impacted by the outage of the Suldal I power station.

Underlying EBIT was significantly lower than the corresponding quarter of 2008 due to lower production and lower spot prices. Underlying EBIT for 2009 declined compared to 2008 mainly due to lower power production.

Other and eliminations

Underlying EBIT for Other and eliminations amounted to a charge of NOK 334 million in the fourth quarter compared with a charge of NOK 381 million in the third quarter and an income of NOK 124 million in the fourth quarter of 2008.

Underlying EBIT includes the elimination of internal gains and losses on inventories purchased from group companies which amounted to a charge of NOK 39 million in the fourth quarter compared with a charge of NOK 131 million in the third quarter and an income of NOK 369 million in the fourth quarter of 2008.

Hydro's solar activities incurred an underlying loss of NOK 40 million in the fourth quarter compared with NOK 18 million in the third quarter and NOK 57 million in the fourth quarter of 2008.

Items excluded from underlying EBIT and income from continuing operations

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

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.

Items excluded from underlying income from continuing operations ¹⁾	Fourth quarter 2009	Third quarter 2009	Fourth quarter 2008	Year 2009	Year 2008
NOK million					
Unrealized derivative effects on LME related contracts ²⁾	(728)	(1 406)	1 984	(2 630)	1 120
Unrealized derivative effects on power contracts ³⁾	318	(54)	(1 481)	(198)	768
Unrealized derivative effects on currency contracts ⁴⁾	(19)	(102)	265	(345)	314
Metal effect, Rolled Products ⁵⁾	(157)	(141)	407	588	235
Significant rationalization charges and closure costs ⁶⁾	65	30	109	518	109
Impairment charges (PP&E and equity accounted investments) ⁷⁾	138	286	2 464	438	2 464
Loss provisions (power contracts) ⁸⁾	-	-	257	-	257
Pension plan amendment ⁹⁾	-	(52)	-	(52)	-
Insurance compensation ¹⁰⁾	(13)	(73)	-	(152)	-
(Gains)/losses on divestments ¹¹⁾	684	-	(29)	684	(453)
Items excluded from underlying EBIT	287	(1 512)	3 975	(1 148)	4 815
Net foreign exchange (gain)/loss ¹²⁾	(216)	(992)	4 629	(2 774)	5 491
Calculated income tax effect ¹³⁾	(275)	280	(2 943)	441	(3 460)
Items excluded from underlying income from continuing operations	(204)	(2 224)	5 661	(3 481)	6 846

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

4) Relates to currency effects in equity accounted investments.

5) 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.

6) 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.

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

8) Provision on onerous contracts.

9) Recognition of pension plan amendments.

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

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

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

13) In order to present underlying income from continuing operations on a basis comparable with our underlying operating performance, we have calculated the income tax effect of Financial income/expense with 28% and of items excluded from underlying EBIT based on Hydro's effective tax rate excluding financial items.

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 2009.

Items excluded from underlying EBIT ¹⁾	Fourth quarter 2009	Third quarter 2009	Fourth quarter 2008	Year 2009	Year 2008
NOK million					
Unrealized derivative effects on LME related contracts (Alunorte)	16	(16)	(37)	-	(96)
Unrealized derivative effects on currency contracts (Alunorte)	(18)	(105)	271	(357)	352
Impairment charges (Alpart)	-	-	512	-	512
Unrealized derivative effects on power contracts (Søral)	(42)	6	150	(77)	129
Pension plan amendment (Søral)	-	(52)	-	(52)	-
Unrealized derivative effects on currency contracts (Qatalum)	(2)	3	(6)	12	(37)
Unrealized derivative effects on LME related contracts	8	(519)	112	285	(561)
Unrealized derivative effects on power contracts	196	81	(442)	671	(426)
Rationalization charges and closure costs	-	(4)	79	363	79
Impairment charges	-	-	845	-	845
Loss provision (power contracts)	-	-	257	-	257
Primary Metal	158	(607)	1 740	846	1 053
Impairment charges	-	-	35	-	35
Unrealized derivative effects on LME related contracts	(59)	(222)	385	(487)	336
Metal Markets	(59)	(222)	420	(487)	371
Unrealized derivative effects on LME related contracts	(659)	(578)	1 337	(2 265)	1 221
Metal effect	(157)	(141)	407	588	235
Impairment charges	-	286	129	286	129
(Gains)/losses on divestments	231	-	-	231	-
Rolled Products	(585)	(433)	1 872	(1 160)	1 585
Impairment charges - Extrusion	-	-	253	-	253
Impairment charges - Automotive	-	-	370	14	370
Rationalization charges and closure costs - Extrusion	63	-	-	63	-
Rationalization charges and closure costs - Automotive	2	34	30	44	30
Unrealized derivative effects on LME related contracts - Other and elimination:	(47)	(48)	182	(247)	201
(Gains)/losses on divestments - Automotive	472	-	-	472	-
Extruded Products	490	(14)	834	346	853
Unrealized derivative effects on power contracts	11	(28)	(5)	(9)	(22)
Rationalization charges and closure costs	-	-	-	14	-
Insurance compensation	(13)	(73)	-	(152)	-
Energy	(2)	(101)	(5)	(146)	(22)
Unrealized derivative effects on power contracts	153	(112)	(1 183)	(784)	1 088
Unrealized derivative effects on LME related contracts	13	(23)	5	83	19
Rationalization charges and closure costs	-	-	-	34	-
Impairment charges	138	-	321	138	321
(Gains)/losses on divestments	(19)	-	(29)	(19)	(453)
Other and eliminations	286	(135)	(886)	(548)	975
Items excluded from underlying EBIT	287	(1 512)	3 975	(1 148)	4 815

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

Primary Metal

Alunorte's operational hedging program expired during fourth quarter resulting in an unrealized loss effect on LME derivative contracts as the positions were realized. A further weakening of the US dollar against the Brazilian real resulted in unrealized gains on long-term US dollar denominated loans for Alunorte. Unrealized loss on LME derivative contracts related to our operational hedging program was mainly an effect 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. Increasing forward prices on power resulted in unrealized gains on power contracts in Søral.

Metal Markets

Unrealized gain on LME derivative contracts related to our operational hedging program was mainly an effect of 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 the upward shift in LME forward prices and volumes being realized. The positive metal effect reflected the continuing increasing LME prices. Divestment of the Inasa plant in Spain resulted in a loss.

Extruded Products

Rationalization charges relate to a provision for environmental liabilities at our closed plant in Moultrie, Georgia, US.

Unrealized gain on LME derivative contracts related to our operational hedging program was mainly an effect of the upward shift in LME forward prices and volumes being realized. Divestment of the Automotive Structures activities resulted in a loss.

Energy

Unrealized loss on financial power contracts related to operational hedging of our power portfolio reflects the upward shift in the forward prices on power. Insurance compensation reflects the compensation for damages related to the pressure shaft in Suldal I, which has been recognized as income.

Other and eliminations

Unrealized derivative effects on power contracts result from changes in the fair value of certain internal power contracts related to the delivery of power from Hydro's Energy segment to consuming units. These internal contracts, or embedded derivatives within the contracts, are accounted for at fair value by the Energy segment. Valuation effects are eliminated as part of Other and eliminations, and excluded from underlying results. The net unrealized loss reflected the upward shift in the LME forward prices, partly offset by weakened US dollar and a reduction in the international inflation rates. Unrealized derivative effects on LME related contracts result 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. Impairment charges relate to write-downs of our shares in Norsun and Hycore due to decline in share values. Gains on divestments reflects a dilution gain recognized as a result of our reduced ownership interest in Ascent.

Finance

Financial income (expense)	Fourth quarter 2009	Third quarter 2009	% change prior quarter	Fourth quarter 2008	% change prior year quarter	Year 2009	Year 2008
NOK million							
Interest income	86	46	86 %	225	(62)%	233	769
Dividendes received and net gain (loss) on securities	16	42	(61)%	(32)	>100%	197	27
Financial income	102	88	16 %	193	(47)%	429	795
Interest expense	(121)	(71)	(71)%	1	>(100)%	(337)	(221)
Capitalized interest	1	1	-	-	-	3	-
Net foreign exchange gain (loss)	216	992	(78)%	(4,629)	>100%	2,774	(5,491)
Other	(30)	(21)	(44)%	(51)	41 %	(96)	(109)
Financial expense	65	901	(93)%	(4,679)	>100%	2,344	(5,821)
Financial income (expense), net	167	989	(83)%	(4,487)	>100%	2,774	(5,026)

During the quarter, currency gains on intercompany balances amounted to NOK 312 million mainly due to a weaker Euro against the Norwegian kroner. These gains have no cash effect and are offset in equity by translation of the corresponding subsidiaries during consolidation.¹⁾ Other net currency losses amounted to NOK 96 million which mainly related to Hydro's working capital.

In the previous quarter, currency gains on intercompany balances denominated in Euro amounted to NOK 1,101 million due to weaker Euro against the Norwegian kroner.

The increase in interest expense in fourth quarter mainly related to accrued interest on tax claims.

At end of the fourth quarter of 2009 cash and cash equivalents amounted to NOK 2.5 billion down from NOK 2.9 billion at the end of the previous quarter.

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 positive amount of NOK 183 million in the quarter compared with a charge of NOK 707 million in the third quarter of 2009 and a positive amount of NOK 1,748 million in the fourth quarter of 2008. Income tax expense amounted to a charge of NOK 951 million for 2009 compared with a positive amount of 565 million for 2008.

For the full year 2009, income tax expense was roughly 70 percent of pre-tax income. The high tax rate resulted mainly from the effects of power sur-tax and losses from equity accounted investments which are recognized net of tax.

Interim financial statements

Condensed consolidated statements of income (unaudited)

NOK million, except per share data	Fourth quarter		Year	
	2009	2008	2009	2008
Revenue	16,427	20,665	67,409	88,455
Share of the profit (loss) in equity accounted investments	(341)	(1,154)	(809)	(915)
Other income, net	(488)	161	107	865
Total revenue and income	15,598	19,672	66,706	88,405
Depreciation, amortization and impairment	786	2,480	3,494	4,915
Other expenses	15,750	20,298	64,619	82,296
Total expenses	16,535	22,778	68,113	87,211
Earnings before financial items and tax (EBIT)	(938)	(3,106)	(1,407)	1,194
Financial income (expense), net	167	(4,487)	2,774	(5,026)
Income (loss) from continuing operations before tax	(770)	(7,593)	1,367	(3,832)
Income taxes	183	1,748	(951)	565
Income (loss) from continuing operations	(587)	(5,845)	416	(3,267)
Loss from discontinued operations	-	(1)	-	(247)
Net income (loss)	(587)	(5,846)	416	(3,514)
Net income (loss) attributable to minority interests	(18)	170	117	411
Net income (loss) attributable to Hydro shareholders	(569)	(6,016)	299	(3,925)
Basic and diluted earnings per share from continuing operations (in NOK) ¹⁾²⁾	(0.47)	(4.99)	0.25	(3.04)
Basic and diluted earnings per share from discontinued operations (in NOK) ¹⁾	0.00	(0.00)	0.00	(0.20)
Basic and diluted earnings per share attributable to Hydro shareholders (in NOK) ¹⁾	(0.47)	(4.99)	0.25	(3.25)
Weighted average number of outstanding shares (million)	1,205	1,206	1,205	1,209

1) Basic earnings per share are computed using the weighted average number of ordinary shares outstanding. There were no diluting elements.

2) Calculated using Income from continuing operations less Net income attributable to minority interests. There are no minority interests in Income from discontinued operations.

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

Condensed consolidated statements of comprehensive income (unaudited)

NOK million	Fourth quarter		Year	
	2009	2008	2009	2008
Net income (loss)	(587)	(5,846)	416	(3,514)
Other comprehensive income				
Currency translation differences, net of tax	(534)	6,425	(6,908)	8,646
Unrealized gain (loss) on securities, net of tax	84	55	18	169
Cash flow hedges, net of tax	(24)	198	(84)	277
Share of other comprehensive income in equity accounted investments, net of tax	57	1	87	(30)
Other comprehensive income	(418)	6,680	(6,888)	9,063
Total comprehensive income	(1,005)	834	(6,472)	5,549
Total comprehensive income attributable to minority interests	(31)	410	(150)	691
Total comprehensive income attributable to Hydro shareholders	(974)	423	(6,322)	4,858

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	
	2009	2008
Assets		
Cash and cash equivalents	2,573	3,333
Short-term investments	1,519	1,648
Receivables and other current assets	13,679	18,833
Inventories	10,030	16,293
Total current assets from continuing operations	27,802	40,108
Asset held for sale, Discontinued operations	-	-
Property, plant and equipment	25,647	29,338
Other non-current assets	24,150	25,711
Total non-current assets	49,797	55,049
Total assets	77,599	95,157
Liabilities and equity		
Bank loans and other interest-bearing short-term debt	2,010	1,169
Other current liabilities	13,032	22,175
Total current liabilities from continuing operations	15,042	23,344
Long-term debt	88	279
Other long-term liabilities	14,425	16,135
Deferred tax liabilities	849	1,258
Total non-current liabilities	15,361	17,673
Total liabilities	30,403	41,016
Equity attributable to Hydro shareholders	46,169	52,808
Minority interest	1,026	1,333
Total equity	47,195	54,141
Total liabilities and equity	77,599	95,157
Total number of outstanding shares (million)	1,205	1,206

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

Condensed consolidated statements of cash flows (unaudited)

NOK million	Year	
	2009	2008
Operating activities:		
Net income (loss)	416	(3,514)
Net loss from discontinued operations	-	247
Depreciation, amortization and impairment	3,494	4,915
Other adjustments	636	1,273
Net cash provided by operating activities	4,546	2,921
Investing activities:		
Purchases of property, plant and equipment	(2,743)	(3,485)
Purchases of other long-term investments	(3,137)	(5,374)
Purchases of short-term investments	-	(2,850)
Proceeds from sales of property, plant and equipment	24	95
Proceeds from sales of other long-term investments	8	679
Proceeds from sales of short-term investments	-	3,600
Net cash used in investing activities	(5,848)	(7,335)
Financing activities:		
Loan proceeds	2,878	93
Principal repayments	(1,978)	(187)
Net increase (decrease) in other short-term debt	15	(159)
Purchases of shares	(124)	(149)
Proceeds from shares issued	43	44
Dividends paid	(166)	(6,359)
Net cash provided by (used in) financing activities	668	(6,717)
Foreign currency effects on cash and bank overdraft	(56)	(11)
Net cash provided by discontinued operations	-	5,075
Net decrease in cash, cash equivalents and bank overdraft	(690)	(6,067)
Cash, cash equivalents and bank overdraft at beginning of period	3,189	9,256
Cash, cash equivalents and bank overdraft at end of period	2,499	3,189

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	Additional	Treasury	Retained	Other	Total equity		Total equity
	capital	paid-in capital	shares	earnings	components of equity	Hydro shareholders	Minority interests	
Balance at 1 January 2008	1,370	360	(4,283)	57,950	(1,348)	54,049	959	55,008
<i>Changes in equity for 2008</i>								
Purchase of treasury shares			(149)			(149)		(149)
Treasury shares reissued to employees		(51)	158			107		107
Dividends declared and paid				(6,053)		(6,053)	(306)	(6,359)
Transactions with minority equity holders/with group				(4)		(4)	(1)	(5)
Equity interests purchased (sold)							(10)	(10)
Total comprehensive income for the year				(3,925)	8,783	4,858	691	5,549
Balance at 31 December 2008	1,370	309	(4,274)	47,968	7,435	52,808	1,333	54,141
<i>Changes in equity for 2009</i>								
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)
Balance at 31 December 2009	1,362	43	(1,177)	45,128	813	46,169	1,026	47,195

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

As of 1 January 2009 Hydro implemented IAS 1 (revised 2007) Presentation of Financial Statements (IAS 1R). As a result of implementing IAS 1R, non-owner related changes in equity that were previously reported as part of the consolidated statement of changes in equity are now presented in a consolidated statement of comprehensive income (a new statement). The changes required by IAS 1R do not affect the measurement or recognition of these non-owner related changes in equity.

In the fourth quarter of 2009, Hydro has adopted a new accounting policy for classification of the effects of derivative instruments. Based on a renewed assessment of the interrelationship between our business model for using certain derivative instruments we have determined that it is more appropriate to classify the effects of certain derivative instruments entered into as economic hedges of sales prices for own production of aluminium and instruments entered into with the purpose of hedging margins in the mid and downstream activities as part of revenues. Some of these effects were previously classified as part of Raw materials and energy cost. Following the change, we now present the realized and unrealized effects of all net settled derivative contracts, whether for trading purposes or hedging purposes (hedge accounting not applied) in revenue. The effects of embedded derivatives are presented on the same line item as the host contract.

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 - 2008.

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 - 2008 that are a part of the Norsk Hydro Annual Report - 2008.

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 - 2008 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.

Effective 30 March 2009, Hydro decided to reorganize the business area structure, and thus the segments. Hydro has the following segments: Primary Metal, responsible for all Hydro's alumina production, metal plants and primary casthouses. Metal Markets, responsible for metal sales, recycling, remelting and trading. The two business areas cover the activities previously conducted within Aluminium Metal. Rolled Products is responsible for Hydro's rolling mills. Extruded Products include activities within profiles and building systems and in addition supplies to the automotive industries. The two business areas cover activities previously conducted within Aluminium Products. Energy is responsible for power related activities. Hydro's engagement's in the solar business is part of Other and eliminations. Prior periods have been revised to be consistent with the revised reporting 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	Fourth quarter		Year	
	2009	2008	2009	2008
Total revenue ¹⁾				
Primary Metal	6,319	8,723	25,486	36,756
Metal Markets	8,480	11,702	34,197	51,212
Rolled Products	4,909	4,537	18,411	22,511
Extruded Products	4,909	5,672	20,065	24,642
Energy	1,362	565	5,286	7,913
Other and eliminations	(9,552)	(10,535)	(36,036)	(54,579)
Total	16,427	20,665	67,409	88,455
External revenue ¹⁾				
Primary Metal	1,100	1,209	4,132	4,359
Metal Markets	5,638	7,086	23,650	32,787
Rolled Products	4,308	5,860	17,486	23,466
Extruded Products	4,821	5,797	19,906	24,552
Energy	467	541	1,682	2,350
Other and eliminations	94	172	554	941
Total	16,427	20,665	67,409	88,455
Internal revenue ¹⁾				
Primary Metal	5,219	7,514	21,354	32,397
Metal Markets	2,843	4,616	10,548	18,425
Rolled Products	601	(1,323)	925	(955)
Extruded Products	88	(125)	159	90
Energy	895	25	3,605	5,563
Other and eliminations	(9,645)	(10,707)	(36,590)	(55,520)
Total	-	-	-	-
Share of the profit (loss) in equity accounted investments				
Primary Metal	(152)	(781)	(503)	(490)
Metal Markets	(7)	(1)	(14)	(1)
Rolled Products	(27)	(37)	(91)	(52)
Extruded Products	3	8	12	17
Energy	20	16	24	26
Other and eliminations	(178)	(360)	(237)	(415)
Total	(341)	(1,154)	(809)	(915)

NOK million	Fourth quarter		Year	
	2009	2008	2009	2008
Depreciation, amortization and impairment				
Primary Metal	444	1,295	1,820	2,711
Metal Markets	27	67	118	140
Rolled Products	107	263	730	585
Extruded Products	164	808	666	1,324
Energy	29	30	109	103
Other and eliminations	15	17	50	53
Total	786	2,480	3,494	4,915
Earnings before financial items and tax (EBIT) ²⁾				
Primary Metal	(875)	(1,647)	(3,403)	1,679
Metal Markets	39	(178)	403	332
Rolled Products	642	(1,779)	1,186	(934)
Extruded Products	(422)	(1,167)	(413)	(515)
Energy	297	654	1,386	1,887
Other and eliminations	(619)	1,010	(567)	(1,255)
Total	(938)	(3,106)	(1,407)	1,194
EBITDA				
Primary Metal	(392)	255	(1,449)	5,024
Metal Markets	67	(111)	523	473
Rolled Products	764	(1,501)	1,977	(292)
Extruded Products	(258)	(359)	253	808
Energy	327	686	1,501	1,995
Other and eliminations	(467)	1,331	(374)	(896)
Total	41	302	2,432	7,112
Investments ³⁾				
Primary Metal	1,762	1,737	4,416	5,926
Metal Markets	11	71	54	160
Rolled Products	163	309	314	598
Extruded Products	252	364	617	1,382
Energy	136	68	340	164
Other and eliminations	48	199	206	782
Total	2,371	2,749	5,947	9,012

1) Prior period revenues are represented to reflect the change of presentation of the results of certain derivative instruments as described in note 1

Accounting policies.

2) 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.

3) 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 2009			
Primary Metal	(875)	483	(392)
Metal Markets	39	28	67
Rolled Products	642	122	764
Extruded Products	(422)	164	(258)
Energy	297	30	327
Other and eliminations	(619)	152	(467)
Total	(938)	978	41
EBIT - EBITDA Year			
Primary Metal	(3,403)	1,954	(1,449)
Metal Markets	403	119	523
Rolled Products	1,186	792	1,977
Extruded Products	(413)	666	253
Energy	1,386	115	1,501
Other and eliminations	(567)	193	(374)
Total	(1,407)	3,838	2,432

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.

Hydro and Statoil have, in close cooperation with Norwegian and US authorities, concluded their parallel investigations in order to clarify the facts surrounding payments in connection with Hydro's (now Statoil's) operations in Libya and consultancy agreements relating to Hydro's previous international oil and gas operations in relation to applicable anti-corruption regulations. The fact findings of the investigations were submitted and presented to the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim) on 7 October 2008 and to the US authorities in November 2008. Neither of these authorities have found reason to open investigations of the matter.

Note 4: Discontinued operations

Sale of businesses

In May 2007 Hydro's Board of Directors decided to sell the Polymers activities. Contracts to sell the 100 percent owned subsidiary Kerling ASA, with production facilities in Norway, Sweden and the UK, and Hydro's 29.7 percent interest in Qatar Vinyl Company (QVC) were entered into in late May 2007. The transaction was subject to clearance by competition authorities and the sale of the 29.7 percent ownership interest in QVC was subject to pre-emptive rights. The regulatory approval was received on 29 January 2008. The pre-emptive rights in QVC were utilized by Qatar Petroleum. Following these events, the sale of Kerling ASA with subsidiaries to INEOS was completed on 1 February 2008 and the sale of QVC was completed on 18 August 2008.

The Polymers business was reported as Assets held for sale and Discontinued operations as of the end of May 2007, and depreciation ceased from the same date. The results of operations in the disposed businesses were reported separately under the caption Discontinued operations for all prior periods. No interest expense related to loans was allocated to discontinued operations. As of 31 December 2007, the investment was impaired by NOK 120 million.

At completion of the sale of Kerling ASA in the first quarter of 2008, a loss of NOK 430 million was recognized. This included currency translation losses related to translation of foreign subsidiaries included in Other components of equity with

NOK 140 million and a liability related to Hydro's obligation to continued supply of electricity to Polymers' production facilities in Norway at fixed prices. The price for the sale was calculated from the balance sheet at closing. The verification process of the closing accounts resulted in an additional recognized loss of NOK 28 million in the second quarter. There were no tax effects from the sale. Hydro's loss on the sale, after direct sales expenses, was reported as part of Discontinued operations.

The sale of Hydro's shares in QVC resulted in a gain of NOK 124 million including accumulated currency translation effects related to translation of foreign operations in Other components of equity representing a negative effect of NOK 91 million.

Cash flows from discontinued operations were presented separately, and include cash flows from the Polymers activities. Assets in the businesses to be disposed of and the related liabilities were reported as Assets held for sale and Liabilities included in disposal groups, respectively, after the sales decision was made.

The discontinued Polymers activities were previously included as part of Other activities. The following table summarizes the financial information for discontinued operations related to Polymers for the reported periods in 2008.

NOK million	Fourth quarter		Year	
	2009	2008	2009	2008
Revenue	-	-	-	575
Share of the profit in equity accounted investments	-	-	-	33
Other income, net	-	(2)	-	19
Other expenses	-	-	-	(499)
Earnings before financial items and tax (EBIT)	-	(2)	-	129
Financial expense, net	-	-	-	(11)
Income before tax	-	(2)	-	118
Income tax expense	-	-	-	(32)
Income before sale of shares	-	(1)	-	86
Loss from sale of shares	-	-	-	(333)
Loss from discontinued operations	-	(1)	-	(247)
Net cash used in operating activities			-	(150)
Net cash provided by investing activities			-	5,225
Net cash used in financing activities			-	-
Foreign currency effects on cash			-	-
Net cash provided by discontinued operations			-	5,075

Demerger of Hydro in 2007

On 12 March 2007 Hydro's Board of Directors and the Board of Directors of Statoil ASA agreed to a proposed merger of Hydro's petroleum activities (Hydro Petroleum) with Statoil to form StatoilHydro ASA (now Statoil ASA). The agreed economic effective date of the merger was 1 January 2007. From this date, the merged company assumed the risks and rewards of Hydro's petroleum activities. The merger was completed as of 1 October 2007.

Upon the completion of the merger, all assets, rights and obligations of Hydro Petroleum were transferred to Statoil. As a result of the demerger, Hydro's share capital was reduced by 70 percent of the share capital, representing the estimated relative value of the transferred petroleum activities compared to the retained businesses. The total equity reduction amounted to NOK 47,090 million. In accordance with the demerger plan, adjustments to the equity reduction through a different final allocation of assets and/or liabilities may occur relating to the allocation of certain costs and liabilities where amounts are not fully determinable, and following a verification process for the demerger of Hydro. The verification process was concluded

during the first quarter of 2009, and resulted in a reduction in Hydro's equity of NOK 237 million. No payments were made or received.

For additional information related to the demerger see Hydro's Financial statements - 2008 note 7 Discontinued operations and assets held for sale.

Note 5: Impairment

Hydro values inventories at the lower of cost or net realizable value. Metal prices have increased during the quarter, resulting in lower inventory impairments at the end to the fourth quarter compared with previous quarters. At the end of the fourth quarter, total impairment write-down of inventories was NOK 176 million.

An impairment trigger was noted for Hydro's investment in NorSun. The company is still in an early phase and participates in an immature industry. It is substantial uncertainty about future cash flows and the fair value of the investment. Hydro's best estimate of the fair value resulted in an impairment write-down of NOK 135 million recognized in the fourth quarter of 2009.

Oslo, 16 February 2010

Additional information

Return on average Capital Employed (RoACE)

Hydro uses 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.

RoACE is defined as "Earnings after tax" divided by average "Capital Employed." "Earnings after tax" is defined as "Earnings before financial items and tax" less "Adjusted income tax expense." Because RoACE represents the return to the capital providers before dividend and interest payments, adjusted income tax expense excludes the effects of items reported as "Financial income (expense), net". "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.

Return on Average Capital employed - Hydro

NOK million	2009	2008
EBIT	(1 407)	1 194
Adjusted Income tax expense ¹⁾	(175)	(842)
EBIT after tax	(1 581)	352

NOK million	31 December 2009	31 December 2008	31 December 2007
Current assets ²⁾	23 710	35 126	35 499
Property, plant and equipment	25 647	29 338	26 750
Other assets ³⁾	24 150	25 711	17 724
Other current liabilities	(13 032)	(22 175)	(19 331)
Other long-term liabilities ⁴⁾	(15 274)	(17 394)	(16 398)
Capital employed	45 200	50 607	44 244

Return on average Capital Employed (RoaCE) ⁵⁾	2009	2008
Hydro	(3,3) %	0,7 %
Primary Metal	(7,9) %	4,5 %
Metal Markets	8,0 %	7,5 %
Rolled Products	10,1 %	(8,3) %
Extruded Products	(4,2) %	(8,0) %
Energy	21,7 %	28,5 %

1) RoaCE is based on Hydro's effective tax rate excluding financial items. Tax from financial items of NOK 777 million and NOK (1,407) million are excluded from reported figures for 2009 and 2008, respectively.

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

3) Including deferred tax assets.

4) Including provisions for pension and deferred tax liabilities.

5) The business areas' RoaCE is calculated using 30% tax rate. For Energy, a tax rate of 50% is used in 2009 and 45% in 2008.

Financial calendar 2010

27 April	First quarter results
4 May	Annual General Meeting
5 May	Shares trade ex-dividend
7 May	Record date for dividend
27 July	Second quarter results
27 October	Third quarter results
1 December	Capital Markets Day

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

Cautionary note in relation to certain forward-looking statements

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

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

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

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

Norsk Hydro ASA
NO-0240 Oslo
Norway

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

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