



HYDRO

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Fourth quarter
report 2012

About our reporting - discontinued operations

On October 15 Hydro announced an agreement with Orkla ASA to combine their respective extrusion profile, building systems and tubing businesses within a new joint venture company owned 50 percent by each party. This will include all of Hydro's Extruded Products activities. Completion of the transaction is expected to take place in the first half of 2013. See note 4 to the condensed consolidated financial statements later in this report for more information on the agreement.

Following the agreement, operating results for Hydro's Extruded Products are presented net of financial items and tax as Income (loss) from discontinued operations and **excluded from reported EBIT and underlying EBIT**. All prior periods in this report are reclassified accordingly. In addition, depreciation of property, plant and equipment for Extruded Products is excluded from operating results in periods subsequent to the date of the agreement.

Assets and liabilities related to Extruded Products are presented as **assets held for sale** in Hydro's consolidated balance sheet as of December 31, 2012. Assets and liabilities in prior periods have not been reclassified.

Contents

Financial review	3
Overview	3
Market developments and outlook	5
Additional factors impacting Hydro	6
Underlying EBIT	7
Finance	10
Tax	11
Items excluded from underlying EBIT and net income	11
Pro forma information Extruded Products	13
Interim financial statements	14
Condensed consolidated statements of income (unaudited)	14
Condensed consolidated statements of comprehensive income (unaudited)	15
Condensed consolidated balance sheets (unaudited)	16
Condensed consolidated statements of cash flows (unaudited)	17
Condensed consolidated statements of changes in equity (unaudited)	18
Notes to the condensed consolidated financial statements	18
Additional information	23
Return on average Capital Employed (RoACE)	23
Financial calendar 2013	24

Overview

Summary underlying financial and operating results and liquidity

Key financial information	Fourth quarter 2012	Third quarter 2012	% change prior quarter	Fourth quarter 2011	% change prior year quarter	Year 2012	Year 2011
Revenue	15 585	14 722	6 %	17 157	(9) %	64 181	71 500
Earnings before financial items and tax (EBIT)	669	(267)	>100 %	46	>100 %	432	10 068
Items excluded from underlying EBIT	(532)	249	>(100) %	1 176	>(100) %	725	(4 086)
Underlying EBIT	138	(19)	>100 %	1 223	(89) %	1 158	5 982
<i>Underlying EBIT :</i>							
Bauxite & Alumina	(73)	(386)	81 %	159	>(100) %	(791)	887
Primary Metal	53	(10)	>100 %	484	(89) %	314	2 486
Metal Markets	69	7	>100 %	(39)	>100 %	208	441
Rolled Products	71	214	(67) %	86	(17) %	640	673
Energy	322	220	47 %	441	(27) %	1 459	1 883
Other and eliminations	(305)	(64)	>(100) %	92	>(100) %	(672)	(389)
Underlying EBIT	138	(19)	>100 %	1 223	(89) %	1 158	5 982
Underlying EBITDA	1 216	1 114	9 %	2 493	(51) %	5 687	10 497
Underlying income (loss) from continuing operations	58	(37)	>100 %	1 035	(94) %	509	3 947
Underlying income (loss) from discontinued operations	(59)	17	>(100) %	(159)	63 %	(5)	(1)
Underlying net income (loss)	0	(20)	100 %	876	(100) %	504	3 947
Underlying earnings per share	0.00	0.00	-	0.42	(100) %	0.26	1.89
Net income (loss)	113	(231)	>100 %	(749)	>100 %	(1 246)	6 749
Earnings per share	0.07	(0.14)	>100 %	(0.36)	>100 %	(0.61)	3.41
<i>Financial data:</i>							
Investments ¹⁾	1 107	806	37 %	3 907	(72) %	3 382	47 510
Adjusted net interest-bearing debt ²⁾	(8 271)	(13 678)	40 %	(19 895)	58 %	(8 271)	(19 895)

Key Operational information

Alumina production (kmt)	1 397	1 441	(3) %	1 490	(6) %	5 792	5 264
Primary aluminium production (kmt)	485	484	-	539	(10) %	1 985	1 982
Realized aluminium price LME (USD/mt)	1 940	2 022	(4) %	2 439	(20) %	2 080	2 480
Realized aluminium price LME (NOK/mt)	11 069	11 856	(7) %	13 834	(20) %	12 047	13 884
Realized NOK/USD exchange rate	5.71	5.86	(3) %	5.67	1 %	5.79	5.60
Metal products sales, total Hydro (kmt) ³⁾	731	794	(8) %	804	(9) %	3 254	3 303
Rolled Products sales volumes to external market (kmt)	226	228	(1) %	215	5 %	909	929
Power production (GWh)	2 448	2 157	13 %	2 706	(10) %	10 307	9 582

1) Investments exclude amounts relating to Extruded Products for all periods presented. Investments for the full year 2011 include amounts relating to the acquisition of Vale Aluminium amounting to NOK 43,376 million for the full year 2011.

2) See note 35 Capital Management in Hydro's Financial statements - 2011 for a discussion of the definition of adjusted interest bearing debt. From the third quarter 2012, net interest bearing debt in equity accounted investments is excluded from our reported adjusted interest bearing debt following the termination of Hydro's guarantee of Qatalum debt.

3) Sales from casthouses (incl. Neuss), remelters and third party sources.

Hydro's underlying earnings before financial items and tax amounted to NOK 138 million in the fourth quarter up from an underlying loss of NOK 19 million in the previous quarter.

Bauxite & Alumina underlying EBIT improved compared to the third quarter due to higher alumina prices and lower energy costs for Alunorte together with higher results from commercial operations.

Underlying EBIT for Primary Metal improved compared to the third quarter mainly due to better results in Qatalum. Lower realized aluminium prices had a negative effect on underlying EBIT, partly offset by lower operating costs. Savings targeted for Hydro's cost improvement program were achieved for the year.

Excluding inventory and currency effects, underlying results for Hydro's Metal Markets operations declined mainly due to lower volumes and margins together with lower results from sourcing and trading operations.

Underlying EBIT for Rolled Products declined compared with the third quarter impacted by lower margins and seasonally higher maintenance costs.

Underlying EBIT for Energy increased in the quarter due to seasonally higher production and prices.

Other and eliminations includes a significant negative charge related to elimination of unrealized gains and losses on internal inventories.

Operating cash flow was NOK 2.8 billion for the quarter. Net cash used for investment activities amounted to NOK 1.0 billion. Hydro's net cash position was around NOK 1.7 billion at the end of the fourth quarter.

For the full year 2012, underlying EBIT declined substantially to NOK 1,158 million from NOK 5,982 million in 2011. Lower aluminium and alumina prices had a significant effect on underlying results for the year. Ongoing efforts to reduce costs and improve operations partly offset the negative market effects.

On October 15 Hydro announced an agreement with Orkla ASA to combine their respective extrusion profile, building systems and tubing businesses within a new joint venture company to be named Sapa. Completion of the transaction is expected to take place in the first half of 2013 following approval by the relevant competition authorities.

Hydro's Board of Directors proposes to pay a dividend of NOK 0.75 per share for 2012 reflecting the company's strong commitment to provide a cash return to its shareholders. The dividend reflects our operational performance for 2012 and a strong financial position, also taking into consideration the uncertain market outlook.

Reported EBIT and net income

Earnings before financial items and tax amounted to NOK 669 million in the fourth quarter including net unrealized derivative gains and positive metal effects of NOK 555 million and other items amounting to negative NOK 23 million.

In the previous quarter, Hydro incurred a reported loss before financial items and tax of NOK 267 million including net unrealized derivative losses and negative metal effects of NOK 137 million and other items amounting to negative NOK 112 million. Other items included impairments of non current assets of NOK 140 million and a gain of NOK 68 million relating to pensions.

Income from continuing operations amounted to NOK 364 million in the fourth quarter including net foreign exchange loss of NOK 102 million. In the previous quarter, Hydro incurred a net loss from continuing operations of NOK 64 million including net foreign exchange gains of NOK 282 million.

Loss from discontinued operations amounted to NOK 251 million in the quarter including rationalization and closure costs of NOK 174 million. In the third quarter, loss from discontinued operations amounted to NOK 167 million including rationalization and closure costs of NOK 43 million and a loss on disposal of Portalex amounting to NOK 144 million.

Market developments and outlook

Market statistics ¹⁾	Fourth quarter 2012	Third quarter 2012	% change prior quarter	Fourth quarter 2011	% change prior year	Year 2012	Year 2011
NOK/USD Average exchange rate	5.68	5.91	(4) %	5.76	(1) %	5.82	5.61
NOK/USD Balance sheet date exchange rate	5.57	5.70	(2) %	5.99	(7) %	5.57	5.99
NOK/EUR Average exchange rate	7.37	7.39	-	7.76	(5) %	7.47	7.79
NOK/EUR Balance sheet date exchange rate	7.34	7.37	-	7.75	(5) %	7.34	7.75
<i>Bauxite & Alumina:</i>							
Alumina price - Platts PAX FOB Australia (USD/t)	327	315	4 %	331	(1) %	319	375
Global production of alumina (kmt)	23 811	23 527	1 %	23 080	3 %	93 528	90 374
Global production of alumina (ex. China) (kmt)	13 685	13 829	(1) %	13 824	-	54 761	53 940
<i>Primary Metal and Metal Markets:</i>							
LME three month average (USD/mt)	2 017	1 945	4 %	2 110	(4) %	2 050	2 420
LME three month average (NOK/mt)	11 458	11 482	-	12 134	(6) %	11 908	13 539
Global production of primary aluminium (kmt)	12 053	11 823	2 %	11 728	3 %	47 067	45 580
Global consumption of primary aluminium (kmt)	11 823	11 789	-	11 048	7 %	46 613	44 883
Global production of primary aluminium (ex. China) (kmt)	6 445	6 399	1 %	6 700	(4) %	25 694	26 370
Global consumption of primary aluminium (ex. China) (kmt)	6 339	6 500	-	6 159	3 %	25 718	25 488
Reported primary aluminium inventories (kmt)	8 173	7 893	4 %	7 445	10 %	8 173	7 445
<i>Rolled Products:</i>							
Consumption Rolled Products - Europe (kmt)	927	1 050	(12) %	921	1 %	4 101	4 292
Consumption Rolled Products - USA & Canada (kmt)	961	1 066	(10) %	947	1 %	4 174	4 139
<i>Energy:</i>							
Southern Norway spot price (NO2) (NOK/MWh)	268	131	>100 %	259	3 %	218	360
Nordic system spot price (NOK/MWh)	275	154	79 %	265	4 %	234	367

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.

Bauxite and alumina

The global alumina market was balanced at the end of 2012 supported by supply disruptions, mainly in India. The market is expected to remain balanced in 2013. Chinese alumina imports for 2012 amounted to 5 million mt, up from 1.9 million mt in 2011, driven by favorable price differentials and limited bauxite availability.

Indonesian bauxite exports to China increased in the quarter following removal of the temporary export restrictions imposed in May 2012. China imported about 40 million mt of bauxite in 2012, of which roughly 70 percent came from Indonesia.

Platts Alumina spot prices increased somewhat during the fourth quarter, from USD 325 per mt to USD 333 per mt.¹⁾ Prices ranged between 15.2 and 17.1 percent of LME due to the volatile LME.

1) 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.

Primary aluminium

LME prices declined in the beginning of the fourth quarter to a level of around USD 1,900 per mt. Prices increased in December reaching around USD 2,100 per mt at the end of the year. Average prices increased compared to the third quarter.

Global demand for primary aluminium (excluding China) was seasonally lower compared to the third quarter. Annualized consumption amounted to 25.1 million mt. Corresponding supply increased somewhat due to the ramp-up of disrupted capacity that was restarted in the previous quarter. Annualized production amounted to 25.6 million mt in the fourth quarter. Global demand (excluding China) is expected to grow by 2-4 percent in 2013.

In China, aluminium consumption and production increased in the fourth quarter compared to the third quarter amounting to 21.8 million mt and 22.2 million mt respectively on an annualized basis.

LME stocks increased slightly to 5.2 million mt at the end of the fourth quarter compared with 5.1 million mt in the previous quarter. A large portion of the metal in warehouses continues to be owned by several large financial investors.

In the fourth quarter, demand for extrusion ingot and foundry alloys in Europe softened further due to weaker underlying demand, year end stock reductions at customer warehouses and seasonal declines. European demand for sheet ingot was stable in the fourth quarter compared to the same quarter 2011. Demand for wire rod remained strong.

Rolled products

European demand for rolled products declined in the fourth quarter of 2012 compared to the previous quarter mainly due to seasonality. Compared to the same quarter in the previous year, demand was stable.

Demand in the automotive segment declined compared to the third quarter due to further reductions in production of cars with high aluminium content as well as extended maintenance shutdowns. Consumption in the building and construction segment was seasonally lower but also impacted by a further weakening in Southern European markets. Demand for foil was stable. Market demand in the general engineering and beverage can segments was seasonally lower.

Demand for flat rolled products in Europe is expected to be seasonally higher in the first quarter of 2013 but to remain weak.

Energy

Nordic spot prices were stable during most of the quarter but increased in December due to very cold temperatures. Reservoir inflows stabilized resulting in a normalized hydrological balance towards the end of the quarter. Reservoir levels have been impacted by continued cold and dry weather since the end of the quarter. However, decreasing coal and CO₂ prices combined with weak German power prices are expected to limit the potential for further price increases.

The Nordic hydrological balance was 13 TWh lower than at the end of the third quarter. Water reservoir levels in Norway were about 70 percent of full capacity at the end of the quarter, which is slightly below normal.

Additional factors impacting Hydro

Hydro has sold forward around 60 percent of its expected primary aluminium production for the first quarter of 2013 at a price level of around USD 2,050 per mt.¹⁾ This excludes volumes from Qatalum.

1) From February 2013 we have changed our pricing formula for metal sales. Prices are now fixed mainly one month prior to production. As a result, and due to the hedging of product inventories, Hydro's realized aluminium prices lag LME spot prices by around 1.5 to 2 months.

Underlying EBIT

Bauxite & Alumina

Operational and financial information	Fourth quarter 2012	Third quarter 2012	% change prior quarter	Fourth quarter 2011	% change prior year quarter	Year 2012	Year 2011
Underlying EBIT (NOK million)	(73)	(386)	81 %	159	>(100) %	(791)	887
Underlying EBITDA (NOK million)	336	42	>100 %	609	(45) %	959	2 480
Alumina production (kmt)	1 397	1 441	(3) %	1 490	(6) %	5 792	5 264
Sourced alumina (kmt)	335	399	(16) %	418	(20) %	1 390	1 958
Total alumina sales (kmt)	1 880	1 683	12 %	1 956	(4) %	7 227	7 278
Realized alumina price (USD/mt) ¹⁾	285	270	6 %	306	(7) %	286	333
Apparent alumina cash cost (USD/mt) ²⁾	239	261	(8) %	261	(8) %	259	266
Bauxite production (kmt) ³⁾	2 378	2 439	(3) %	2 317	3 %	9 221	7 104
Sourced bauxite (kmt) ⁴⁾	2 543	2 166	17 %	2 073	23 %	8 692	7 435

1) Weighted average of own production and third party contracts, excluding hedge results. The majority of the alumina is sold linked to LME prices with a one month delay.

2) Calculated 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.

3) Paragominas on wet basis.

4) 40 percent MRN off take from Vale and 5 percent Hydro share on wet basis.

Underlying EBIT for Bauxite & Alumina improved compared to the third quarter primarily due to higher LME linked alumina prices and lower energy costs for Alunorte together with higher results from commercial operations.

Bauxite production at Paragominas was stable and close to the record volumes achieved in the third quarter. Production costs for Alunorte improved mainly due to lower energy costs. The reduction in energy costs was driven by the State of Para's decision to reinstate the ICMS tax exemption on fuel oil as of October 1. Underlying results for our commercial operations improved significantly as margins increased compared to the previous quarter.

Underlying EBIT decreased compared with the fourth quarter of 2011, primarily due to lower LME linked alumina prices and somewhat lower volumes.

Underlying EBIT for the year 2012 decreased significantly compared to 2011, primarily due to lower LME linked alumina prices and the impact of ICMS on fuel oil in the period from March until October 2012.

Primary Metal

Operational and financial information ¹⁾	Fourth quarter 2012	Third quarter 2012	% change prior quarter	Fourth quarter 2011	% change prior year quarter	Year 2012	Year 2011
Underlying EBIT (NOK million)	53	(10)	>100 %	484	(89) %	314	2 486
Underlying EBITDA (NOK million)	522	476	10 %	1 097	(52) %	2 311	4 671
Realized aluminium price LME (USD/mt) ²⁾	1 940	2 022	(4) %	2 439	(20) %	2 080	2 480
Realized aluminium price LME (NOK/mt) ²⁾	11 069	11 856	(7) %	13 834	(20) %	12 047	13 884
Realized premium above LME (USD/mt) ³⁾	318	296	7 %	309	3 %	298	333
Realized premium above LME (NOK/mt) ³⁾	1 814	1 733	5 %	1 754	3 %	1 726	1 866
Realized NOK/USD exchange rate	5.71	5.86	(3) %	5.67	1 %	5.79	5.60
Primary aluminium production (kmt)	485	484	-	539	(10) %	1 985	1 982
Casthouse production (kmt)	512	548	(7) %	613	(16) %	2 248	2 463
Casthouse sales (kmt)	495	548	(10) %	584	(15) %	2 266	2 451

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

2) Including effect of strategic LME hedges (hedge accounting applied). Realized aluminium prices lag the LME price developments by approximately 1.5 - 2 months.

3) Average realized premium above LME for casthouse sales from Primary Metal.

	Fourth quarter 2012	Third quarter 2012	Year 2012
Operational and financial information Qatalum (50%)			
Revenue (NOK million)	1 034	1 075	4 292
Underlying EBIT (NOK million)	4	(79)	(22)
Underlying EBITDA (NOK million)	250	179	998
Underlying Net income (loss) (NOK million)	(39)	(129)	(217)
Primary aluminium production (kmt)	76	76	302
Casthouse sales (kmt)	81	82	320

Underlying EBIT for Primary Metal improved compared to the third quarter mainly due to better results in Qatalum. Lower realized aluminium prices had a negative effect on underlying EBIT, partly offset by lower operating costs.

Realized aluminium prices declined during the quarter. Sales volumes were seasonally lower and also influenced by reduced casthouse production following the curtailment of casthouses in Kurri Kurri in Australia and in Årdal in Norway. Raw material costs declined due to lower alumina, power and carbon costs. Fixed costs were stable.

Initiatives relating to our USD 300 per mt cost improvement program continued during the quarter. Targeted savings of USD 235 per mt were achieved by the end of 2012.

Hydro's share of underlying results for Qatalum improved during the quarter due to higher realized aluminium prices and lower energy costs following the resumption of normal operations of the power plant at the site in November.

Underlying EBIT for Primary Metal declined substantially compared to the fourth quarter of 2011 impacted by significantly lower realized aluminium prices and reduced sales volumes. Lower carbon costs had a positive impact on underlying results for the quarter.

Underlying EBIT for 2012 also declined significantly compared with last year, impacted mainly by the same factors discussed above.

Metal Markets

Operational and financial information	Fourth quarter 2012	Third quarter 2012	% change prior quarter	Fourth quarter 2011	% change prior year quarter	Year 2012	Year 2011
Underlying EBIT (NOK million)	69	7	>100 %	(39)	>100 %	208	441
Currency effects ¹⁾	4	(47)	>100 %	(119)	>100 %	(145)	(34)
Ingot inventory valuation effects ²⁾	25	(49)	>100 %	-	-	(24)	71
Underlying EBIT excl. currency and ingot inventory effects	40	104	(61) %	80	(49) %	377	404
Underlying EBITDA (NOK million)	91	32	>100 %	(13)	>100 %	306	542
Remelt production (kmt)	119	136	(13) %	131	(9) %	548	565
Metal products sales excluding ingot trading (kmt) ³⁾	661	717	(8) %	717	(8) %	2 941	2 902
Hereof external sales (kmt)	567	610	(7) %	617	(8) %	2 469	2 301

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

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

3) Includes external and internal sales from primary casthouse operations, remelters and third party metal sources. Volumes from Albras casthouse (51 percent) as of March 1, 2011.

Underlying EBIT for Metal Markets increased compared to the previous quarter impacted by positive ingot inventory valuation and currency effects. Excluding currency and ingot inventory valuation effects, underlying EBIT declined mainly due to lower volumes and margins together with lower results from sourcing and trading activities.

Underlying EBIT improved from a loss in the fourth quarter of the previous year which included significant negative currency effects.

For 2012, underlying EBIT declined, impacted by significant negative currency and ingot inventory effects compared to the previous year. Excluding inventory and currency effects, underlying EBIT decreased somewhat mainly due to lower sales volumes.

Rolled Products

Operational and financial information ¹⁾	Fourth quarter 2012	Third quarter 2012	% change prior quarter	Fourth quarter 2011	% change prior year quarter	Year 2012	Year 2011
Underlying EBIT (NOK million)	71	214	(67) %	86	(17) %	640	673
Underlying EBITDA (NOK million)	190	325	(41) %	211	(10) %	1 093	1 126
Sales volumes to external market (kmt)	226	228	(1) %	215	5 %	909	929

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

Foil	29	30	(4) %	27	6 %	117	121
Can beverage	54	50	8 %	49	10 %	200	188
Other packaging and building	19	16	19 %	19	(2) %	74	85
Automotive, heat exchanger	25	27	(6) %	31	(18) %	110	134
General engineering	56	57	(1) %	48	16 %	226	236
Lithography	43	49	(12) %	40	6 %	181	165
Rolled Products	226	228	(1) %	215	5 %	909	929

1) Rolled Products incurs currency gains and losses on export sales from its Euro based operations mainly denominated in US dollars. These gains and losses impact the value of the margin contribution to underlying EBIT. Offsetting gains and losses on internal hedges are reported as financial items.

Underlying EBIT for Rolled Products declined compared with the third quarter impacted by lower margins and higher operating costs.

Margins declined due to negative currency effects on export sales, higher raw material costs and a change in the mix of products delivered to customers. Operating costs increased, influenced by seasonally higher maintenance activities. Overall sales volumes were stable.

Compared to the fourth quarter in 2011, underlying EBIT was somewhat lower, impacted by higher operating costs partly offset by increased sales volumes.

Underlying EBIT for 2012 declined somewhat compared to the previous year. Positive currency effects on export sales had a significant positive impact on underlying results, offset however, by lower sales volumes and higher costs.

Energy

Operational and financial information	Fourth quarter 2012	Third quarter 2012	% change prior quarter	Fourth quarter 2011	% change prior year quarter	Year 2012	Year 2011
Underlying EBIT (NOK million)	322	220	47 %	441	(27) %	1 459	1 883
Underlying EBITDA (NOK million)	363	250	45 %	484	(25) %	1 588	2 018
Direct production costs (NOK million) ¹⁾	130	104	25 %	119	9 %	493	468
Power production (GWh)	2 448	2 157	13 %	2 706	(10) %	10 307	9 582
External power sourcing (GWh)	2 159	2 214	(2) %	2 258	(4) %	8 608	8 675
Internal contract sales (GWh)	3 164	3 163	-	3 202	(1) %	12 500	12 446
External contract sales (GWh)	343	219	57 %	332	3 %	1 164	1 187
Net spot sales (GWh)	1 099	989	11 %	1 430	(23) %	5 251	4 624

1) Includes maintenance and operational costs, transmission costs, property taxes and concession fees for Hydro as operator.

Underlying EBIT for Energy increased in the fourth quarter compared to the previous quarter due to seasonally higher production and prices, partly offset by higher maintenance costs.

Underlying EBIT for Energy declined compared to the corresponding quarter of 2011 due to lower production partly offset by higher realized prices.

Underlying EBIT for 2012 decreased compared to 2011 due to significantly lower prices partly offset by higher production.

Other and eliminations

Other and eliminations NOK million	Fourth quarter 2012	Third quarter 2012	% change prior quarter	Fourth quarter 2011	% change prior year quarter	Year 2012	Year 2011
Underlying EBIT	(305)	(64)	>(100) %	92	>(100) %	(672)	(389)
<i>of which eliminations</i>	(151)	90	>(100) %	250	>(100) %	(50)	190

Eliminations comprises mainly unrealized gains and losses on inventories purchased from group companies which fluctuates with product flows, volumes and margin developments throughout Hydro's value chain.

Finance

Financial income (expense) NOK million	Fourth quarter 2012	Third quarter 2012	% change prior quarter	Fourth quarter 2011	% change prior year quarter	Year 2012	Year 2011
Interest income	86	60	43 %	106	(19)%	286	256
Dividends received and net gain (loss) on securities	51	47	10 %	17	>100%	133	(53)
Financial income	138	107	28 %	123	12 %	418	203
Interest expense	(111)	(102)	(8)%	(80)	(38)%	(393)	(348)
Capitalized interest	14	-	>100%	(4)	>100%	15	1
Net foreign exchange gain (loss)	(102)	282	>(100)%	(27)	>(100)%	(280)	(963)
Other	(20)	(36)	44 %	(25)	19 %	(108)	(141)
Financial expense	(219)	144	>(100)%	(136)	(61)%	(766)	(1 451)
Financial income (expense), net	(82)	251	>(100)%	(13)	>(100)%	(348)	(1 248)

The net currency loss for the fourth quarter related primarily to intercompany financial balances.

Tax

Income tax expense amounted to NOK 224 million for the fourth quarter of 2012 or about 38 percent of income before tax.

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.

Items excluded from underlying net income ¹⁾	Fourth quarter 2012	Third quarter 2012	Fourth quarter 2011	Year 2012	Year 2011
NOK million					
Unrealized derivative effects on LME related contracts ²⁾	(346)	266	338	(109)	402
Derivative effects on LME related contracts (Vale Aluminium) ³⁾	-	-	5	-	(74)
Unrealized derivative effects on power and raw material contracts ⁴⁾	(168)	(182)	37	(937)	(153)
Metal effect, Rolled Products ⁵⁾	(41)	53	134	64	7
Significant rationalization charges and closure costs ⁶⁾	151	32	37	617	97
Impairment charges (PP&E and equity accounted investments) ⁷⁾	(109)	140	1 091	1 215	1 147
(Gains)/losses on divestments ⁸⁾	(19)	6	(465)	(57)	(1 184)
Transaction related effects (Vale Aluminium) ⁹⁾	-	-	-	-	(4 328)
Other effects ¹⁰⁾	-	(68)	-	(68)	-
Items excluded from underlying EBIT	(532)	249	1 176	725	(4 086)
Net foreign exchange (gain)/loss ¹¹⁾	102	(282)	27	280	963
Calculated income tax effect ¹²⁾	124	63	(22)	222	(179)
Items excluded from continuing operations	(306)	30	1 181	1 227	(3 301)
Items excluded from discontinued operations	193	184	444	523	500
Items excluded from underlying net income	(113)	214	1 625	1 750	(2 801)

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 raw material and power contracts for own use and financial power contracts used for hedging purposes, as well as financial power contracts in equity accounted investments and elimination of changes in fair value of embedded derivatives within certain internal power contracts.

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 Rolled Products.

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, etc.

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

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

9) Effects related to the acquisition of Vale Aluminium on February 28, 2011 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.

10) Other effects include recognition of pension plan amendments and related curtailments and settlements, etc.

11) 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.

12) In order to present underlying net income on a basis comparable with our underlying operating performance, we have calculated an income tax effect of items excluded from underlying income before tax. In addition, we have adjusted for the write-down of deferred tax assets in fourth quarter of 2011.

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.

Items excluded from underlying EBIT ¹⁾	Fourth quarter 2012	Third quarter 2012	Fourth quarter 2011	Year 2012	Year 2011
NOK million					
Unrealized derivative effects on currency contracts (Alunorte)	-	-	-	-	(1)
Derivative effects on LME related contracts (Vale Aluminium)	-	-	3	-	(72)
Unrealized derivative effects on LME related contracts	(11)	1	-	(8)	-
Transaction related effects (Vale Aluminium)	-	-	-	-	(4 421)
(Gains)/losses on divestments	-	-	(465)	-	(465)
Bauxite & Alumina	(11)	1	(461)	(8)	(4 959)
Derivative effects on LME related contracts (Vale Aluminium)	-	-	1	-	(1)
Unrealized derivative effects on LME related contracts (Søral)	-	-	3	-	(3)
Unrealized derivative effects on LME related contracts	(151)	220	165	98	(143)
Unrealized derivative effects on power contracts (Søral)	2	(1)	7	15	43
Unrealized derivative effects on power contracts	61	(221)	56	(240)	139
Unrealized derivative effects on raw material contracts	10	13	6	40	43
Impairment charges	(110)	-	970	1 045	970
Impairment charges (Qatalum)	-	-	-	30	-
Rationalization charges and closure costs	134	32	37	600	80
Transaction related effects (Vale Aluminium)	-	-	-	-	93
Primary Metal	(54)	44	1 244	1 588	1 221
Unrealized derivative effects on LME related contracts	(126)	177	148	11	(16)
Impairment charges	-	77	-	76	-
(Gains)/losses on divestments	(15)	-	-	(15)	-
Metal Markets	(141)	254	148	73	(16)
Unrealized derivative effects on LME related contracts	(27)	(179)	1	(232)	584
Metal effect	(41)	53	134	64	7
Rationalization charges and closure costs	17	-	-	17	17
Rolled Products	(51)	(126)	135	(151)	608
Unrealized derivative effects on power contracts	(1)	2	(7)	11	(8)
(Gains)/losses on divestments	-	-	-	-	(658)
Energy	(1)	2	(7)	11	(667)
Unrealized derivative effects on power contracts	(239)	24	(25)	(764)	(370)
Unrealized derivative effects on LME related contracts	(32)	48	22	22	(20)
Impairment charges	1	63	121	64	177
Pension	-	(68)	-	(68)	-
(Gains)/losses on divestments	(4)	6	-	(42)	(60)
Other and eliminations ²⁾	(274)	74	118	(788)	(273)
Items excluded from underlying EBIT	(532)	249	1 176	725	(4 086)

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

2) Unrealized derivative effects on power contracts and LME related contracts result from elimination of changes in the valuation of embedded derivatives within certain internal power contracts and elimination of changes in the valuation of certain internal aluminium contracts.

Pro forma information Extruded Products

Operational and financial information	Fourth quarter 2012	Third quarter 2012	% change prior quarter	Fourth quarter 2011	% change prior year quarter	Year 2012	Year 2011
Earnings before financial items and tax (EBIT)	(261)	(147)	(78) %	(408)	36 %	(493)	(240)
Items excluded from underlying EBIT	187	174	7 %	318	(41) %	513	391
Underlying EBIT (NOK million)	(75)	27	>(100) %	(90)	17 %	20	151
Underlying EBITDA (NOK million)	30	151	(80) %	31	(3) %	471	655
Sales volumes to external market (kmt)	112	125	(10) %	121	(7) %	508	536

European demand for extruded aluminium products remained weak compared to the previous quarter and was also impacted by further seasonal declines. Compared to the same quarter of 2011, European consumption declined by 7 percent. Weak demand in Europe is expected to continue in the first quarter of 2013.

Extruded Products incurred an underlying loss in the fourth quarter mainly driven by the weak markets and seasonally lower sales volumes. Increased margins and operating cost reductions partly offset the negative market effects.

Compared to the fourth quarter of 2011, underlying EBIT improved despite lower sales volumes. The positive development was mainly due to lower costs as a result of the significant improvement efforts undertaken throughout the year. Efforts to reduce costs and improve operating results will continue.

Underlying EBIT for 2012 declined compared to 2011, heavily impacted by the weakening European markets.

Reconciliation of Income from discontinued operations to Underlying EBIT for Extruded Products

Reconciliation of income from discontinued operations to underlying EBIT NOK million	Fourth quarter 2012	Third quarter 2012	% change prior quarter	Fourth quarter 2011	% change prior year quarter	Year 2012	Year 2011
Income (loss) from discontinued operations	(251)	(167)	(50) %	(603)	58 %	(528)	(502)
Items excluded for discontinued operations, net of tax	193	184	5 %	444	(57) %	523	500
Underlying Income (loss) from discontinued operations	(59)	17	>(100) %	(159)	63 %	(5)	(1)
Adjustment for depreciation, financial items and tax	(16)	10	>(100) %	69	>(100) %	25	151
Proforma Underlying EBIT Extruded Products	(75)	27	>(100) %	(90)	17 %	20	151

Interim financial statements

Condensed consolidated statements of income (unaudited)

NOK million, except per share data	Fourth quarter		Year	
	2012	2011	2012	2011
Revenue	15 585	17 157	64 181	71 500
Share of the profit (loss) in equity accounted investments	(96)	(166)	(453)	(276)
Other income, net	257	613	853	6 147
Total revenue and income	15 746	17 604	64 580	77 371
Raw material and energy expense	9 866	10 233	41 559	42 753
Employee benefit expense	1 811	1 845	7 593	7 150
Depreciation, amortization and impairment	951	2 229	5 544	5 416
Other expenses	2 449	3 250	9 453	11 984
Total expenses	15 077	17 557	64 148	67 304
Earnings before financial items and tax (EBIT)	669	46	432	10 068
Financial income	138	123	418	203
Financial expense	(219)	(136)	(766)	(1 451)
Financial income (expense), net	(82)	(13)	(348)	(1 248)
Income from continuing operations before tax	587	33	85	8 819
Income taxes	(224)	(179)	(803)	(1 569)
Income (loss) from continuing operations	364	(147)	(718)	7 251
Income (loss) from discontinued operations	(251)	(603)	(528)	(502)
Net income (loss)	113	(749)	(1 246)	6 749
Net income (loss) attributable to minority interests	(31)	(10)	(13)	44
Net income (loss) attributable to Hydro shareholders	144	(739)	(1 233)	6 705
Basic and diluted earnings per share from continuing operations (in NOK) ^{1) 2)}	0.19	(0.07)	(0.35)	3.67
Basic and diluted earnings per share from discontinued operations (in NOK) ¹⁾	(0.12)	(0.30)	(0.26)	(0.26)
Basic and diluted earnings per share attributable to Hydro shareholders (in NOK) ¹⁾	0.07	(0.36)	(0.61)	3.41
Weighted average number of outstanding shares (million)	2 038	2 036	2 037	1 965

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

2) Calculated using Income (loss) from continuing operations less Net income (loss) attributable to minority interests. There are no material 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	
	2012	2011	2012	2011
Net income	113	(749)	(1 246)	6 749
Other comprehensive income				
Currency translation differences, net of tax	(1 241)	1 375	(8 234)	(3 264)
Unrealized gain (loss) on securities, net of tax	(120)	(284)	(49)	(259)
Cash flow hedges, net of tax	(129)	(88)	(137)	58
Share of other comprehensive income in equity accounted investments, net of tax	34	(4)	(47)	(289)
Other comprehensive income	(1 456)	999	(8 468)	(3 754)
Total comprehensive income	(1 343)	249	(9 714)	2 995
Total comprehensive income attributable to minority interests	(192)	223	(962)	(272)
Total comprehensive income attributable to Hydro shareholders	(1 152)	26	(8 752)	3 267

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	December 31	
	2012	2011
Assets		
Cash and cash equivalents	7 034	8 365
Short-term investments	4 343	1 780
Accounts receivables	8 761	13 217
Inventories	9 685	14 157
Other current assets	336	666
Total current assets	30 159	38 185
Assets held for sale	9 435	-
Property, plant and equipment	52 208	64 192
Intangible assets	5 716	7 930
Investments accounted for using the equity method	10 295	11 442
Prepaid pension	1 660	1 596
Other non-current assets	7 080	9 208
Total non-current assets	76 959	94 368
Total assets	116 552	132 554
Liabilities and equity		
Bank loans and other interest-bearing short-term debt	5 956	4 248
Trade and other payables	8 336	12 316
Other current liabilities	3 230	4 653
Total current liabilities	17 522	21 216
Liabilities included in disposal groups	3 394	-
Long-term debt	3 674	4 190
Provisions	3 091	3 331
Pension obligation	8 511	9 099
Deferred tax liabilities	3 427	5 325
Other non-current liabilities	3 089	4 225
Total non-current liabilities	21 792	26 170
Total liabilities	42 709	47 386
Equity attributable to Hydro shareholders	68 009	78 180
Minority interest	5 835	6 988
Total equity	73 843	85 168
Total liabilities and equity	116 552	132 554
Total number of outstanding shares (million)	2 038	2 036

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

Condensed consolidated statements of cash flows (unaudited)

NOK million	Year	
	2012	2011
Operating activities		
Net income (loss)	(1 246)	6 749
Loss from discontinued operations	528	502
Depreciation, amortization and impairment	5 544	5 416
Other adjustments	608	(5 235)
Net cash provided by continuing operating activities	5 434	7 432
Investing activities		
Purchases of property, plant and equipment	(3 256)	(3 386)
Purchases of other long-term investments	(158)	(6 302)
Purchases of short-term investments	(3 050)	-
Proceeds from sales of property, plant and equipment	73	92
Proceeds from sales of other long-term investments	99	1 302
Net cash used in continuing investing activities	(6 292)	(8 294)
Financing activities		
Loan proceeds	9 552	3 668
Principal repayments	(6 815)	(2 873)
Net increase (decrease) in other short-term debt	(492)	130
Proceeds from shares issued	72	88
Dividends paid	(1 741)	(1 781)
Net cash provided by (used in) continuing financing activities	576	(768)
Foreign currency effects on cash and bank overdraft	(344)	(134)
Net cash used in discontinued operations	(318)	(627)
Net decrease in cash, cash equivalents and bank overdraft	(944)	(2 391)
Cash, cash equivalents and bank overdraft classified as assets held for sale	(367)	-
Cash, cash equivalents and bank overdraft at beginning of period	8 344	10 735
Cash, cash equivalents and bank overdraft at end of period	7 033	8 344

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		Total equity
						shareholders	Minority interests	
January 1, 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
Treasury shares reissued to employees		11	28			39		39
Dividends				(1 527)		(1 527)	(314)	(1 841)
Minority interest recognized at acquisition of subsidiaries							6 470	6 470
Capital contribution in subsidiaries							78	78
Transactions with minority holders				(1)		(1)	1	-
Total comprehensive income for the period				6 705	(3 438)	3 267	(272)	2 995
December 31, 2011	2 272	29 056	(1 084)	51 792	(3 856)	78 180	6 988	85 168
<i>Changes in equity for 2012</i>								
Treasury shares reissued to employees			37			37		37
Dividends				(1 528)		(1 528)	(240)	(1 768)
Capital contribution in subsidiaries							128	128
Transactions with minority holders				71		71	(71)	-
Equity interests sold							(8)	(8)
Total comprehensive income for the period				(1 233)	(7 519)	(8 752)	(962)	(9 714)
December 31, 2012	2 272	29 056	(1 047)	49 102	(11 374)	68 009	5 835	73 843

Hydro's ownership interest in Alunorte has increased to 92 percent through a share issue in the fourth quarter.

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 - 2011.

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 - 2011 that are a part of Hydro's Annual Report - 2011.

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 - 2011 note 7 Operating and geographic segment information for a description of Hydro's management model and segments, including a description of Hydro's segment measures and accounting principles used for segment reporting.

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

NOK million	Fourth quarter		Year	
	2012	2011	2012	2011
Total revenue				
Bauxite & Alumina	3 465	3 790	13 265	14 471
Primary Metal	5 485	7 711	26 690	34 720
Metal Markets	8 666	10 568	39 931	48 725
Rolled Products	4 885	4 906	20 080	21 297
Energy	1 240	1 461	4 691	6 393
Other and eliminations	(8 157)	(11 279)	(40 476)	(54 106)
Total	15 585	17 157	64 181	71 500
External revenue				
Bauxite & Alumina	2 367	2 357	8 459	8 595
Primary Metal	1 043	1 210	4 479	4 462
Metal Markets	6 675	7 977	28 960	33 363
Rolled Products	4 846	4 895	20 000	21 392
Energy	586	666	2 095	3 424
Other and eliminations	68	52	187	264
Total	15 585	17 157	64 181	71 500
Internal revenue				
Bauxite & Alumina	1 098	1 433	4 806	5 876
Primary Metal	4 442	6 501	22 210	30 258
Metal Markets	1 992	2 591	10 971	15 362
Rolled Products	39	11	80	(95)
Energy	654	795	2 595	2 969
Other and eliminations	(8 225)	(11 331)	(40 663)	(54 369)
Total	-	-	-	-
Share of the profit (loss) in equity accounted investments				
Bauxite & Alumina	-	1	-	6
Primary Metal	(74)	(17)	(324)	13
Metal Markets	1	1	-	-
Rolled Products	(21)	(19)	(67)	(76)
Energy	-	-	(2)	15
Other and eliminations	(2)	(132)	(61)	(235)
Total	(96)	(166)	(453)	(276)

NOK million	Fourth quarter		Year	
	2012	2011	2012	2011
Depreciation, amortization and impairment				
Bauxite & Alumina	409	450	1 750	1 580
Primary Metal	356	1 577	3 026	3 136
Metal Markets	22	26	174	101
Rolled Products	106	111	401	399
Energy	41	43	129	132
Other and eliminations	17	21	63	69
Total	951	2 229	5 544	5 416
Earnings before financial items and tax (EBIT) ¹⁾				
Bauxite & Alumina	(62)	620	(783)	5 846
Primary Metal	107	(760)	(1 275)	1 265
Metal Markets	210	(187)	135	457
Rolled Products	122	(49)	791	66
Energy	323	448	1 448	2 550
Other and eliminations	(31)	(25)	116	(116)
Total	669	46	432	10 068
EBITDA				
Bauxite & Alumina	347	1 070	967	7 438
Primary Metal	467	822	1 768	4 421
Metal Markets	232	(161)	309	557
Rolled Products	241	76	1 245	519
Energy	364	491	1 577	2 685
Other and eliminations	(14)	109	218	109
Total	1 637	2 407	6 083	15 730
Investments ²⁾				
Bauxite & Alumina ³⁾	476	4 365	1 430	36 865
Primary Metal ³⁾	326	1 764	1 023	9 505
Metal Markets	19	51	37	103
Rolled Products	167	240	405	435
Energy	97	196	430	564
Other and eliminations ³⁾	22	(2 708)	56	39
Total	1 107	3 907	3 382	47 510

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. Excludes investments in discontinued operations.

3) Investments for Bauxite & Alumina, Primary Metal, Other and eliminations and Total include the acquisition of Vale Aluminium in the first quarter of 2011. The allocation of the purchase price was finalized and goodwill allocated in the fourth quarter of 2011. In total for 2011, investments related to the acquisition of Vale Aluminium amounted to NOK 35,321 million for Bauxite & Alumina and NOK 8,055 million for Primary Metal.

NOK million	EBIT	Depr., amor. and impairment ¹⁾	EBITDA
EBIT - EBITDA Fourth quarter 2012			
Bauxite & Alumina	(62)	409	347
Primary Metal	107	360	467
Metal Markets	210	22	232
Rolled Products	122	119	241
Energy	323	41	364
Other and eliminations	(31)	17	(14)
Total	669	968	1 637
EBIT - EBITDA Year			
Bauxite & Alumina	(783)	1 750	967
Primary Metal	(1 275)	3 042	1 768
Metal Markets	135	174	309
Rolled Products	791	453	1 245
Energy	1 448	129	1 577
Other and eliminations	116	102	218
Total	432	5 651	6 083

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: Discontinued operations

In October 2012 Hydro's Board of Directors decided to combine the Extruded Products activities with the Profiles and Building System, as well as extruded and welded tubes, of Orkla's fully-owned subsidiary Sapa. The new combined company, to be named Sapa, will be a 50/50 joint venture owned by Orkla and Hydro. The units to be contributed includes Hydro's Building systems activities, the Precision tubing activities and general extrusion activities, which comprises all of the Extruded Products segment. Extruded Products have production facilities in Europe, North and South America, and China and sells such products as aluminium extrusion and semi fabricated products for the building and construction, transportation and engineered products industrial sectors. Hydro will continue to deliver metal products to Sapa at market prices after closing. The transaction is subject to clearance by competition authorities in several countries. Completion of the transaction is expected to take place in the first half of 2013.

The Extruded Products business is reported as Assets held for sale and Discontinued operations as of mid October 2012. The results of operations in the businesses to be contributed to the joint venture are reported separately under the caption "Discontinued operations" for the current and all prior periods. No interest expense related to loans is allocated to discontinued operations. Cash flows from discontinued operations are presented separately. In the balance sheet as of December 31, 2012, assets in the business about to be disposed of and the related liabilities are reported as "Assets held for sale" and "Liabilities in disposal groups", respectively. Prior period balance sheets are not reclassified. Other components of equity includes negative cumulative translation differences of NOK 804 million related to assets held for sale.

Summary of financial data for discontinued operations

NOK million	Fourth quarter		01.01 - 31.12	
	2012	2011	2012	2011
Revenue and other income	3 947	4 618	17 598	20 019
Share of the profit (loss) in equity accounted investments	4	2	18	16
Depreciation, amortization and impairment	26	359	392	742
Other expenses	4 106	4 669	17 637	19 533
Earnings before financial items and tax	(181)	(408)	(413)	(240)
Financial income (expense), net	(22)	(12)	(45)	(40)
Income before tax	(203)	(420)	(458)	(280)
Income tax expense	(48)	(183)	(70)	(222)
Income from discontinued operations	(251)	(603)	(528)	(502)
Net cash provided by (used in) operating activities			313	(155)
Net cash used in investing activities			(716)	(470)
Net cash provided by financing activities			123	9
Foreign currency effects on cash			(38)	(11)
Net cash used in discontinued operations			(318)	(627)
Asset groups held for sale				
			December 31	
NOK million			2012	2011
Current assets			4 750	-
Non-current assets			4 684	-
Total assets			9 435	-
Current liabilities			782	-
Non-current liabilities			2 612	-
Assets held for sale, net			6 041	-

Note 5: Impairment

In June Hydro decided to close the Kurri Kurri aluminium plant. Kurri Kurri was negatively influenced by a strengthened Australian dollar in addition to the industry-wide challenges related to weakening metal prices and higher raw material costs. Following the decision, the plant was tested for impairment and concluded to be fully impaired. The test was based on value in use (VIU) and an alternative fair value less cost to sell assessment. The impairment charge in the second quarter was NOK 1,128 million. In addition, a related associate operating shared infrastructure is written down by NOK 26 million in the second quarter. The plant was previously written down by NOK 970 million in the fourth quarter of 2011. During fourth quarter a reassessment of the fair value less cost to sell has been performed. The reassessment resulted in a reversal of impairment of about NOK 110 million in the fourth quarter result, leaving a total impairment charge of NOK 1,044 million for 2012 related to the Kurri Kurri plant.

Additional information

Return on average Capital Employed (RoCE)

NOK million	Underlying		Reported	
	2012	2011	2012	2011
EBIT	1 158	5 982	432	10 068
Adjusted Income tax expense ¹⁾	(594)	(1 808)	(900)	(1 918)
EBIT after tax	563	4 174	(468)	8 149

NOK million	December 31		
	2012	2011	2010
Current assets ²⁾	28 216	28 040	24 567
Property, plant and equipment	52 208	64 192	24 849
Other assets ³⁾	24 751	30 176	27 122
Other current liabilities	(14 960)	(16 968)	(14 970)
Other long-term liabilities ⁴⁾	(18 118)	(21 980)	(15 108)
Capital Employed	72 097	83 460	46 460

Return on average Capital Employed (RoCE)	Underlying		Reported	
	2012	2011	2012	2011
Hydro	0.7 %	6.4 %	(0.6) %	12.5 %
Business areas ⁵⁾				
Bauxite & Alumina	(1.6) %	2.8 %	(1.5) %	18.4 %
Primary Metal	0.4 %	5.7 %	(3.2) %	2.9 %
Metal Markets	6.5 %	13.4 %	4.2 %	13.8 %
Rolled Products	5.4 %	5.8 %	6.7 %	0.3 %
Energy	23.2 %	29.5 %	23.0 %	50.1 %

1) Adjusted Income tax expense is based on reported and underlying tax expense adjusted for tax on financial items.

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) RoaCE at business area level is calculated using 30% tax rate. For Energy, 50% tax rate is used, adjusted for sale of SKS in 2011.

Financial calendar 2013

April 24, 2013	First quarter results
May 8, 2013	Annual General Meeting
July 18, 2013	Second quarter results
October 23, 2013	Third quarter results

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 22,000 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.

Norsk Hydro ASA
NO-0240 Oslo
Norway

Tel.: +47 22 53 81 00
Fax: +47 22 53 85 53
www.hydro.com

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