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Overview

95% COMPLETE
Qatalum start-up on time. On schedule for for ramp-up by the fourth quarter in 2010.

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QUICK OVERVIEW

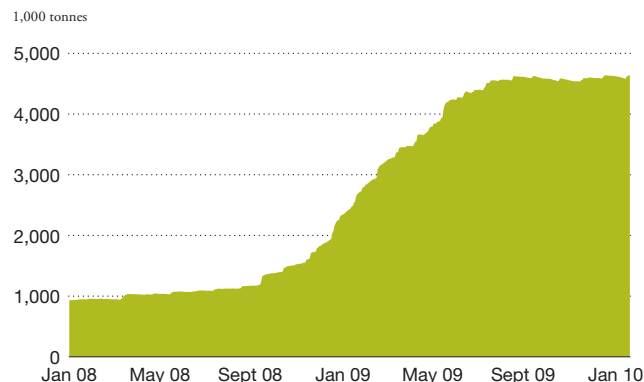
Hydro incurred an underlying loss in 2009, heavily impacted by an unprecedented decline in aluminium prices and a substantial fall in sales volumes. Underlying EBIT amounted to negative NOK 2,555 million for the year compared with positive underlying EBIT of NOK 6,009 million in 2008.

Hydro acted quickly to the market decline reducing capacity and costs across all of our business and within our administrative operations. Capital expenditures and operating capital were also reduced substantially to protect our liquidity. Securing our ongoing operations and improving our competitive position will be our main focus in 2010.

Unprecedented fall in aluminium price



LME inventories rising to record-high levels



KEY DEVELOPMENTS

Hydro incurred an underlying loss amounting to NOK 2,555 million in 2009 compared to positive underlying EBIT of NOK 6,009 million in 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. Prices remained weak but improved continuously following the first quarter of 2009. Overall sales volumes declined by 18 percent compared to 2008, which weighed heavily on the underlying results for our downstream operations.

Hydro acted quickly to the market decline at the end of the previous year, including:

- Immediate reduction of remelted metal by nearly 50 percent
- Curtailments of roughly 460,000 mt, or 26 percent of primary capacity
- Curtailments of substantial alumina capacity
- 30 percent reduction in cost per mt of primary metal
- Cost and manning reductions downstream and at our corporate staff functions
- Reduction in capital expenditures amounting to almost NOK 6 billion, excluding Qatalum
- Reduction in operating capital by close to NOK 6 billion

Cost reductions within our primary smelter system followed the curtailment of high-cost smelters and reduced raw material costs. However, we have been unable to adjust our cost profile to a sufficient extent and our smelters have had significant underlying operating losses in the depressed market environment.

Downstream, our focused efforts have enabled us to cover a substantial portion of the loss from the market downturn. Our rolled and extruded products operations returned to profitability during the second half of 2009, demonstrating a high degree of flexibility in adjusting to the new market realities.

This flexibility was also apparent within our mid-stream business, where remelt production was ramped up to full capacity in the third quarter in response to tight physical markets for metal products.

Hydro made other portfolio adjustments during the year, including the divestment of its global automotive structures business and its Inasa rolling mill in Spain. These transactions resulted in non-cash after-tax charges to reported results of about NOK 400 million in the fourth quarter of the year. We also decided to close our precision tubing plant in Adrian, Michigan, in the US, relocating the production volumes to our plants in Rockledge, Florida, and in Reynosa, Mexico.

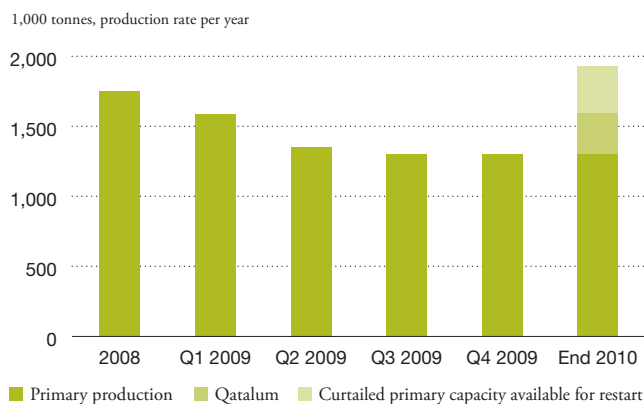
In December 2009, the first cell of the new Qatalum primary aluminium smelter was started. This represented a major milestone in Hydro's strategy, which is focused on a sustainable upgrading of our portfolio in a way that ensures an operating cost position among the best in the world.

During the year, we have focused on preserving cash and protecting our liquidity. Capital expenditures excluding Qatalum were reduced by more than 60 percent compared with 2008. We have also implemented important programs to reduce our net operating capital. As a result, we have been able to reduce inventories in line with or below pre-crisis levels relative to sales volumes. Our liquidity position was satisfactory at the end of the year, supported by a reduction in operating capital of almost NOK 6 billion due to lower production, lower sales volumes and prices, in addition to our efforts to reduce operating capital.

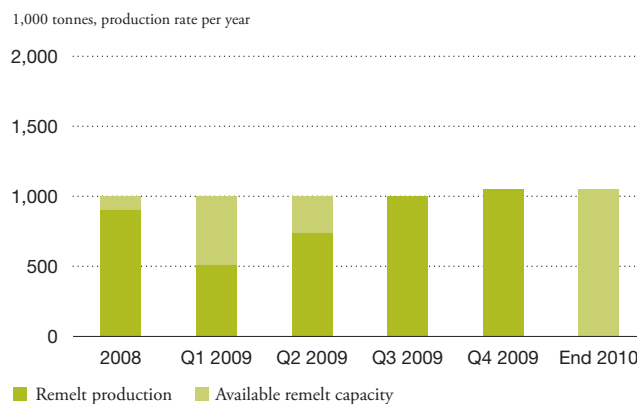
Despite the challenging market situation and difficult funding environment early in 2009, Hydro established additional funding, including a new EUR 750 million syndicated three-year revolving credit facility. This was on top of an existing USD 1.7 billion standby facility. We also issued NOK 1 billion of six-month commercial paper on two occasions during the year.

Hydro's Board of Directors proposes to pay a dividend of NOK 0.50 per share for 2009 reflecting the company's strong

Primary aluminium



Remelt



commitment to provide a cash return to its shareholders. The decision is based on increased market and earnings visibility compared to the beginning of 2009 as well as Hydro's cash position.

We are committed to safety in all our operations and have targeted an additional reduction of 20 percent in our recordable injury rate in 2010, after having achieved a reduction of 26 percent last year.

STRATEGIC DIRECTION

We will take further steps necessary to secure our ongoing operations in the challenging economic conditions expected in 2010. A key element in our strategy to improve the overall competitive position of Hydro is the ongoing repositioning of our upstream business.

We have a solid track record of continually upgrading our smelter system. This includes brownfield expansions utilizing the newest and most efficient technology, closures of higher-cost and less competitive operations, and our investment in Qatalum, which is expected to be among the most efficient smelters in the world. The effective ramp-up of Qatalum will be a key priority in 2010, together with tougher targets for sustainable cost reductions within our existing smelter portfolio. We will also focus on optimizing our position within bauxite and alumina and are working to strengthen our position going forward. We will continue to evaluate upstream growth projects within the first quartile on the industry cost curve.

We plan to utilize the flexibility in our metal markets and downstream businesses to capture opportunities that may arise as markets recover, and to secure the profitability of these operations through effective management of operating margins. We also intend to maintain the efficiencies we have achieved through fixed cost reductions. Moreover, we will continue to evaluate selected growth opportunities with our high-performance sectors.

Securing our financial position will remain a top priority. We will continue to focus on cash generation, securing an optimal level of operating capital and maintaining a sustainable level of capital expenditures to safeguard our operating portfolio.

PRIMARY METAL

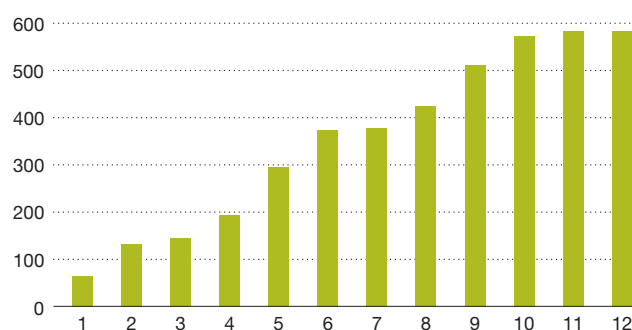
Key developments

Underlying EBIT for Primary Metal amounted to negative NOK 2,556 million for the year, compared to positive underlying EBIT of NOK 2,732 million in 2008. The significant decline was mainly due to substantially lower LME prices measured in both US dollars and Norwegian kroner. In addition, lower casthouse volumes, lower product premiums and increased start up-costs for Qatalum contributed to lower results together with lower operating results from Alunorte. Both fixed and variable costs declined, partly offsetting the negative market effects.

Hydro has taken decisive, proactive measures in response to the extreme market developments beginning with the reduc-

Qatalum ramp-up schedule

Production in 1,000 tonnes per month on 100% basis, annualized



Upstream capacity curtailments

Karmøy	120 000 mt	Permanent closure of Söderberg line
Neuss	180 000 mt	Temporary closure, currently operating 50 000 mt of 230 000 mt capacity
Sunddal	100 000 mt	Temporary closure of oldest production line
Søräl	43 000 mt	Hydro share of temporary reduced production
Slovalco	17 000 mt	Hydro share of temporary reduced production
Alpart (alumina)	578 000 mt	Hydro share of temporary reduced production equivalent to about 300 000 mt of aluminium

tion of metal products, based on remelted metal at our cast-houses, and followed by closure and idling of primary capacity, focused on the operations in our portfolio with the highest costs.

Operating costs declined significantly during the year. This was mainly due to the improvement in our overall cost profile from the production curtailments and from lower raw material costs, in particular, of alumina and petroleum coke. However, our current cost position is not satisfactory, primarily in our Norwegian smelters, where about half the operating costs are incurred in Norwegian kroner. In addition, a large part of our power contracts are fixed. While this ensures predictable, competitive prices and limits our exposure to changes in commodity prices, it also results in relatively higher energy costs in periods of falling commodity prices.

To address the cost challenge, we have launched a new cost-cutting program aimed at reducing the cash operating cost at our smelters by USD 100 per mt, excluding the effects of Qatalum and the impact of raw material prices. We expect to achieve most of the improvement by the end of 2011.

Qatalum is expected to reach full production capacity of

585,000 mt in the fourth quarter of 2010. The plant is expected to produce about 350,000 mt of primary metal for the year. Charges related to the build-up of the operating organization of Qatalum amounted to about NOK 490 million in 2009. 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.

Strategy

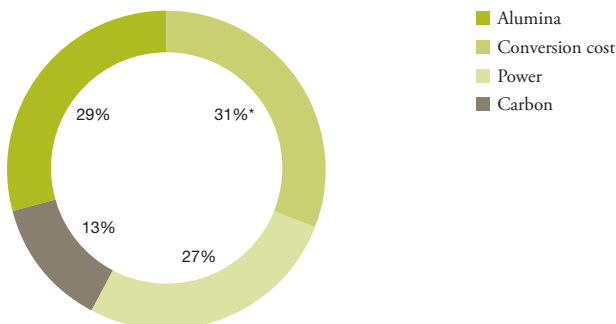
A key ongoing strategic focus is to continually improve our competitive position by increasing the efficiency of our smelter system. Operational excellence is the foundation for realizing performance improvements within our existing portfolio of production assets, while continually addressing the cost challenges facing our business. In order to ensure the development of our operations over time, we focus on business opportunities that will further enhance our cost position. In addition, strengthening our technological leadership contributes to reducing emissions and lowering our operating costs, while also improving our attractiveness as a partner for world-class projects within an industry with sound long-term fundamentals.

Improve our average smelter cost position

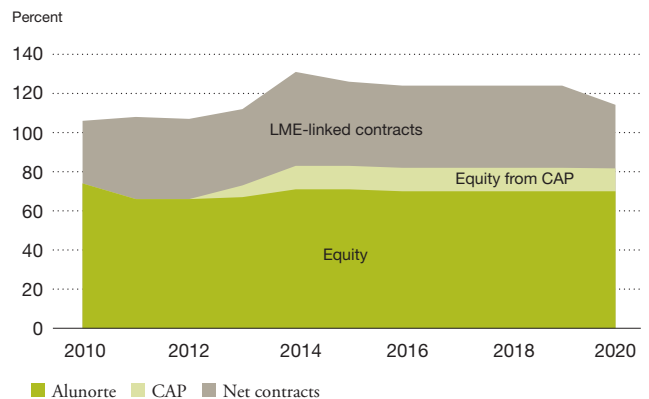
In recent years, we have completed major programs aimed at lowering the cost profile of our primary aluminium capacity by closing less-competitive production in our European system and replacing it with new capacity in larger and more efficient smelters. These efforts, together with the shut-downs and curtailments of substantial additional higher-cost capacity toward the end of 2008 and the first half of 2009, mean that we are better prepared to meet the weaker markets that may last for some time. We are targeting further cost reductions with our smelter system. We are also focusing on the successful ramp-up of the Qatalum smelter, which is within the top decile on the industry cost curve.

Primary Metal continues to cut cash cost

* Target to reduce cash cost by 100 USD per tonne, representing 20% reduction in conversion cost



Alumina coverage



Adjust our capacity to market demand

We are continually reviewing our entire operating network to identify additional measures to adjust our primary metal production to weaker market demand, focusing in particular on operations which deliver unsatisfactory performance.

Optimize our position in alumina, power, carbon and other key raw material costs

We have established substantial equity alumina coverage to capture the value of this important part of the value chain, and we are working to strengthen our position going forward. We also have an industry-leading captive power position. We are increasing our focus on the procurement and supplier portfolio for our carbon requirements and seeking increasing efficiencies in the activities driving other operating costs.

Advance our operational excellence and technological leadership

Our Aluminium Metal Production System (AMPS) is designed to ensure best practices and operating efficiencies across our assets, and we focus on extracting measurable benefits from this system. We are committed to improving our safety performance, which also improves our operating performance, and we believe that AMPS makes a valuable contribution to this effort. New proprietary smelting technology is under development with the aim to raise our cost competitiveness, to further strengthen our environmental standards, and to support our growth ambitions.

Focus on upstream growth projects

Hydro has an ambition to expand its upstream aluminium activities worldwide. Our growth efforts are directed toward projects that improve Hydro's cost position in the industry, while maintaining a strong focus on sustainable development. A second phase of the Qatalum smelter may be an attractive opportunity that can potentially increase the plant's annual capacity to 1.2 million mt. We are also a joint venture partner in Companhia de Alumina do Para (CAP), together with Vale

2009 targets

- Effectively adjust capacity to decreasing demand
- Further improve smelter average cost position
- Reduce cost in continuing operations by improved effectiveness and fixed cost reductions
- Further develop next-generation smelter technology

2009 results

- Curtailed 26 percent of primary capacity and 22 percent of alumina capacity
- Cost per mt reduced by 30 percent due to reduced raw material costs and improvement measures
- Achieved improved effectiveness and fixed cost reductions in continuing operations
- Verification program for HAL4e electrolysis cell technology successfully completed with main target criteria met

2010 targets

- Reduce cost per mt by USD 100, realizing 90 percent by end 2011
- Effective ramp-up of Qatalum completed during fourth quarter 2010
- Achieve measurable benefits toward cost reduction from AMPS
- Enhance value from existing alumina assets
- Assertive approach in raw materials markets
- Strong capital discipline

Ambitions going forward

Going forward, Hydro has an ambition to expand its upstream activities while maintaining a strong emphasis on sustainable cost development. We will continue to focus on lean smelter operations, operational excellence and safety. Ongoing developments of next-generation technology, HAL4e will provide a strong technological basis for continued organic growth, increased efficiency and lower emissions.

and Dubal, for an alumina refinery close to Alunorte in Brazil. The plant will have an initial annual capacity of 1.9 million mt (Hydro share 20 percent) with potential expansions up to 7.4 million mt.

METAL MARKETS

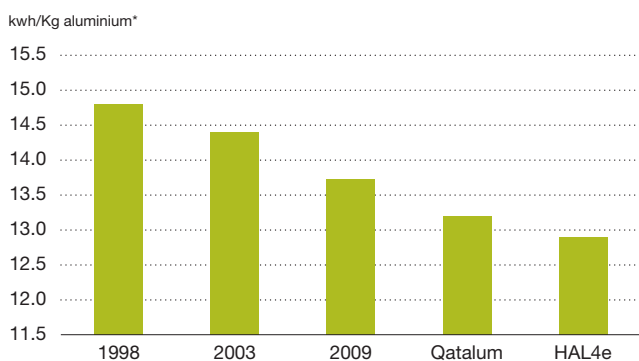
Key developments

Metal Markets incurred an underlying loss of NOK 83 million for the year, significantly lower than underlying EBIT of NOK 703 million in 2008. Underlying results were heavily impacted by negative currency effects of roughly NOK 600 million in 2009 compared with positive effects of NOK 500 million in the previous year, which also included inventory write-downs of about NOK 160 million. Although the first several months of 2009 were characterized by reduced production and sales due to the severe economic downturn, overall market conditions and operating results gradually improved from the second quarter.

Total metal product sales declined significantly from 2008 due to the economic downturn in the global aluminium market and curtailment of Hydro's primary plant and remelt production, in particular in the first half of 2009. The downturn affected all our main products, including extrusion ingots, foundry alloys, sheet ingots and wire rod, with the highest

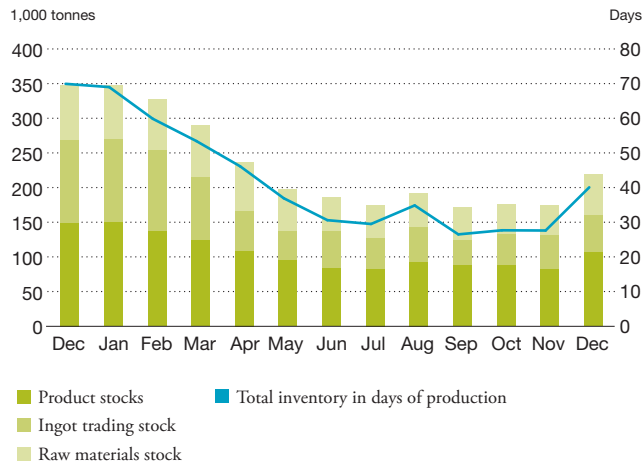
Strong performance culture

Reduced specific energy consumption

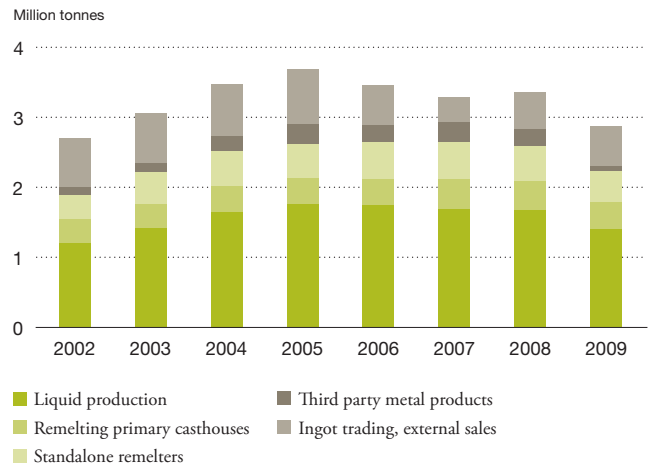


* Average specific energy consumption from 100%-owned Norwegian smelters

Inventory development 2009



Casthouse value added products



decline in extrusion ingot sales in Europe. Significant measures were implemented to reduce our inventories and thus improve our financial position.

Strategy

Following the dramatic market developments, Hydro rapidly reduced production from its stand-alone remelters and remelting at its primary casthouses. Utilizing our integrated system, we were quickly able to cut output of metal products by nearly 50 percent. This flexibility enabled us to revert to nearly full production at our stand-alone remelters, when the physical markets for metal products recovered in the third quarter of the year. We intend to capitalize on our flexible, multi-sour-

ing system going forward to create additional value on top of LME for our primary capacity, maximize our casthouse utilization, increase our business volume and provide a stronger basis for strategic alliances.

Leverage the value of our supply network

Our system of primary casthouses, dedicated remelters, third-party and partly owned primary sources enable us to extract value servicing our downstream customers while optimizing our logistical operations. Through offering a diversified product mix, scrap conversion services and market and technical support, we are able to enhance our margins while protecting and developing our market share.

Increase our business volume with limited asset investment

We have focused on building a strong position in the metal products markets in order to optimize the capacity of our integrated casthouses, grow our remelt operations and offer substantially higher volumes of value-added products into the marketplace.

Reduce our risk

We have developed expertise within our sourcing and trading operations to enhance the value of our commercial portfolio through strategies aimed at reducing the exposure of our product premiums to changes in the LME commodity prices and currency rates. We leverage this expertise by developing and executing strategies to hedge risk exposures within our upstream and downstream businesses, mainly resulting from time lags between our manufacturing process and the pricing of products to our customers.

2009 targets

- Effectively adjust capacity to decreasing demand
- Reduce cost in continuing operations by improved effectiveness and fixed cost reductions
- Enhance market position

2009 results

- Utilized flexible remelt production system to adjust to sharp decline followed by strong recovery in second half of year
- Significant reduction in fixed and variable costs
- Strengthened position in key markets

2010 targets

- Successful market entry for Qatalum's value-added metal products
- Utilize flexibility in remelting and recycling production systems to capture opportunities
- Operational excellence and safety in plant operations
- Profitable metal sourcing and trading activities and efficient hedging operations

Ambitions going forward

Our ambition is to strengthen our relative market position as we adjust to changes in market demand, and to build new market positions outside Europe.

ROLLED PRODUCTS

Key developments

Shipments for our Rolled Products operations dropped by 18 percent in 2009, following the severe market downturn toward the end of 2008 and the first half of 2009. Underlying EBIT amounted to NOK 26 million for the year, declining from NOK 651 million in 2008.

Rolled Products initiated a number of cost reduction measures last year to help recover the market loss. These actions included shift and manning reductions, procurement initiatives to capitalize on falling prices, cost cutting programs and reductions in capital expenditures and working capital. Manpower was reduced by roughly 500 full-time equivalents - or, about 13 percent - compared to 2008. These measures enabled us to recover nearly 80 percent of the volume loss from the market downturn and return to profitability in the second half of the year. Working capital was also reduced substantially, including a reduction of about 35 percent in inventories and around 30 percent in customer receivables.

In December 2009, Hydro sold its Inasa rolling mill in Iruztzun, Spain, to the German holding company Bavaria Industriekapital AG. The plant was one of the company's smallest continuous casting operations, supplying products for packaging, industrial and automotive applications.

Strategy

The significant measures taken in 2009 strengthened our operating organization and made a substantial contribution toward offsetting the effects of the severe economic downturn. However, overcapacity continues to be an industry challenge. We will continue to emphasize product development in close cooperation with our customers as well as managing our margins and costs. We plan to enhance our profitability by optimizing the flexibility inherent in our production system and focusing on the core assets within our portfolio.

Build on our strong position in Europe

We intend to develop and improve our market share by leveraging our preferred supplier position and optimizing our margins through the mix of products that we deliver to the market. With a focus on our strong position within packaging, industrial, construction and automotive applications, we will continue to emphasize the quality of our products and services to our customers in order to drive the performance of this business.

Sustain our cost reductions through continuous improvement

We will maintain our focus on efficiency throughout our operating environment through optimization of shift models, ongoing cost management and the implementation of programs designed to enhance the operational excellence of our production system.

2009 targets

- TRI improvement of 20 percent
- Decisive cost management and focus on cash flow
- Maintain high performance and margin focus in declining market environment

2009 results

- TRI improvement of 24 percent
- Positive cash flow achieved despite difficult business climate, effective cost measures implemented
- Further progress in customer-oriented performance indicators, margin level somewhat lower in difficult market environment

2010 targets

- Further TRI reduction of 20 percent
- Selective gain in market share and improvement in margins
- Improvement in operational performance with focus on customer service
- Maintain focus on cost level and benefits achieved in 2009, counterparty risk and net operating capital
- Implementation of Rolled Products Business System in all units

Ambitions going forward

We are committed to safety and to eliminating serious accidents in our operations. We aim to increase the returns of our rolled products business, concentrating on margins, cost efficiency and operational excellence - well supported by the roll out of the Rolled Products Business System. We will stay focused on innovation and technology to sharpen our competitive edge.

EXTRUDED PRODUCTS

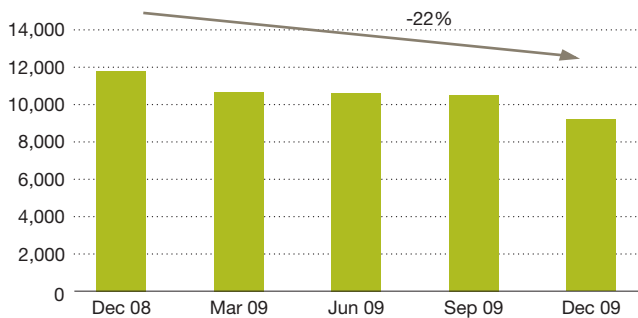
Key developments

Demand for extruded aluminium products declined during the year, resulting in an 18 percent drop in volumes shipped into the market compared to 2008. Extruded Products incurred an underlying loss amounting to NOK 67 million in 2009, compared to underlying EBIT of NOK 338 million in the previous year. Last year's underlying result included substantial losses from our automotive operations, in particular our automotive structures business, which was divested in the fourth quarter.

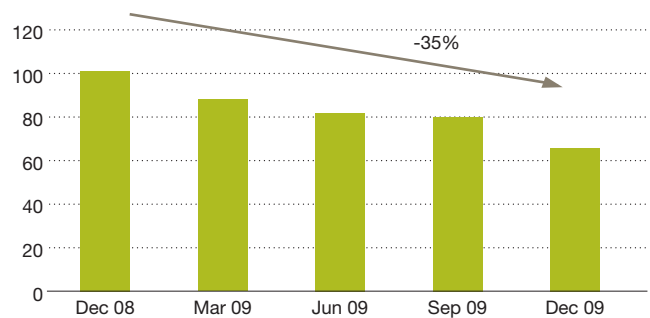
Measures to significantly reduce costs throughout our activities were implemented, including shift and manning reductions, procurement initiatives to capitalize on falling material prices as well as reductions in capital expenditures and working capital. As a result, we were able to cut the number of employees by roughly 2,600 - or, about 22 percent - compared to the end of 2008. This, together with other cost reductions, helped offset about 80 percent of the loss due to the market downturn and enabled us to return to profitability after losses in the first two quarters of the year. We also reduced our working capital substantially, including a reduction of close to 35 percent in inventories.

In the fourth quarter, Hydro sold its automotive structures business to Germany-based Benteler Group. The business had struggled for several years and was particularly hard hit by the economic downturn. Earlier in the year, we decided to close our precision tubing plant in Adrian, Michigan, in order to consolidate our precision tubing operations in North America.

Manning development (headcount)



Stock movement (in Kmt)



Strategy

The initiatives implemented following the dramatic market decline toward the end of 2008 strengthened our business operations and offset a significant part of the decline. We intend to build upon our distinct businesses, utilizing technological leadership and operational excellence together with superior product quality and customer service to further improve our business performance. We will continue to target selective growth within our high-performing sectors.

Capture opportunities as the market stabilizes and recovers

While keeping a sharp eye on cost and working capital levels, we will focus on protecting our margins to ensure a sustainable

level of profitability. We will actively pursue opportunities to further increase our share of the market by offering superior value in the marketplace.

Build on the high performance of our European extrusion and building system operations

We intend to maintain our strong operational performance, and target further business development, based on our existing platform of technological strength and strong market positions within these businesses. We will continue to work closely with our customers to ensure top product innovation and design as well as excellent service levels. We will capitalize on our three strong global building systems brands - Wicona, Domal and Technal - each of which represent distinct value propositions to customers.

Selective growth of our strong performers

We will continue to grow our high-performance businesses, focusing on opportunities within our general extrusion and building systems operations. Entry into new markets will be a priority and we intend to be recognized as an industry specialist in energy-neutral building solutions. We will also prioritize investments designed to ensure stable operations and good safety standards, and which maintain the value of our assets. Maintaining a lean level of operating capital will also be a strategic focus together with the careful follow-up of our counterparty risk.

2009 targets

- TRI improvement of 20 percent on 2008
- Decisive cost management and focus on cash flow
- Maintain high performance and margin focus in declining market environment
- Additional turnaround measures in Automotive and Extrusion in US
- Active portfolio management in Europe and Middle East

2009 results

- TRI improvement of 26 percent
- Continued cost improvement, recovered about 80 percent of the market loss
- Automotive Structures divestment completed
- Strong rationalization accomplished in US extrusion operations
- Selected growth projects in Building Systems executed

2010 targets

- Further TRI reduction of 20 percent
- Decisive cost management and focus on cash flow
- Realize market, cost and growth ambitions in Extrusion Eurasia
- Prepare for additional growth and manage additional market challenges

Ambitions going forward

Our goal is to be the clear performance leader in Europe's extrusion and building system industries, reinforcing our leadership position through selective growth and further development of new high-performing solutions. We will focus on innovation and technology to sharpen our competitive edge. We are committed to safety and to eliminating serious accidents in our operations.

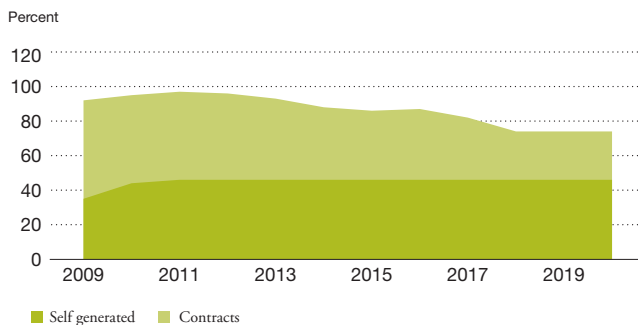
ENERGY

Key developments

Underlying EBIT for Energy declined to NOK 1,240 million in 2009 from NOK 1,865 million in the previous year, mainly due to significantly lower production and lower power prices.

Hydro's Suldal I power station at the Røldal-Suldal hydroelectric facility in Norway was out of operation for most of 2009 following the discovery of serious damage to a high pres-

Solid power portfolio going forward



sure shaft during a maintenance shutdown in March. Lost and delayed production volumes amounted to about 900 GWh. The cost of repair and business interruption was covered by insurance.

Strategy

Hydro's captive power covers about one-third of the energy needs for our smelter operations. With Qatalum in full production from 2011, the share of captive power will increase further. Our strong energy resource base, with significant amounts of renewable, self-generated power, ensures stable supplies of power at competitive prices to our smelter operations.

Develop our captive power capacity

Our ambition is to increase Hydro's share of captive power from renewable sources, including exploring opportunities within our existing concession areas in Norway. Hydro's distinct hydro-electric, renewable power position ensures access to energy at predictable costs, reducing exposure to fluctuating generation fuel and carbon emission costs.

2009 targets

- Competitive energy sourcing arrangements for aluminium operations
- Operational excellence and safety of operations

2009 results

- Competitive equity energy, no new commercial agreements
- Successful power portfolio optimization and reliable power supply in spite of outage at Suldal 1
- A tragic accident in Svandalsflona caused two fatalities

2010 targets

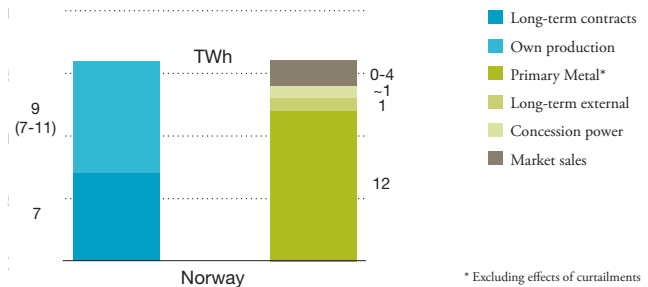
- Competitive energy sourcing arrangements for aluminium operations
- Operational excellence and safety of operations
- Competitive framework conditions

Ambitions going forward

Our goal is to develop equity power position and capitalize on our energy competence, supporting the sourcing of power to our smelters on a global basis.

Generation and power sourcing

Managed on net portfolio basis



Sourcing competitive energy for our aluminium business

We are engaged in a number of initiatives to identify and secure competitive energy supplies for Hydro's aluminium operations covering both ongoing operations and future growth ambitions.

Value-enhancing power portfolio management and operational excellence

We continuously develop our expertise in power portfolio management and market operations with the objective to minimize the cost of industrial sourcing and maximize the value of our production assets. We have made significant cost and safety improvements in our hydropower plant operations during the last decade and will continue to focus on operational excellence as basis for further performance improvements.