



HYDRO

Fourth quarter report

Q4

2014

## *About our reporting*

As of January 1, 2014 Hydro has implemented the new accounting standards IFRS 10, IFRS 11, IFRS 12 and the amended IAS 27 and IAS 31 with retrospective application resulting in changes to the prior periods in this report. See note 1 to the condensed consolidated financial statements for more information.

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# Overview

## Summary underlying financial and operating results and liquidity

Key financial information	Fourth quarter 2014	Third quarter 2014	%change prior quarter	Fourth quarter 2013	%change prior year quarter	Year 2014	Year 2013
NOK million, except per share data							
Revenue	21 656	19 698	10 %	16 570	31 %	77 907	64 877
Earnings before financial items and tax (EBIT)	2 295	1 937	19 %	(14)	>100 %	5 674	1 663
Items excluded from underlying EBIT	591	(447)	>100 %	485	22 %	18	1 063
Underlying EBIT	2 886	1 490	94 %	471	>100 %	5 692	2 725
<i>Underlying EBIT :</i>							
Bauxite & Alumina	528	(26)	>100 %	(379)	>100 %	(55)	(1 057)
Primary Metal	1 989	1 216	64 %	484	>100 %	3 937	1 422
Metal Markets	221	171	29 %	190	17 %	634	594
Rolled Products	96	243	(60) %	100	(3) %	698	615
Energy	360	234	54 %	383	(6) %	1 197	1 653
Other and eliminations <sup>1)</sup>	(308)	(349)	12 %	(306)	(1) %	(717)	(502)
Underlying EBIT	2 886	1 490	94 %	471	>100 %	5 692	2 725
Underlying EBITDA	4 170	2 615	59 %	1 619	>100 %	10 299	7 306
Underlying income (loss) from discontinued operations <sup>1)</sup>	-	-	-	-	-	-	220
Net income (loss)	(168)	665	>(100) %	(758)	78 %	1 228	(839)
Underlying net income (loss)	1 979	1 043	90 %	140	>100 %	3 728	1 610
Earnings per share	(0.18)	0.29	>(100) %	(0.39)	53 %	0.39	(0.45)
Underlying earnings per share	0.83	0.43	96 %	0.02	>100 %	1.55	0.65
<i>Financial data:</i>							
Investments <sup>2)</sup>	1 449	889	63 %	1 057	37 %	3 625	3 761
Adjusted net interest-bearing debt	(13 587)	(14 061)	3 %	(10 128)	(34) %	(13 587)	(10 128)

### Key Operational information

Alumina production (kmt)	1 501	1 478	2 %	1 452	3 %	5 933	5 377
Primary aluminium production (kmt)	499	487	2 %	492	1 %	1 958	1 944
Realized aluminium price LME (USD/mt)	1 997	1 906	5 %	1 802	11 %	1 850	1 902
Realized aluminium price LME (NOK/mt) <sup>3)</sup>	13 355	11 909	12 %	10 916	22 %	11 624	11 160
Realized NOK/USD exchange rate <sup>3)</sup>	6.69	6.25	7 %	6.06	10 %	6.28	5.87
Metal products sales, total Hydro (kmt) <sup>4)</sup>	780	811	(4) %	777	-	3 305	3 164
Rolled Products sales volumes to external market (kmt)	213	244	(13) %	226	(5) %	946	941
Power production (GWh)	2 823	2 170	30 %	2 411	17 %	10 206	10 243

1) Other and eliminations includes Hydro's 50 percent share of underlying net income from Sapa beginning September 2013. Underlying income (loss) from discontinued operations includes results from Hydro's Extruded Products business for all prior periods.

2) Investments include non-cash elements relating to capitalized lease obligations and the Vigeland acquisition in 2013. In the fourth quarter of 2014 investments included about NOK 200 million in non-cash elements.

3) Including the effect of strategic hedges (hedge accounting applied).

4) Sales from casthouses (incl. Neuss), remelters, third party sources and liquid metal.

Hydro's underlying earnings before financial items and tax increased to NOK 2,886 million in the fourth quarter, up from NOK 1,490 million in the third quarter of 2014. Higher realized aluminium prices, product premiums and realized alumina prices all had a significant positive impact on developments for the quarter together with the substantial strengthening of the US dollar compared to the NOK and BRL.

Underlying EBIT for Bauxite and Alumina improved significantly in the fourth quarter reflecting higher realized alumina prices, higher sales volumes and lower operating costs at Alunorte together with positive currency developments. Bauxite production increased in the quarter reaching 10.2 million mt on an annualized basis.

Underlying EBIT for Primary Metal improved substantially in the fourth quarter influenced by a further increase in realized aluminium prices and product premiums. The strengthening USD compared to the NOK and BRL also had a significant positive impact on underlying results for the quarter.

Metal Markets delivered higher underlying EBIT compared to the previous quarter influenced by positive currency effects and improved results from remelt operations partly offset by lower results from sourcing and trading activities.

Underlying EBIT for Rolled Products declined compared with the third quarter of 2014 mainly due to seasonally lower sales volumes. Margin pressure continued, however, this was mostly offset by currency gains on export sales. Positive contributions from the Rheinwerk smelter due to higher all-in metal<sup>5)</sup> prices had a positive effect on underlying results for the quarter.

Compared to the third quarter, underlying EBIT for Energy increased due to higher production.

Underlying EBIT for Sapa declined compared to the third quarter, mainly due to lower seasonal demand.

Operating cash flow amounted to NOK 4.4 billion for the fourth quarter. Cash used for investment activities amounted to NOK 0.8 billion net of sales proceeds. Hydro's net debt position amounted to NOK 0.1 billion at the end of the fourth quarter also influenced by unrealized currency losses, payment of dividends to minority interests and a payment to Vale representing the first of two tranches for the remaining Paragominas shares.

For the full year, underlying EBIT more than doubled to NOK 5,692 million compared with NOK 2,725 million in 2013 influenced by the significant increase in all-in metal prices<sup>5)</sup> together with the strengthening US dollar compared to the NOK and BRL. Following several years of challenging market conditions, the global aluminium market has improved with substantially higher all-in metal prices together with a better demand and supply balance for primary aluminium with a market deficit of around one million mt in the world outside China. Significant operational and commercial improvements implemented throughout the value chain have strengthened Hydro's ability to create value in an environment of improving market fundamentals.

For 2014, Hydro's Board of Directors proposes to pay a dividend of NOK 1 per share reflecting the company's commitment to provide a cash return to its shareholders. The dividend reflects our operational performance for 2014, strong financial position and improved earnings outlook for 2015. Hydro's Board of Directors has revised the company's dividend policy from an average of 30 percent to 40 percent of net income over the cycle to our shareholders.

5) The all-in metal price refers to the LME aluminium price plus premiums.

## Reported EBIT and net income

Reported earnings before financial items and tax amounted to NOK 2,295 million in the fourth quarter. In addition to the factors discussed above, reported EBIT included net unrealized derivative losses and positive metal effects of negative NOK 72 million in total. Reported earnings also included impairment charges of NOK 145 million related to the rolling mill in Slim, Italy. In addition, reported EBIT included NOK 337 million (Hydro's share) relating to Sapa mainly for impairment and restructuring charges, and net other charges of NOK 36 million.

In the previous quarter reported earnings before financial items and tax amounted to NOK 1,937 million including net unrealized derivative gains and positive metal effects of NOK 476 million in total. Reported earnings also included other charges of NOK 30 million.

Loss from continuing operations amounted to NOK 168 million in the fourth quarter including a net foreign exchange loss of NOK 2,252 million. In the previous quarter, income from continuing operations amounted to NOK 665 million including a net foreign exchange loss of NOK 1,001 million.

## Market developments and outlook

Market statistics <sup>1)</sup>	Fourth quarter 2014	Third quarter 2014	%change prior quarter	Fourth quarter 2013	%change prior year quarter	Year 2014	Year 2013
NOK/USD Average exchange rate	6.86	6.24	10 %	6.05	13 %	6.30	5.88
NOK/USD Balance sheet date exchange rate	7.43	6.45	15 %	6.08	22 %	7.43	6.08
NOK/BRL Average exchange rate	2.70	2.75	(2) %	2.67	1 %	2.68	2.73
NOK/BRL Balance sheet date exchange rate	2.80	2.63	6 %	2.58	9 %	2.80	2.58
NOK/EUR Average exchange rate	8.58	8.28	4 %	8.23	4 %	8.35	7.81
NOK/EUR Balance sheet date exchange rate	9.04	8.12	11 %	8.38	8 %	9.04	8.38
<i>Bauxite and alumina:</i>							
Average alumina price - Platts PAX FOB Australia (USD/t)	354	322	10 %	323	10 %	330	326
Global production of alumina (kmt)	27 069	25 962	4 %	26 628	2 %	104 562	101 555
Global production of alumina (ex. China) (kmt)	14 136	13 299	6 %	14 154	-	54 897	54 271
<i>Primary aluminium:</i>							
LME three month average (USD/mt)	1 974	2 008	(2) %	1 815	9 %	1 894	1 887
LME three month average (NOK/mt)	13 567	12 530	8 %	10 981	24 %	11 962	11 070
Global production of primary aluminium (kmt)	14 125	13 569	4 %	13 043	8 %	54 087	50 592
Global consumption of primary aluminium (kmt)	13 780	13 848	-	12 911	7 %	54 098	50 266
Global production of primary aluminium (ex. China) (kmt)	6 516	6 481	1 %	6 350	3 %	25 806	25 697
Global consumption of primary aluminium (ex. China) (kmt)	6 533	6 816	(4) %	6 404	2 %	26 791	26 006
Reported primary aluminium inventories (kmt)	7 438	7 719	(4) %	8 189	(9) %	7 438	8 189
<i>Rolled products and extruded products:</i>							
Consumption rolled products - Europe (kmt)	1 028	1 110	(7) %	1 017	1 %	4 402	4 293
Consumption rolled products - USA & Canada (kmt)	1 068	1 160	(8) %	1 021	5 %	4 395	4 202
Consumption extruded products - Europe (kmt)	646	689	(6) %	646	-	2 777	2 724
Consumption extruded products - USA & Canada (kmt)	481	533	(10) %	442	9 %	2 028	1 879
<i>Energy:</i>							
Average southern Norway spot price (NO2) (NOK/MWh)	248	247	1 %	287	(14) %	228	290
Average nordic system spot price (NOK/MWh)	264	263	-	296	(11) %	248	297

1) Industry statistics have been derived from analyst reports, trade associations and other public sources unless otherwise indicated. These statistics do not have any direct relationship to the reported figures of Norsk Hydro. Amounts presented in prior reports may have been restated based on updated information. Currency rates have been derived from Norges Bank.

## Bauxite and alumina

Chinese alumina imports amounted to 5.3 million mt for 2014, up 38 percent from 2013. Bauxite imports declined 49 percent to 36.5 million mt following the ban on Indonesian exports that took effect January 12, 2014.

Platts alumina spot prices averaged USD 354 per mt for the fourth quarter, an increase of USD 32 per mt compared to the previous quarter. Average prices represented 17.9 percent of LME in the quarter compared with 16.0 percent in the previous quarter. According to Chinese import statistics, the average delivered China bauxite price was USD 58 per mt in November, USD one per mt below the third quarter.

## Primary aluminium

Three month LME prices were volatile and ranged between USD 1,854 and USD 2,070 per mt throughout the fourth quarter of 2014. At the end of quarter, three month LME prices were close to the lower level, impacted by falling oil prices that triggered a sell-off of most commodities. Prices in Europe, including duty paid standard ingot premiums, were at a level of USD 2,364 to USD 2,580 per mt for the quarter.

North American standard ingot premiums remained at high levels in the fourth quarter, averaging USD 514 per mt compared to USD 451 per mt in the third quarter. European duty paid standard ingot premiums increased to an average of USD 508 per mt in the fourth quarter, up from USD 460 per mt in the third quarter. Premiums also increased in Japan to USD 420 per mt from USD 404 per mt in the third quarter. Premium developments in the fourth quarter continued to be influenced by demand exceeding supply in the world outside China and the ongoing financing of metal in warehouses.

Global demand for primary aluminium (excluding China) declined seasonally by 4 percent compared with the third quarter but was 2 percent higher compared to the fourth quarter of 2013. Annualized consumption and production were balanced and amounted to 25.9 million mt for the quarter. Closures and curtailments announced in the previous quarters, partly offset by planned start-ups, resulted in demand exceeding production by close to one million mt in 2014. Global demand for primary aluminium (excluding China) is expected to grow 3-4 percent 2015.

Aluminium consumption increased by 0.9 million mt in China compared to the third quarter, amounting to 28.8 million mt on an annualized basis. Corresponding production increased to 30.2 million mt. The ramp up of new capacity in the Northwest regions continued at a gradually slower pace partly offset by further curtailments in the Eastern provinces. Shanghai Futures Exchange (SHFE) prices decreased 3.6 percent during the fourth quarter compared to the previous quarter. The increasing difference between SHFE prices and all-in metal prices outside of China, due the relatively high premiums, has increased the incentive for China to export fabricated and semi-finished aluminium products.

European demand for extrusion ingot, sheet ingot and primary foundry alloys in the fourth quarter 2014 was slightly higher compared to the same period in 2013 and premiums were at record high levels. Standard ingot premiums have declined somewhat since the end of the quarter. This is expected to impact value added premiums going forward.

## Rolled products

European demand for flat rolled products declined in the fourth quarter of 2014 compared to the previous quarter mainly due to seasonality. Customer destocking activities due to lower end-use demand also had a negative impact on developments in the quarter. Compared to the fourth quarter of last year, European consumption of flat rolled products increased one percent.

Consumption of automotive products was seasonally lower. However, demand was strong compared to the fourth quarter of 2013 due to higher car production, in particular of models with higher aluminium content. Building and construction demand remained weak following a softening in the previous quarter. Demand in the foil and beverage can markets was somewhat lower in addition to seasonal declines. Seasonality and destocking had a negative impact on general engineering demand for the quarter. Demand for flat rolled products in Europe is expected to be seasonally higher in the first quarter of 2015.

## Extruded products

Demand for extruded products in North America increased 9 percent compared to the same quarter of the previous year as a result of increased building and construction activity and strong automotive demand. Compared to the previous quarter, demand decreased by 10 percent, due to seasonality.

In Europe, extruded products demand was overall stable compared to the same quarter of the previous year, where a weaker building and construction market was offset by most other segments. Compared with the previous quarter, demand decreased 6 percent, due to seasonality.

Demand for extruded products is expected to seasonally improve going into the first quarter of 2015.

## Energy

The average Nordic system price was relatively unchanged compared to the previous quarter. However, prices fluctuated somewhat during the quarter, influenced by mild, wet weather conditions.

The Nordic hydrological balance was around 15 TWh below normal at the beginning of the fourth quarter and ended at 7 TWh below normal. Water reservoirs in Norway were 69 percent of full capacity at the end of the fourth quarter or about 2 percentage points below normal. Snow reservoirs were largely at normal level.

The severe drought in Brazil has resulted in a deteriorating hydrological balance. Although the impact in the northern part of the country has been lower, the power supply could be affected due to the integrated transmission system in Brazil.

## *Additional factors impacting Hydro*

Primary Metal has sold forward around 50 percent of its expected primary aluminium production for the first quarter of 2015 at a price level of around USD 1,975 per mt.<sup>1)</sup> This excludes volumes from Qatalum.

The USD forward currency program in Brazil was completed at the end of 2014.

At the end of October 2014, Hydro completed the agreement to acquire Rio Tinto Alcan's 50 percent share of the Søral aluminium smelter. Following the transaction, Søral is fully consolidated in Hydro's accounts. As a result of the agreement, Hydro increased its interest in the anode producer Aluchemie which is now consolidated on a proportional basis (46.7 percent).

Hydro has decided to invest in a pilot plant for full-scale industrial testing of its proprietary HAL4e technology at Karmøy, Norway. The plant is expected to have an annual production capacity of 75,000 mt and a cost of approximately NOK 3.9 billion. The project is supported by a contribution of NOK 1.5 billion from Enova, a Norwegian public enterprise which supports new energy and climate related technology. Execution of the project is subject to obtaining a sustainable power solution for the plant.

1) Prices are 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 2014	Third quarter 2014	%change prior quarter	Fourth quarter 2013	%change prior year quarter	Year 2014	Year 2013
Underlying EBIT (NOK million)	528	(26)	>100 %	(379)	>100 %	(55)	(1 057)
Underlying EBITDA (NOK million)	1 046	417	>100 %	45	>100 %	1 747	662
Alumina production (kmt)	1 501	1 478	2 %	1 452	3 %	5 933	5 377
Sourced alumina (kmt)	503	532	(5) %	395	27 %	2 016	2 009
Total alumina sales (kmt)	2 043	1 922	6 %	1 959	4 %	7 942	7 408
Realized alumina price (USD/mt) <sup>1)</sup>	303	287	6 %	263	15 %	284	275
Bauxite production (kmt) <sup>2)</sup>	2 582	2 287	13 %	2 080	24 %	9 481	7 567
Sourced bauxite (kmt) <sup>3)</sup>	2 433	2 305	6 %	2 474	(2) %	8 815	8 523

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

2) Paragominas on wet basis.

3) 40 percent MRN off take from Vale and 5 percent Hydro share on wet basis.

Underlying EBIT for Bauxite and Alumina improved significantly in the fourth quarter reflecting higher realized alumina prices, higher sales volumes and lower operating costs at Alunorte. Positive currency developments on non-hedged exposures in Brazil also contributed to the improved results for the quarter as well as the reintroduction of the Reintegra tax refund program<sup>4)</sup> from the beginning of October.

Bauxite production increased in the fourth quarter following a decline in the third quarter due to planned maintenance. Production reached 10.2 million mt on an annualized basis during the quarter. Lower maintenance and service costs had a positive effect on cost per mt for Paragominas. Alumina production also improved while cost per mt declined due to further improvements in energy efficiency, fixed costs reductions and somewhat lower raw material costs.

Underlying EBIT increased significantly compared to the fourth quarter of the previous year which included roughly NOK 170 million of charges from the settlement of claims relating to ICMS taxes. Higher realized alumina prices, positive currency effects and higher production volumes following the recovery from disruptions due to the power outages in 2013 all had a positive influence on underlying results for the current quarter. Positive developments were partly offset by higher fuel costs mainly due to the introduction of ICMS taxes in the first quarter of 2014 resulting in roughly NOK 150 million of additional costs per quarter.

Underlying EBIT for the full year 2014 improved substantially compared to 2013 influenced primarily by the same factors discussed above. Bauxite & Alumina's "From B to A" improvement program exceeded the targeted amount of NOK 600 million, reaching annual improvements of NOK 700 million compared with 2011.

4) Reintegra provides tax credits on the revenue generated from export of manufactured goods produced in Brazil. The rate may vary from 0.1% to 3%. Credits generated under the Reintegra program can be refunded in cash or offset against federal taxes and contributions.



## Primary Metal

<b>Operational and financial information <sup>1)</sup></b>	<b>Fourth quarter 2014</b>	Third quarter 2014	%change prior quarter	Fourth quarter 2013	%change prior year quarter	<b>Year 2014</b>	Year 2013
Underlying EBIT (NOK million)	<b>1 989</b>	1 216	64 %	484	>100 %	<b>3 937</b>	1 422
Underlying EBITDA (NOK million)	<b>2 489</b>	1 651	51 %	940	>100 %	<b>5 745</b>	3 293
Realized aluminium price LME (USD/mt) <sup>2)</sup>	<b>1 997</b>	1 906	5 %	1 802	11 %	<b>1 850</b>	1 902
Realized aluminium price LME (NOK/mt) <sup>2)</sup>	<b>13 355</b>	11 909	12 %	10 916	22 %	<b>11 624</b>	11 160
Realized premium above LME (USD/mt) <sup>3)</sup>	<b>575</b>	537	7 %	371	55 %	<b>500</b>	362
Realized premium above LME (NOK/mt) <sup>3)</sup>	<b>3 845</b>	3 355	15 %	2 246	71 %	<b>3 140</b>	2 124
Realized NOK/USD exchange rate	<b>6.69</b>	6.25	7 %	6.06	10 %	<b>6.28</b>	5.87
Primary aluminium production (kmt)	<b>499</b>	487	2 %	492	1 %	<b>1 958</b>	1 944
Casthouse production (kmt) <sup>4)</sup>	<b>515</b>	521	(1) %	522	(1) %	<b>2 088</b>	2 046
Total sales (kmt) <sup>5)</sup>	<b>527</b>	542	(3) %	515	2 %	<b>2 220</b>	2 127

- 1) Operating and financial information includes Hydro's proportionate share of underlying income (loss), production and sales volumes in equity accounted investments. Realized prices, premiums and exchange rates exclude equity accounted investments, and include the effects of strategic currency hedges (hedge accounting applied).
- 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. Historical premiums for 2013 revised due to change of definition.
- 4) Production volumes for 2013 revised due to change of definition.
- 5) Total sales replaces previous casthouse sales due to change of definition.

<b>Operational and financial information Qatalum (50%)</b>	<b>Fourth quarter 2014</b>	Third quarter 2014	%change prior quarter	Fourth quarter 2013	%change prior year quarter	<b>Year 2014</b>	Year 2013
Revenue (NOK million)	<b>1 510</b>	1 207	25 %	1 072	41 %	<b>4 918</b>	4 351
Underlying EBIT (NOK million)	<b>371</b>	231	61 %	237	57 %	<b>874</b>	510
Underlying EBITDA (NOK million)	<b>614</b>	446	38 %	504	22 %	<b>1 772</b>	1 523
Underlying Net income (loss) (NOK million)	<b>317</b>	189	68 %	203	56 %	<b>693</b>	342
Primary aluminium production (kmt)	<b>77</b>	77	-	77	-	<b>306</b>	303
Casthouse sales (kmt)	<b>85</b>	80	6 %	80	6 %	<b>328</b>	321

Underlying EBIT for Primary Metal improved substantially in the fourth quarter influenced by a further increase in realized aluminium prices and premiums. The strengthening USD against the NOK and BRL also had a significant positive impact on underlying results for the quarter. Positive developments were partly offset by higher raw material costs and seasonally lower sales volumes.

Hydro's share of underlying results from Qatalum improved compared to the third quarter mainly due to higher realized aluminium prices and premiums.

Significantly higher premiums, increased realized aluminium prices and the stronger US dollar had a positive impact on underlying EBIT compared to the same quarter of 2013. Increased raw material costs partly offset the positive developments. Improved results from Qatalum also had a positive effect on underlying results for the quarter.

Underlying EBIT for year 2014 improved substantially compared with 2013 influenced by the same factors discussed above in addition to higher sales volumes. Hydro's USD 180 per mt joint venture improvement program proceeded according to plan.

## Metal Markets

	Fourth quarter 2014	Third quarter 2014	%change prior quarter	Fourth quarter 2013	%change prior year quarter	Year 2014	Year 2013
<b>Operational and financial information</b>							
Underlying EBIT (NOK million)	221	171	29 %	190	17 %	634	594
Currency effects <sup>1)</sup>	79	5	>100 %	48	65 %	79	136
Ingot inventory valuation effects <sup>2)</sup>	37	30	21 %	(2)	>100 %	31	21
Underlying EBIT excl. currency and ingot inventory effects	106	136	(23) %	144	(27) %	524	437
Underlying EBITDA (NOK million)	243	192	27 %	214	13 %	712	691
Remelt production (kmt)	130	128	1 %	123	6 %	538	517
Metal products sales excluding ingot trading (kmt) <sup>3)</sup>	645	674	(4) %	648	-	2 743	2 691
Hereof external sales (kmt) <sup>4)</sup>	636	646	(2) %	626	2 %	2 648	2 364

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. Sales volumes for 2013 and 2014 revised due to change of definition.

4) Sales volumes for 2013 and 2014 revised due to change of definition.

Underlying EBIT for Metal Markets increased compared to the previous quarter influenced by positive currency effects and improved results from remelt operations due to higher product premiums. Underlying results from sourcing and trading activities declined during the quarter.

Compared to the fourth quarter of 2013, underlying EBIT increased mainly due to higher positive currency and ingot inventory valuation effects and higher results for remelt operations.

Underlying results improved slightly for the year 2014 due to higher premiums for casthouse product sales and higher results from sourcing and trading activities partly offset by lower net positive currency and ingot inventory valuation effects.

## Rolled Products

	Fourth quarter 2014	Third quarter 2014	%change prior quarter	Fourth quarter 2013	%change prior year quarter	Year 2014	Year 2013
<b>Operational and financial information</b>							
Underlying EBIT (NOK million)	96	243	(60) %	100	(3) %	698	615
Underlying EBITDA (NOK million)	280	417	(33) %	284	(1) %	1 398	1 293
Sales volumes to external market (kmt)	213	244	(13) %	226	(5) %	946	941
<b>Sales volumes to external markets (kmt) - Customer business units</b>							
Packaging and building <sup>1)</sup>	82	96	(15) %	90	(9) %	365	398
Lithography, automotive & heat exchanger	73	84	(13) %	73	-	317	292
General engineering	58	64	(9) %	63	(8) %	263	251
Rolled Products	213	244	(13) %	226	(5) %	946	941

1) Includes beverage can, foil packaging and lacquered building products.

Underlying EBIT for Rolled Products declined compared with the third quarter of 2014 mainly due to lower sales volumes impacted by seasonality and customer destocking activities. Margin pressure continued, impacted by fixed premium sales

contracts and changes in product mix compared to the previous quarter. However, this was mostly offset by currency gains on export sales.<sup>2)</sup> Positive contributions from the Rheinwerk smelter due to higher all-in metal prices had a positive effect on underlying results for the quarter.

Compared to the fourth quarter of 2013, underlying EBIT was relatively stable. Substantial negative impacts relating to lower margins in particular and lower sales volumes were offset by significant positive contributions from higher all-in metal prices in the Rheinwerk smelter, currency gains on export sales and somewhat lower operating costs.

Underlying EBIT for the full year improved somewhat influenced by higher currency gains on export sales, positive contributions from the Rheinwerk smelter, higher sales volumes and somewhat lower operating costs largely offset by lower margin contributions due to margin pressure and fixed premium sales contracts. Rolled Products Climb program contributed about NOK 600 million of annual improvements compared to cost and revenue levels in 2011.

2) 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 and can be significant. Offsetting gains and losses on internal currency hedges are reported as financial items.

## Energy

Operational and financial information	Fourth quarter 2014	Third quarter 2014	%change prior quarter	Fourth quarter 2013	%change prior year quarter	Year 2014	Year 2013
Underlying EBIT (NOK million)	360	234	54 %	383	(6) %	1 197	1 653
Underlying EBITDA (NOK million)	402	275	46 %	420	(4) %	1 360	1 803
Direct production costs (NOK million) <sup>1)</sup>	167	139	21 %	121	38 %	608	485
Power production (GWh)	2 823	2 170	30 %	2 411	17 %	10 206	10 243
External power sourcing (GWh)	2 271	2 350	(3) %	2 474	(8) %	9 315	9 412
Internal contract sales (GWh)	3 421	3 400	1 %	3 448	(1) %	13 514	13 304
External contract sales (GWh)	335	247	35 %	348	(4) %	1 187	1 241
Net spot sales (GWh)	1 339	873	53 %	1 089	23 %	4 820	5 110

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

Underlying EBIT for Energy increased compared to the third quarter due to higher production partly offset by increased production costs and higher concession power sales to low regulated prices.

Compared to the fourth quarter of the previous year, underlying EBIT declined slightly due to lower prices and increased production costs partly offset by higher production.

Underlying EBIT decreased for the year 2014 compared to the previous year, impacted by reduced prices and higher area price differences as well as increased transmission costs.

## Other and eliminations

Financial information NOK million	Fourth quarter 2014	Third quarter 2014	%change prior quarter	Fourth quarter 2013	%change prior year quarter	Year 2014	Year 2013
Sapa (50%)	(22)	55	>(100) %	(140)	84 %	199	(130)
Other	(118)	(128)	8 %	(134)	13 %	(549)	(459)
Eliminations	(168)	(276)	39 %	(31)	>(100) %	(367)	88
Underlying EBIT Other and eliminations	(308)	(349)	12 %	(306)	(1) %	(717)	(502)

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

<b>Operational and financial information Sapa (50%)</b>	<b>Fourth quarter 2014</b>	Third quarter 2014	%change prior quarter	Fourth quarter 2013	%change prior year quarter	<b>Year 2014</b>
Revenue (NOK million)	5 945	5 802	2 %	5 066	17 %	<b>23 192</b>
Underlying EBIT (NOK million)	(27)	100	>(100) %	(170)	84 %	<b>326</b>
Underlying EBITDA (NOK million)	171	246	(30) %	(22)	>100 %	<b>958</b>
Underlying Net income (loss) (NOK million)	(22)	55	>(100) %	(140)	84 %	<b>199</b>
Sales volumes (kmt)	161	175	(8) %	157	2 %	<b>699</b>

Underlying EBIT for Sapa declined compared to the previous quarter, mainly due to lower seasonal demand.

Underlying EBIT for Sapa increased compared to the same quarter of the previous year due to stronger North-American demand, improved margins, and improvement programs and restructuring activities in Europe. Global automotive demand has supported the precision tubing results. Underlying results for the fourth quarter 2013 included charges related to impairment of inventories and accounts receivables.

The restructuring program initiated by the company in 2013, targeting annual synergies of around NOK one billion by the end of 2016, is ahead of plan, with about half of the target reflected in the underlying results for the full year 2014.

Reported EBIT for the fourth quarter was, in addition to the factors mentioned above, impacted by items related to restructuring activities undertaken to deliver on the improvement and restructuring agenda.

In addition to items related to the improvement and restructuring agenda, reported EBIT includes approximately NOK 0.5 billion (Hydro's share 50 percent) in impairments of fixed assets in China.

## Finance

<b>Financial income (expense)</b>	<b>Fourth quarter 2014</b>	Third quarter 2014	% change prior quarter	Fourth quarter 2013	% change prior year quarter	<b>Year 2014</b>	Year 2013
NOK million							
Interest income	<b>73</b>	70	4 %	65	13 %	<b>275</b>	232
Dividends received and net gain (loss) on securities	<b>41</b>	1	>100%	58	(29)%	<b>71</b>	170
Financial income	<b>115</b>	71	60 %	122	(6)%	<b>347</b>	402
Interest expense	<b>(108)</b>	(102)	(5)%	(118)	9 %	<b>(438)</b>	(421)
Capitalized interest	-	-	-	1	-	<b>3</b>	2
Net foreign exchange gain (loss)	<b>(2 252)</b>	(1 001)	>(100)%	(688)	>(100)%	<b>(3 161)</b>	(2 246)
Net interest on pension liability	<b>(49)</b>	(46)	(7)%	(53)	7 %	<b>(189)</b>	(180)
Other	<b>(47)</b>	(28)	(71)%	(37)	(29)%	<b>(115)</b>	(134)
Financial expense	<b>(2 456)</b>	(1 177)	>(100)%	(895)	>(100)%	<b>(3 900)</b>	(2 978)
Financial income (expense), net	<b>(2 341)</b>	(1 105)	>(100)%	(772)	>(100)%	<b>(3 554)</b>	(2 576)

The net foreign exchange loss was mainly comprised of unrealized currency losses on US dollar debt in Brazil and Norway. The net foreign exchange loss also included unrealized losses on embedded derivatives in power contracts denominated in Euro.

## Tax

Income tax expense amounted to NOK 122 million for the fourth quarter of 2014. For the full year 2014, tax expense was about 42 percent of income before tax. The tax rate reflects the relatively high share of reported income before tax subject to power sur 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 <sup>1)</sup>	Fourth quarter 2014	Third quarter 2014	Fourth quarter 2013	Year 2014	Year 2013
NOK million					
Unrealized derivative effects on LME related contracts <sup>2)</sup>	-	(220)	78	(352)	202
Unrealized derivative effects on power and raw material contracts <sup>3)</sup>	261	(54)	(14)	72	107
Metal effect, Rolled Products <sup>4)</sup>	(189)	(202)	87	(449)	289
Significant rationalization charges and closure costs <sup>5)</sup>	-	-	324	-	471
Impairment charges (PP&E and equity accounted investments) <sup>6)</sup>	145	28	80	207	80
(Gains)/losses on divestments <sup>7)</sup>	-	-	69	(8)	-
Other effects <sup>8)</sup>	36	-	(311)	36	(303)
Items excluded in equity accounted investment (Sapa)	337	2	172	512	217
Items excluded from underlying EBIT	591	(447)	485	18	1 063
Net foreign exchange (gain)/loss <sup>9)</sup>	2 252	1 001	688	3 161	2 246
Calculated income tax effect <sup>10)</sup>	(696)	(176)	(276)	(680)	(889)
Items excluded from continuing operations	2 147	378	898	2 499	2 420
Items excluded from discontinued operations	-	-	-	-	30
Items excluded from underlying net income	2 147	378	898	2 499	2 450

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 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.

4) 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.

5) 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.

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

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

8) Other effects include recognition of pension plan amendments and related curtailments and settlements, insurance proceeds, legal settlements, etc.

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

10) 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.

## 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.

<b>Items excluded from underlying EBIT <sup>1)</sup></b>	<b>Fourth quarter 2014</b>	Third quarter 2014	Fourth quarter 2013	<b>Year 2014</b>	Year 2013
NOK million					
Unrealized derivative effects on LME related contracts	(10)	(2)	3	(16)	12
Legal settlements	-	-	109	-	109
<b>Bauxite &amp; Alumina</b>	<b>(10)</b>	<b>(2)</b>	<b>112</b>	<b>(16)</b>	<b>121</b>
Unrealized derivative effects on LME related contracts	-	(36)	23	(86)	81
Unrealized derivative effects on power contracts	27	1	57	63	285
Unrealized derivative effects on power contracts (Søral)	57	(64)	45	(16)	189
Unrealized derivative effects on raw material contracts	10	9	12	37	36
Impairment charges (Qatalum)	-	28	-	28	-
Insurance compensation (Qatalum)	(55)	-	(30)	(55)	(30)
Rationalization charges and closure costs (Søral)	-	-	-	-	7
Transaction effects Søral acquisition	38	-	-	38	-
<b>Primary Metal</b>	<b>77</b>	<b>(62)</b>	<b>107</b>	<b>9</b>	<b>568</b>
Unrealized derivative effects on LME related contracts	(64)	(94)	(5)	(117)	(12)
Pension	-	-	(7)	-	(7)
(Gains)/losses on divestments	-	-	-	-	(53)
Impairment charges	-	-	-	33	-
<b>Metal Markets</b>	<b>(64)</b>	<b>(94)</b>	<b>(12)</b>	<b>(83)</b>	<b>(73)</b>
Unrealized derivative effects on LME related contracts	76	(79)	59	(119)	134
Metal effect	(189)	(202)	87	(449)	289
Impairment charges	145	-	-	145	-
Rationalization charges and closure costs	-	-	12	-	85
(Gains)/losses on divestments	-	-	69	-	69
Pension	-	-	(45)	-	(45)
<b>Rolled Products</b>	<b>32</b>	<b>(281)</b>	<b>182</b>	<b>(423)</b>	<b>532</b>
Unrealized derivative effects on power contracts	(2)	(1)	(8)	4	(4)
<b>Energy</b>	<b>(2)</b>	<b>(1)</b>	<b>(8)</b>	<b>4</b>	<b>(4)</b>
Unrealized derivative effects on power contracts <sup>2)</sup>	170	1	(119)	(16)	(399)
Unrealized derivative effects on LME related contracts <sup>2)</sup>	(3)	(9)	(2)	(13)	(13)
Impairment charges	-	-	80	-	80
Pension	-	-	(338)	-	(338)
(Gains)/losses on divestments	-	-	-	(8)	(16)
Rationalization charges and closure costs	-	-	312	-	386
Items excluded in equity accounted investment (Sapa)	337	2	172	512	217
Other effects <sup>3)</sup>	53	-	-	53	-
<b>Other and eliminations</b>	<b>558</b>	<b>(7)</b>	<b>104</b>	<b>528</b>	<b>(81)</b>
<b>Items excluded from underlying EBIT</b>	<b>591</b>	<b>(447)</b>	<b>485</b>	<b>18</b>	<b>1 063</b>

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 in the valuation of certain internal aluminium contracts.

3) Other effects include the remeasurement of environmental liabilities, due to change in interest rate, related to closed business in Germany.

*Interim financial statements*

## Condensed consolidated statements of income (unaudited)

NOK million, except per share data	Fourth quarter		Year	
	2014	2013	2014	2013
Revenue	21 656	16 570	77 907	64 877
Share of the profit (loss) in equity accounted investments	(34)	(150)	415	(240)
Other income, net	327	103	751	801
<b>Total revenue and income</b>	<b>21 948</b>	<b>16 523</b>	<b>79 073</b>	<b>65 438</b>
Raw material and energy expense	13 697	11 288	51 480	43 175
Employee benefit expense	2 104	1 582	8 089	7 360
Depreciation, amortization and impairment	1 428	1 223	4 771	4 644
Other expenses	2 424	2 444	9 059	8 596
<b>Total expenses</b>	<b>19 653</b>	<b>16 537</b>	<b>73 399</b>	<b>63 775</b>
<b>Earnings before financial items and tax (EBIT)</b>	<b>2 295</b>	<b>(14)</b>	<b>5 674</b>	<b>1 663</b>
Financial income	115	122	347	402
Financial expense	(2 456)	(895)	(3 900)	(2 978)
<b>Financial income (expense), net</b>	<b>(2 341)</b>	<b>(772)</b>	<b>(3 554)</b>	<b>(2 576)</b>
Income (loss) from continuing operations before tax	(46)	(786)	2 121	(913)
Income taxes	(122)	29	(892)	(115)
<b>Income (loss) from continuing operations</b>	<b>(168)</b>	<b>(758)</b>	<b>1 228</b>	<b>(1 029)</b>
Income (loss) from discontinued operations	-	-	-	189
<b>Net income (loss)</b>	<b>(168)</b>	<b>(758)</b>	<b>1 228</b>	<b>(839)</b>
Net income (loss) attributable to minority interests	202	35	432	81
Net income (loss) attributable to Hydro shareholders	(370)	(793)	797	(920)
Basic and diluted earnings per share from continuing operations (in NOK) <sup>1) 2)</sup>	(0.18)	(0.39)	0.39	(0.54)
Basic and diluted earnings per share from discontinued operations (in NOK) <sup>1)</sup>	-	-	-	0.09
Basic and diluted earnings per share attributable to Hydro shareholders (in NOK) <sup>1)</sup>	(0.18)	(0.39)	0.39	(0.45)
<b>Weighted average number of outstanding shares (million)</b>	<b>2 040</b>	<b>2 039</b>	<b>2 040</b>	<b>2 038</b>

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	
	2014	2013	2014	2013
Net income (loss)	(168)	(758)	1 228	(839)
<b>Other comprehensive income</b>				
<b>Items that will not be reclassified to income statement:</b>				
Remeasurement postemployment benefits, net of tax	(988)	(339)	(2 340)	(267)
Share of remeasurement postemployment benefit of equity accounted investments, net of tax	(151)	54	(150)	54
<b>Total</b>	<b>(1 138)</b>	<b>(285)</b>	<b>(2 490)</b>	<b>(213)</b>
<b>Items that will be reclassified to income statement:</b>				
Currency translation differences, net of tax	6 184	330	7 004	2 753
Unrealized gain (loss) on securities, net of tax	34	80	90	(38)
Cash flow hedges, net of tax	23	(101)	9	(291)
Share of items that will be recycled to profit or loss of equity accounted investments, net of tax	663	227	666	388
<b>Total</b>	<b>6 904</b>	<b>536</b>	<b>7 769</b>	<b>2 811</b>
<b>Other comprehensive income</b>	<b>5 766</b>	<b>251</b>	<b>5 279</b>	<b>2 598</b>
<b>Total comprehensive income</b>	<b>5 598</b>	<b>(506)</b>	<b>6 507</b>	<b>1 759</b>
Total comprehensive income attributable to minority interests	684	(70)	959	(55)
<b>Total comprehensive income attributable to Hydro shareholders</b>	<b>4 915</b>	<b>(436)</b>	<b>5 548</b>	<b>1 814</b>

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



## Condensed balance sheets (unaudited)

NOK million, except number of shares	December 31		
	2014	2013	2012
<b>Assets</b>			
Cash and cash equivalents	9 253	8 412	7 034
Short-term investments	1 786	2 480	4 343
Accounts receivables	11 703	9 539	8 640
Inventories	12 642	10 070	9 812
Other current assets	543	181	336
<b>Total current assets</b>	<b>35 927</b>	<b>30 681</b>	<b>30 165</b>
Assets held for sale	-	-	9 564
Property, plant and equipment	55 719	52 855	54 204
Intangible assets	5 947	5 562	5 721
Investments accounted for using the equity method	18 095	17 148	9 211
Prepaid pension	2 881	3 595	3 080
Other non-current assets	7 703	6 483	6 397
<b>Total non-current assets</b>	<b>90 345</b>	<b>85 642</b>	<b>78 613</b>
<b>Total assets</b>	<b>126 273</b>	<b>116 324</b>	<b>118 342</b>
<b>Liabilities and equity</b>			
Bank loans and other interest-bearing short-term debt	6 039	6 220	5 987
Trade and other payables	9 663	9 197	8 238
Other current liabilities	3 414	3 433	3 239
<b>Total current liabilities</b>	<b>19 116</b>	<b>18 850</b>	<b>17 464</b>
Liabilities included in disposal groups	-	-	3 445
Long-term debt	5 128	3 986	3 674
Provisions	3 993	2 684	2 469
Pension liabilities	12 796	9 858	8 619
Deferred tax liabilities	1 676	2 853	4 075
Other non-current liabilities	3 622	2 828	3 098
<b>Total non-current liabilities</b>	<b>27 215</b>	<b>22 209</b>	<b>21 935</b>
<b>Total liabilities</b>	<b>46 332</b>	<b>41 060</b>	<b>42 844</b>
Equity attributable to Hydro shareholders	74 030	69 981	69 663
Minority interest	5 911	5 283	5 835
<b>Total equity</b>	<b>79 941</b>	<b>75 264</b>	<b>75 498</b>
<b>Total liabilities and equity</b>	<b>126 273</b>	<b>116 324</b>	<b>118 342</b>
Total number of outstanding shares (million)	2 040	2 039	2 038

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

## Condensed consolidated statements of cash flows (unaudited)

NOK million	Year	
	2014	2013
<b>Operating activities</b>		
Net income (loss)	1 228	(839)
Loss (income) from discontinued operations	-	(189)
Depreciation, amortization and impairment	4 771	4 644
Other adjustments	(34)	1 586
<b>Net cash provided by continuing operating activities</b>	<b>5 965</b>	<b>5 202</b>
<b>Investing activities</b>		
Purchases of property, plant and equipment	(3 294)	(2 867)
Purchases of other long-term investments	166	(185)
Purchases of short-term investments	(1 500)	(1 250)
Proceeds from sales of property, plant and equipment	113	64
Proceeds from sales of other long-term investments	(10)	280
Proceeds from sales of short-term investments	2 250	3 050
<b>Net cash used in continuing investing activities</b>	<b>(2 275)</b>	<b>(908)</b>
<b>Financing activities</b>		
Loan proceeds	6 880	6 744
Principal repayments	(8 226)	(7 255)
Net increase (decrease) in other short-term debt	170	(241)
Proceeds from shares issued	21	56
Dividends paid	(1 943)	(1 975)
<b>Net cash used in continuing financing activities</b>	<b>(3 098)</b>	<b>(2 671)</b>
Foreign currency effects on cash and bank overdraft	387	183
<b>Net cash used in discontinued operations</b>	<b>(139)</b>	<b>(431)</b>
<b>Net increase in cash, cash equivalents and bank overdraft</b>	<b>840</b>	<b>1 375</b>
Cash, cash equivalents and bank overdraft at beginning of period	8 408	7 033
<b>Cash, cash equivalents and bank overdraft at end of period</b>	<b>9 248</b>	<b>8 408</b>

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

## Condensed consolidated statements of changes in equity (unaudited)

NOK million	Equity							
	Share capital	Additional paid-in capital	Treasury shares	Retained earnings	Other components of equity	attributable to Hydro shareholders	Minority interests	Total equity
January 1, 2013	2 272	29 056	(1 047)	49 018	(9 635)	69 663	5 835	75 498
<i>Changes in equity for 2013</i>								
Treasury shares reissued to employees		(7)	41			33		33
Dividends				(1 529)		(1 529)	(528)	(2 057)
Capital contribution in subsidiaries							33	33
Items not reclassified to income statement in subsidiaries sold				49	(49)	-		-
Minority interest in subsidiaries sold							(1)	(1)
Total comprehensive income for the period				(920)	2 734	1 814	(55)	1 759
December 31, 2013	2 272	29 049	(1 006)	46 617	(6 950)	69 981	5 283	75 264
<i>Changes in equity for 2014</i>								
Treasury shares reissued to employees		(4)	35			31		31
Dividends				(1 530)		(1 530)	(331)	(1 861)
Items not reclassified to income statement in subsidiaries sold/liquidated				(12)	12	-		
Total comprehensive income for the period				797	4 751	5 548	959	6 507
December 31, 2014	2 272	29 045	(972)	45 872	(2 187)	74 030	5 911	79 941

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 - 2013.

Hydro implemented IFRS 10, IFRS 11, IFRS 12 and the amended IAS 27 and IAS 31 as of January 1, 2014. The changes are made with retrospective application. The implementation of IFRS 11 Joint Arrangements resulted in changed accounting method for two jointly controlled entities, Aluminium Norf GmbH and Skafså ANS, which are deemed as joint operations under IFRS 11. In accordance with IFRS 11 Hydro reports its share of assets, liabilities, income and expenses in these entities, which were previously accounted for under the equity method. The main changes to previously reported numbers are shown in the table below. In addition there are minor changes to some other line items.

NOK million	Fourth quarter 2013		Year 2013	
	Effect of IFRS 11	Adjusted	Effect of IFRS 11	Adjusted
Share of the profit (loss) in equity accounted investments	14	(150)	71	(240)
Depreciation, amortization and impairment	67	1 223	253	4 644
Earnings before financial items and tax (EBIT)	(11)	(14)	(12)	1 663
Net income	-	(758)	-	(839)
Other comprehensive income	-	251	-	2 598

  

NOK million	January 1, 2013		December 31, 2013	
	Effect of IFRS 11	Adjusted	Effect of IFRS 11	Adjusted
Property, plant and equipment	1 996	54 204	2 184	52 855
Investments accounted for using the equity method	(1 023)	9 211	(1 062)	17 148
Total assets	985	118 342	1 088	116 324
Total liabilities	985	42 844	1 088	41 060
Equity	-	75 498	-	75 264
Total liabilities and equity	985	118 342	1 088	116 324

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 - 2013 that are a part of Hydro's Annual Report - 2013.

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 - 2013 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	
	2014	2013	2014	2013
<b>Total revenue</b>				
Bauxite & Alumina	4 770	3 546	15 847	13 350
Primary Metal	8 075	5 554	28 064	23 279
Metal Markets	11 709	8 996	43 029	37 791
Rolled Products	5 324	4 868	21 455	20 092
Energy	1 891	1 596	6 303	6 279
Other and eliminations	(10 112)	(7 990)	(36 790)	(35 914)
<b>Total</b>	<b>21 656</b>	<b>16 570</b>	<b>77 907</b>	<b>64 877</b>
<b>External revenue</b>				
Bauxite & Alumina	2 699	2 171	9 568	8 124
Primary Metal	2 242	988	6 397	3 866
Metal Markets	10 625	7 668	37 981	29 646
Rolled Products	5 345	4 968	21 345	20 286
Energy	710	737	2 492	2 830
Other and eliminations	35	38	124	124
<b>Total</b>	<b>21 656</b>	<b>16 570</b>	<b>77 907</b>	<b>64 877</b>
<b>Internal revenue</b>				
Bauxite & Alumina	2 071	1 375	6 279	5 226
Primary Metal	5 833	4 566	21 667	19 413
Metal Markets	1 084	1 328	5 048	8 144
Rolled Products	(22)	(101)	109	(194)
Energy	1 181	860	3 810	3 449
Other and eliminations	(10 147)	(8 028)	(36 914)	(36 038)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Share of the profit (loss) in equity accounted investments</b>				
Bauxite & Alumina	-	-	-	-
Primary Metal	325	162	728	108
Metal Markets	-	-	-	-
Rolled Products	-	-	-	-
Energy	-	-	-	-
Other and eliminations	(359)	(312)	(313)	(348)
<b>Total</b>	<b>(34)</b>	<b>(150)</b>	<b>415</b>	<b>(240)</b>

NOK million	Fourth quarter		Year	
	2014	2013	2014	2013
<b>Depreciation, amortization and impairment</b>				
Bauxite & Alumina	519	424	1 802	1 718
Primary Metal	499	452	1 794	1 855
Metal Markets	22	24	112	98
Rolled Products	329	184	845	677
Energy	42	37	162	150
Other and eliminations	17	101	55	146
<b>Total</b>	<b>1 428</b>	<b>1 223</b>	<b>4 771</b>	<b>4 644</b>
<b>Earnings before financial items and tax (EBIT) <sup>1)</sup></b>				
Bauxite & Alumina	537	(491)	(39)	(1 178)
Primary Metal	1 912	377	3 928	855
Metal Markets	285	202	717	666
Rolled Products	64	(83)	1 121	83
Energy	362	391	1 193	1 657
Other and eliminations	(866)	(410)	(1 245)	(420)
<b>Total</b>	<b>2 295</b>	<b>(14)</b>	<b>5 674</b>	<b>1 663</b>
<b>EBITDA</b>				
Bauxite & Alumina	1 056	(67)	1 763	540
Primary Metal	2 413	833	5 736	2 726
Metal Markets	307	226	829	764
Rolled Products	393	102	1 966	761
Energy	404	429	1 355	1 807
Other and eliminations	(848)	(309)	(1 190)	(274)
<b>Total</b>	<b>3 725</b>	<b>1 214</b>	<b>10 460</b>	<b>6 323</b>
<b>Investments <sup>2)</sup></b>				
Bauxite & Alumina	227	186	701	1 198
Primary Metal	640	390	1 606	1 093
Metal Markets	47	31	95	74
Rolled Products	428	341	783	617
Energy	86	94	364	689
Other and eliminations	21	16	76	90
<b>Total</b>	<b>1 449</b>	<b>1 057</b>	<b>3 625</b>	<b>3 761</b>

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.

NOK million	EBIT	Depr., amor. and impairment <sup>1)</sup>	EBITDA
<b>EBIT - EBITDA Fourth quarter 2014</b>			
Bauxite & Alumina	537	519	1 056
Primary Metal	1 912	500	2 413
Metal Markets	285	22	307
Rolled Products	64	329	393
Energy	362	42	404
Other and eliminations	(866)	17	(848)
<b>Total</b>	<b>2 295</b>	<b>1 430</b>	<b>3 725</b>

NOK million	EBIT	Depr., amor. and impairment <sup>1)</sup>	EBITDA
<b>EBIT - EBITDA 2014</b>			
Bauxite & Alumina	(39)	1 802	1 763
Primary Metal	3 928	1 808	5 736
Metal Markets	717	112	829
Rolled Products	1 121	845	1 966
Energy	1 193	162	1 355
Other and eliminations	(1 245)	55	(1 190)
<b>Total</b>	<b>5 674</b>	<b>4 786</b>	<b>10 460</b>

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: Contingent liabilities

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 it is not probable that the resulting liabilities, if any, will have a material adverse effect on its consolidated results of operations, liquidity or financial position.

## Note 4: Discontinued operations

Discontinued operations and assets held for sale reported in 2013 relates to Hydro's Extruded Products activities contributed to the 50 percent owned joint venture Sapa, established on September 1, 2013.

### Summary of financial data for discontinued operations

NOK million	Fourth quarter		Year	
	2014	2013	2014	2013
Revenue and other income	-	-	-	11 531
Share of the profit (loss) in equity accounted investments	-	-	-	10
Depreciation, amortization and impairment	-	-	-	-
Other expenses	-	-	-	11 347
Earnings before financial items and tax	-	-	-	194
Financial income (expense), net	-	-	-	(52)
Income (loss) before tax	-	-	-	142
Income tax expense	-	-	-	(28)
Gain on disposal	-	-	-	75
Income (loss) from discontinued operations	-	-	-	189
Net cash provided by (used in) operating activities			-	(238)
Net cash used in investing activities			(139)	(285)
Net cash provided by (used in) financing activities			-	(12)
Foreign currency effects on cash			-	11
Net decrease in cash classified as assets held for sale			-	93
Net cash used in discontinued operations			(139)	(431)



## Additional information

### Return on average Capital Employed (RoCE)

NOK million	Underlying		Reported	
	2014	2013	2014	2013
EBIT	5 692	2 725	5 674	1 663
Adjusted Income tax expense <sup>1)</sup>	(1 683)	(1 052)	(1 887)	(837)
EBIT after tax	4 009	1 674	3 787	826

NOK million	31 December		
	2014	2013	2012
Current assets <sup>2)</sup>	24 888	19 790	28 353
Property, plant and equipment	55 719	52 855	54 204
Other assets <sup>3)</sup>	34 627	32 788	24 409
Other current liabilities	(13 076)	(12 630)	(14 922)
Other long-term liabilities <sup>4)</sup>	(22 088)	(18 223)	(18 262)
Capital Employed	80 069	74 579	73 781

Return on average Capital Employed (RoCE)	Underlying		Reported	
	2014	2013	2014	2013
Hydro	5.2 %	2.3 %	4.9 %	1.1 %
Business areas <sup>5)</sup>				
Bauxite & Alumina	(0.1) %	(2.2) %	(0.1) %	(2.5) %
Primary Metal	10.4 %	3.9 %	10.4 %	2.3 %
Metal Markets	19.4 %	19.9 %	21.9 %	22.3 %
Rolled Products	5.3 %	5.2 %	8.6 %	0.7 %
Energy	17.4 %	36.1 %	17.4 %	36.1 %

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) RoCE at business area level is calculated using 30% tax rate. For Energy, 55% tax rate is used.

## Financial calendar

2015	
March 13	Annual report
April 29	First quarter results
May 6	Annual General Meeting
July 21	Second quarter results
October 21	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 aluminium company with production, sales and trading activities throughout the value chain, from bauxite, alumina and energy generation to the production of primary aluminium and rolled products as well as recycling. Based in Norway, the company has 13,000 employees involved in activities in more than 50 countries on all continents. Rooted in more than a century of experience in renewable energy production, technology development and progressive partnerships, Hydro is committed to strengthening the viability of the customers and communities we serve.

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