



HYDRO

First quarter report 2009

Q1

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Cautionary note in relation to certain forward-looking statements

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

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

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

Summary of results

To provide a better understanding of Hydro's underlying performance, the following discussion of operating performance excludes certain items from EBIT (earnings before financial items and tax) and income from continuing operations. See "Items excluded from underlying EBIT and income from continuing operations" later in this report for more information on these items.

Key financial information	First quarter 2009	Fourth quarter 2008	% change prior quarter	First quarter 2008	% change prior year quarter	Year 2008
NOK million, except per share data						
Revenue	16,854	21,368	(21) %	21,529	(22) %	88,643
Earnings before financial items and tax (EBIT)	(1,598)	(3,106)	49 %	1,179	>(100) %	1,194
Items excluded from underlying EBIT ¹⁾	1,105	3,975		853		4,815
Underlying earnings before financial items and tax (EBIT)	(493)	868	>(100) %	2,032	>(100) %	6,009
<i>Underlying earnings before financial items and tax (EBIT) :</i>						
Aluminium Metal	(476)	435	>(100) %	1,255	>(100) %	3,575
Aluminium Products	(257)	(239)	(7) %	370	>(100) %	988
Energy	416	592	(30) %	399	4 %	1,736
Corporate, other and eliminations	(176)	81	>(100) %	8	>(100) %	(290)
Underlying earnings before financial items and tax (EBIT)	(493)	868	>(100) %	2,032	>(100) %	6,009
Income (loss) from continuing operations	(280)	(5,845)	95 %	1,443	>(100) %	(3,267)
Underlying income (loss) from continuing operations	(480)	(184)	>(100) %	1,376	>(100) %	3,579
Earnings per share from continuing operations ²⁾	(0.29)	(4.99)	94 %	1.21	>(100) %	(3.04)
Underlying earnings per share from continuing operations ²⁾	(0.45)	(0.29)	(54) %	1.15	>(100) %	2.62
<i>Financial data:</i>						
Investments	685	2,749	(75) %	2,267	(70) %	9,012
Adjusted net interest-bearing debt ³⁾	(18,839)	(15,440)	(22) %	163	>(100) %	(15,440)
Operating statistics ⁴⁾						
Realized aluminium price LME (USD/mt) ⁵⁾	1,996	2,654	(25) %	2,450	(19) %	2,638
Realized aluminium price LME (NOK/mt) ⁵⁾	13,393	16,904	(21) %	13,354	-	14,724
Primary aluminium production (kmt)	397	442	(10) %	433	(8) %	1,750
Rolled Products sales volumes to external market (kmt)	191	213	(10) %	253	(24) %	965
Extrusion sales volumes to external market (kmt)	96	103	(7) %	130	(26) %	488
Automotive sales volumes to external market (kmt)	17	18	(2) %	31	(43) %	105
Power production (GWh)	2,477	2,813	(12) %	2,850	(13) %	11,361

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

2) "Earnings per share from continuing operations" and "Underlying earnings per share from continuing operations" are calculated using Income from continuing operations and Underlying income from continuing operations less Net income attributable to minority interests, and using the weighted average number of ordinary shares outstanding. There were no diluting elements.

3) Calculation is based on amounts as of the end of the periods presented. See note 35 *Capital Management* in Hydro's Financial statements - 2008 for a discussion on net interest-bearing debt.

4) Operating statistics includes proportionate share of production and prices in equity accounted investments.

5) Including the effect of strategic hedges (hedge accounting applied). In the fourth quarter of 2008, Hydro changed its definition of realized prices to be determined when products are shipped and invoiced to customers. Previously, realized prices were determined as liquid metal is transferred from electrolysis to casthouses for further processing. This price mainly reflected the prevailing three month forward LME aluminium price three months prior to production. The casting process results in about an additional three to four weeks time lag before metal is finally shipped and invoiced to customers. Prior periods have been restated to reflect the change in definition.

Hydro had an underlying loss before financial items of NOK 493 million in the first quarter of 2009, down from an underlying EBIT of NOK 868 million in the previous quarter. The results reflect the deepening global economic downturn, with historically low aluminium prices and a further fall in already weak downstream markets.

"We have been in the forefront in our industry in taking swift and decisive action in response to the economic downturn. We do not see any short or medium-term upturn in the market, and we will continue to take necessary measures adjusting our operations and costs to the challenging market situation," Hydro's President and CEO Svein Richard Brandtzæg said.

"We will ensure that our competitive position will be strengthened through the measures we are now taking in all business areas and throughout staff and support functions," Brandtzæg added.

Hydro decided during the quarter to temporarily shut down the oldest production line at its Sunndal smelter facility in Norway, which has an annual production capacity of 100,000 mt per year. This will bring total upstream capacity curtailments to about 500,000 mt a year, or close to 30 percent of production in 2008.

Earlier announced curtailments include the Neuss smelter, 50 percent of the part-owned Søral smelter, 10 percent of production at Slovalco and the permanent closure of the Sørderberg line in Karmøy. Around 60 percent of the announced curtailments had been completed by the end of the first quarter, with the remaining due to be closed during the second quarter.

Hydro also announced a temporary shut down of its 35-percent-owned Alpart alumina refinery in Jamaica, with a total production of 1,650,000 mt alumina per year, which is expected to be fully closed by mid-May. The company's program to reduce costs and manning throughout its downstream operations progressed according to plan and provided a significant contribution in the first quarter.

"Qatalum was 73 percent complete at the end of the quarter and on schedule for start-up at the turn of the year. Once operational, Qatalum will be a solid foundation for Hydro as a competitive metal supplier," Brandtzæg said.

Aluminium Metal delivered an underlying loss of NOK 476 million in a quarter strongly affected by the sharp fall in global aluminium prices. Both fixed and variable costs related to the production of primary aluminium declined as capacity curtailments started to affect operating costs and key raw material prices fell. Results in Bauxite and Alumina fell sharply due to lower realized alumina prices, and Commercial Products continued to be impacted by weak sales volumes and low production in Hydro's remelters.

Aluminium Products incurred an underlying loss of NOK 257 million in the first quarter due to a further market deterioration from already depressed levels, resulting in sales volumes dropping further from the previous quarter and margins coming under increased pressure. Significant cost reductions only partly offset the market effects.

Energy had an underlying EBIT of NOK 416 million, down from the record results of the previous quarter. Spot prices declined from the exceptionally high level in the fourth quarter of 2008. Power production declined, but was seasonally high for the quarter.

Net cash used in operating activities was NOK 1.1 billion for the quarter, compared with net cash provided by operating activities of NOK 2.9 billion in the previous quarter. Hydro had a net cash position amounting to NOK 1.7 billion at the end of the quarter.

Hydro had stand-by credit facilities of NOK 12.7 billion at the beginning of the year, and further strengthened its financial position by securing new financing during the first quarter, including a new EUR 750 million syndicated three-year revolving credit facility. The company also issued NOK 1 billion in commercial paper during the quarter with a six month maturity.

Reported EBIT and income from continuing operations

Reported EBIT for Hydro amounted to a loss of NOK 1,598 million for the first quarter including charges of roughly NOK 1,100 million comprised of negative metal effects of NOK 660 million, rationalization charges and closure costs of NOK 300 million and net unrealized derivative losses of about NOK 130 million. Reported EBIT amounted to a loss of NOK 3,106 million for the fourth quarter of 2008 including charges of roughly NOK 3,980 million, comprised of impairment losses of NOK 2,150 million, write-downs of roughly NOK 300 million relating to our minority interests in solar businesses, net unrealized derivative losses of about NOK 770 million and other net negative effects of roughly NOK 760 million.

Reported Loss from continuing operations amounted to NOK 280 million in the first quarter including net foreign exchange gains of about NOK 1,480 million mainly relating to intercompany balances denominated in Euro. These gains have no cash effect and are offset in equity by translation of the corresponding subsidiaries during consolidation. Reported Loss from continuing operations amounted to NOK 5,845 million in the fourth quarter including net foreign exchange losses of NOK 4,629 million. Approximately half of the losses related mainly to Hydro's US dollar hedging program. The remainder related to losses on intercompany balances denominated in Euro.

Market developments and outlook

The severe downturn in the global economy has led to a continued decline in demand for aluminium following a sharp fall in demand in the previous quarter and rapidly increasing inventory levels. Prices started the quarter at USD 1,536 per mt and closed at USD 1,405 per mt. At such levels, prices are lower than the cash cost of a substantial portion of global smelter production. In response, announced capacity curtailments have reached a global level of 3.4 million mt annually excluding China.

The market for metal products (extrusion ingot, sheet ingot, foundry alloys and wire rod) in Europe and North America has continued to decline following the dramatic weakening of these markets in the previous quarter. All major end-use markets have been impacted including automotive, building and general engineering.

Aluminium prices are expected to remain low in the medium-term, but forward visibility continues to be limited and there is significant uncertainty regarding developments. There are indications that the rate of increase in LME inventories is slowing as announced curtailments are put into effect. No substantial improvement in demand for metal products is expected in the coming months and there continues to be significant uncertainty regarding the timing of an eventual recovery.

Outlook for Hydro

Prices of key raw materials used in the production of primary metal have fallen in the past several months and Hydro has taken active steps to capitalize on this development. We expect a more substantial impact from the price declines in future quarters. Measures to significantly reduce costs and manning throughout our downstream activities are continuing which will enable us to partly mitigate the effects of the significantly lower market demand as the on-going recession in Europe and the US develops.

Hydro's water and snow reservoirs were lower than normal at the end of the first quarter, and considerably lower than the corresponding periods in 2008 and 2007. As a result, power production and financial results for Energy are expected to be significantly lower in the second quarter of 2009 compared to previous quarters.

During a maintenance shutdown in March, Hydro detected serious damage in the Suldal I power station at the Røldal-Suldal hydroelectric facility in Norway. As a result, Hydro's power production in 2009, and in particular in the second quarter, will be negatively impacted. The cost of repair and effects of the business interruption are covered by insurance, however, offsetting effects of the reimbursement will likely occur in later quarters than the negative effects of production losses.

At the end of first quarter, Hydro had sold 87 percent of its primary aluminium production for the second quarter of 2009 forward and expects to realize an average price of USD 1,426 per mt. Hydro expects a continued weak result in the second quarter of 2009.

In fourth quarter 2008 and first quarter 2009 Hydro made provisions for future rationalization and closure costs relating to the plant shut-downs of roughly NOK 400 million in total. These are reported as items excluded from underlying EBIT and will mainly have cash effects in future quarters. If it becomes necessary to permanently close plants that have been curtailed on a temporary basis, additional substantial closure costs would be necessary.

Hydro is in process of reviewing the size and structure of its administrative staff functions which are expected to result in reduced manning levels with corresponding rationalization costs in the coming quarters.

Our business activities expose us to the risk that one or more counterparties may default on their obligations, resulting in direct financial loss, an unexpected increase in market exposure or higher operating costs. The present weak and deteriorating economic conditions, combined with challenging financial markets, increase the risk of defaulting counterparties. So far we have not experienced any significant defaults and are carefully monitoring the situation.

Aluminium Metal

Earnings before financial items and tax (EBIT)	First quarter 2009	Fourth quarter 2008	% change prior quarter	First quarter 2008	% change prior year quarter	Year 2008
NOK million						
Aluminium Metal EBIT	(2,198)	(1,725)	(27) %	716	>(100) %	2,151
Items excluded from underlying EBIT	1,723	2,160		539		1,424
Aluminium Metal underlying EBIT	(476)	435	>(100) %	1,255	>(100) %	3,575
Bauxite and Alumina	(137)	160	>(100) %	10	>(100) %	334
Primary Aluminium	123	257	(52) %	872	(86) %	2,666
Commercial	(421)	(79)	>(100) %	409	>(100) %	435
Other and eliminations	(41)	96	>(100) %	(36)	(14) %	140
Aluminium Metal underlying EBIT	(476)	435	>(100) %	1,255	>(100) %	3,575

Operating and financial statistics

Realized premium above LME (USD/mt) ^{1) 2)}	255	289	(12) %	362	(30) %	339
Realized premium above LME (NOK/mt) ^{1) 2)}	1,752	1,964	(11) %	1,973	(11) %	1,912

1) Includes proportionate share of premiums in equity accounted investments.

2) Average realized margin above LME for total metal products sold from Primary Aluminium and Commercial, excluding ingot trading volumes.

Market developments

Market statistics ³⁾

	First quarter 2009	Fourth quarter 2008	% change prior quarter	First quarter 2008	% change prior year quarter	Year 2008
LME three month average (USD/mt)	1,397	1,882	(26) %	2,772	(50) %	2,620
LME three month average (NOK/mt)	9,593	12,690	(24) %	14,705	(35) %	14,446
Global production of primary aluminium (kmt)	9,037	9,752	(7) %	9,811	(8) %	40,162
Global consumption of primary aluminium (kmt)	7,577	8,573	(12) %	9,508	(20) %	37,685
Reported primary aluminium inventories (kmt)	5,683	4,563	25 %	3,039	87 %	4,563

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

The severe downturn in the global economy has led to a continued decline in demand for aluminium following a sharp fall in demand in the previous quarter and rapidly increasing inventory levels. LME inventories, which represent a major part of the increase, reached 3.5 million mt by the end of the quarter, compared with a level of 2.3 million mt at the end of 2008 and 1 million mt at the end of the first quarter of 2008. LME prices reached their lowest level in more than seven years during the quarter, trading between USD 1,289 and USD 1,615 per mt. Prices started the quarter at USD 1,536 per mt and closed at USD 1,405 per mt. At such levels, prices are lower than the cash cost of a substantial portion of global smelter production. In response, announced capacity curtailments have reached a global level of 3.4 million mt annually, which is about 13 percent of the 26 million mt produced in 2008 excluding China. Estimates of Chinese curtailments are in the magnitude of 3.5 million mt per year, however there are indications that some of the Chinese capacity has been restarted.

Chinese aluminium production has experienced a relatively sharper slowdown than the rest of the world partly due to the higher operating cost levels for Chinese producers. Production in China for January and February amounted to around 11 million mt on an annualized basis, substantially lower than annualized production of 14.3 million mt reached in June 2008. Demand for primary aluminium in China declined 7 percent and 10 percent respectively compared with the fourth quarter of 2008 and the first quarter of 2008. Aluminium prices on the Shanghai futures exchange (SHFE) strengthened during the quarter. Combined with the weak development in LME prices, the SHFE premium over LME has increased further from the fourth quarter encouraging imports of primary aluminium to China. Chinese trading regulations have also been modified to enable tolling arrangements (i.e. importing primary metal and exporting semi-finished products such as bars, profiles and rods) to promote the utilization of downstream production capacity.

The market for metal products (extrusion ingot, sheet ingot, foundry alloys and wire rod) in Europe and North America has continued to decline following the dramatic weakening of these markets in the previous quarter. All major end-use markets have been impacted including automotive, building and general engineering.

Outlook

Aluminium prices are expected to remain low in the medium-term, but forward visibility continues to be limited. No substantial improvement in demand for metal products is expected in the coming months.

The significant drop in demand for aluminium has resulted in declining demand for raw materials and smelter input costs are falling.

Curtailed capacity and newly commissioned capacity is expected to come on stream in China during the next several months, increasing downward pressure on the SHFE aluminium price. As a result, the higher level of imports of primary aluminium into the Chinese market is not expected to be sustainable. Fiscal measures make China a self-contained market for primary metal in the long-term. As a result, the market balance for primary aluminium in China is not expected to have a significant impact on primary metal markets outside of China in the long-term.

Global primary aluminium consumption excluding China could decline by 15 - 20 percent in 2009 from a consumption level of 25 million mt in 2008. Supported by economic stimulus and recovery packages, Chinese consumption of primary aluminium in 2009 is expected to be in line with 2008 level of 12.5 million mt.

Outlook for Hydro

In response to the sharp fall in demand, Hydro has announced curtailments of about 500,000 mt of primary metal capacity representing just under 30 percent of Hydro's total capacity in 2008. As a result, production for the quarter was reduced by 45,000 mt at our higher cost smelters. By the end of the first quarter, roughly 300,000 mt of this capacity has been shut-down. The remainder will be idled during the second quarter.

In January 2009 approximately 50 percent of the production capacity of the Alpart alumina refinery was temporarily curtailed. In March, a decision was taken to temporarily close down the remaining production and the plant is expected to be shut-down by the middle of May. Hydro's share of Alpart's alumina production amounted to approximately 580,000 mt in 2008. The temporary shutdown of Alpart will further align Hydro's alumina balance, based on the announced curtailments in our smelter production system.

Electrolysis production at the Neuss smelter will be fully curtailed by the end of the second quarter of 2009. If it becomes apparent that we will not be able to resume production at the plant without sustainable profits over time, it will be necessary to consider permanent closure of the operations. A permanent shut-down would require substantial additional closure costs mainly for termination of the work force.

Prices for key raw materials have fallen in the past several months and Hydro has taken active steps to capitalize on this development. Alumina prices, which are normally linked to LME prices ¹⁾, have declined together with other important raw material prices such as petroleum coke.

1) Fluctuation in LME prices impact our alumina costs with a lag of about two to three months due to the timing of price indexing as well as transport and storage.

Major projects

The construction of the Qatalum primary aluminium plant in Qatar was about 73 percent complete by the end of the first quarter and remains on schedule for start-up at the end of the year. Activities continued at a high level during the quarter including the construction of buildings, installation of equipment and further development of the operating organization. In total, there are about 19,000 people working at the site. When completed, Qatalum will make a significant contribution to lowering the average cost of our smelter system. Total investment costs for the 50/50 joint venture between Qatar Petroleum and Hydro are estimated at USD 5.6 billion.

During the quarter, Hydro and Vale have agreed to postpone the construction of the planned Companhia de Alumina do Para (CAP) alumina refinery in Brazil for one year. Production at the plant is now expected to commence by the end of 2012. Postponement of the project is primarily due to the challenging market situation and the expectation of lower future construction costs. There will be no significant capital expenditures relating to the project in 2009.

Underlying EBIT - Sub Segments

Bauxite and Alumina

Operating and financial statistics	First quarter 2009	Fourth quarter 2008	% change prior quarter	First quarter 2008	% change prior year quarter	Year 2008
Underlying EBIT (NOK million)	(137)	160	>(100) %	10	>(100) %	334
Underlying results - Alunorte (NOK million) ¹⁾	(68)	225	>(100) %	30	>(100) %	446
Underlying results - Alpart (NOK million) ¹⁾	(27)	(67)	60 %	(11)	>(100) %	(102)
Alumina production (kmt) ²⁾	578	684	(15) %	509	14 %	2,289

1) Underlying results for Alunorte and Alpart represent Hydro's share of the underlying profit (loss) for these equity accounted investments.

2) Includes proportionate share of production in equity accounted investments.

Hydro's Bauxite and Alumina business operated at a loss for the quarter declining significantly from a positive underlying EBIT in the fourth quarter of 2008.

Underlying results for Alunorte fell sharply reflecting significantly lower realized alumina prices measured in US dollars due to declining LME prices ³⁾. Total operating costs declined due to lower oil prices, however, costs for caustic increased somewhat as a result of tight market conditions due to supply curtailments. Bauxite costs remained at a high level due to the long time-lag in LME linked purchase contracts ⁴⁾. In March the partners of Alunorte agreed on a temporary set of measures to address the challenging financial situation in the company. These measures include certain changes in the bauxite- and alumina pricing formulas.

Production for Alunorte was somewhat lower compared with the previous quarter mainly due to planned maintenance activities.

Alpart continued to operate at a loss for the quarter. Margins remained weak due to a further decline in realized alumina prices. Fifty percent of production capacity was shut-down in the middle of January 2009 reducing output by about 70,000 mt compared to the previous quarter. In March, a decision was taken by the partners of Alpart to close down the remaining production. The closure is expected to be finalized by the middle of May 2009.

3) Alumina prices for Alunorte are adjusted monthly based on the monthly average LME three-month prices, applied with one month delay.

4) Prices for long term bauxite supply contracts are based on the three previous quarters average LME three-month prices, applied with an additional one quarter delay.

Primary Aluminium

Operating and financial statistics ¹⁾	First quarter 2009	Fourth quarter 2008	% change prior quarter	First quarter 2008	% change prior year quarter	Year 2008
Underlying EBIT (NOK million)	123	257	(52) %	872	(86) %	2,666
Primary aluminium production (kmt)	397	442	(10) %	433	(8) %	1,750
Total casthouse production (kmt)	433	494	(12) %	556	(22) %	2,084
Realized aluminium price LME (USD/mt) ^{2) 4)}	1,996	2,654	(25) %	2,450	(19) %	2,638
Realized aluminium price LME (NOK/mt) ^{2) 4)}	13,393	16,904	(21) %	13,354	-	14,724
Realized NOK/USD exchange rate ³⁾	6.71	6.37	5 %	5.45	23 %	5.58

1) Operating and financial statistics includes proportionate share of production, prices and exchange rates in equity accounted investments.

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

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

4) In the fourth quarter of 2008, Hydro changed its definition of realized prices to be determined when products are shipped and invoiced to customers. Previously, realized prices were determined as liquid metal is transferred from electrolysis to casthouses for further processing. This price mainly reflected the prevailing three month forward LME aluminium price three months prior to production. The casting process results in about an additional three to four week time lag before metal is finally shipped and invoiced to customers. Prior periods have been restated to reflect the change in definition.

Underlying EBIT in the first quarter declined further from the fourth quarter of 2008 which included inventory write-downs of roughly NOK 540 million. Underlying results for the first quarter included inventory write-downs of about NOK 440 million as LME prices remain below our cost of production. The charge for the quarter, however, was more than offset by the effect of lower costs of goods sold due to the earlier write-downs, amounting to a small net positive effect.

Realized LME prices declined significantly measured in both US dollars and Norwegian kroner compared to the previous quarter impacting underlying EBIT by roughly NOK 1,500 million. Product premiums also declined having a negative effect of about NOK 100 million while lower sales volume of cast house products had a negative effect of approximately NOK 50 million.

During the quarter, Hydro closed down about 300,000 mt of annual capacity relating to planned curtailments amounting to 500,000 mt. As a result, production for the quarter was reduced by 45,000 mt at our higher cost smelters. The Söderberg line at Karmøy (120,000 mt annual capacity) was permanently shut-down during the quarter and roughly half of the capacity of the Neuss smelter (115,000 mt annual capacity) was curtailed. The 50 percent planned reduction at the Sørå smelter (Hydro's share of annual capacity 44,000 mt) was also completed during the quarter together with 10 percent of the Slovalco smelter (16,000 mt annual capacity). Shut-down of the remaining production at Neuss (115,000 mt annual capacity) and the production line at Hydro's Sunndal smelter in Norway (100,000 mt annual capacity) will be completed in the second quarter of 2009.

Due to lower future sales volumes as a result of production curtailments, Hydro decided to realize a portion of operational hedge contracts (LME) resulting in a gain of approximately NOK 160 million.

Lower variable costs compared to the fourth quarter of 2008 had a positive effect on underlying EBIT of about NOK 500 million. Alumina costs were down by about NOK 400 million mainly as the result of a declining LME. Prices for purchased petroleum coke declined in the quarter partly contributing to lower carbon costs of about NOK 80 million for the quarter.

Fixed costs declined by about NOK 370 million. The capacity curtailments implemented during the quarter have started to impact non-manning related elements of fixed costs. Cost effects of the reduced manning are expected in the coming quarters.

Income from our equity accounted investments was about NOK 80 million lower than the fourth quarter mainly driven by the effect of lower LME prices for Sørå and increased activity relating to Qatalum which contributed about NOK 40 million to the decline.

Underlying EBIT for the first quarter declined significantly compared with same quarter of last year mainly due to substantially lower casthouse volumes, lower product premiums, higher variable costs and increased activity at Qatalum. Fixed costs were lower compared with the first quarter of 2008 offsetting the negative effects to some extent.

Commercial

Operating and financial statistics	First quarter 2009	Fourth quarter 2008	% change prior quarter	First quarter 2008	% change prior year quarter	Year 2008
Underlying EBIT (NOK million)	(421)	(79)	>(100) %	409	>(100) %	435
Underlying EBIT - Commercial products (NOK million)	(54)	(169)	68 %	185	>(100) %	229
Underlying EBIT - Sourcing and Trading (NOK million)	(304)	77	>(100) %	144	>(100) %	199
Remelt production (kmt)	89	93	(4) %	141	(37) %	505
Sale of metal products from own production (kmt) ¹⁾	548	571	(4) %	724	(24) %	2,716
Sale of third-party metal products (kmt)	24	39	(38) %	64	(63) %	207
Total metal products sales excluding ingot trading (kmt)	573	610	(6) %	788	(27) %	2,923
External sales (kmt)	320	324	(1) %	471	(32) %	1,744
External revenue (NOK million) ²⁾	6,124	8,611	(29) %	8,200	(25) %	35,244
Commercial product sales (NOK million) ³⁾	3,778	5,341	(29) %	6,646	(43) %	25,505

1) Including sales of liquid metal directly to Karmøy Rolling Mill.

2) External sales revenue for our Commercial operations including revenues from our casthouse production, remelters, high purity aluminium business and contracts with external metal sources.

3) Excludes results from our aluminium trading and hedging activities and commercial operations to optimize our physical alumina portfolio on a short and medium term basis.

Our Commercial activities operated at a loss for the quarter, declining further compared to the loss incurred in the fourth quarter of 2008 which included inventory write-downs of NOK 160 million. Underlying results for the first quarter included inventory write-downs of about NOK 20 million as LME prices remain below our cost of production. The charge for the quarter, however, was more than offset by the effect of lower costs of goods sold due to the earlier write-downs, amounting to a net positive impact of about NOK 120 million. Results for the first quarter were also heavily influenced by negative currency effects due to a weaker Euro against the US dollar and Norwegian kroner ⁴⁾.

Underlying results for our Commercial Products operations continued to be impacted by very weak sales volumes with corresponding low production in our remelters. Realized product premiums remained relatively firm but results were impacted by significant negative currency effects.

Results for our Sourcing and Trading operations were also heavily influenced by negative currency effects while LME and ingot trading activities provided a positive contribution for the quarter. Results from our alumina trading activities continued to be weak.

Total metal sales excluding ingot trading were sharply lower in the quarter, reflecting the weak market.

4) Currency exposure for our commercial activities is hedged internally with offsetting gains and losses recognized in Financial income and expense. Hydro manages its external currency exposure on a consolidated basis in order to take advantage of offsetting positions.

Aluminium Products

Earnings before financial items and tax (EBIT)	First quarter	Fourth quarter	% change prior quarter	First quarter	% change prior year quarter	Year
NOK million	2009	2008		2008		2008
Aluminium Products EBIT	(566)	(2,946)	81 %	995	>(100) %	(1,450)
Items excluded from underlying EBIT	309	2,706		(625)		2,438
Aluminium Products underlying EBIT	(257)	(239)	(7) %	370	>(100) %	988
Rolled Products	(53)	89	>(100) %	147	>(100) %	652
Extrusion	(88)	(88)	-	225	>(100) %	668
Automotive	(115)	(235)	51 %	(2)	>(100) %	(326)
Other and eliminations	(1)	(6)	91 %	-	>(100) %	(6)
Aluminium Products underlying EBIT	(257)	(239)	(7) %	370	>(100) %	988

Market developments

Market statistics ¹⁾	First quarter	Fourth quarter	% change prior quarter	First quarter	% change prior year quarter	Year
Total market consumption (kmt)	2009	2008		2008		2008
Rolled products - Europe	850	874	(3) %	968	(12) %	3,827
Rolled products - USA & Canada	945	967	(2) %	1,145	(17) %	4,432
Extruded products - Europe	498	569	(13) %	713	(30) %	2,613
Extruded products - USA & Canada	263	283	(7) %	411	(36) %	1,476

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

The severe downturn in the global economy continued to have a significant impact on demand in downstream aluminium markets during the quarter. Demand for flat rolled products weakened further across most market segments in Europe and continued to decline from low levels in the US. In particular, the construction and transportation market segments remained weak.

Demand for extruded aluminium products declined further from the previous quarter and was significantly lower than the first quarter of 2008. All European markets were impacted by the decline, in particular southern Europe. In North America, the continued weak economy impacted most market segments, with the largest declines in the building and construction industry. Demand in the US has been declining since the middle of 2006 and has reached levels experienced in the early nineties. Market demand in South America continued to be positive in Brazil while demand in Argentina weakened further.

In the second half of 2008, the automotive industry experienced an unprecedented contraction in demand. There were no signs of improvement during the quarter.

Outlook

Market developments, in particular the capital intensive transport and building markets, continue to be highly uncertain due to the deepening global recession.

Market demand for flat rolled products in Europe is expected to remain at the current low levels during the coming months, and there are few signs of improvement. The stronger US dollar versus the Euro compared to first half 2008 is expected to reduce pressure on margins from potential imports into European markets. However, we expect increasing margin pressure in general as a result of weakening demand. Cost pressure is expected to ease due to the negative economic developments and lower energy prices. However, developments are uncertain.

The overall outlook for the European extrusion market continues to be weak with lower demand across most market segments, in particular the automotive and transportation segments. The negative market outlook is expected to result in increased pressure on margins. In the US, extrusion markets are expected to remain severely depressed, with no signs of recovery. South American markets are expected to weaken, but demand in Brazil is expected to continue holding up fairly well.

Following prolonged holiday shutdowns at the end of 2008, a slight improvement in the European automotive market is expected but demand is expected to remain significantly below the levels of first half 2008. Demand in North America shows no signs of recovering from the very low levels experienced in the previous quarters. There are indications that demand in Asia and South America is weakening from the robust levels experienced last year.

Outlook for Hydro

Measures to significantly reduce costs and manning throughout our downstream activities are continuing. Our focused efforts to improve the profitability of these businesses have helped prepare us for the sudden and dramatic market developments which occurred towards the end of last year but can only partly compensate for the unprecedented fall in market demand. Actions across all of our business sectors have been identified including additional shift and manning reductions, procurement initiatives to capitalize on falling raw material prices as well as reductions in capital expenditures and working capital. These measures will enable us to partly mitigate the effects of the significant lower market demand as the on-going recession in Europe and the US develops.

Underlying EBIT - Sub Segments

Rolled Products

Operating and financial statistics	First quarter 2009	Fourth quarter 2008	% change prior quarter	First quarter 2008	% change prior year quarter	Year 2008
Underlying EBIT (NOK million)	(53)	89	>(100) %	147	>(100) %	652
Sales volumes to external market (kmt)	191	213	(10) %	253	(24) %	965

Underlying results for our Rolled Products business were significantly impacted by the negative economic developments during the quarter. Volumes continued to decline from the weak level in the fourth quarter which was impacted by the economic crisis on top of seasonal declines. Most market segments were impacted, particularly the lower value-added strip segment. Margins have come down from the high levels realized in the second half of 2008, but were stable compared with the levels achieved in the first quarter of last year. The significant volume decline was only partly compensated by lower costs.

Extrusion

Operating and financial statistics	First quarter 2009	Fourth quarter 2008	% change prior quarter	First quarter 2008	% change prior year quarter	Year 2008
Underlying EBIT (NOK million)	(88)	(88)	-	225	>(100) %	668
Sales volumes to external market (kmt)	96	103	(7) %	130	(26) %	488

Our Extrusion business continued to operate at an underlying loss in first quarter, impacted by the deepening global recession. Volumes declined further from the low volumes experienced in the previous quarter which were strongly influenced by the negative economic developments in addition to the normal seasonal decline. Compared to the previous quarter, volumes declined significantly for all our extrusion operations but to a more limited extent for our Building Systems business. Margins for our European extrusion business declined as a result of the fall in demand. Margins for our Building Systems operations were stable compared to first quarter of 2008, but declined from the good levels achieved in fourth quarter of last year.

Underlying results for our US operations remained at depressed levels impacted by continued falling volumes. Margins improved from the low levels achieved in the fourth quarter which were impacted by the reduction of higher priced raw material inventory increasing cost of goods sold. Underlying results for our South American operations continued to be positive, but at a lower level and continued to be negatively impacted by the stronger US dollar.

Compared to the first quarter of 2008, underlying results were impacted by lower volume for all of our Extrusion operations. The negative developments were partly offset by cost reductions. Margins were relatively stable despite the significant decline in market demand.

Automotive

Operating and financial statistics	First quarter 2009	Fourth quarter 2008	% change prior quarter	First quarter 2008	% change prior year quarter	Year 2008
Underlying EBIT (NOK million)	(115)	(235)	51 %	(2)	>(100) %	(326)
Sales volumes to external market (kmt)	17	18	(2) %	31	(43) %	105

Our Automotive operations incurred an underlying loss for the quarter heavily impacted by the extremely weak automotive market. Underlying results improved from the substantial losses incurred in the previous quarter as cost reduction measures begin to have a positive impact. Underlying results declined compared to the first quarter of the previous year due to significantly lower volumes.

Energy

Earnings before financial items and tax (EBIT)	First quarter 2009	Fourth quarter 2008	% change prior quarter	First quarter 2008	% change prior year quarter	Year 2008
NOK million						
Energy EBIT	420	276	52 %	404	4 %	1,471
Items excluded from underlying EBIT	(4)	315		(5)		265
Energy underlying EBIT	416	592	(30) %	399	4 %	1,736

Operating and financial statistics

Direct production costs (NOK million) ¹⁾	117	131	(11) %	132	(11) %	462
Power production (GWh)	2,477	2,813	(12) %	2,850	(13) %	11,361
External sourcing (GWh) ²⁾	2,562	2,395	7 %	2,185	17 %	9,415
Internal contract sales (GWh) ³⁾	3,679	3,569	3 %	3,639	1 %	14,349
External contract sales (GWh) ⁴⁾	522	510	2 %	427	22 %	1,764
Net spot sales (GWh) ⁵⁾	838	1,130	(26) %	969	(14) %	4,663

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

2) Includes long-term sourcing contracts and industrial sourcing in Germany.

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

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

5) Spot sales volumes net of spot purchases.

Market developments

Market statistics	First quarter 2009	Fourth quarter 2008	% change prior quarter	First quarter 2008	% change prior year quarter	Year 2008
NOK per MWh						
Southern Norway spot price (NO1)	341	433	(21) %	289	18 %	324
Nordic system spot price	344	452	(24) %	303	14 %	369

Nordic electricity prices declined throughout the first quarter of 2009, and the Nordic system price averaged significantly lower than in the fourth quarter of 2008. The decline primarily reflected the impact of the general economic downturn, lower thermal generation fuel costs and lower power prices on the European Continent.

The first quarter spot price in Southern-Norway developed in tandem with the Nordic system price, declining from around NOK 410 per MWh in the first week of January to NOK 310 per MWh in the last week of March.

Outlook

By the end of the first quarter, the total water and snow balance in Norway was estimated to be approximately 10 percent lower than normal and about 20 percent lower than at the same time in 2008. Forward prices on the NordPool power exchange indicate that the spot price level at the end of the first quarter will continue well into the second quarter. The global economic recession will continue to impact power markets on the European Continent and in the Nordic region, with power prices influenced by lower thermal fuel costs and the effects of lower industrial power consumption.

Outlook for Hydro

Hydro's water and snow reservoirs were lower than normal at the end of the first quarter, and considerably lower than the corresponding periods in 2008 and 2007. As a result, power production and financial results for Energy are expected to be significantly lower in the second quarter of 2009 compared to previous quarters.

During a maintenance shutdown in March, Hydro detected serious damage to the high pressure shaft in the Suldal I power station at the Røldal-Suldal hydroelectric facility in Norway. The repair strategy and outage time are currently under evaluation but the plant is expected to be out of production for at least 6 months. Suldal I has an installed capacity of 160 MW and a normal yearly production of approximately 1 TWh. Hydro's power production in 2009, and in particular in the second quarter, will be negatively impacted. The cost of repair and effects of the business interruption are covered by insurance, however, offsetting effects of the reimbursement will likely occur in later quarters than the negative effects of production losses.

Key development activities

In February, Hydro invested NOK 92 million in additional equity financing of the solar energy company NorSun AS. NorSun manufactures high performance monocrystalline silicon ingots and wafers at its production facilities in Årdal, Norway and in Vantaa, Finland. The investment maintains Hydro's 18.4 percent ownership interest in NorSun.

Underlying EBIT

Underlying EBIT decreased from the record high result in the fourth quarter of 2008, which was influenced by exceptionally high spot prices and high production. The decrease mainly resulted from by declining spot prices and lower production volumes, which were however high on a seasonal level. Underlying results improved somewhat compared to the first quarter of 2008, mainly due to higher spot prices.

Direct power production costs decreased moderately from the fourth quarter of 2009, partly due to somewhat lower maintenance activity during the winter months.

Hydro's solar activities reported an underlying loss of NOK 31 million in the first quarter of 2009 compared with a loss of NOK 52 million in the fourth quarter of 2008 and a loss of NOK 22 million during the first quarter of 2008. The improvement from the previous quarter was mainly due to lower research and development costs.

Corporate, other and eliminations

Underlying EBIT for Corporate, other and eliminations amounted to charge of NOK 176 million in the first quarter compared with a positive amount of NOK 81 million in the fourth quarter and a positive amount of NOK 8 million in the first quarter of 2008. Underlying EBIT included eliminations of changes in unrealized profit and loss on inventories purchased from group companies amounting to a credit NOK 155 million and NOK 273 million in the first quarter of 2009 and fourth quarter of 2008 respectively. Pension charges relating to Corporate and eliminations amounted to NOK 210 million for the first quarter and NOK 67 million for the previous quarter.

Items excluded from underlying EBIT and income from continuing operations

Items excluded from underlying EBIT and income from continuing operations

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

Items excluded from underlying EBIT are comprised mainly of unrealized gains and losses on certain derivatives, impairment and rationalization charges, effects of disposals of businesses and operating assets, as well as other items that are of a special nature or are not expected to be incurred on an ongoing basis.

Items excluded from underlying income from continuing operations ¹⁾	First quarter 2009	Fourth quarter 2008	First quarter 2008	Year 2008
NOK million				
Unrealized derivative effects on LME related contracts ²⁾	727	1,984	(560)	1,120
Unrealized derivative effects on power contracts ³⁾	(580)	(1,481)	1,291	768
Unrealized derivative effects on currency contracts ⁴⁾	(19)	265	9	314
Metal effect, Rolled Products ⁵⁾	662	407	113	235
Significant rationalization charges and closure costs ⁶⁾	305	109	-	109
Impairment charges (PP&E and equity accounted investments) ⁷⁾	10	2,464	-	2,464
Loss provisions (power contracts) ⁸⁾	-	257	-	257
(Gains)/losses on divestments ⁹⁾	-	(29)	-	(453)
Items excluded from underlying EBIT	1,105	3,975	853	4,815
Net foreign exchange (gain)/loss ¹⁰⁾	(1,478)	4,629	(854)	5,491
Calculated income tax effect ¹¹⁾	174	(2,943)	(66)	(3,460)
Items excluded from underlying income from continuing operations	(199)	5,661	(67)	6,846

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

2) Unrealized gains and losses on contracts used for operational hedging purposes where hedge accounting is not applied, as well as for LME derivatives in equity accounted investments.

3) Unrealized gains and losses on embedded derivatives in power contracts for own use and related financial power contracts.

4) Relates to currency effects in equity accounted investments.

5) Timing differences resulting from inventory adjustments due to changing aluminium prices during the production, sales and logistics process, as well as inventory write downs for our rolled products business.

6) Costs that are typically non-recurring for significant individual plants or operations, for example termination benefits, plant removal costs and clean-up activities in excess of legal liabilities.

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

8) Provision on onerous contracts.

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

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

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

Items excluded from underlying EBIT - Sub segments

The following includes a summary table of items excluded from underlying EBIT for each of the sub-segments in the business areas, and for Corporate, other and eliminations, with a brief discussion of the major factors affecting the development of these items in the first quarter of 2009.

Items excluded from underlying EBIT ¹⁾		First quarter 2009	Fourth quarter 2008	First quarter 2008	Year 2008
NOK million					
Unrealized derivative effects on currency contracts (Alunorte)	Bauxite and Alumina	(11)	271	(16)	352
Unrealized derivative effects on LME related contracts (Alunorte)	Bauxite and Alumina	-	(37)	83	(96)
Rationalization charges and closure costs	Bauxite and Alumina	210	-	-	-
Impairment charges (Alpart)	Bauxite and Alumina	-	512	-	512
Rationalization charges and closure costs	Primary Aluminium	96	79	-	79
Unrealized derivative effects on power contracts	Primary Aluminium	338	(442)	348	(426)
Unrealized derivative effects on power contracts (Søral)	Primary Aluminium	1	150	20	129
Unrealized derivative effects on currency contracts (Qatalum)	Primary Aluminium	(8)	(6)	25	(37)
Impairment charges	Primary Aluminium	-	845	-	845
Loss provision (power contracts)	Primary Aluminium	-	257	-	257
Impairment charges	Commercial	-	35	-	35
Unrealized derivative effects on LME related contracts	Other and eliminations	1,097	497	79	(225)
Total	Aluminium Metal	1,723	2,160	539	1,424
Metal effect	Rolled Products	662	407	113	235
Impairment charges	Rolled Products	-	129	-	129
Impairment charges	Extrusion	-	253	-	253
Impairment charges	Automotive	10	370	-	370
Rationalization charges and closure costs	Automotive	-	30	-	30
Unrealized derivative effects on LME related contracts	Other and eliminations	(364)	1,518	(738)	1,421
Total	Aluminium Products	309	2,706	(625)	2,438
Unrealized derivative effects on power contracts	Energy	(4)	(5)	(5)	(22)
Impairment charges	Energy	-	321	-	321
(Gains)/losses on divestments	Energy	-	-	-	(34)
Total	Energy	(4)	315	(5)	265
Unrealized derivative effects on power contracts	Corporate, other and elim.	(915)	(1,183)	928	1,088
Unrealized derivative effects on LME related contracts	Corporate, other and elim.	(7)	5	16	19
(Gains)/losses on divestments	Corporate, other and elim.	-	(29)	-	(419)
Total	Corporate, other and elim.	(922)	(1,207)	944	688
Items excluded from underlying EBIT	Hydro	1,105	3,975	853	4,815

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

Aluminium Metal

A weakening of the US dollar against the Brazilian real resulted in unrealized gains on long-term US dollar denominated loans for Alunorte. Rationalization charges and closure costs relate to the closure of the Alpart alumina refinery, the temporary closure of the aluminium smelter in Neuss, closure of the Søderberg line in Karmøy and demanning in Årdal. Unrealized derivative effects on power contracts were influenced by the downward shift in LME forward prices, resulting in unrealized gains on embedded derivatives. As a result of the decision to temporarily close the smelter in Neuss, the power contracts related to future production in Neuss are no longer considered own use contracts and the major volumes of these have been sold forward. The market evaluation of the forward power purchase and sales contracts resulted in a net unrealized loss reflecting decreasing forward prices. Decreased forward prices on power resulted in an unrealized loss on financial contracts in Søral, offset by unrealized gains on physical contracts no longer considered own use contracts due to the production curtailment. Unrealized losses on LME related contracts that are part of our operational hedge program resulted from significant realized volumes as well as the downward shift in LME forward prices.

Aluminium Products

The negative metal effect reflected the decline in aluminium prices measured in Euro for the period from September 2008 to January 2009. Impairment charges relate to the closure of our precision tubing plant in Adrian, Michigan, US. The unrealized gain on LME related contracts was an effect of significant realized volumes, partly offset by unrealized losses as an effect of the downward shift in LME forward prices.

Energy

Unrealized gains on financial power contracts relates to hedging of own power production and reflect reduced forward prices.

Corporate, other and eliminations

Unrealized derivative effects on power contracts result from changes in the fair value of certain internal power contracts related to the delivery of power from Hydro's Energy segment to consuming units. These internal contracts, or embedded derivatives within the contracts, are accounted for at fair value by the Energy segment. Valuation effects are eliminated as part of Corporate, other and eliminations, and excluded from underlying results. In addition to power forward prices, the main drivers for variability in fair value are embedded price links related mainly to aluminium and coal. Further drop in the forward price of coal and the downward shift in the forward LME prices, as well as the weakened US dollar, resulted in an unrealized gain.

Finance

Financial income (expense)	First quarter 2009	Fourth quarter 2008	% change prior quarter	First quarter 2008	% change prior year quarter	Year 2008
NOK million						
Interest income	55	225	(76)%	205	(73)%	769
Dividendes received and net gain (loss) on securities	19	(32)	>100%	27	(30)%	27
Financial income	73	193	(62)%	232	(68)%	795
Interest expense	(51)	1	>(100)%	(77)	34 %	(221)
Capitalized interest	-	-	-	-	-	-
Net foreign exchange gain (loss)	1,478	(4,629)	>100%	854	73 %	(5,491)
Other	(28)	(51)	45 %	(11)	>(100)%	(109)
Financial expense	1,399	(4,679)	>100%	767	83 %	(5,821)
Financial income (expense), net	1,473	(4,487)	>100%	998	48 %	(5,026)

Exchange rates	First quarter 2009	Fourth quarter 2008	First quarter 2008	Year 2008
NOK/USD Average exchange rate	6.87	6.80	5.31	5.64
NOK/USD Balance sheet date exchange rate	6.68	7.00	5.09	7.00
NOK/EUR Average exchange rate	8.95	8.94	7.96	8.22
NOK/EUR Balance sheet date exchange rate	8.89	9.87	8.05	9.87

Source: Norges Bank

During the quarter, currency gains on intercompany balances denominated in Euro amounted to about NOK 1.5 billion due to weaker Euro against the Norwegian kroner. These gains have no cash effect and are offset in equity by translation of the corresponding subsidiaries during consolidation. ¹⁾ The net effect of other currency gains and losses relating to the Euro, US dollars and other currencies during the quarter was not significant.

At end of first quarter 2009 cash and cash equivalents amounted to NOK 3.1 billion down from NOK 3.3 billion at the end of fourth quarter 2008. During first quarter 2009 Hydro issued NOK 1 billion in commercial paper and drew-down EUR 100 million on an a new EUR 750 million syndicated 3-year revolving credit facility.

1) The Euro gains arise from group positions that create accounting gains recognized in the income statement of the parent company when the Euro depreciates against the Norwegian kroner. No corresponding losses are recognized in the income statement of the subsidiaries that use Euro as functional currency. This has no cash effect for the group. When the subsidiaries Euro financial statements are translated into NOK for consolidation, currency effects on the Euro intercompany deposits are included directly in consolidated equity in the balance sheet, offsetting the currency gains recognized through the income statement of the parent company.

Tax

Income taxes amounted to a charge of NOK 155 million in the quarter compared with a positive amount of NOK 1,748 million in the previous quarter and a charge of NOK 734 million in the first quarter of 2008.

Income taxes charges in the first quarter on pre-tax losses of NOK 126 million resulted mainly from the effects of power surtaxes and the results from equity accounted investments, which are recognized net of tax.

Interim Financial Statements

Condensed consolidated statements of income (unaudited)

NOK million, except per share data	First quarter		Year
	2009	2008	2008
Revenue	16,854	21,529	88,643
Share of the profit (loss) in equity accounted investments	(413)	(94)	(915)
Other income, net	134	112	865
Total revenue and income	16,574	21,547	88,593
Depreciation, amortization and impairment	827	791	4,915
Other expenses	17,346	19,577	82,483
Total expenses	18,172	20,368	87,399
Earnings before financial items and tax (EBIT)	(1,598)	1,179	1,194
Financial income (expense), net	1,473	998	(5,026)
Income (loss) from continuing operations before tax	(126)	2,177	(3,832)
Income taxes	(155)	(734)	565
Income (loss) from continuing operations	(280)	1,443	(3,267)
Income (loss) from discontinued operations	-	(357)	(247)
Net income (loss)	(280)	1,086	(3,514)
Net income (loss) attributable to minority interests	67	(17)	411
Net income (loss) attributable to owners of the parent	(347)	1,103	(3,925)
Basic and diluted earnings per share from continuing operations (in NOK) ^{1) 2)}	(0.29)	1.21	(3.04)
Basic and diluted earnings per share from discontinued operations (in NOK) ¹⁾	-	(0.30)	(0.20)
Basic and diluted earnings per share attributable to owners of the parent (in NOK) ¹⁾	(0.29)	0.91	(3.25)
Weighted average number of outstanding shares (million)	1,206	1,209	1,209

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

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

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

Condensed consolidated statements of comprehensive income (unaudited)

NOK million	First quarter		Year
	2009	2008	2008
Net income (loss)	(280)	1,086	(3,514)
Other comprehensive income			
Currency translation differences, net of tax	(3,293)	(227)	8,646
Unrealized gain (loss) on securities, net of tax	38	(47)	169
Cash flow hedges, net of tax	2	(238)	277
Share of other comprehensive income in equity accounted investments, net of tax	21	29	(30)
Other comprehensive income	(3,233)	(481)	9,063
Total comprehensive income	(3,513)	605	5,549
Total comprehensive income attributable to minority interests	24	(69)	691
Total comprehensive income attributable to owners of the parent	(3,536)	674	4,858

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

Condensed consolidated balance sheets (unaudited)

NOK million, except number of shares	31 March	31 December	
	2009	2008	2008
Assets			
Cash and cash equivalents	3,128	11,735	3,333
Short-term investments	1,652	2,444	1,648
Receivables and other current assets	16,077	19,871	18,833
Inventories	13,264	13,417	16,293
Total current assets from continuing operations	34,120	47,467	40,108
Asset held for sale, Discontinued operations	-	514	-
Property, plant and equipment	28,038	26,148	29,338
Other non-current assets	24,798	19,227	25,711
Total non-current assets	52,837	45,375	55,049
Total assets	86,957	93,356	95,157
Liabilities and equity			
Bank loans and other interest-bearing short-term debt	1,953	1,162	1,169
Other current liabilities	17,509	18,498	22,175
Total current liabilities from continuing operations	19,462	19,660	23,344
Long-term debt	1,106	233	279
Other long-term liabilities	14,856	16,038	16,135
Deferred tax liabilities	1,143	1,829	1,258
Total non-current liabilities	17,104	18,100	17,673
Total liabilities	36,567	37,760	41,016
Equity attributable to owners of the parent	49,034	54,723	52,808
Minority interest	1,357	873	1,333
Total equity	50,391	55,596	54,141
Total liabilities and equity	86,957	93,356	95,157
Total number of outstanding shares (million)	1,206	1,209	1,206

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

Condensed consolidated statements of cash flows (unaudited)

NOK million	First quarter		Year
	2009	2008	2008
Operating activities:			
Net income (loss)	(280)	1,086	(3,514)
Net loss from discontinued operations	-	357	247
Depreciation, amortization and impairment	827	791	4,915
Other adjustments	(1,658)	(1,475)	1,273
Net cash provided by (used in) operating activities	(1,111)	759	2,921
Investing activities:			
Purchases of property, plant and equipment	(546)	(572)	(3,485)
Purchases of other long-term investments	(184)	(1,689)	(5,374)
Purchases of short-term investments	-	-	(2,850)
Proceeds from sales of property, plant and equipment	9	45	95
Proceeds from sales of other long-term investments	40	22	679
Proceeds from sales of short-term investments	-	250	3,600
Net cash used in investing activities	(681)	(1,944)	(7,335)
Financing activities:			
Loan proceeds	1,878	-	93
Principal repayments	(60)	(21)	(187)
Net increase (decrease) in other short-term debt	(92)	125	(159)
Purchases of shares	-	-	(149)
Proceeds from shares issued	13	9	44
Dividends paid	-	-	(6,359)
Net cash provided by (used in) financing activities	1,739	113	(6,717)
Foreign currency effects on cash and bank overdraft	(74)	(241)	(11)
Net cash provided by discontinued operations	-	3,713	5,075
Net increase (decrease) in cash, cash equivalents and bank overdraft	(127)	2,400	(6,067)
Cash, cash equivalents and bank overdraft at beginning of period	3,189	9,256	9,256
Cash, cash equivalents and bank overdraft at end of period	3,062	11,656	3,189

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

Condensed consolidated statements of changes in equity (unaudited)

NOK million	Share capital	Additional paid-in capital	Treasury shares	Retained earnings	Other components of equity	Total equity		Total equity
						Hydro shareholders	Minority interests	
Balance at 1 January 2008	1,370	360	(4,283)	57,950	(1,348)	54,049	959	55,008
<i>Changes in equity for 2008</i>								
Purchase of treasury shares			(149)			(149)		(149)
Treasury shares reissued to employees		(51)	158			107		107
Dividends declared and paid				(6,053)		(6,053)	(306)	(6,359)
Transactions with minority equity holders/with group				(4)		(4)	(1)	(5)
Equity interests purchased (sold)							(10)	(10)
Total comprehensive income for the year				(3,925)	8,783	4,858	691	5,549
Balance at 31 December 2008	1,370	309	(4,274)	47,968	7,435	52,808	1,333	54,141
<i>Changes in equity for 2009</i>								
Demerger adjustment				(237)		(237)		(237)
Total comprehensive income for the year				(347)	(3,189)	(3,537)	24	(3,513)
Balance at 31 March 2009	1,370	309	(4,274)	47,384	4,245	49,034	1,357	50,391

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

Notes to the condensed consolidated financial statements

Note 1: Accounting policies

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

All reported figures in the financial statements are based on International Financial Reporting Standards (IFRS). Hydro's accounting principles are presented in note 1 Significant accounting policies and reporting entity and note 2 Changes in accounting principles and new pronouncements in Hydro's Financial Statements - 2008.

The interim accounts are presented in accordance with IAS 34 Interim Financial Reporting. The condensed consolidated interim financial information should be read in conjunction with Hydro's Financial Statements - 2008 that are a part of the Norsk Hydro Annual Report - 2008.

As a result of rounding adjustments, the figures in one or more columns may not add up to the total of that column.

Note 2: Operating segment information

Hydro identifies its reportable segments and discloses segment information under IFRS 8 *Operating Segments*. This standard requires Hydro to identify its segments according to the organization and reporting structure used by management. See Hydro's Financial statements - 2008 note 8 Operating and geographic segment information for a description of Hydro's management model and segments, including a description of Hydro's segment measures and accounting principles used for segment reporting.

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

NOK million	First quarter		Year
	2009	2008	2008
Total revenue			
Aluminium Metal	9,847	13,435	54,697
Aluminium Products	9,805	11,982	48,180
Energy	1,516	2,338	7,915
Corporate, other and eliminations	(4,314)	(6,226)	(22,149)
Total	16,854	21,529	88,643
External revenue			
Aluminium Metal	6,452	8,775	37,334
Aluminium Products	9,737	11,922	48,018
Energy	499	327	2,353
Corporate, other and eliminations	165	506	939
Total	16,854	21,529	88,643
Internal revenue			
Aluminium Metal	3,395	4,661	17,363
Aluminium Products	68	61	162
Energy	1,016	2,011	5,562
Corporate, other and eliminations	(4,479)	(6,732)	(23,087)
Total	-	-	-
Share of profit/loss; equity acc investm			
Aluminium Metal	(377)	(77)	(491)
Aluminium Products	(28)	(6)	(35)
Energy	(15)	(13)	(391)
Corporate, other and eliminations	7	1	2
Total	(413)	(94)	(915)

NOK million	First quarter		Year
	2009	2008	2008
Depreciation amortization and impairment			
Aluminium Metal	496	476	2,852
Aluminium Products	298	278	1,908
Energy	23	24	103
Corporate, other and eliminations	10	13	53
Total	827	791	4,915

Earnings before financial items and tax (EBIT) ¹⁾			
Aluminium Metal	(2,198)	716	2,151
Aluminium Products	(566)	995	(1,450)
Energy	420	404	1,471
Corporate, other and eliminations	746	(936)	(978)
Total	(1,598)	1,179	1,194

EBITDA			
Aluminium Metal	(1,692)	1,201	5,636
Aluminium Products	(252)	1,287	516
Energy	445	433	1,872
Corporate, other and eliminations	756	(923)	(912)
Total	(743)	1,998	7,112

Investments ²⁾			
Aluminium Metal	396	1,665	6,086
Aluminium Products	160	145	1,980
Energy	120	423	719
Corporate, other and eliminations	9	34	227
Total	685	2,267	9,012

NOK million	Depr., amor. and		EBITDA
	EBIT	impairment ³⁾	

EBIT - EBITDA First quarter 2009

Aluminium Metal	(2,198)	507	(1,692)
Aluminium Products	(566)	314	(252)
Energy	420	24	445
Corporate, other and eliminations	746	10	756
Total	(1,598)	855	(743)

1) Total segment EBIT is the same as Hydro group's total EBIT. Financial income and expense are not allocated to the segments. There are no reconciling items between segment EBIT to Hydro EBIT. Therefore, a separate reconciliation table is not presented.

2) Additions to property, plant and equipment (capital expenditures) plus long-term securities, intangible assets, long-term advances and investments in equity accounted investments.

3) Depreciation, amortization and impairment write-down of tangible and intangible assets, and amortization of excess values in equity accounted investments and impairment loss of such investments.

Note 3: Contingencies

Hydro is involved in or threatened with various legal and tax matters arising in the ordinary course of business. Hydro is of the opinion that resulting liabilities, if any, will not have a material adverse effect on its consolidated results of operations, liquidity or financial position.

Hydro and StatoilHydro have, in close cooperation with Norwegian and US authorities, concluded their parallel investigations in order to clarify the facts surrounding payments in connection with Hydro's (now StatoilHydro's) operations in Libya and consultancy agreements relating to Hydro's previous international oil and gas operations in relation to applicable anti-corruption regulations. The fact findings of the investigations were submitted and presented to the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim) on 7 October 2008 and to the US authorities in November 2008.

Note 4: Discontinued operations

Sale of businesses

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

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

At completion of the sale of Kerling ASA in the first quarter of 2008, a loss of NOK 430 million was recognized. This included currency translation losses related to translation of foreign subsidiaries included in Other components of equity with NOK 140 million and a liability related to Hydro's obligation to continued supply of electricity to Polymers' production facilities in Norway at fixed prices. The price for the sale was calculated from the balance sheet at closing. The verification process of the closing accounts resulted in an additional recognized loss of NOK 28 million in the second quarter. There were no tax effects from the sale. Hydro's loss on the sale, after direct sales expenses, was reported as part of Discontinued operations.

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

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

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

Summary of financial data for discontinued operations

NOK million	First quarter		Year
	2009	2008	2008
Revenue	-	575	575
Share of the profit (loss) in equity accounted investments	-	33	33
Other income, net	-	1	19
Depreciation, amortization and impairment	-	-	-
Other expenses	-	(499)	(499)
Earnings before financial items and tax (EBIT)	-	111	129
Financial income (expense), net	-	(11)	(11)
Income before tax	-	100	118
Income tax expense	-	(27)	(32)
Income before sale of shares	-	73	86
Loss from sale of shares	-	(430)	(333)
Income (loss) from discontinued operations	-	(357)	(247)
Net cash used in operating activities	-	(168)	(150)
Net cash provided by investing activities	-	3,881	5,225
Net cash used in financing activities	-	-	-
Foreign currency effects on cash	-	-	-
Net cash provided by discontinued operations	-	3,713	5,075

Asset groups held for sale

NOK million	31 March		Year
	2009	2008	2008
Current assets	-	-	-
Non-current assets	-	514	-
Total assets	-	514	-
Current liabilities	-	-	-
Non-current liabilities	-	-	-
Assets held for sale, net	-	514	-

Demerger of Hydro in 2007

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

Upon the completion of the merger, all assets, rights and obligations of Hydro Petroleum were transferred to StatoilHydro. As a result of the demerger, Hydro's share capital was reduced by 70 percent of the share capital, representing the estimated relative value of the transferred petroleum activities compared to the retained businesses. The total equity reduction amounted to NOK 47,090 million. In accordance with the demerger plan, adjustments to the equity reduction through a different final allocation of assets and/or liabilities may occur relating to the allocation of certain costs and liabilities where amounts are not fully determinable, and following a verification process for the demerger of Hydro. The verification process was concluded during the first quarter of 2009, and resulted in a reduction in Hydro's equity of NOK 237 million. No payments were made or received.

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

Note 5: Impairment of inventory

Hydro values inventories at the lower of cost or net realizable value. Following the continued weak market during the quarter, Hydro has identified the following impairment write down of inventories as of the end of the first quarter.

NOK million	31 March 2009
Metal	848
Aluminium Products	229
Eliminations	(57)
Total	1,020

Impairment is related to the sharp fall in metal prices towards the end of the previous quarter, while input factors still reflect higher prices from purchases and contracts in earlier periods. The eliminations are caused partly by lower cost price for the group than for each business area reflecting internal profit in inventory, and partly by higher net realizable value for the group from further processing towards a final product for sale to customers.

Financial calendar 2009

May 5	Annual General Meeting
July 22	Second quarter results
September 24	Capital Markets Day
October 27	Third quarter results

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

Hydro is a Fortune Global 500 supplier of aluminium and aluminium products. Based in Norway, the company employs 23,000 people in more than 40 countries and has activities on all continents. Rooted in a century of experience in renewable energy production, technology development and progressive partnerships, Hydro is committed to strengthening the viability of the customers and communities we serve.

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