

04:

Financial and operating performance



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QUICK OVERVIEW

Hydro had a negative underlying EBIT of NOK 2,555 million in 2009, compared with positive underlying EBIT of NOK 6,009 million in 2008. Underlying results were significantly impacted by a sharp decline in aluminium prices together with significantly lower volumes in our midstream and downstream operations. Substantial cost reductions in all of our operations partly offset the effects of the market decline.

We delivered a total of 2.4 million metric tonnes of casthouse products to internal and external customers from casthouses which are integrated with our primary aluminium plants, and from specialized remelt facilities close to our customers in Europe and the US.

In 2009, we shipped approximately 800,000 mt of rolled products from our seven European plants and our Malaysian plant. Our network of extrusion plants delivered about 400,000 mt of extruded products while our automotive business sold around 90,000 mt during 2009.

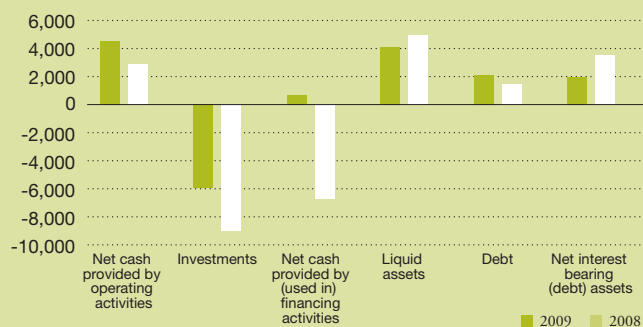
Our Energy business produced nearly 8 TWh of renewable hydroelectric power during the year.

Underlying EBIT

NOK million	2009	2008
Primary Metal	(2,556)	2,732
Metal Markets	(83)	703
Rolled Products	26	651
Extruded Products	(67)	338
Energy	1,240	1,865
Other and eliminations	(1,114)	(279)
Underlying EBIT	(2,555)	6,009

Liquidity and financial position

NOK million



Financial and operating review

Summary of financial and operating 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, such as unrealized gains and losses on 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. See section later in this report "Items excluded from underlying EBIT and income from operations" for more information on these items.

Key financial information

NOK million, except per share data	Year 2009	Year 2008	% change prior year
Revenue	67 409	88 455	(24) %
Earnings before financial items and tax (EBIT)	(1 407)	1 194	>(100) %
Items excluded from underlying EBIT ¹⁾	(1 148)	4 815	
Underlying EBIT	(2 555)	6 009	>(100) %
<i>Underlying EBIT :</i>			
Primary Metal	(2 556)	2 732	>(100) %
Metal Markets	(83)	703	>(100) %
Rolled Products	26	651	(96) %
Extruded Products	(67)	338	>(100) %
Energy	1 240	1 865	(34) %
Other and eliminations	(1 114)	(279)	>(100) %
Underlying EBIT	(2 555)	6 009	>(100) %
Income (loss) from continuing operations	416	(3 267)	>100 %
Underlying income (loss) from continuing operations	(3 066)	3 579	>(100) %
Earnings per share from continuing operations ²⁾	0.25	(3.04)	>100 %
Underlying earnings per share from continuing operations ²⁾	(2.64)	2.62	>(100) %
<i>Financial data:</i>			
Investments	5 947	9 012	(34) %
Adjusted net interest-bearing debt ³⁾	(15 645)	(15 440)	(1) %

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* for a discussion on net interest-bearing debt.

Hydro had a negative underlying EBIT of NOK 2,555 million in 2009, compared with positive underlying EBIT of NOK 6,009 million in 2008. Underlying results were significantly impacted by a sharp decline in aluminium prices together with significantly lower volumes in our midstream and downstream operations. Substantial cost reductions in all of our operations partly offset the effects of the market decline.

Reported EBIT and Income from continuing operations

Reported EBIT for Hydro amounted to a loss of NOK 1,407 million for the year, compared with positive EBIT of NOK 1,194 million in 2008. Reported EBIT included positive effects of NOK 3,173 million and negative effects of NOK 2,202 million for 2009 and 2008, respectively, from unrealized gains and losses relating to LME, power and currency derivative contracts. Reported results were also impacted by negative metal effects of NOK 588 million and NOK 235 million for 2009 and 2008, respectively. The magnitude of these recurring effects depends on changes in market values, which have been significant.

Other significant items impacting reported EBIT include gains/losses and other cost and charges that are typically non-recurring for individual plants or operations. These included rationalization and impairment charges amounting to NOK 956 million and NOK 2,573 million for 2009 and 2008, respectively, together with divestment losses of NOK 684 million in 2009 and divestment gains of NOK 453 million in 2008. These also included other items amounting to a net positive effect of NOK 204 million in 2009, compared to other items amounting to a net negative effect of NOK 257 million in 2008.

Reported Income from continuing operations amounted to NOK 416 million in 2009, compared with a loss of NOK 3,267 million in 2008. This included net foreign exchange gains of NOK 2,774 million in 2009 and net foreign exchange losses of NOK 5,491 million in 2008. All of the gains in 2009, and about 40 percent of the losses in 2008, related to gains/losses on intercompany balances were primarily denominated in Euro. These items have no cash effect and are offset in equity by translation of the corresponding subsidiaries during consolidation. The remaining losses in 2008 were related to US dollars, and mainly to Hydro's US dollar hedging program, which was terminated.

Operational overview

Key Operational information ¹⁾	Year 2009	Year 2008	% change prior year
Primary aluminium production (kmt)	1 396	1 750	(20) %
Realized aluminium price LME (USD/mt) ²⁾	1 698	2 638	(36) %
Realized aluminium price LME (NOK/mt) ²⁾	10 764	14 699	(27) %
Realized NOK/USD exchange rate ³⁾	6.34	5.57	14 %
Metal Markets sales volumes to external market, excluding ingot trading (kmt)	1 468	1 733	(15) %
Rolled Products sales volumes to external market (kmt)	794	965	(18) %
Extrusion products sales volumes to external market (kmt)	401	488	(18) %
Automotive products sales volumes to external market (kmt)	87	105	(17) %
Power production (GWh)	7 897	11 361	(30) %

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

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

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

Primary Metal

Primary Metal, with around 4,350 employees located in eight countries, generated NOK 25 billion in operating revenues in 2009. The business area's production of primary metal amounted to 1.4 million mt during the year, from plants located in Australia, Canada, Germany, Norway and Slovakia. We delivered 1.8 million mt of casthouse products to internal and external customers, from casthouses which are integrated with our primary aluminium plants. Deliveries included about 0.7 million mt of extrusion ingot, 0.5 million mt of sheet ingot and 0.4 million mt of foundry alloys and wire rod. We also sold about 0.2 million mt of standard ingot. Primary Metal sourced roughly 4.2 million mt of alumina in 2009.

Metal Markets

Metal Markets generated operating revenues of around NOK 34 billion in 2009. The business area, which employs around 630 people at plants and offices in Europe, Asia and North America, is responsible for sales of metal products from primary casthouses, the operation of stand-alone remelters and the resale of third party volumes. Our six remelters in Europe and two in the US produced approximately 460,000 mt of metal products during 2009. We sold 2.4 million mt of metal products last year, including the products delivered from casthouses integrated with our primary smelters. Approximately 1.5 million mt were sold to external customers.

Rolled Products

Our Rolled Products business area generated operating revenues of approximately NOK 18 billion during 2009, employing around 4,000 employees in 12 countries. In 2009, we shipped approximately 794,000 mt of rolled products from seven European plants and our plant in Malaysia.

Extruded Products

Extruded Products had operating revenues of approximately NOK 20 billion from the sale of aluminium products during 2009, employing around 9,300 employees. Our network of extrusion plants, including those dedicated to building systems,

delivered 401,000 mt of extruded products while our automotive business sold around 87,000 mt during 2009. About 60 percent of our total extrusion revenues in 2009 came from our general extrusion businesses and 40 percent came from our building systems operations.

Energy

In 2009, Energy generated about NOK 5.3 billion in revenues, employing around 200 people, mainly in Norway. We produced 7.9 TWh of renewable hydroelectric power. Production was limited due to outage of Suldal I for the large part of the year in addition to the lower-than-average reservoirs going into 2009.

Market developments and outlook

Market statistics ¹⁾	Year 2009	Year 2008	% change prior year
NOK/USD Average exchange rate	6.28	5.64	11 %
NOK/USD Balance sheet date exchange rate	5.78	7.00	(17) %
NOK/EUR Average exchange rate	8.73	8.22	6 %
NOK/EUR Balance sheet date exchange rate	8.32	9.87	(16) %
<i>Primary Metal and Metal Markets:</i>			
LME three month average (USD/mt)	1 702	2 620	(35) %
LME three month average (NOK/mt)	10 575	14 453	(27) %
Global production of primary aluminium (kmt)	37 683	40 131	(6) %
Global consumption of primary aluminium (kmt)	34 281	37 418	(8) %
Global production of primary aluminium (ex. China) (kmt)	24 041	26 438	(9) %
Global consumption of primary aluminium (ex. China) (kmt)	20 350	24 816	(18) %
Reported primary aluminium inventories (kmt)	6 319	4 563	38 %
<i>Rolled Products and Extruded Products:</i>			
Consumption Rolled Products - Europe (kmt)	3 060	3 783	(19) %
Consumption Rolled Products - USA & Canada (kmt)	3 714	4 345	(15) %
Consumption Extruded Products - Europe (kmt)	2 061	2 653	(22) %
Consumption Extruded Products - USA & Canada (kmt)	1 224	1 506	(19) %
<i>Energy:</i>			
Southern Norway spot price (NO1) (NOK/MWh)	295	324	(9) %
Nordic system spot price (NOK/MWh)	306	369	(17) %

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

Primary metal and metal markets

Following an unprecedented decline toward the end of 2008, aluminium prices reached a low of USD 1,289 per metric tonne in February 2009. Prices remained weak but improved continuously following the first quarter of 2009, together with other commodities in general. During the first half of 2009, LME three-month prices averaged USD 1,460 per mt. Prices increased further during the second half of the year, averaging USD 1,940 per mt. In the final quarter, average LME prices amounted to NOK 2,035, after reaching a peak of about USD 2,250 per mt toward the end of 2009.

After a sharp decline early in the year, demand for primary aluminium in China increased strongly to 13.9 million mt in 2009, from 12.6 million mt in 2008. As a result of the increase, it is believed that most of the estimated 3.5 million mt of curtailed Chinese capacity was restarted during the year. With additional new capacity coming on stream, production in China reached an all-time high of around 16.5 million mt at the end of 2009 on an annual basis. China imported 1.4 million mt of primary aluminium in 2009, but only limited volumes in the final quarter of the year. China is expected to produce a slight surplus of metal in 2010. As a result, prices between the LME and SHFE are expected to converge and no significant imports of primary metal are expected in 2010.

Outside China, demand for primary aluminium decreased by around 18 percent in 2009. Demand was relatively stable in the final quarter of the year, amounting to around 21.7 million mt on an annual basis. Demand for primary aluminium is expected to improve in 2010 but the magnitude of the increase is uncertain. Production outside China declined by about 9 percent in 2009. Except for about 220,000 mt of capacity, most of the more than 3 million mt of capacity that was curtailed in response to the sharp fall in demand at the end of 2008 and beginning of 2009 has not been restarted. Additional new

production is expected to come on stream with the ramp-up of projects both in the Middle East and India. However, some further curtailments of existing capacity are also expected during 2010. The market surplus is expected to continue in 2010, but at a somewhat lower level, depending on developments in demand and the strength of economic developments in general.

LME stocks increased from 2.3 million mt in the beginning of the year to around 4.6 million mt during the second half of the year. Industry analysis indicates that there was an increase of unreported stocks throughout the year. Much of the metal in stock is owned by financial investors, who are taking advantage of low interest rates, inexpensive warehousing and the contango in the aluminium forward market.

The underlying demand for metal products (extrusion ingot, sheet ingot, foundry alloys and wire rod) in Europe and North America was weak during the first half of the year, improving during the second half of the year. However, the consumption of metal products in both Europe and North America remains significantly below the levels experienced in 2007 and 2008, and there are no apparent indications of a quick recovery to pre-crisis consumption levels.

Rolled products

The severe downturn in the global economy had a significant impact on downstream aluminium markets during the final quarter of 2008, and demand for flat rolled products in the European market continued to decline during the first half of 2009. Both shipments and order intake improved in the second half of the year, however, and demand in the final quarter of 2009 was on the same level as the fourth quarter of the previous year. Despite the improvement, shipments into the European market for 2009 were significantly below 2008 levels. We expect market demand in Europe to grow in the first quarter of 2010 and continue growing moderately into the second quarter. In the US, demand followed similar developments during 2009, but starting from low levels and improving to a lesser extent. Market demand in the US in 2010 is expected to show some improvement compared to 2009.

Extruded products

Total consumption of extruded aluminium products in Europe declined for the year due to the significant fall in demand in the first half of the year. The market deterioration impacted nearly all geographic segments, in particular southern Europe. Demand in northern Europe was somewhat stronger. Market developments in North America reflected the continued weak economy. However, the fourth quarter was the first time demand increased compared to same quarter of the previous year since 2006 when the market deterioration began. Developments in South America continued to be positive, particularly in Brazil. Demand in the automotive market stabilized and started to improve from the second quarter of the year following an unprecedented decline in the second half of 2008 and flat developments in the first quarter of 2009. The improvement was driven by government incentives to increase the sale of new cars during the year. The overall outlook for the European and US extrusion markets continues to be weak. But demand is expected to stabilize across most markets during the first quarter, with construction being the most challenging market segment.

Energy

Both Nordic and Continental electricity prices decreased significantly in 2009, compared with 2008, due to substantially lower fuel costs and CO₂ prices and to somewhat lower demand. Demand in the Nordic market declined by 20 TWh to 371 TWh in 2009, mainly due to lower industrial power consumption. However, low temperatures at the end of 2009 and increased consumption for most industrial sectors lifted demand for power to the same level as the end of 2008. The price decline in the Norwegian market was mitigated by a low hydrological balance and low output from Swedish nuclear power plants.

Total power production in Norway amounted to 130 TWh, which was 12 TWh lower than 2008, due to lower reservoir inflows and lower demand. South-Norway and Mid-Norway area prices were close to Nordic system prices during most of 2009. In December, however, a deteriorating hydrological balance, colder weather and higher industrial demand led to an underlying power deficit and significantly higher prices in Mid-Norway, which has limited transmission capacity to areas other than the Swedish power grid.

Additional factors impacting Hydro

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

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

Qatalum is expected to continue incurring operating losses in 2010 during the ramp-up of production at the site. The losses are expected to decline as production volumes increase during the year.

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

By the middle of January, Mid-Norway reservoir levels were 35 percent below full capacity. In December and January 2010, the tight power supply situation in this area caused significantly higher spot prices than the Nordic system spot prices. Since Hydro's Sunndal smelter is located in Mid-Norway while our captive hydropower is produced and sold in Southern Norway, such differences in area prices may lead to significant area costs for Energy.¹⁾

The present weak economic conditions increase the risk of counterparties defaulting on their obligations. We have not experienced any significant defaults but we continue to carefully monitor the situation.

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

Major projects and business development

A substantial part of the construction phase of the Qatalum project has been carried out and the plant was 95 percent complete by the end of 2009, with the first liquid metal produced on December 20. Qatalum began the casting of foundry alloys based on remelted metal in early December, followed by the first shipments of metal products to customers. By the end of the year, five cells were in operation. Ramp-up of production will take place during 2010 and is expected to be completed during the fourth quarter. Total investments for the project amounted to about USD 5.7 billion.

Hydro has a joint venture agreement together with Vale and Dubal for the construction of an alumina refinery close to Alunorte in Brazil. The plant will have an initial capacity of 1.9 million mt (Hydro share 20 percent) with potential expansions up to 7.4 million mt over four phases. Site preparation and engineering activities have commenced and the first phase of the project is expected to be completed in 2013.

Underlying EBIT - Business areas

Primary Metal

Operational and financial information ¹⁾	Year 2009	Year 2008	% change prior year
Underlying EBIT (NOK million)	(2 556)	2 732	>(100) %
Alumina production (kmt)	2 091	2 289	(9) %
Realized aluminium price LME (USD/mt) ²⁾	1 698	2 638	(36) %
Realized aluminium price LME (NOK/mt) ²⁾	10 764	14 699	(27) %
Realized premium above LME (USD/mt) ³⁾	246	327	(25) %
Realized premium above LME (NOK/mt) ³⁾	1 559	1 801	(13) %
Realized NOK/USD exchange rate ⁴⁾	6.34	5.57	14 %
Primary aluminium production (kmt)	1 396	1 750	(20) %
Casthouse production (kmt)	1 782	2 166	(18) %
Casthouse sales (kmt)	1 822	2 137	(15) %

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

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

3) Average realized premium above LME for total metal products sold from Primary Metal.

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

Primary aluminium and casthouse production (kmt) ⁵⁾	Location	Primary aluminium		Casthouse	
		2009	2008	2009	2008
Karmøy	Norway	187	291	187	335
Årdal	Norway	191	190	284	292
Sunnidal	Norway	321	376	411	469
Høyanger	Norway	60	59	97	85
Søral (Hydro's 49.9% share)	Norway	49	85	58	92
Slovalco	Slovakia	150	163	172	187
Neuss	Germany	82	234	216	353
Kurri Kurri	Australia	177	173	178	174
Tomago (12.4% share)	Australia	65	65	65	64
Alouette (20% share)	Canada	115	114	114	115
Total production Primary Aluminium		1 396	1 750	1 782	2 166

5) Production volumes for the part owned companies indicated in the table represent our proportion of total production based on our equity interests. For Financial reporting purposes, Søral and Qatalum are accounted for as equity accounted investments while Tomago and Alouette are consolidated on a proportional basis. Slovalco is fully consolidated in terms of financial results and volumes.

Primary Metal incurred a substantial loss in 2009, declining sharply from positive underlying EBIT in the previous year. Significantly lower realized aluminium prices had a negative impact on underlying results of about NOK 6.3 billion. Write-downs reversed in inventory amounted to NOK 470 million, compared to write-downs of NOK 550 million in 2008.

Lower volumes and product premiums had a negative impact on underlying EBIT amounting to about NOK 1.2 billion and NOK 600 million, respectively.

Variable costs at our smelters decreased by about NOK 1.7 billion last year, compared to 2008, mainly due to lower alumina costs of roughly NOK 1.0 billion. Fixed costs declined by about NOK 900 million due to capacity curtailments and manning reductions that took place mainly in the first half of 2009, in addition to lower maintenance activities.

Underlying income from our equity accounted smelters declined mainly due to charges of about NOK 490 million related to the build-up of the operating organization at Qatalum, compared to charges of roughly NOK 130 million in the previous year.

Underlying EBIT for Alunorte, our equity accounted alumina refinery, amounted to a loss of NOK 98 million, despite temporary measures put in place in March 2009 to address the company's deteriorating financial situation.⁶⁾ The decrease from positive underlying EBIT of NOK 447 million in the previous year resulted mainly from lower LME-linked alumina prices. More than half of the price decline was offset by an increase in sales volumes of about 18 percent relating to the third expansion of the plant that was completed in 2008. Variable costs increased somewhat during the year with higher prices for caustic and other raw materials partly offset by lower energy costs.

Alumina production volumes declined overall due to the temporary curtailment of the Alpart refinery early in 2009.

Our alumina commercial activities delivered improved underlying results in 2009, despite a weak fourth quarter, mainly due to higher external volumes sold.

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

Metal Markets

Operational and financial information	Year 2009	Year 2008	% change prior year
Underlying EBIT (NOK million)	(83)	703	>(100) %
Remelt production (kmt)	455	505	(10) %
Sale of metal products from own production (kmt) ¹⁾	2 351	2 716	(13) %
Sale of third-party metal products (kmt)	63	207	(70) %
Total metal products sales excluding ingot trading (kmt)	2 414	2 923	(17) %
Hereof external sales excluding ingot trading (kmt)	1 468	1 733	(15) %
External revenue (NOK million) ²⁾	23 650	32 962	(28) %
Product sales (NOK million) ³⁾	17 209	25 505	(33) %

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

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

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

Remelt production (kmt)	Location	2009	2008
Europe			
Clervaux	Luxembourg	84	100
Deeside	United Kingdom	42	49
Rackwitz	Germany	66	62
Hannover	Germany	11	14
Luce	France	52	48
Azuqueca	Spain	61	63
US			
Henderson	Kentucky	58	72
Commerce	Texas	84	95
Total remelt production Metal Markets		458	505

Metal Markets incurred an underlying loss in 2009, with its result heavily impacted by negative currency effects of roughly NOK 600 million mainly due to the weakening of the US dollar against Norwegian kroner.⁴⁾ Underlying EBIT in 2008 was positively impacted by currency effects of nearly NOK 500 million, but also included inventory write-downs of about NOK 160 million.

Total metal product sales declined significantly from 2008, in particular in the first half of 2009.

Despite lower production volumes, the underlying results for our remelters improved in 2009 compared with 2008, which was negatively impacted by inventory write-downs. The decline in remelter production reflected reduced production in Europe and the US during the first 4-5 months of 2009 due to the weak market conditions. Remelt production increased from the second quarter following improved demand for extrusion ingot, and the plants continued running at high utilization rates during the second half of the year.

Operating results from our sourcing and trading activities improved from 2008, with significant positive contributions both from our physical standard ingot portfolio and LME trading. While the first three quarters were reported with strong trading margins, the full year 2008 result was somewhat moderated by a weak result in the fourth quarter.

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

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

Rolled Products

Operational and financial information	Year 2009	Year 2008	% change prior year
Underlying EBIT (NOK million)	26	651	(96) %
Sales volumes to external market (kmt)	794	965	(18) %

Rolled Products sales volumes

Volumes to external market (kmt)	2009	2008
Beverage can	145	177
Foil, other packaging	148	172
Building	51	55
Automotive, heat-exchanger	86	133
General engineering	216	258
Lithography	148	170
Total	794	965

Rolled Products production sites

Volumes to external market (kmt)	Location	2009	2008
AluNorf/Grevenbroich (50% share)	Germany	460	576
Hamburg	Germany	123	144
Slim	Italy	49	64
Inasa	Spain	17	21
AISB (81% share)	Malaysia	15	17
Karmøy	Norway	59	62
Holmestrand	Norway	71	82
Total, excluding internal sales		794	965

Underlying EBIT for Rolled Products declined significantly in 2009 mainly due to the substantial drop in volumes for the year.

Market demand declined for all product applications, in particular for our automotive and general engineering business unit, where shipments were about 23 percent lower than in 2008. Lower volumes within our packaging and building unit mainly reflected shipment declines in the beverage can and foil market segment. Volumes in the high-value lithography market were relatively stronger, although they declined about 13 percent for the year.

Margins measured in Euro weakened somewhat compared with 2008, impacted mainly by lower margins within the general engineering market segment.

Both shipments and order intake improved in the second half of the year. Shipments increased in the normally seasonally lower fourth quarter, compared to the previous quarter, due to higher demand for certain product segments combined with some restocking effects.

Extruded Products

Operational and financial information	Year 2009	Year 2008	% change prior year
Underlying EBIT (NOK million)	(67)	338	>(100) %
Underlying EBIT - Extrusion (NOK million)	128	668	(81) %
Underlying EBIT - Automotive (NOK million)	(203)	(326)	38 %
Extrusion products sales volumes to external market (kmt)	401	488	(18) %
Automotive products sales volumes to external market (kmt)	87	105	(17) %

Extrusion sales volume per market segment 2009

Volumes to external market (kmt)	Extrusion Eurasia	Extrusion Americas	Building Systems
Domestic & office equipment	16	6	-
Building & construction	103	30	77
General Engineering	31	2	-
Electrical	27	21	-
Transport	25	13	-
Other	34	15	-
Total	237	87	77

Extrusion sales volume 2009

Volumes to external market (kmt)	2009	2008
Extrusion Eurasia	237	301
Extrusion Americas	87	102
Building Systems	77	85
Total	401	488

Extruded Products incurred an underlying loss for 2009 due to substantial volume declines for all of our operating units and lower margins for most of our businesses. Volumes declined by more than 20 percent for our European operations and precision tubing business, but to a lesser extent for our building systems operations. The volume decline for our automotive structures activities for 2009 was also more moderate, as volumes recovered in second half of the year following the sharp decline of more than 30 percent in the final quarter of 2008. Volumes for our North American operations also declined substantially, following continual volume declines over the past three years.

Underlying results for our extrusion and precision tubing businesses improved in the second half of the year as the markets stabilized, supported by customer restocking. In addition, significant cost reductions helped us to recover most of the effect of the lost volumes. However, all our business sectors incurred underlying losses for the year except for our building systems business, where higher margins partly offset the effects of the market decline.

Our US extrusion business delivered improved underlying results, although still negative, driven by substantial cost reductions from efforts to align our overall cost structure with the negative market developments experienced over the last several years. Underlying results for our South America operations were stable compared with 2008, as markets recovered from a drop in demand in the first quarter of 2009.

Underlying EBIT for our automotive operations also improved but remained negative. Underlying results for our precision tubing business recovered during the year and was slightly positive in the second half, driven by stronger demand and cost reduction measures.

Energy

Operational and financial information	Year 2009	Year 2008	% change prior year
Underlying EBIT (NOK million)	1 240	1 865	(34) %
Direct production costs (NOK million) ¹⁾	438	462	(5) %
Power production (GWh)	7 897	11 361	(30) %
External power sourcing (GWh) ²⁾	8 712	9 415	(7) %
Internal contract sales (GWh) ³⁾	12 571	14 349	(12) %
External contract sales (GWh) ⁴⁾	1 820	1 764	3 %
Net spot sales (GWh) ⁵⁾	2 217	4 663	(52) %

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

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

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

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

5) Spot sales volumes net of spot purchases.

Underlying EBIT for Energy declined for the year mainly due to significantly lower power production and lower spot prices, partly offset by lower area costs and lower operating costs.

Power production declined in 2009 as a result of low reservoir levels at the start of the year and the outage of Suldal I for most of the year. The reduced production from the Suldal I outage was partly offset by proceeds from business interruption insurance.

The decline in internal sales contracts relates to the repurchase of power from Primary Metal, due to the curtailment of smelter capacity. The related volumes were bought at market prices and to a large extent sold immediately with no significant gain or loss to Energy.

Other and eliminations

Underlying EBIT for Other and eliminations amounted to a charge of NOK 1,114 million in 2009, compared with a charge of NOK 279 million in 2008. Underlying EBIT includes the elimination of unrealized gains and losses on inventories purchased from group companies, which amounted to a positive effect of NOK 27 million in 2009, compared with a positive effect of NOK 434 million in 2008. Underlying EBIT also included a charge related to unallocated pension cost amounting to NOK 727 million in 2009, compared with a charge of NOK 222 million in 2008. The higher charge was mainly the result of lower expected returns on plan assets due to a decline in market value at the end of 2008 and to higher amortization of losses on actuarial valuation of pension obligations.

Hydro's solar activities incurred an underlying loss of NOK 118 million in 2009, compared with a loss of NOK 129 million in 2008.

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 (earnings before financial items and tax) 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⁾ NOK million	Year 2009	Year 2008
Unrealized derivative effects on LME related contracts ²⁾	(2 630)	1 120
Unrealized derivative effects on power contracts ³⁾	(198)	768
Unrealized derivative effects on currency contracts ⁴⁾	(345)	314
Metal effect, Rolled Products ⁵⁾	588	235
Significant rationalization charges and closure costs ⁶⁾	518	109
Impairment charges (PP&E and equity accounted investments) ⁷⁾	438	2 464
Loss provisions (power contracts) ⁸⁾	-	257
Pension plan amendment ⁹⁾	(52)	-
Insurance compensation ¹⁰⁾	(152)	-
(Gains)/losses on divestments ¹¹⁾	684	(453)
Items excluded from underlying EBIT	(1 148)	4 815
Net foreign exchange (gain)/loss ¹²⁾	(2 774)	5 491
Calculated income tax effect ¹³⁾	441	(3 460)
Items excluded from underlying income from continuing operations	(3 481)	6 846

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

2) Unrealized derivative effects on LME contracts include unrealized gains and losses on contracts measured at market value, which are used for operational hedging purposes related to fixed price customer and supplier contracts, but where hedge accounting is not applied. The amounts include net unrealized gains and losses on derivative contracts relating to our Primary Metal and Metal Markets operations and our downstream Rolled Products and Extruded Products operations. Certain internal aluminium contracts between Metal Markets and other units are measured at market value by Metal Markets but considered for own use by consuming units. The valuation effects are eliminated as part of Other and eliminations, and excluded from underlying results. Unrealized gains and losses on derivative contracts relating to trading activities are not excluded from underlying EBIT, as these are considered to be a normal part of the trading business performance.

3) Unrealized derivative effects on power contracts include unrealized gains and losses on embedded derivatives in power contracts for own use and financial power contracts. Hydro's Energy operations supplies electricity for Hydro's own consumption, and has entered into long-term purchase contracts with external power suppliers. Energy accounts for embedded derivatives in certain sourcing contracts and corresponding internal supply contracts at fair value. For those contracts, the related internal purchase contracts are regarded as normal purchase agreements by the consuming unit and the embedded derivative is not recognized at market value by these units. The valuation effects are eliminated as part of Other and eliminations, and excluded from underlying results. Embedded derivatives include exposures to changes in forward prices on aluminium and coal, currency, as well as inflation adjustments, and reported periodic effects are influenced by changes in the contract portfolio. In addition, certain financial power pricing contracts used by Primary Metal, including Søral, and Energy, for hedging power prices are accounted for at market value. The majority of physical power purchase contracts have a long duration and can result in significant unrealized gains and losses impacting the reported results.

4) Unrealized derivative effects on currency contracts relate to currency effects in equity accounted investments. The amounts include unrealized effects on long-term US dollar denominated loans for Alunorte, and effects related to currency contracts for Qatalum.

5) Metal effect: Rolled Products' sales prices are based on a margin over the metal price. The pricing, production and logistic process of Rolled Products lasts normally four to five months. As a result, margins are impacted by timing differences resulting from the FIFO (first in, first out) inventory valuation method due to changing aluminium prices during the process. The effect of potential inventory write-downs is included. Decreasing aluminium prices in Euro results in a negative metal effect, while increasing prices have a positive effect on margins.

6) Rationalization charges and closure costs includes costs that are typically non-recurring for individual plants or operations. Such costs involve termination benefits, dismantling of installations and buildings, clean-up activities that exceed legal liabilities, etc.

7) Impairment charges occur in the period when an asset or a group of assets is identified to have lost its value, causing a write-down to the recoverable amount. In most of our impairment situations, there is no single event directly causing the write-down. The loss is therefore not necessarily closely linked to performance in a single period.

8) Provision on onerous power contracts reflects the expected losses on power contracts as a result of cash losses on the related operation, in addition to decreasing forward prices for power.

9) Recognition of pension plan amendments.

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

11) (Gains)/losses on divestments include net gain or loss on divested businesses and individual major assets.

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

13) In order to present underlying income from continuing operations on a basis comparable with our underlying operating performance, we have calculated the income tax effect of currency gains/losses with 28%, while the income tax effect of items excluded from underlying EBIT is calculated using Hydro's effective tax rate adjusted for the tax effect of 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 Other and eliminations, with a brief discussion of the major factors affecting the development of these items in 2009.

Items excluded from underlying EBIT ¹⁾ NOK million	Year 2009	Year 2008
Unrealized derivative effects on LME related contracts (Alunorte)	-	(96)
Unrealized derivative effects on currency contracts (Alunorte)	(357)	352
Impairment charges (Alpart)	-	512
Unrealized derivative effects on power contracts (Søral)	(77)	129
Pension plan amendment (Søral)	(52)	-
Unrealized derivative effects on currency contracts (Qatalum)	12	(37)
Unrealized derivative effects on LME related contracts	285	(561)
Unrealized derivative effects on power contracts	671	(426)
Rationalization charges and closure costs	363	79
Impairment charges	-	845
Loss provision (power contracts)	-	257
Primary Metal	846	1 053
Impairment charges	-	35
Unrealized derivative effects on LME related contracts	(487)	336
Metal Markets	(487)	371
Unrealized derivative effects on LME related contracts	(2 265)	1 221
Metal effect	588	235
Impairment charges	286	129
(Gains)/losses on divestments	231	-
Rolled Products	(1 160)	1 585
Impairment charges - Extrusion	-	253
Impairment charges - Automotive	14	370
Rationalization charges and closure costs - Extrusion	63	-
Rationalization charges and closure costs - Automotive	44	30
(Gains)/losses on divestments - Automotive	472	-
Unrealized derivative effects on LME related contracts - Other and eliminations	(247)	201
Extruded Products	346	853
Unrealized derivative effects on power contracts	(9)	(22)
Rationalization charges and closure costs	14	-
Insurance compensation	(152)	-
Energy	(146)	(22)
Unrealized derivative effects on power contracts	(784)	1 088
Unrealized derivative effects on LME related contracts	83	19
Rationalization charges and closure costs	34	-
Impairment charges	138	321
(Gains)/losses on divestments	(19)	(453)
Other and eliminations	(548)	975
Items excluded from underlying EBIT	(1 148)	4 815

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

Primary Metal

Alunorte's operational hedging program expired end of 2009. A weakened US dollar against the Brazilian real in 2009 resulted in unrealized gains on long-term US dollar denominated loans for Alunorte, while a strengthened US dollar resulted in unrealized losses for 2008. Unrealized gains on power contracts in Sørø were mainly an effect of realized financial positions in addition to the increasing forward prices on power affecting the value of physical contracts. Unrealized losses on currency contracts for Qatalum were an effect of the weakened US dollar. Unrealized derivative effects on LME-related contracts that are part of our operational hedge program were mainly influenced by the upward shift in the LME forward price curve, especially in the second half of 2009, resulting in an unrealized loss on the respective hedge positions. Unrealized derivative effects on power contracts were mainly influenced by the upward shift in LME forward prices, resulting in unrealized losses on embedded derivatives. Rationalization charges and closure costs were mainly related to the temporary closure of Alpart and curtailment in Neuss, in addition to further closure costs on the Sørøberg line at Karmøy as well as rationalization charges at our smelters and demanning of staff positions in Primary Metal.

Metal Markets

Unrealized gain on LME derivative contracts related to our operational hedging program was mainly an effect of the upward shift in LME forward prices during the last three quarters of 2009 and volumes being realized.

Rolled Products

Unrealized gains on LME derivative contracts related to our operational hedging program were mainly an effect of the upward shift in LME forward prices and high-priced volumes being realized. The negative metal effect reflected the decline in aluminium prices measured in Euro from the second half of 2008 into 2009. Rising metal prices during 2009 could not compensate for the negative metal effect in the first half year. Impairment charges relate to the write-down of fixed assets in the Slim plant in Italy, due to the market development in Southern Europe. Divestment of the Inasa plant in Spain resulted in a loss.

Extruded Products

Impairment charges relate to the closure of our precision tubing plant in Adrian, Michigan, US. Rationalization charges and closure costs relate to a provision for environmental liabilities at our closed plant in Moultrie, Georgia, US, and to the closure of our precision tubing plant in Adrian. Divestment of the automotive structures activities resulted in a loss. The unrealized gain on LME derivative contracts related to our operational hedging program was mainly an effect of the upward shift in LME forward prices and volumes being realized.

Energy

Unrealized effects on financial power contracts related to operational hedging of our power portfolio reflect the changes in the forward prices on power. Rationalization charges and closure costs relate to the demanning in staff positions in Energy. Insurance compensation reflects the compensation for property damages related to the pressure shaft in Suldal I and the damaged power station at Svandalsflona, which have been recognized as income.

Other and eliminations

The unrealized derivative effects on power contracts relate to the elimination of valuation effects on internal contracts for delivery of power from Hydro's Energy segment to consuming units. This reflected mainly a weakened US dollar, offset by the upward shift in LME forward prices. Unrealized derivative effects on LME-related contracts result from the elimination of valuation effects on internal contracts between Metal Markets and other units, reflecting the upward shift in LME forward prices. Rationalization charges and closure costs relate to the demanning of central staff positions. Impairment charges relate to write-downs of our shares in Norsun and Hycore due to declining share values. Gains on divestments reflects a dilution gain recognized as a result of our reduced ownership interest in Ascent Solar.

Financial income (expense) net

NOK million	2009	2008	% change prior year
Interest income	233	769	(70)%
Dividendes received and net gain (loss) on securities	197	27	>100 %
Financial income	429	795	(46)%
Interest expense	(337)	(221)	(52)%
Capitalized interest	3	-	-
Net foreign exchange gain (loss)	2 774	(5 491)	>100 %
Other	(96)	(109)	11 %
Financial expense	2 344	(5 821)	>100 %
Financial income (expense), net	2 774	(5 026)	>100 %

Net financial income for the year amounted to NOK 2,774 million, including a net foreign currency gain of NOK 2,774 million. The currency gain relates primarily to gains on intercompany balances denominated in Euro. The Euro gains have no cash effect and are offset in equity by translation of the corresponding subsidiaries during consolidation.¹⁾

Interest income declined to NOK 233 million in 2009, reflecting lower cash balances, from NOK 769 million in 2008.

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

Income tax expense

Income taxes amounted to a charge of NOK 951 million in 2009, compared with a positive amount of NOK 565 million in 2008.

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

Discontinued operations

Income (loss) from discontinued operations amounted to a loss of NOK 247 million in 2008. The total amount of the loss was related to the sale of Hydro's Polymers business.

Liquidity and capital resources

The table below includes information on Hydro's liquidity, debt, investments and financial position and performance for the years indicated. See note 35 to the Consolidated Financial Statements for more information on Hydro's capital management practices, which include borrowing facilities, share buybacks and definitions and amounts relating to adjusted interest-bearing debt, adjusted equity and funds from operations. See the Shareholder information section of this report for more information on Hydro's dividend policy, share buybacks and funding and credit rating.

Liquidity and financial position

NOK million, except ratios and RoaCE	2009	2008
Net cash provided by operating activities	4 546	2 921
Cash and cash equivalents	2 573	3 333
Short-term investments ¹⁾	1 519	1 648
Liquid assets	4 092	4 981
Bank loans and other interest-bearing short-term debt	(2 010)	(1 169)
Long-term debt	(88)	(279)
Net interest bearing (debt) assets	1 995	3 534
Adjusted net interest-bearing (debt) assets ²⁾	(15 645)	(15 440)
Adjusted net interest-bearing debt to adjusted equity ratio ²⁾	0.32	0.30
Investments ³⁾	5 947	9 012
Capital employed	45 200	50 607
Return on average capital employed (RoaCE)	(3.3) %	0.7 %
Adjusted funds from operations / Adjusted net interest-bearing debt	0.01	0.43

1) Hydro's policy is that the maximum maturity for cash deposits is 12 months. Cash flows relating to bank time deposits with original maturities beyond three months are classified as investing activities and included in short-term investments on the balance sheet. See note 18 to the Consolidated Financial Statements for more information on short-term investments.

2) Mainly comprised of net unfunded pension obligations after tax, the present value of operating lease obligations and interest-bearing debt held by equity accounted investees. See note 35 to the Consolidated Financial Statements for more information on adjusted net interest-bearing debt and adjusted equity.

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

Cash flow and liquidity

Hydro manages its liquidity at the corporate level, ensuring sufficient funds to cover group operational requirements.

In 2009, cash provided by operating activities increased significantly compared to the previous year. However, we were not able to meet our targeted funds from operations to adjusted net interest-bearing debt ratio of 0.40 for the year.

Operating cash, together with funds raised in the domestic commercial paper market and our liquidity holdings, were sufficient to cover operating requirements and investment activities for 2009. In addition, available credit facilities have been used to cover cash flow fluctuations during the year.

Low aluminium prices and significantly reduced sales volumes had a substantial negative impact on operating cash flows. However, corrective actions, such as reduced capital expenditures, production cuts, capacity curtailments and cost improvement measures generated positive cash effects. In addition, dedicated efforts to reduce working capital, combined with overall reduced business activity, contributed to offset the negative market influences. Net cash outflows amounted to NOK 0.7 billion for the year, reducing cash, cash equivalents and bank overdraft from NOK 3.2 billion at the end of 2008 to NOK 2.5 billion at year-end 2009. Hydro's liquid assets, including cash, cash equivalents, bank overdraft and short-term investments declined by NOK 0.8 billion to NOK 4 billion. The most significant uses of cash in 2009 included investments in property, plant and equipment and other long-term investments, together totaling NOK 5.9 billion. Included in this amount was NOK 2.6 billion of equity injections to Qatalum, Hydro's 50 percent-owned greenfield smelter in Qatar. The main sources of cash included NOK 4.5 billion from continuing operating activities and NOK 0.7 billion from continuing financing activities. Out of NOK 4.5 billion cash provided by continuing operating activities, NOK 5.8 billion were related to working capital reductions.

Volatility in market prices of aluminium, raw materials and exchange rates, as well as working capital developments, represent factors which add uncertainty to the development of Hydro's cash position. Furthermore, due to the uncertain economic conditions, future production and sales volumes are difficult to predict and thereby add additional uncertainty. See section on Risk review including Risk factors and Market and Commercial risk in this report for additional information on risk, including sensitivities to aluminium prices and currency rate fluctuations.

Hydro expects that cash from continuing operations, together with its liquidity holdings and available credit facilities, will be more than sufficient to cover our planned capital expenditures, operational requirements, and financing activities in 2010.

Long term borrowing and funding requirements

Norsk Hydro ASA has a USD 1.7 billion revolving multi-currency credit facility with a syndicate of international banks, maturing in July 2014. In addition, Hydro signed in 2009 a new EUR 750 million revolving credit facility with a syndicate of international banks, maturing in March 2012. There was no borrowing under either of these facilities as of December 31, 2009. See note 30 Long-term debt for additional information.

Planned capital expenditures and other potential financing requirements in 2010 will be covered by internally generated funds in addition to external funding.

Hydro has the ambition over time to access the national and international bond markets as its primary source for external funding of long-term capital requirements. The revolving facility established in 2009 is intended to serve as a source for financing until replaced by bond financing. The other revolving facility will continue to serve primarily as a back-up for unforeseen funding requirements and will therefore be maintained as a reserve.

Contractual and other obligations, commitments and off balance sheet arrangements

A summary of Hydro's total contractual obligations and commercial commitments to make future payments is presented below. For further information see notes 15 (Operating leases), 30 (Long-term debt), 39 (Contractual commitments and other commitments for future investments) and 31 (Provisions) to Hydro's consolidated financial statements.

In addition, Hydro is contingently liable for certain guarantees amounting to NOK 12 billion mainly in respect of jointly controlled entities and in connection with the sale of companies. This amount is excluded from the table below and none of these amounts are recorded in the consolidated balance sheet as of the end of 2009. See note 37 - Guarantees to Hydro's consolidated financial statements - for a description of such guarantees.

NOK million	Contractual and non-contractual obligations Total	Payments due by period			
		Less than 1 year	1-3 years	3-5 years	Thereafter
Long-term debt including interest	222	132	81	8	1
Operating lease obligations	2 996	367	624	502	1 503
Unconditional purchase obligations	39 678	4 039	6 104	6 822	22 713
Contractual commitments for PP&E	757	654	103	-	-
Contractual commitments for other future investments	3 244	3 192	25	27	-
Short-term and long-term provisions ¹⁾	3 101	1 155	528	356	1 062
Total contractual and non-contractual obligations	49 997	9 539	7 465	7 714	25 279

1) Short-term and long-term provisions includes certain accruals and provisions which are non-contractual but relate to liabilities or obligations that are measurable and expected to occur in future periods.

Employee retirement plans

Hydro's employee retirement plans consist primarily of defined benefit pension plans. As of December 31, 2009, the projected benefit obligation associated with Hydro's defined benefit plans was NOK 17.9 billion. The fair value of pension plan assets was NOK 12.2 billion, resulting in a net unfunded obligation relating to the plans of NOK 5.7 billion. In addition, termination benefit obligations and other pension obligations amounted to NOK 0.6 billion, resulting in a total net unfunded pension obligation of NOK 6.3 billion. Hydro's net pension cost for 2009 amounted to NOK 1.4 billion. Cash outflows from operating activities in 2009 regarding pensions amounted to approximately NOK 0.7 billion. Hydro decided in 2009 to close its main defined benefit retirement plans in Norway for new employees as from March 1, 2010. See note 32 Employee retirement plans in the Notes to the consolidated financial statements for more information on Hydro's employee retirement plans.

Minority interest and shareholders equity

Minority interest was NOK 1,026 million as of December 31, 2009, compared with NOK 1,333 million at the end of 2008. Shareholders' equity was NOK 47,195 million at the end of 2009, compared with NOK 54,141 million at the end of 2008. The main items impacting shareholders' equity in 2009 and 2008 included net income and currency translation adjustments.

See the Consolidated statements of changes in equity and note 34 Shareholders' equity to Hydro's consolidated financial statements for a detailed reconciliation of shareholders' equity.

Investments

Investments in 2009 amounted to NOK 5,947 million, compared with NOK 9,012 million in 2008.

Investments ¹⁾

NOK million	2009	2008	% change prior year
Primary Metal	4 416	5 926	(25) %
Metal Markets	54	160	(66) %
Rolled Products	314	598	(47) %
Extruded Products	617	1 382	(55) %
Energy	340	164	>100 %
Other and eliminations	206	782	(74) %
Total	5 947	9 012	(34) %

1) Additions to property, plant and equipment (capital expenditures) plus long-term securities, intangible assets, long-term advances and investments in non-consolidated investees.

During 2009, Hydro focused on preserving cash and protecting its liquidity position. Except for Qatalum, investments were substantially reduced and mainly limited to maintenance activities to safeguard our production assets. The following includes a summary of significant investments that are in addition to maintenance activities.

The major investment for Primary Metal in 2009 and 2008 was the development of the Qatalum primary aluminium plant in Qatar. Investments in 2008 also included amounts relating to the third expansion of the alumina plant Alunorte in Brazil, which was completed in the third quarter of the year.

For Rolled Products, investments in 2008 included costs related to a new annealing line for automotive body parts in our Grevenbroich plant in Germany. Investments for Extruded Products in 2008 included amounts related to the acquisitions of Expral and Alumafel in Spain.

Investments for Energy in 2009 included plant upgrades, costs relating to Suldal I and amounts relating to the re-establishment of the Svandalsflona plant.

The major investments in Other and eliminations in 2008 included amounts relating to the development of a pilot plant for flexible, thin-film solar materials at Ascent Solar Technologies and ingot pulling and wafering plant at Norsun.

Return on average Capital Employed (RoaCE)

Hydro uses RoaCE to measure the performance for the group as a whole and within its operating segments, both in absolute terms and comparatively from period to period. Management views this measure as providing additional understanding of the rate of return on investments over time, in each of its capital intensive businesses, and the operating results of its business segments.

RoaCE is defined as "Earnings after tax" divided by average "Capital Employed." "Earnings after tax" is defined as "Earnings before financial items and tax" less "Adjusted income tax expense." Because RoaCE represents the return to the capital providers before dividend and interest payments, adjusted income tax expense excludes the effects of items reported as "Financial income (expense), net." "Capital Employed" is defined as "Shareholders' Equity" including minority interest plus long-term and short-term interest-bearing debt less "Cash and cash equivalents" and "Short-term investments." Capital Employed can be derived by deducting "Cash and cash equivalents," "Short-term investments" and "Short-term and long-term interest free liabilities" (including deferred tax liabilities) from "Total assets." The two different approaches yield the same value.

Return on average Capital Employed (RoaCE)

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

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

Return on average Capital Employed (RoaCE) ⁵⁾	2009	2008
Hydro	(3.3) %	0.7 %
Primary Metal	(7.9) %	4.5 %
Metal Markets	8.0 %	7.5 %
Rolled Products	10.1 %	(8.3) %
Extruded Products	(4.2) %	(8.0) %
Energy	21.7 %	28.5 %

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

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

3) Including deferred tax assets.

4) Including provisions for pension and deferred tax liabilities.

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

Additional information

See Note 8 to the consolidated financial statements for additional financial information relating to Hydro's operating segments. Following is a table of underlying EBITDA for each of the operating segments:

Underlying EBITDA

NOK million	2009	2008	% change prior year
Primary Metal	(602)	4 720	>(100) %
Metal Markets	36	808	(96) %
Rolled Products	532	1 164	(54) %
Extruded Products	585	1 038	(44) %
Energy	1 355	1 973	(31) %
Other and eliminations	(1 060)	(209)	>(100) %
Total	845	9 495	(91) %