



HYDRO

Second quarter report

Q2

2014

About our reporting

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

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Overview

Summary underlying financial and operating results and liquidity

Key financial information	Second quarter 2014	First quarter 2014	%change prior quarter	Second quarter 2013	%change prior year quarter	First half 2014	First half 2013	Year 2013
NOK million, except per share data								
Revenue	18 272	18 282	-	16 052	14 %	36 553	32 161	64 877
Earnings before financial items and tax (EBIT)	620	822	(25) %	376	65 %	1 442	1 081	1 663
Items excluded from underlying EBIT	(75)	(50)	(49) %	144	>(100) %	(126)	516	1 063
Underlying EBIT	544	772	(29) %	520	5 %	1 316	1 596	2 725
<i>Underlying EBIT :</i>								
Bauxite & Alumina	(269)	(288)	7 %	(244)	(10) %	(557)	(308)	(1 057)
Primary Metal	420	312	35 %	237	77 %	732	602	1 422
Metal Markets	100	141	(30) %	147	(32) %	241	292	594
Rolled Products	177	181	(2) %	183	(3) %	358	334	615
Energy	169	435	(61) %	268	(37) %	603	784	1 653
Other and eliminations ¹⁾	(52)	(8)	>(100) %	(70)	26 %	(61)	(109)	(502)
Underlying EBIT	544	772	(29) %	520	5 %	1 316	1 596	2 725
Underlying EBITDA	1 653	1 861	(11) %	1 674	(1) %	3 514	3 886	7 306
Underlying income (loss) from discontinued operations ¹⁾	-	-	-	112	(100) %	-	163	220
Net income (loss)	269	462	(42) %	(665)	>100 %	730	(402)	(839)
Underlying net income (loss)	318	388	(18) %	427	(26) %	705	1 075	1 610
Earnings per share	0.09	0.19	(53) %	(0.31)	>100 %	0.28	(0.17)	(0.45)
Underlying earnings per share	0.13	0.16	(21) %	0.19	(33) %	0.29	0.49	0.65
<i>Financial data:</i>								
Investments ²⁾	740	546	36 %	652	14 %	1 286	1 729	3 761
Adjusted net interest-bearing debt	(13 551)	(11 230)	(21) %	(11 857)	(14) %	(13 551)	(11 857)	(10 128)
Key Operational information								
Alumina production (kmt)	1 526	1 428	7 %	1 248	22 %	2 954	2 609	5 377
Primary aluminium production (kmt)	488	484	1 %	483	1 %	972	961	1 944
Realized aluminium price LME (USD/mt)	1 762	1 749	1 %	1 926	(9) %	1 755	1 986	1 902
Realized aluminium price LME (NOK/mt) ³⁾	10 660	10 702	-	11 217	(5) %	10 682	11 378	11 160
Realized NOK/USD exchange rate ³⁾	6.05	6.12	(1) %	5.82	4 %	6.09	5.73	5.87
Metal products sales, total Hydro (kmt) ⁴⁾	843	871	(3) %	789	7 %	1 714	1 595	3 164
Rolled Products sales volumes to external market (kmt)	245	243	1 %	245	-	488	482	941
Power production (GWh)	2 248	2 964	(24) %	2 090	8 %	5 212	4 993	10 243

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

2) Investments include non-cash elements relating to capitalized lease obligations and the Vigeland acquisition in 2013.

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

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

Hydro's underlying earnings before financial items and tax declined to NOK 544 million in the second quarter, down from NOK 772 million in the first quarter of 2014. Lower power production and lower power prices had a negative impact on underlying results for the quarter, partly offset by improved results from Primary Metal.

Underlying EBIT for Bauxite & Alumina remained weak but improved somewhat compared to first quarter of 2014 influenced by higher realized alumina prices and increased alumina sales volumes. Positive developments were mostly offset by negative currency developments and higher energy costs due to ICMS taxes for the full quarter.

Underlying EBIT for Primary Metal improved in the second quarter influenced by higher product premiums partly offset by lower sales volumes and somewhat lower realized aluminium prices.

Metal Markets delivered a lower underlying EBIT compared to the previous quarter mainly due to decreased results from sourcing and trading activities partly offset by higher volumes at remelters.

Underlying EBIT for Rolled Products was stable compared to the first quarter.

Compared to the first quarter of 2014, Underlying EBIT for Energy declined mainly due to seasonally lower power production and lower prices in our production areas.

Underlying results for Sapa improved during the quarter, partly influenced by seasonally stronger sales volumes.

Operating cash flow amounted to NOK 1.0 billion for the second quarter including roughly NOK 0.5 billion of dividends from Qatalum. Net cash used for investment activities amounted to NOK 0.7 billion. Dividends paid during the quarter amounted to NOK 1.6 billion. Hydro's net debt position amounted to around NOK 1.9 billion at the end of the second quarter.

Reported EBIT and net income

Reported earnings before financial items and tax amounted to NOK 620 million in the second quarter. In addition to the factors discussed above, reported EBIT included net unrealized derivative gains and positive metal effects of NOK 154 million in total. Reported earnings also included charges of NOK 87 million (Hydro's share) in Sapa primarily related to rationalization activities.

In the previous quarter reported earnings before financial items and tax amounted to NOK 822 million including net unrealized derivative gains amounting to NOK 170 million in total. Reported earnings also included impairment charges of NOK 33 million related to the divestment of Hydro's casthouse in Hannover and charges of NOK 86 million (Hydro's share) in Sapa primarily related to rationalization activities.

Income from continuing operations amounted to NOK 269 million in the second quarter including a net foreign exchange loss of NOK 101 million. In the previous quarter, income from continuing operations amounted to NOK 462 million including a net foreign exchange gain of NOK 193 million.

Market developments and outlook

Market statistics ¹⁾	Second quarter 2014	First quarter 2014	%change prior quarter	Second quarter 2013	%change prior year quarter	First half 2014	First half 2013	Year 2013
NOK/USD Average exchange rate	5.99	6.10	(2) %	5.83	3 %	6.04	5.72	5.88
NOK/USD Balance sheet date exchange rate	6.15	5.99	3 %	6.03	2 %	6.15	6.03	6.08
NOK/BRL Average exchange rate	2.68	2.58	4 %	2.82	(5) %	2.63	2.82	2.73
NOK/BRL Balance sheet date exchange rate	2.80	2.64	6 %	2.73	3 %	2.80	2.73	2.58
NOK/EUR Average exchange rate	8.21	8.35	(2) %	7.62	8 %	8.28	7.52	7.81
NOK/EUR Balance sheet date exchange rate	8.40	8.26	2 %	7.88	7 %	8.40	7.88	8.38
<i>Bauxite and alumina:</i>								
Average alumina price - Platts PAX FOB Australia (USD/t)	316	328	(4) %	326	(3) %	322	333	326
Global production of alumina (kmt)	26 207	26 252	-	24 999	5 %	52 459	48 990	101 470
Global production of alumina (ex. China) (kmt)	13 691	13 863	(1) %	13 333	3 %	27 554	26 488	54 270
<i>Primary aluminium:</i>								
LME three month average (USD/mt)	1 836	1 752	5 %	1 870	(2) %	1 793	1 956	1 887
LME three month average (NOK/mt)	10 991	10 671	3 %	10 891	1 %	10 829	11 187	11 070
Global production of primary aluminium (kmt)	13 285	12 964	2 %	12 479	6 %	26 249	24 822	50 605
Global consumption of primary aluminium (kmt)	13 753	12 330	12 %	12 869	7 %	26 083	24 522	50 146
Global production of primary aluminium (ex. China) (kmt)	6 486	6 325	3 %	6 486	-	12 811	12 897	25 698
Global consumption of primary aluminium (ex. China) (kmt)	6 865	6 592	4 %	6 596	4 %	13 457	12 954	26 010
Reported primary aluminium inventories (kmt)	8 323	8 904	(7) %	8 658	(4) %	8 614	8 633	8 189
<i>Rolled products and extruded products:</i>								
Consumption rolled products - Europe (kmt)	1 156	1 112	4 %	1 117	4 %	2 269	2 192	4 307
Consumption rolled products - USA & Canada (kmt)	1 093	1 018	7 %	1 085	1 %	2 111	2 122	4 203
Consumption extruded products - Europe (kmt)	734	695	6 %	720	2 %	1 429	1 362	2 742
Consumption extruded products - USA & Canada (kmt)	511	479	7 %	486	5 %	990	921	1 876
<i>Energy:</i>								
Average southern Norway spot price (NO2) (NOK/MWh)	168	249	(33) %	296	(43) %	208	304	290
Average nordic system spot price (NOK/MWh)	211	252	(16) %	294	(28) %	231	303	297

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

Bauxite and alumina

Chinese alumina imports amounted to 2.4 million mt for the first five months of 2014, up 54 percent from the same period in 2013. For the first five months of 2014, bauxite imports declined 38 percent to 16.8 million mt following export restrictions by Indonesia that took effect January 12, 2014.

Platts alumina spot prices averaged USD 316 per mt for the second quarter, a decrease of USD 12 per mt compared to the previous quarter. Average prices represented 17.2 percent of LME in the quarter compared with 18.7 percent in the previous quarter. According to Chinese import statistics, the average delivered China bauxite price was USD 60 per mt in May, compared with an average of USD 53 per mt for first quarter 2014.

Primary aluminium

LME prices ranged between USD 1,750 and USD 1,900 per mt throughout the second quarter of 2014. Prices in Europe, including duty paid standard ingot premium, were at a level of USD 2,150 to USD 2,300 per mt for the quarter.

North American standard ingot premiums remained at high levels in the second quarter, averaging USD 415 per mt compared to USD 420 in the first quarter. European duty paid standard ingot premiums increased to an average of USD 395 per mt in

the second quarter, up from USD 340 in the first quarter. Premiums also increased in Japan to USD 366 per mt from USD 255 per mt in first quarter. Developments in the second quarter continued to be influenced by higher demand in the physical markets combined with announced closures and curtailments and continued financing of metal in warehouses.

Global demand for primary aluminium (excluding China) increased by 4 percent compared with both the first quarter in 2014 and the second quarter in 2013. Annualized consumption increased to 27.5 million mt in the second quarter. Corresponding production also increased, amounting to 26.0 million mt. Closures and curtailments announced in the previous quarter are expected to partly offset planned start-ups, resulting in a continued expectation of demand exceeding production in 2014.

Aluminium consumption was seasonally higher in China compared to the first quarter, amounting to 27.6 million mt on an annualized basis. Corresponding production also increased, with the ramp up of new capacity continuing in the Northwest regions, although at a gradually slower pace. This has been somewhat offset by further curtailments in the Eastern provinces. SHFE prices increased 3.5 percent during the second quarter compared to the previous quarter.

European demand for extrusion ingot, foundry alloys and sheet ingot improved moderately for the second quarter compared to the same period of 2013.

Rolled products

European demand for flat rolled products increased by 4 percent compared with the first quarter mainly due to increased demand across most market segments. Compared to the second quarter of the previous year, demand also increased by 4 percent, driven by growth within the automotive and general engineering segments.

Demand for aluminium automotive products increased due to higher production of premium models with higher aluminium content despite a slight decline in total car production. The building and construction market in Europe continued to recover, and in Northern Europe in particular. Demand within the beverage can and foil markets was seasonally higher in the second quarter. General engineering market demand developed positively driven by improved industrial activity.

European demand for flat rolled products is expected to be seasonally lower in the third quarter.

Extruded products

Demand for extruded products in North America improved by 7 percent compared to the first quarter, mainly due to seasonality. Compared to the same quarter of the previous year, demand grew 5 percent, supported by automotive and building and construction. Extruded demand in South America continued to show signs of weakening.

In Europe, extruded products demand increased by 6 percent from the first quarter, driven primarily by seasonality. Demand improved 2 percent compared to the second quarter of 2013, supported by automotive, but somewhat offset by weak building markets in Southern-Europe.

Global demand for precision tubing continued to be driven by increased demand from the automotive sector.

Energy

The average Nordic system price declined compared to the previous quarter due to high power production during the first half of the second quarter. Above average snow reservoirs in Southwestern Norway at the beginning of the quarter, together with high temperatures, resulted in substantial inflows to reservoirs. In addition, technical limitations on several transmission cables in Southwestern Norway, combined with low nuclear production in Sweden, resulted in high area price differences.

The Nordic hydrological balance started the quarter at 5 TWh above normal and ended around 5.5 TWh below normal in the second quarter which was six percentage points below normal. Water reservoirs in Norway were at 69 percent of full capacity at the end of the second quarter which is about two percentage points above normal. Snow reservoirs were 3.6 TWh below normal.

Additional factors impacting Hydro

Primary Metal has sold forward around 50 percent of its expected primary aluminium production for the third quarter of 2014 at a price level of around USD 1,825 per mt.¹⁾ This excludes volumes from Qatalum.

Hydro's alumina refinery Alunorte in Brazil has been subject to ICMS taxation on fuel oil since February 1, 2014 resulting in additional costs of roughly NOK 150 million per quarter.

The Alunorte alumina refinery and Albras aluminium smelter have entered into USD currency forward contracts in Brazil for second half 2013 and all of 2014. The remaining program value at the end of June 2014 amounted to roughly USD 440 million. The achieved average exchange rate for remaining period is 2.41.

In May and June of 2014, Hydro signed four contracts for the supply of energy totaling 2.7 TWh per year for the company's Norwegian smelters for a ten year period ending 2030.

On July 3, 2014, Hydro agreed to acquire Rio Tinto Alcan's 50 percent share of the Sørå aluminium smelter. Hydro owns 49.9 percent of Sørå. The transaction is expected to be completed in the second half of 2014.

1) Prices are fixed mainly one month prior to production. As a result, and due to the hedging of product inventories, Hydro's realized aluminium prices lag LME spot prices by around 1.5 to 2 months.

Underlying EBIT

Bauxite & Alumina

Operational and financial information ¹⁾	Second quarter 2014	First quarter 2014	%change prior quarter	Second quarter 2013	%change prior year quarter	First half 2014	First half 2013	Year 2013
Underlying EBIT (NOK million)	(269)	(288)	7 %	(244)	(10) %	(557)	(308)	(1 057)
Underlying EBITDA (NOK million)	162	122	33 %	203	(20) %	284	569	662
Alumina production (kmt)	1 526	1 428	7 %	1 248	22 %	2 954	2 609	5 377
Sourced alumina (kmt)	431	550	(22) %	427	1 %	981	903	2 009
Total alumina sales (kmt)	2 071	1 906	9 %	1 696	22 %	3 977	3 570	7 408
Realized alumina price (USD/mt) ²⁾	276	269	2 %	275	-	273	286	275
Bauxite production (kmt) ³⁾	2 370	2 242	6 %	1 765	34 %	4 612	3 974	7 567
Sourced bauxite (kmt) ⁴⁾	2 204	1 874	18 %	2 431	(9) %	4 078	3 696	8 523

1) Apparent alumina cash cost removed. Replaced by "Implied alumina cost" in Hydro's quarterly investor presentation.

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

3) Paragominas on wet basis.

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

Underlying EBIT for Bauxite & Alumina remained weak but improved somewhat compared to first quarter of 2014 influenced by higher realized alumina prices and increased alumina sales volumes partly offset by negative currency developments.

Bauxite and alumina production improved compared to the previous quarter. Fuel costs increased mainly due to the introduction of ICMS taxation on fuel beginning February, 2014. Hydro's From B to A improvement program proceeded according to plan.

Compared to the second quarter of the previous year, underlying EBIT for Bauxite & Alumina declined, impacted by higher fuel oil prices and the introduction of ICMS taxes. Negative effects were partly offset by increased sales volumes together with favorable currency developments.

Underlying EBIT for the first half year 2014 declined compared to the same period of last year influenced by the same factors discussed above.

Primary Metal

Operational and financial information ¹⁾	Second quarter 2014	First quarter 2014	%change prior quarter	Second quarter 2013	%change prior year quarter	First half 2014	First half 2013	Year 2013
Underlying EBIT (NOK million)	420	312	35 %	237	77 %	732	602	1 422
Underlying EBITDA (NOK million)	852	753	13 %	713	19 %	1 605	1 551	3 293
Realized aluminium price LME (USD/mt) ²⁾	1 762	1 749	1 %	1 926	(9) %	1 755	1 986	1 902
Realized aluminium price LME (NOK/mt) ²⁾	10 660	10 702	-	11 217	(5) %	10 682	11 378	11 160
Realized premium above LME (USD/mt) ³⁾	476	422	13 %	358	33 %	448	352	362
Realized premium above LME (NOK/mt) ³⁾	2 883	2 583	12 %	2 087	38 %	2 729	2 014	2 124
Realized NOK/USD exchange rate	6.05	6.12	(1) %	5.82	4 %	6.09	5.73	5.87
Primary aluminium production (kmt)	488	484	1 %	483	1 %	972	961	1 944
Casthouse production (kmt) ⁴⁾	529	525	1 %	513	3 %	1 053	1 008	2 046
Total sales (kmt) ⁵⁾	559	593	(6) %	531	5 %	1 152	1 072	2 127

1) Operating and financial information includes Hydro's proportionate share of underlying income (loss), production and sales volumes in equity accounted investments. Realized prices, premiums and exchange rates exclude equity accounted investments, and include the effects of strategic currency hedges (hedge accounting applied).

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

3) Average realized premium above LME for casthouse sales from Primary Metal. Historical premiums for 2013 revised due to change of definition.

4) Production volumes for 2013 revised due to change of definition.

5) Total sales replaces previous casthouse sales due to change of definition.

Operational and financial information Qatalum (50%)	Second quarter 2014	First quarter 2014	%change prior quarter	Second quarter 2013	%change prior year quarter	First half 2014	First half 2013	Year 2013
Revenue (NOK million)	1 095	1 087	1 %	1 080	1 %	2 182	2 205	4 351
Underlying EBIT (NOK million)	158	115	37 %	89	78 %	273	195	510
Underlying EBITDA (NOK million)	370	342	8 %	338	9 %	712	687	1 523
Underlying Net income (loss) (NOK million)	112	75	49 %	44	>100 %	187	109	343
Primary aluminium production (kmt)	77	76	1 %	75	3 %	153	149	303
Casthouse sales (kmt)	80	83	(4) %	79	1 %	163	161	321

Underlying EBIT for Primary Metal improved in the second quarter influenced by higher product premiums partly offset by lower sales volumes and somewhat lower realized aluminium prices. Hydro's USD 180 per mt joint venture improvement program proceeded according to plan.

Hydro's share of underlying results from Qatalum improved compared to the first quarter mainly due to higher premiums.

Compared to the second quarter of 2013 underlying EBIT increased. Higher premiums and increased sales volumes more than offset the effects of substantially lower realized aluminium prices. Improved results from Qatalum also had a positive effect on underlying results for the quarter.

Underlying EBIT for the first half of 2014 improved compared with the same period in 2013 mainly due to the same factors discussed above.

Metal Markets

Operational and financial information	Second	First	%change	Second	%change	First	First	Year
	quarter	quarter	prior	quarter	prior year	half	half	Year
	2014	2014	quarter	2013	quarter	2014	2013	2013
Underlying EBIT (NOK million)	100	141	(30) %	147	(32) %	241	292	594
Currency effects ¹⁾	7	(12)	>100 %	37	(82) %	(5)	50	136
Ingot inventory valuation effects ²⁾	(29)	(7)	>(100) %	-	-	(36)	23	21
Underlying EBIT excl. currency and ingot inventory effects	122	161	(24) %	109	11 %	282	219	437
Underlying EBITDA (NOK million)	120	157	(23) %	165	(27) %	277	328	691
Remelt production (kmt)	141	139	1 %	132	7 %	280	267	517
Metal products sales excluding ingot trading (kmt) ³⁾	700	720	(3) %	678	3 %	1 419	1 375	2 691
Hereof external sales (kmt) ⁴⁾	662	699	(5) %	576	15 %	1 361	1 160	2 364

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

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

3) Includes external and internal sales from primary casthouse operations, remelters and third party metal sources. Sales volumes for 2013 revised due to change of definition.

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

Underlying EBIT for Metal Markets declined compared to the previous quarter mainly due to lower results from sourcing and trading activities partly offset by higher volumes at remelters. Net currency and ingot inventory valuation effects were largely stable between the quarters.

Compared to the second quarter of 2013, underlying EBIT declined, impacted by net negative currency and ingot inventory effects compared with positive effects in the second quarter of 2013. Excluding these effects, underlying EBIT improved due to stronger results from sourcing and trading activities, partly offset by lower margins at our remelt plants in Europe.

In the first half of 2014, underlying EBIT decreased impacted by negative currency and ingot inventory valuation effects compared to positive effects in the corresponding period in 2013. Excluding these effects underlying EBIT improved, influenced by improved contribution from sourcing and trading activities.

Rolled Products

Operational and financial information	Second quarter 2014	First quarter 2014	%change prior quarter	Second quarter 2013	%change prior year quarter	First half 2014	First half 2013	Year 2013
Underlying EBIT (NOK million)	177	181	(2) %	183	(3) %	358	334	615
Underlying EBITDA (NOK million)	350	351	-	346	1 %	701	657	1 293
Sales volumes to external market (kmt)	245	243	1 %	245	-	488	482	941

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

Packaging and building ¹⁾	95	91	4 %	109	(12) %	186	207	398
Lithography, automotive & heat exchanger	81	80	2 %	73	11 %	161	148	292
General engineering	69	72	(4) %	64	8 %	141	126	251
Rolled Products	245	243	1 %	245	-	488	482	941

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

Underlying EBIT for Rolled Products was stable compared with the first quarter of 2014. Shipments improved slightly, influenced by seasonally higher demand for can beverage and good demand for automotive products. Margins declined impacted by fixed premium sales contracts.

Compared to the second quarter 2013 underlying EBIT was influenced by the same factors described above.

Underlying EBIT for the first half of 2014 improved due to higher sales volumes, partly offset by lower margins resulting from the higher ingot premiums. Cost levels were somewhat lower.

Energy

Operational and financial information	Second quarter 2014	First quarter 2014	%change prior quarter	Second quarter 2013	%change prior year quarter	First half 2014	First half 2013	Year 2013
Underlying EBIT (NOK million)	169	435	(61) %	268	(37) %	603	784	1 653
Underlying EBITDA (NOK million)	209	474	(56) %	302	(31) %	683	860	1 803
Direct production costs (NOK million) ¹⁾	140	162	(13) %	115	22 %	302	245	485
Power production (GWh)	2 248	2 964	(24) %	2 090	8 %	5 212	4 993	10 243
External power sourcing (GWh)	2 381	2 314	3 %	2 376	-	4 695	4 558	9 412
Internal contract sales (GWh)	3 361	3 333	1 %	3 360	-	6 694	6 538	13 304
External contract sales (GWh)	241	363	(34) %	276	(13) %	604	665	1 241
Net spot sales (GWh)	1 028	1 581	(35) %	829	24 %	2 609	2 347	5 110

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

Underlying EBIT for Energy declined compared to the first quarter mainly due to seasonally lower power production and prices in our production areas, as well as higher area price differences.

Compared to the second quarter of the previous year, underlying EBIT declined mainly due to lower prices and higher area price differences, partly offset by higher production. Compared to the first half of the previous year, underlying EBIT declined due to the same factors as well as increased transmission costs.

Other and elimination

Financial information NOK million	Second quarter 2014	First quarter 2014	%change prior quarter	Second quarter 2013	%change prior year quarter	First half 2014	First half 2013	Year 2013
Sapa (50%)	131	35	>100 %	-	-	166	-	(130)
Other	(176)	(127)	(38) %	(110)	(60) %	(303)	(235)	(459)
Eliminations	(8)	84	>(100) %	40	>(100) %	77	126	88
Underlying EBIT Other and eliminations	(52)	(8)	>(100) %	(70)	26 %	(61)	(109)	(502)

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

Operational and financial information Sapa (50%)	Second quarter 2014	First quarter 2014
Revenue (NOK million)	5 772	5 673
Underlying EBIT (NOK million)	175	78
Underlying EBITDA (NOK million)	321	220
Underlying Net income (loss) (NOK million)	131	35
Sales volumes (kmt)	184	180

Underlying EBIT for Sapa improved compared to the first quarter, partly influenced by seasonally stronger sales volumes. Sapa's restructuring agenda is progressing according to plan and reported EBIT is affected by related restructuring charges.

Finance

Financial income (expense) NOK million	Second quarter 2014	First quarter 2014	% change prior quarter	Second quarter 2013	% change prior year quarter	First half 2014	First half 2013	Year 2013
Interest income	72	60	18 %	53	35 %	132	115	232
Dividends received and net gain (loss) on securities	26	2	>100%	42	(38)%	29	82	170
Financial income	98	63	56 %	95	3 %	161	197	402
Interest expense	(130)	(97)	(34)%	(103)	(26)%	(228)	(197)	(421)
Capitalized interest	1	1	-	-	-	2	1	2
Net foreign exchange gain (loss)	(101)	193	>(100)%	(1 291)	92 %	92	(1 406)	(2 246)
Net interest on pension liability	(47)	(47)	-	(46)	(1)%	(94)	(83)	(180)
Other	(19)	(21)	7 %	(28)	31 %	(40)	(61)	(134)
Financial expense	(297)	29	>(100)%	(1 469)	80 %	(268)	(1 746)	(2 978)
Financial income (expense), net	(199)	92	>(100)%	(1 373)	86 %	(107)	(1 550)	(2 576)

The net foreign exchange loss for the second quarter included an unrealized currency loss related to embedded derivatives on new power contracts amounting to NOK 217 million. The net foreign exchange loss also includes unrealized currency gains on US dollar debt in Brazil and unrealized losses on intercompany balances denominated in Euro and US dollars in Norway.

Tax

Income tax expense amounted to NOK 152 million for the second quarter of 2014 or about 36 percent of income before tax.

Items excluded from underlying EBIT and net income

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

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

Items excluded from underlying net income ¹⁾	Second quarter 2014	First quarter 2014	Second quarter 2013	First half 2014	First half 2013	Year 2013
NOK million						
Unrealized derivative effects on LME related contracts ²⁾	(136)	5	129	(131)	159	202
Unrealized derivative effects on power and raw material contracts ³⁾	40	(175)	(155)	(135)	114	107
Metal effect, Rolled Products ⁴⁾	(58)	-	100	(58)	95	289
Significant rationalization charges and closure costs ⁵⁾	-	-	86	-	164	479
Impairment charges (PP&E and equity accounted investments) ⁶⁾	-	33	-	33	-	80
(Gains)/losses on divestments ⁷⁾	(8)	-	(16)	(8)	(16)	-
Other effects ⁸⁾	-	-	-	-	-	(311)
Items excluded in equity accounted investment (Sapa)	87	86	-	173	-	217
Items excluded from underlying EBIT	(75)	(50)	144	(126)	516	1 063
Net foreign exchange (gain)/loss ⁹⁾	101	(193)	1 291	(92)	1 406	2 246
Calculated income tax effect ¹⁰⁾	23	170	(406)	193	(548)	(889)
Items excluded from continuing operations	49	(74)	1 028	(25)	1 374	2 420
Items excluded from discontinued operations	-	-	64	-	105	30
Items excluded from underlying net income	49	(74)	1 092	(25)	1 479	2 450

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

2) Unrealized gains and losses on contracts used for operational hedging purposes where hedge accounting is not applied, as well as for LME derivatives in equity accounted investments and elimination of changes in fair value of certain internal physical aluminium contracts.

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

4) Timing differences resulting from inventory adjustments due to changing aluminium prices during the production, sales and logistics process, as well as inventory write-downs for Rolled Products.

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

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

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

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

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

10) In order to present underlying net income on a basis comparable with our underlying operating performance, we have calculated an income tax effect of items excluded from underlying income before tax.

Item excluded from underlying EBIT - Operating segments

The following includes a summary table of items excluded from underlying EBIT for each of the operating segments and for Other and eliminations.

Items excluded from underlying EBIT ¹⁾	Second quarter 2014	First quarter 2014	Second quarter 2013	First half 2014	First half 2013	Year 2013
NOK million						
Unrealized derivative effects on LME related contracts	(1)	(4)	(3)	(4)	10	12
Legal settlements	-	-	-	-	-	109
Bauxite & Alumina	(1)	(4)	(3)	(4)	10	121
Unrealized derivative effects on LME related contracts	(38)	(12)	55	(50)	128	81
Unrealized derivative effects on power contracts	(8)	43	(42)	35	209	285
Unrealized derivative effects on power contracts (Søral)	24	(33)	88	(9)	104	189
Unrealized derivative effects on raw material contracts	9	10	8	18	14	36
Insurance compensation (Qatalum)	-	-	-	-	-	(30)
Rationalization charges and closure costs	-	-	7	-	7	7
Primary Metal	(14)	8	116	(6)	462	568
Unrealized derivative effects on LME related contracts	6	35	26	41	(57)	(12)
Pension	-	-	-	-	-	(7)
(Gains)/losses on divestments	-	-	-	-	-	(53)
Impairment charges	-	33	-	33	-	-
Metal Markets	6	69	26	75	(57)	(73)
Unrealized derivative effects on LME related contracts	(101)	(16)	58	(117)	103	134
Metal effect	(58)	-	100	(58)	95	289
Rationalization charges and closure costs	-	-	45	-	45	85
(Gains)/losses on divestments	-	-	-	-	-	69
Pension	-	-	-	-	-	(45)
Rolled Products	(159)	(16)	202	(174)	243	532
Unrealized derivative effects on power contracts	4	3	(3)	7	-	(4)
Energy	4	3	(3)	7	-	(4)
Unrealized derivative effects on power contracts	12	(198)	(205)	(187)	(214)	(399)
Unrealized derivative effects on LME related contracts	(2)	1	(6)	(1)	(25)	(13)
Impairment charges	-	-	-	-	-	80
Pension	-	-	-	-	-	(338)
(Gains)/losses on divestments	(8)	-	(16)	(8)	(16)	(16)
Rationalization charges and closure costs	-	-	34	-	112	386
Items excluded in equity accounted investment (Sapa)	87	86	-	173	-	217
Other and eliminations ²⁾	88	(111)	(193)	(23)	(142)	(81)
Items excluded from underlying EBIT	(75)	(50)	144	(126)	516	1 063

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

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

Interim financial statements

Condensed consolidated statements of income (unaudited)

NOK million, except per share data	Second quarter		First half		Year
	2014	2013	2014	2013	2013
Revenue	18 272	16 052	36 553	32 161	64 877
Share of the profit (loss) in equity accounted investments	122	(70)	162	(36)	(240)
Other income, net	147	213	279	450	801
Total revenue and income	18 540	16 195	36 995	32 576	65 438
Raw material and energy expense	12 526	10 630	24 813	21 277	43 175
Employee benefit expense	2 018	1 954	4 051	3 940	7 360
Depreciation, amortization and impairment	1 104	1 150	2 222	2 282	4 644
Other expenses	2 272	2 084	4 467	3 997	8 596
Total expenses	17 921	15 819	35 553	31 495	63 775
Earnings before financial items and tax (EBIT)	620	376	1 442	1 081	1 663
Financial income	98	95	161	197	402
Financial expense	(297)	(1 469)	(268)	(1 746)	(2 978)
Financial income (expense), net	(199)	(1 373)	(107)	(1 550)	(2 576)
Income (loss) from continuing operations before tax	421	(997)	1 335	(469)	(913)
Income taxes	(152)	284	(604)	10	(115)
Income (loss) from continuing operations	269	(713)	730	(460)	(1 029)
Income (loss) from discontinued operations	-	48	-	57	189
Net income (loss)	269	(665)	730	(402)	(839)
Net income (loss) attributable to minority interests	84	(28)	153	(53)	81
Net income (loss) attributable to Hydro shareholders	185	(637)	578	(349)	(920)
Basic and diluted earnings per share from continuing operations (in NOK) ^{1) 2)}	0.09	(0.34)	0.28	(0.20)	(0.54)
Basic and diluted earnings per share from discontinued operations (in NOK) ¹⁾	-	0.02	-	0.03	0.09
Basic and diluted earnings per share attributable to Hydro shareholders (in NOK) ¹⁾	0.09	(0.31)	0.28	(0.17)	(0.45)
Weighted average number of outstanding shares (million)	2 040	2 039	2 039	2 038	2 038

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

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

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

Condensed consolidated statements of comprehensive income (unaudited)

NOK million	Second quarter		First half		Year
	2014	2013	2014	2013	2013
Net income (loss)	269	(665)	730	(402)	(839)
Other comprehensive income					
Items that will not be reclassified to income statement:					
Remeasurement postemployment benefits, net of tax	(715)	-	(728)	72	(267)
Share of remeasurement postemployment benefit of equity accounted investments, net of tax	1	-	1	-	54
Total	(714)	-	(727)	72	(213)
Items that will be reclassified to income statement:					
Currency translation differences, net of tax	2 228	40	2 430	3 109	2 753
Unrealized gain (loss) on securities, net of tax	5	(47)	6	(97)	(38)
Cash flow hedges, net of tax	(56)	(103)	116	(263)	(291)
Share of items that will be recycled to profit or loss of equity accounted investees, net of tax	127	119	14	157	388
Total	2 304	9	2 567	2 906	2 811
Other comprehensive income	1 590	9	1 840	2 978	2 598
Total comprehensive income	1 859	(657)	2 571	2 576	1 759
Total comprehensive income attributable to minority interests	351	(232)	511	80	(55)
Total comprehensive income attributable to Hydro shareholders	1 508	(424)	2 059	2 496	1 814

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

Condensed balance sheets (unaudited)

NOK million, except number of shares	2014	June 30 2013	December 31 2013
Assets			
Cash and cash equivalents	6 617	7 399	8 412
Short-term investments	1 765	1 273	2 480
Accounts receivables	10 835	9 811	9 539
Inventories	10 213	9 669	10 070
Other current assets	371	448	181
Total current assets	29 799	28 600	30 681
Assets held for sale	-	10 915	-
Property, plant and equipment	54 041	54 952	52 855
Intangible assets	5 828	5 743	5 562
Investments accounted for using the equity method	16 717	9 978	17 148
Prepaid pension	3 178	3 313	3 595
Other non-current assets	7 082	6 682	6 483
Total non-current assets	86 847	80 667	85 642
Total assets	116 647	120 182	116 324
Liabilities and equity			
Bank loans and other interest-bearing short-term det	6 141	5 805	6 220
Trade and other payables	8 936	8 539	9 197
Other current liabilities	2 608	2 743	3 433
Total current liabilities	17 684	17 087	18 850
Liabilities included in disposal groups	-	3 748	-
Long-term debt	4 093	4 178	3 986
Provisions	2 857	2 528	2 684
Pension obligation	10 257	9 105	9 858
Deferred tax liabilities	2 894	3 910	2 853
Other non-current liabilities	2 599	3 214	2 828
Total non-current liabilities	22 701	22 935	22 209
Total liabilities	40 386	43 771	41 060
Equity attributable to Hydro shareholders	70 542	70 663	69 981
Minority interest	5 720	5 748	5 283
Total equity	76 261	76 411	75 264
Total liabilities and equity	116 647	120 182	116 324
Total number of outstanding shares (million)	2 040	2 039	2 039

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

Condensed consolidated statements of cash flows (unaudited)

NOK million	Six months ended		Year 2013
	2014	June 30 2013	
Operating activities			
Net income (loss)	730	(402)	(839)
Loss (income) from discontinued operations	-	(57)	(189)
Depreciation, amortization and impairment	2 222	2 282	4 644
Other adjustments	(2 524)	(347)	1 586
Net cash provided by continuing operating activities	428	1 476	5 202
Investing activities			
Purchases of property, plant and equipment	(1 290)	(1 238)	(2 867)
Purchases of other long-term investments	(31)	(20)	(185)
Purchases of short-term investments	(1 000)	-	(1 250)
Proceeds from sales of property, plant and equipment	23	44	64
Proceeds from sales of other long-term investments	(12)	131	280
Proceeds from sales of short-term investments	1 750	3 050	3 050
Net cash provided by (used in) continuing investing activities	(560)	1 967	(908)
Financing activities			
Loan proceeds	3 620	2 520	6 744
Principal repayments	(3 610)	(3 231)	(7 255)
Net increase (decrease) in other short-term debt	54	(145)	(241)
Proceeds from shares issued	11	44	56
Dividends paid	(1 686)	(1 728)	(1 975)
Net cash used in continuing financing activities	(1 611)	(2 540)	(2 671)
Foreign currency effects on cash and bank overdraft	87	138	183
Net cash used in discontinued operations	(139)	(679)	(431)
Net increase (decrease) in cash, cash equivalents and bank overdraft	(1 795)	362	1 375
Cash, cash equivalents and bank overdraft at beginning of period	8 408	7 033	7 033
Cash, cash equivalents and bank overdraft at end of period	6 613	7 395	8 408

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

Condensed consolidated statements of changes in equity (unaudited)

NOK million	Share capital	Additional paid-in capital	Treasury shares	Retained earnings	Other components of equity	Equity attributable to Hydro		Total equity
						shareholders	Minority interests	
January 1, 2013	2 272	29 056	(1 047)	49 018	(9 635)	69 663	5 835	75 498
<i>Changes in equity for 2013</i>								
Treasury shares reissued to employees		(7)	41			33		33
Dividends				(1 529)		(1 529)	(199)	(1 728)
Capital contribution in subsidiaries							33	33
Total comprehensive income for the period				(349)	2 845	2 496	80	2 576
June 30, 2013	2 272	29 049	(1 006)	47 139	(6 789)	70 663	5 748	76 411
January 1, 2014	2 272	29 049	(1 006)	46 617	(6 950)	69 981	5 283	75 264
<i>Changes in equity for 2014</i>								
Treasury shares to employees		(4)	35			31		31
Dividends				(1 530)		(1 530)	(74)	(1 604)
Items not reclassified to income statement in subsidiaries sold/liquidated				1	(1)	-		
Total comprehensive income for the period				578	1 482	2 059	511	2 571
June 30, 2014	2 272	29 045	(972)	45 666	(5 470)	70 542	5 720	76 261

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

Notes to the condensed consolidated financial statements

Note 1: Accounting policies

All reported figures in the financial statements are based on International Financial Reporting Standards (IFRS). Hydro's accounting principles are presented in note 1 Significant accounting policies and reporting entity and note 2 Changes in accounting principles and new pronouncements in Hydro's Financial Statements - 2013.

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

NOK million	Second quarter 2013		First half 2013		Year 2013	
	Effect of IFRS 11	Adjusted	Effect of IFRS 11	Adjusted	Effect of IFRS 11	Adjusted
Share of the profit (loss) in equity accounted investments	19	(70)	34	(36)	71	(240)
Depreciation, amortization and impairment	62	1 150	123	2 282	253	4 644
Earnings before financial items and tax (EBIT)	2	376	1	1 081	(12)	1 663
Net income	-	(665)	-	(402)	-	(839)
Other comprehensive income	-	9	-	2 978	-	2 598

NOK million	January 1, 2013		June 30, 2013		December 31, 2013	
	Effect of IFRS 11	Adjusted	Effect of IFRS 11	Adjusted	Effect of IFRS 11	Adjusted
Property, plant and equipment	1 996	54 204	2 063	54 952	2 184	52 855
Investments accounted for using the equity method	(1 023)	9 211	(1 046)	9 978	(1 062)	17 148
Total assets	985	118 342	969	120 182	1 088	116 324
Total liabilities	985	42 844	969	43 771	1 088	41 059
Equity	-	75 498	-	76 411	-	75 264
Total liabilities and equity	985	118 342	969	120 182	1 088	116 324

The interim accounts are presented in accordance with IAS 34 Interim Financial Reporting. The condensed consolidated interim financial information should be read in conjunction with Hydro's Financial Statements - 2013 that are a part of Hydro's Annual Report - 2013.

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

Note 2: Operating segment information

Hydro identifies its reportable segments and discloses segment information under IFRS 8 Operating Segments. This standard requires Hydro to identify its segments according to the organization and reporting structure used by management. See Hydro's Financial statements - 2013 note 7 Operating and geographic segment information for a description of Hydro's management model and segments, including a description of Hydro's segment measures and accounting principles used for segment reporting.

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

NOK million	Second quarter		First half		Year 2013
	2014	2013	2014	2013	
Total revenue					
Bauxite & Alumina	3 828	3 147	7 340	6 451	13 350
Primary Metal	6 384	5 896	13 003	11 840	23 279
Metal Markets	10 109	9 880	20 401	19 734	37 791
Rolled Products	5 275	5 205	10 513	10 219	20 092
Energy	1 381	1 246	2 920	3 009	6 279
Other and eliminations	(8 706)	(9 322)	(17 623)	(19 091)	(35 914)
Total	18 272	16 052	36 553	32 161	64 877
External revenue					
Bauxite & Alumina	2 404	1 894	4 612	3 876	8 124
Primary Metal	1 337	1 040	2 564	1 853	3 866
Metal Markets	8 853	7 321	17 573	14 750	29 646
Rolled Products	5 212	5 284	10 502	10 316	20 286
Energy	436	489	1 243	1 315	2 830
Other and eliminations	29	24	60	51	124
Total	18 272	16 052	36 553	32 161	64 877
Internal revenue					
Bauxite & Alumina	1 424	1 253	2 728	2 574	5 226
Primary Metal	5 047	4 856	10 439	9 987	19 413
Metal Markets	1 256	2 559	2 829	4 984	8 144
Rolled Products	63	(80)	11	(97)	(194)
Energy	945	758	1 677	1 694	3 449
Other and eliminations	(8 735)	(9 345)	(17 683)	(19 142)	(36 038)
Total	-	-	-	-	-
Share of the profit (loss) in equity accounted investments					
Bauxite & Alumina	-	-	-	-	-
Primary Metal	77	(70)	169	(35)	108
Metal Markets	-	-	-	-	-
Rolled Products	-	-	-	-	-
Energy	-	-	-	-	-
Other and eliminations	45	(1)	(7)	(1)	(348)
Total	122	(70)	162	(36)	(240)

NOK million	Second quarter		First half		Year
	2014	2013	2014	2013	2013
Depreciation, amortization and impairment					
Bauxite & Alumina	431	448	841	877	1 718
Primary Metal	427	472	864	941	1 855
Metal Markets	21	18	70	36	98
Rolled Products	172	163	343	323	677
Energy	40	35	79	75	150
Other and eliminations	13	15	25	30	146
Total	1 104	1 150	2 222	2 282	4 644
Earnings before financial items and tax (EBIT) ¹⁾					
Bauxite & Alumina	(269)	(241)	(553)	(317)	(1 178)
Primary Metal	434	122	738	140	855
Metal Markets	93	121	166	349	666
Rolled Products	336	(19)	532	91	83
Energy	165	271	596	784	1 657
Other and eliminations	(140)	122	(38)	34	(420)
Total	620	376	1 442	1 081	1 663
EBITDA					
Bauxite & Alumina	163	207	288	560	540
Primary Metal	866	597	1 611	1 089	2 726
Metal Markets	114	139	236	384	764
Rolled Products	508	144	875	414	761
Energy	205	306	675	859	1 807
Other and eliminations	(127)	138	(12)	63	(274)
Total	1 728	1 531	3 672	3 370	6 323
Investments ²⁾					
Bauxite & Alumina	109	202	168	894	1 198
Primary Metal	348	252	654	451	1 093
Metal Markets	22	7	28	22	74
Rolled Products	144	92	233	155	617
Energy	92	88	166	154	689
Other and eliminations	27	11	37	53	90
Total	740	652	1 286	1 729	3 761

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

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

NOK million	EBIT	Depr., amor. and impairment ¹⁾	EBITDA
EBIT - EBITDA Second quarter 2014			
Bauxite & Alumina	(269)	431	163
Primary Metal	434	432	866
Metal Markets	93	21	114
Rolled Products	336	172	508
Energy	165	40	205
Other and eliminations	(140)	13	(127)
Total	620	1 109	1 728

NOK million	EBIT	Depr., amor. and impairment ¹⁾	EBITDA
EBIT - EBITDA First half 2014			
Bauxite & Alumina	(553)	841	288
Primary Metal	738	873	1 611
Metal Markets	166	70	236
Rolled Products	532	343	875
Energy	596	79	675
Other and eliminations	(38)	25	(12)
Total	1 442	2 230	3 672

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

Note 3: Contingencies

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

Note 4: Discontinued operations

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

Summary of financial data for discontinued operations

NOK million	Second quarter		First half		Year
	2014	2013	2014	2013	2013
Revenue and other income	-	4 510	-	8 679	11 531
Share of the profit (loss) in equity accounted investments	-	4	-	9	10
Depreciation, amortization and impairment	-	-	-	-	-
Other expenses	-	4 433	-	8 575	11 347
Earnings before financial items and tax	-	81	-	113	194
Financial income (expense), net	-	(14)	-	(33)	(52)
Income (loss) before tax	-	67	-	80	142
Income tax expense	-	(19)	-	(23)	(28)
Gain on disposal	-	-	-	-	75
Income (loss) from discontinued operations	-	48	-	57	189
Net cash provided by (used in) operating activities			-	(460)	(238)
Net cash used in investing activities			(139)	(158)	(285)
Net cash provided by (used in) financing activities			-	(8)	(12)
Foreign currency effects on cash			-	19	11
Net increase (decrease) in cash classified as assets held for sale			-	(72)	93
Net cash used in discontinued operations			(139)	(679)	(431)

Asset groups held for sale

NOK million	June 30		December 31
	2014	2013	2013
Current assets	-	5 751	-
Non-current assets	-	5 164	-
Total assets	-	10 915	-
Current liabilities	-	611	-
Non-current liabilities	-	3 136	-
Assets held for sale, net	-	7 168	-


Responsibility statement

We confirm to the best of our knowledge that the condensed set of financial statements for the period January 1 to June 30, 2014 has been prepared in accordance with IAS 34 - Interim Financial Reporting, and gives a true and fair view of the Hydro Group's assets, liabilities, financial position and result for the period. We also confirm to the best of our knowledge that the financial review includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the financial statements, any major related parties transactions, and a description of the principal risks and uncertainties for the remaining six months of the financial year.

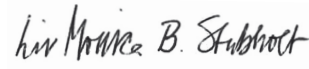
Oslo, July 21, 2014



DAG MEJDELL
Chair



INGE K. HANSEN
Deputy chair



LIV MONICA BARGEM STUBHOLT
Board member



OVE ELLEFSEN
Board member



BILLY FREDAGSVIK
Board member



FINN JEBSEN
Board member



STEN ROAR MARTINSEN
Board member



EVA PERSSON
Board member



PEDRO JOSÉ RODRIGUES
Board member



IRENE RUMMELHOFF
Board member



SVEIN RICHARD BRANDTZÆG
President and CEO

Additional information

Financial calendar

October 22	Third quarter results
November 27	Capital Markets Day

Hydro reserves the right to revise these dates.

Cautionary note

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

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

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

Hydro is a global aluminium company with production, sales and trading activities throughout the value chain, from bauxite, alumina and energy generation to the production of primary aluminium and rolled products as well as recycling. Based in Norway, the company has 13,000 employees involved in activities in more than 50 countries on all continents. Rooted in more than a century of experience in renewable energy production, technology development and progressive partnerships, Hydro is committed to strengthening the viability of the customers and communities we serve.

Norsk Hydro ASA
NO-0240 Oslo
Norway

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

Design and production: Hydro/Artbox 04/2014
Print: Printbox
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