



Press release

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Oslo, 14 February 2000:

The Agenda 99 improvement program made more of an impact than expected on Hydro's 1999 results. And after a weak start to the year, the full effect of higher product prices hit home in the fourth quarter. Hydro president and CEO Egil Myklebust says he is confident that the first effects of the company's revised strategy will be felt this year.

Norsk Hydro, the oil and energy, light metals and fertilizer group, had operating income of NOK 7,407 million (USD 944.7 million) in 1999, an increase of 27 percent compared to 1998. Net income in 1999 declined by 18 percent to NOK 3,088 million (USD 395.0 million). Earnings in 1999 were favorably influenced by a higher crude oil price, while low prices for fertilizer and petrochemical products, and restructuring costs related to the Fertilizer segment, negatively impacted results.

Earnings per share were NOK 12.50 (USD 1.60) in 1999, compared to NOK 16.40 (USD 2.17) in 1998. Cash flow per share increased 17 percent to NOK 57.30.

Myklebust calls the acquisition of Saga Petroleum in the third quarter of 1999 the company's "most significant event of the year," and goes on to explain that the merger supports Hydro's strategic focus to increase oil and gas production. "The integration of Saga's and Hydro's oil organizations was completed in December, and we now have a highly competitive oil division," he says. "The integration will also create annual cost savings totaling NOK 1.4 billion, of which NOK 500 million is expected to benefit Hydro.

"Hydro's underlying profitability is improving strongly," says Myklebust. "In the current market situation, we have good reason to expect that our growing oil and gas activity will lead to a substantial increase in cash flow. The market outlook for our aluminium and magnesium operations is also positive. Today, Hydro has a leading – and growing – position in selected areas like aluminium profiles, tubing, casthouse products and automotive components. That said, we recorded a large, one-time charge related to the restructuring of our fertilizer activities in Europe.

"In 1999, we built a basis for major profitability improvement in the group's three core business areas, and we are well on our way to following up the strategic ambitions that were presented in October."

Operating income in the fourth quarter of 1999 totaled NOK 2,404 million, compared to NOK 760

million in the fourth quarter of the previous year. The increase was mainly due to a significantly higher crude oil price. However, earnings were negatively impacted by a charge of NOK 960 million related to restructuring costs in the Fertilizer segment.

Net income was NOK 485 million (USD 61.4 million), compared to NOK 463 million (USD 61.7 million) in the fourth quarter of 1998. The high tax percentage – 70 percent – reflected good results within oil and gas, combined with weak results in Agriculture and a loss on Saga's price-hedging program for crude oil.

Progress in the Agenda 99 cost-efficiency program is on schedule. Measures carried out to date will improve operating income annually by nearly NOK 1.3 billion, compared to an original target of NOK 1 billion for 1999. In addition, Hydro reduced its workforce by approximately 1,800 employees and consultants in 1999, against an original target of 1,500 by the summer of 2000.

Financial results 1999

(Figures in NOK million except per share data)

4th quarter	1999	1998	Change
Operating revenues	28,687	24,174	19 %
Operating income	2,404	760	316 %
Net income	485	463	5 %
Earnings per share	1.80	2.00	(10 %)

Year	1999	1998	Change
Operating revenues	102,433	97,468	5 %
Operating income	7,407	5,830	27 %
Net income	3,088	3,754	(18 %)
Earnings per share	12.50	16.40	(24 %)

OIL AND ENERGY

The Oil and Energy area consists of the segments Exploration and Production, Refining and Marketing, and Hydro Energy.

Operating income for Oil and Energy more than doubled from 1998 to NOK 6,962 million. Saga Petroleum, which was consolidated in Hydro's accounts for the second half of 1999, contributed NOK 269 million to earnings, after losses to the company's price-hedging program and depreciation linked to the excess value over the book value of the assets acquired from Saga.

The high price of oil led to a significant gain in earnings last year. The average price of crude oil for 1999 as a whole was slightly more than USD 18 per barrel. Stated in Norwegian kroner, the price increase was 55 percent. Average production in 1999 was 340,000 barrels of oil equivalents (boe) per day, an increase of about 25 percent compared to 1998. In the fourth quarter, production was 50 percent higher than in the same period of 1998.

Hydro's remaining oil and gas reserves totaled 2,085 million boe at the end of 1999, compared to 1,409 million boe at the end of the prior year. The increase reflected the acquisition of Saga, maturation of new fields, and an upward adjustment of reserves. In 1999, Hydro's reserve

replacement rate, excluding Saga, was 193 percent.

LIGHT METALS

The Light Metals area includes Hydro Aluminium Metal Products, Hydro Aluminium Extrusion, Hydro Aluminium Rolled Products, Hydro Automotive Structures and Hydro Magnesium.

Operating income for Light Metals declined by 15 percent to NOK 2,179 million in 1999, reflecting lower realized metal prices. Fourth quarter earnings, however, rose five percent to NOK 687 million. The price of primary aluminium strengthened during the fourth quarter, but due to time lags in the pricing of aluminium, the full effect of the increase was not reflected in realized prices.

Hydro's purchase of 25.3 percent of the Brazilian alumina refinery, Alunorte, has significantly strengthened the company's alumina supply. Further, the recent agreement to acquire Wells Aluminum Corp. in the US supports Hydro's strong position as a supplier of light-metal solutions to the automotive and building sectors.

AGRICULTURE

Agriculture consists of Fertilizer, Hydro Gases and Chemicals, and KFK.

Agriculture had an operating loss of NOK 1,999 million in 1999. The result included restructuring costs of NOK 960 million related to the European organization, and costs of NOK 849 million connected to workforce reductions and losses on contracts. Operating income in 1998 was NOK 58 million.

The restructuring costs are tied to the closing of 1 million tonnes of nitrate production capacity. Restructuring initiatives and intensive efforts to reduce indirect costs will also impact the current year.

Operating income for Hydro Gases and Chemicals increased by 34 percent in 1999, and KFK showed an underlying improvement of NOK 164 million compared to 1998.

OTHER ACTIVITIES

Petrochemicals had operating income of NOK 113 million in 1999, a reduction of about 50 percent compared to the previous year. However, in the fourth quarter alone, Petrochemicals recorded earnings of NOK 206 million. Hydro Seafood's salmon farming operations improved earnings by NOK 382 million to operating income of NOK 167 million in 1999.

FINANCE

Net financial items showed an expense of NOK 1,551 million in 1999, compared to an expense of NOK 409 million in the previous year. In 1998, net financial items was affected by a pre-tax gain of NOK 1.1 billion related to the sale of Hydro's shares in Saga. In the second half of 1999, the effect of Saga's price-hedging program on financial expense was NOK 377 million.

Tax provision in 1999 was NOK 4,337 million, equivalent to 57 percent of pre-tax income. In 1998, tax provision was equivalent to 34 percent of pre-tax income.

Hydro's board of directors has proposed a dividend of NOK 8.00 per share for 1999.

For additional information about Norsk Hydro and the group's preliminary financial results, go to

www.hydro.com