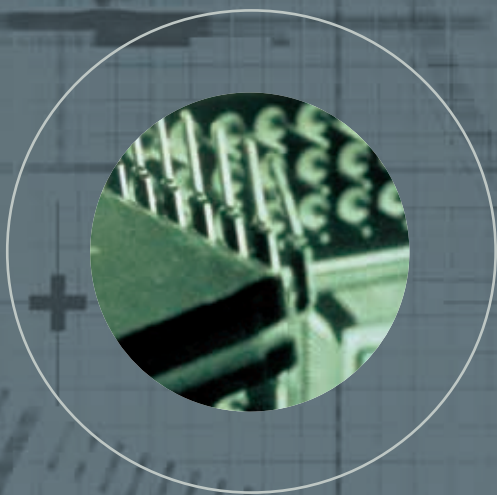


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Annual Report





ELKEM IN BRIEF

- Elkem is one of the world's leading suppliers of metals and materials within its core areas
- Its main products are silicon metal, aluminium, hydro-power, ferroalloys, carbon and microsilica. Elkem's share of markets for high-quality products is steadily growing
- Elkem has production plants in Norway, Iceland, the USA, Canada and Brazil, and a comprehensive global network of sales offices and agents
- Good results are achieved by Elkem in the environmental area. A series of measures has reduced the consumption of resources and the burden on both people and the environment
- Elkem is listed on the Oslo and Frankfurt Stock Exchanges. At 31 December 1999, its market capitalisation was some NOK 9 billion

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FINANCIAL CALENDAR

9 Feb. 2000 : Preliminary results 1999
 27 April 2000 : First quarter 2000
 10 May 2000 : Annual general meeting
 23 Aug 2000 : Second quarter 2000
 19 Oct 2000 : Third quarter 2000

INFORMATION

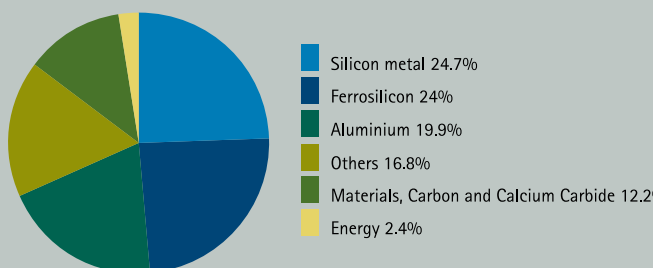
The annual report, quarterly results, presentations and other investor relations information will also be available on Elkem's web site when published. The address is <http://www.elkem.com>

Shareholders who want to receive ElkemInfo, the Group's newsletter, are requested to write to the Group's corporate communications department.

CHANGES OF ADDRESS

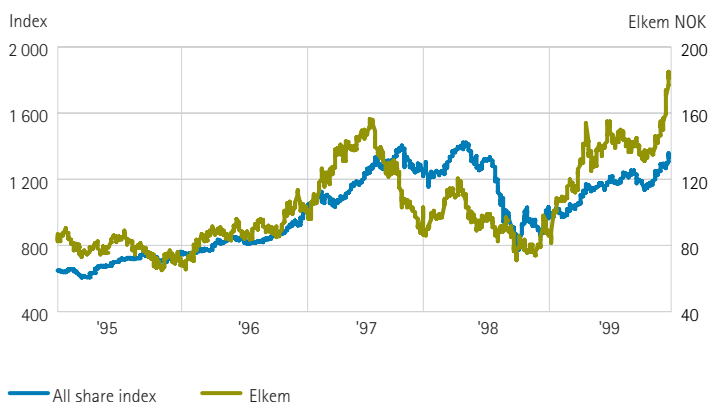
Shareholders whose holdings are registered with the Norwegian Central Securities Depository (VPS) should report any change of address to their registrar of shares and not directly to Elkem.

Net sales 1999 (excl manganese)



The business reporting groups in per cent of NOK 8.2 billion

Price development Elkem share 1995-1999



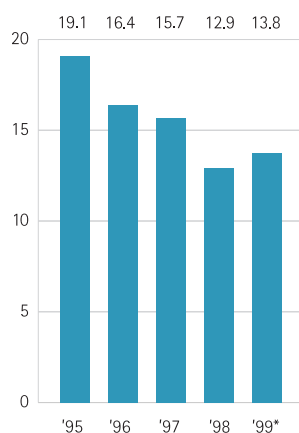
Main Figures

Main Figures	1999	1998	1997	1996	1995
Net sales	9 583	9 957	9 594	9 334	9 320
Income from operations	924	1 027	1 061	1 024	1 135
Ordinary income before tax	1 163	929	983	945	1 079
Net profit for the year	794	587	908	738	857
Operating margin (%)	9.6	10.3	11.1	11.0	12.2
Total assets	9 671	10 222	9 141	8 277	8 170
Equity ratio (%)	55	48	50	46	40
Earnings per share (NOK)	16.48	11.38	18.18	14.94	17.25
Dividend per share (NOK)	6.50	6.00	6.00	5.00	4.50
Number of employees (at 31.12)	4 030	5 254	5 203	5 048	5 301

All numbers in NOK million unless otherwise stated.

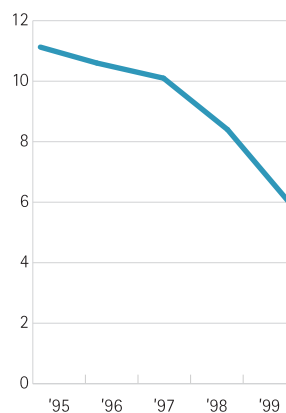
- The sale of the manganese business and the proposed merger of the energy business with Hafslund ASA give Elkem a foundation for further profitable progress
- Distinct improvements in operations resulted in a satisfactory year despite weak prices
- Systematic improvement efforts have also yielded a substantial reduction in lost-time injuries
- The Group's working capital has been considerably reduced
- Improved sales and positioning in special products
- Elkem is well positioned and has the financial strength to implement further growth

Return on net assets (%)



*excl manganese

Lost-time injuries (H)



H = Lost-time injuries per million working hours

Positioned for further growth



Dear shareholder,

Although IT-based businesses are receiving most public attention at the beginning of the new millennium, I take an optimistic view of the future for traditional manufacturing.

We are now witnessing the development and spread of new communication technologies which will be of fundamental significance for the development of our society. This trend makes heavy demands on traditional industries to show adaptability, but also offers very substantial opportunities. Information technology will be an absolutely central tool in the development of our work processes, and I also believe it will stimulate growth in those sectors of the economy which consume our main products.

Norwegian industry is strongly placed to take advantage of the "new economy" because we have a well-educated workforce able to adopt these technologies quickly.

Increasing shareholder value is the basis for all the decisions made and measures taken in our Group. We continued work on our value creation in 1999 along two principal axes: Efforts to achieve continuous improvement in our main existing businesses were continued. That applied both to internal operations and to the market positioning of these operations. Today, for instance, we rank as the world's largest producer of silicon for chemical and electronic applications, and of ferrosilicon-based foundry alloys. This work contributed to making 1999 a satisfactory year in financial terms despite low prices for most of our main products.

The sale of the manganese business has released substantial funds, which strengthens the basis for aggressive growth by our Group. The proposed merger of our energy business with Hafslund ASA will position this business for continued growth. The same applies to our carbon business, where we are in the final stages of acquiring a plant in China.

We will continue along the same principal axes in 2000. Work on operational improvements and profitability progress in today's business will be concentrated through the implementation of our Elkem Business System (EBS). This system builds on the best of the experience and work tools we have developed in the Group through systematic improvement efforts over the past decade. The EBS is in constant development, and we see that new information technology will help to accelerate developments even further and reinforce our position as a profitable and efficient manufacturer.

Our goal is to be the leading player in utilising this type of technology within our industry. At the same time, our expertise in developing work processes and applying information technology will give us interesting growth opportunities both inside and outside today's core businesses. In terms of resources, we are now able to pursue such growth opportunities both aggressively and systematically.

Creating increased value for our shareholders is the basis for everything we do. Our results in 1999 show that we are on the right track.

Oslo, 21 March 2000

Ole Enger
President and Chief Executive Officer

"Increasing shareholder value is the basis for all the decisions made and measures taken in our Group."

Report of the board of directors 1999

Elkem had a satisfactory year in 1999. Earnings per share came to NOK 16.48 as against NOK 11.38 for 1998, despite weak prices for the Group's main products, particularly in the first part of the year. The board proposes that a dividend of NOK 6.50 per share be paid (NOK 6.00 in 1998).

Work on restructuring Elkem's operations produced important results in 1999. At the end of January, an agreement was signed with French company Eramet SA to sell Elkem's manganese business in Norway and USA. The sale released a good NOK 2 billion and generated a pre-tax accounting gain of NOK 296 million. In December, an agreement was signed to merge Elkem's power assets with Hafslund ASA. Elkem will receive settlement in Hafslund shares and will be the company's largest shareholder, with a 45 per cent interest. The agreement is conditional in part on the approval of Hafslund's shareholders and on a licence from the authorities.

Elkem has improved its portfolio through these transactions and identified considerable asset value, thereby creating a platform for further profitable development of the Group.

COMMENTARY ON THE ANNUAL ACCOUNTS

Financial results

Earnings per share amounted to NOK 16.48 compared to NOK 11.38 in the preceding year. Adjusted for the gain on the sale of the manganese business and extraordinary items in 1998, earnings per share were NOK 11.18 in 1999 compared to NOK 13.47 the year before. Income from operations amounted to NOK 924 million, while it was NOK 1,027 million in 1998. Excluding income from operations for manganese in the first half of the year, income from operations came to NOK 956 million compared to NOK 894 million in 1998. Elkem's net sales including manganese in 1999 totalled NOK 9,583 million. The corresponding figure for 1998 was NOK 9,957 million.

The Aluminium reporting group achieved substantial progress due to higher realised prices in NOK, lower raw materials costs and good operation. A successful programme of operational improvements allowed the Silicon Metal group to report better results. The Energy reporting group made progress in results owing to higher production and market-based internal pricing of electricity to the smelting plants. The Materials, Carbon and Calcium Carbide reporting group recorded minor changes. Weak prices in the market yielded a decline for the Ferrosilicon reporting group. The trend for the Other Activities reporting group was also negative, mainly because of weak results in the Chrome business unit.

The annual accounts in detail

The Group's net financial expenses amounted to NOK 60 million in 1999 compared to NOK 105 million in 1998. Of this, net interest expenses accounted for NOK 84 million as against NOK 111 million in 1998.

Hedging of income flows in USD by the Group has been increased over the next three years. At 31 December, it had pre-sold NOK 1,920 million divided as follows: NOK 1,394 million forward (contract rate 7.86) and NOK 526 million in options (strike rate NOK 7.73). This is NOK 564 million higher than at 31 December 1998.

Investments in tangible fixed assets, including manganese, aggregated NOK 961 million compared to NOK 1,470 million in 1998. Of these capital expenditures, approximately NOK 365 million relate to growth projects which increase the scope of the Group's business. Investments mostly involve the building of Lakshola power plant and Furnace 3 at Icelandic Alloys.

The Group's tax charge on the ordinary 1999 result is estimated at NOK 369 million, or 32 per cent of the ordinary income before taxes. The tax charge includes a cost of NOK 28 million as a result of the downward adjustment of the value of the Group's power plants for tax purposes. However, the Group is engaged in a dialogue with the tax authorities which might result in future upward regulations. Furthermore, the tax charge is negatively affected by losses at Icelandic Alloys. The effective tax rate was particularly high in the fourth quarter, mainly as a result of the above-mentioned issues, and the fact that the Energy division and the North American division account for a high portion of the ordinary result in this period.

Net profit for the year amounted to NOK 794 million for the Group, which breaks down as follows: NOK 808 million for the majority interests and a loss of NOK 14 million for the minority interests. Corresponding figures for 1998 were a net profit for the Group of NOK 587 million, with NOK 561 million for the majority interest and NOK 26 million for the minority interests.

Given market conditions in 1999, the board is largely satisfied with the 1999 results and with the Group's financial status.

At 31 December 1999, the Group's equity ratio stood at 55 per cent. Net interest-bearing debt was reduced during the year from NOK 2.4 billion to NOK 600 million.

Liquid reserves held by the Group at 31 December, including undrawn credit lines, totalled NOK 4.2 billion. The average remaining term for the Group's loans was 6.1 years compared to 3.3 years at 31 December 1998. At 31 December 1999, the average interest rate for the Group's long-term borrowings was 6.8 per cent compared to 7.1 per cent one year earlier.

Shares and interests in consolidated companies are specified in note 7 to Elkem ASA's accounts. The distribution of production sites/plants is shown for each reporting group.

Pursuant to the new rules in the Norwegian Accounting Act, the company confirms that the accounts have been prepared on the going concern assumption.

Appropriation of net profit

Elkem's consolidated accounts and the annual accounts for Elkem ASA are presented on pages 33–66. The accounts show the following available for appropriation:

Net profit for the year	NOK 516,308,058
The board proposes that the annual general meeting adopt the following appropriations:	
* Proposed dividend NOK 6.50 per outstanding share at 31.12.	NOK 315,157,817
Allocated to reserve for valuation variances	NOK 13,909,721
Transferred to other equity	NOK 187,240,520

Elkem ASA's unrestricted equity amounted to NOK 1,827 million at 31 December 1999.

** At 21 March 2000, the company purchased 573,550 more of its own shares. Dividend due on these shares amounts to NOK 3,728,075 and will be deducted from the dividend proposed.*

MARKET CONDITIONS

The year opened with weak markets for most of Elkem's main products, but these strengthened somewhat during the second half of 1999. Product prices also showed a tendency to rise toward the end of the year. With the exception of aluminium, markets for most of the Group's main products were still somewhat weaker at 31 December 1999 than they were a year earlier.

Demand for Elkem's products is determined to a great extent by the level of activity in transport, electronics, construction, beverages and personal hygiene. Global industrial production is a good indicator of the level of activity in these fields. This grew during the year in Elkem's principal markets and forecasts for 2000 point to continued growth.

At the beginning of the year, it would seem that there is some underlying potential for stronger prices for Elkem's main products. However, some uncertainty attaches to this development since unused supply side capacity is still available in several of the product segments in which Elkem is engaged.

In the autumn of 1999, the International Trade Commission in the USA (ITC) annulled its earlier resolution that dumping of ferrosilicon had caused US producers to suffer losses. Against that background, the anti-dumping duty on the import of ferrosilicon from such regions as China and Latin America was repealed towards the end of the year. The US producers have

appealed the ITC's decision. This appeal has no suspensive effect and the decision of the appeal board is expected to be handed down toward the end of 2000. Abolition of the anti-dumping duty had little impact on Elkem's results in 1999. Its possible impact on ferrosilicon prices in 2000 is less certain.

FERROSILICON

Income from operations in the Ferrosilicon reporting group totalled NOK 112 million compared to NOK 276 million in 1998. This reporting group had a net operating margin of 6 per cent compared to 15 per cent the year before. The return on net assets in 1999 was 6 per cent compared to 17 per cent in 1998.

Demand for ferrosilicon picked up toward the end of the year, but market prices at 31 December 1999 were 7 per cent lower than in 1998.

The Group's relative dependence on steel was further reduced as a result of further concentration on the foundry market. As a result, Elkem positioned itself during the year as the world's largest producer of ferrosilicon-based foundry alloys, and sales to this segment rose steadily during the period.

Furnace 3 at Icelandic Alloys started up at the end of September. The new furnace's production capacity is 45,000 tonnes and the plant now has a total annual capacity of 115,000 tonnes of ferrosilicon. Start-up of this furnace involved periods of unstable operation.

Operations at the ferrosilicon plants were variable during the period.

Elkem will continue its strategy for the ferrosilicon area of increasing deliveries to the foundry market and to stainless steel producers. The Group will endeavour to reduce traditional ferrosilicon production, but Elkem will still serve the customers through supply contracts and through trading in ferrosilicon from other producers.

SILICON METAL

In 1999, the Silicon Metal reporting group's income from operations came to NOK 245 million compared to NOK 196 million the year before. This reporting group had a net operating margin of 12 per cent for the year and the return on net assets was 18 per cent. This is slightly higher than in 1998. The reason was that the improvement in operations more than compensated for the fall in prices during the year and for the higher costs of power.

The spot market for silicon metal weakened during most of the year but picked up somewhat toward the end of the year. Spot prices for silicon metal were 10 per cent lower than at the end of 1998. A good 60 per cent of production was sold on long-term contracts. Average prices attained by Elkem are therefore only affected to a limited degree by short-term market developments. Conversion of Furnace 1 at Elkem Thamshavn and the start-up of Furnace 15 at Elkem Alloy in mid-1998 first had their full impact

on Elkem's annual production in 1999. As a result, Elkem's sales of silicon metal rose on an annual basis by 15,000 tonnes and the Group's total annual production was 179,000 tonnes.

Operations at Elkem's silicon metal plants were good during the year.

Elkem's goal is to expand further in the silicon metal area by converting ferrosilicon capacity and acquiring businesses. The Group is planning to invest considerable sums in additional capacity, assuming that it can identify good acquisition candidates. Conversion of capacity will progress in line with customer needs and be based on concluding long-term contracts.

MATERIALS, CARBON AND CALCIUM CARBIDE

The Materials, Carbon and Calcium Carbide reporting group recorded an income from operations of NOK 95 million compared to NOK 92 million in 1998. It had a net operating margin of 9 per cent compared to 11 per cent the year before and a return on net assets of 10 per cent compared to 13 per cent in 1998.

In 1999, Elkem Materials experienced volume growth in such regions as North America, South-East Asia and India. At the same time, the completion of several major infrastructure projects in Scandinavia and the Middle East and the weak economic situation in general in Japan resulted in a temporary reduction in sales in these markets. All in all, Elkem Materials achieved results that were in line with those of 1998. Higher prices and a better product mix had a positive impact on results.

Elkem Carbon is well positioned for further growth. A conditional agreement has been signed to acquire a Chinese carbon plant located in Shizuishan City, Ningxia Autonomous Region. The Group expects the final agreement to be signed before the end of June 2000. This investment is part of Elkem's growth strategy for the carbon area. Elkem Carbon has also expanded its product portfolio to include recarburisers for the steel industry.

In 1999, Elkem consolidated its position in the calcium carbide market by increasing marketing efforts and production.

The Group has identified growth potential for both materials and carbon and is currently strengthening the organisations in these areas in order to exploit such opportunities.

ALUMINIUM

Elkem's aluminium operations are organised in Elkem Aluminium ANS, a 50–50 partnership between Elkem and Alcoa. Elkem is the managing partner and the Group's relative share of Elkem Aluminium is included in Elkem's accounts under the Aluminium reporting group.

In 1999, the Aluminium reporting group had an income from operations of NOK 335 million compared to NOK 197 million the year before. The net operating margin was 21 per cent in 1999

compared to 13 per cent in 1998. Return on net assets in 1999 came to 31 per cent compared to 17 per cent in 1998.

The main reasons for these improvements were higher realised prices in NOK terms, favourable raw material prices and better operations during the year.

The price of aluminium on the London Metal Exchange (LME) rose during the year and was USD 400 higher at 31 December than at the end of 1998.

Markets for Elkem Aluminium's products in Europe were satisfactory during the year.

Elkem Aluminium has resolved to convert Potrooms 1 and 2 at Elkem Aluminium Lista to new Søderberg technology in order to meet the environmental challenges facing the plant. In addition, the project is financially attractive because higher production will be achieved. This project is calculated to cost NOK 260 million and will be completed in 2000.

A pre-engineering project has been initiated for the conversion of Line 2 at Elkem Aluminium Mosjøen from Søderberg technology to prebake technology. A rebuilding could increase the plant's annual production capacity by 26,000 tonnes of aluminium from the current 121,000 tonnes. The cost of this conversion is estimated at slightly more than NOK 850 million. A decision will be made in the autumn of 2000.

All Elkem Aluminium's products are delivered with a certain degree of refining. This refining takes place in the company's casthouses. Customers pay more than for the standard product. The product price accordingly has two components: a market price for the standard product which is quoted on the LME, and a price for refining the standard product into the desired end product.

The price of aluminium products is quite variable. If these fluctuations are not countered, the company's results will be less predictable. That presents problems because it makes it difficult for the company to know what future cash flows it will have at its disposal. And it also makes it difficult to gauge the profitability of each delivery.

Elkem Aluminium uses financial instruments to counter such negative effects.

To increase the predictability of future cash flows the company can, within given limits, sell forward a large part of its coming annual production. At 31 December 1999, 75,000 tonnes had been sold forward at an average price of USD 1,488 per tonne compared to 71,000 tonnes at a price of USD 1,474 per tonne a year earlier. These contracts are for the period from second quarter of 2000 and through to the first quarter of 2001.



*Finn M. Jebsen
Chairman*



*Anders G. Carlberg
Member of the Board*



*Bernt Carlsen
Member of the Board*

To measure the profitability of each individual delivery better, margins on contracts with customers are hedged by entering into corresponding forward purchase contracts on the London Metal Exchange. At 31 December 1999, forward contracts of this nature had been concluded for 55,000 tonnes of standard aluminium at an average forward price of USD 1,473 per tonne. This is equivalent to physical sales to customers in which the sales price has been fixed. In this way, market fluctuations can be handled independently of physical sales to customers. The company can thus measure the premium earned by each delivery above and beyond the market price for the standard product.

ENERGY

This reporting group achieved a 1999 income from operations of NOK 210 million compared to NOK 127 million in the preceding year. It recorded a net operating margin on net power production of NOK 0.0712 per kWh compared to NOK 0.476 per kWh last year. The return on net assets was 30 per cent compared to 20 per cent in 1998.

In 1999, Elkem introduced a more market-based pricing system for captive power sold to the plants at Bremanger and Salten. The change in price relates to just over 1.5 TWh and the price for 1999 was fixed at NOK 0.14 per kWh. As a result, Elkem Energi increased its income by a good NOK 60 million per annum.

The Group's total production in Norway was 2,955 GWh in 1999, which is 290 GWh more than in 1998 and 215 GWh more than a year with normal precipitation.

Elkem and its partners, Borregaard Energi and Norske Skog Energi, administered a total power consumption of approximately 16 TWh in 1999 and a total hydropower production of about 4.7 TWh.

The price for electricity in the Norwegian spot market was NOK 0.112/kWh in 1999, or NOK 0.004 lower than in 1998.

On 16 June 1999, the Storting (Parliament) approved a new industrial power regime. As a result of this parliamentary decision, Elkem has secured the right to conclude new leases for

its power plants in Sauda and Bremanger through to 2030. In addition, Elkem has been offered a contract in Rana.

On the basis of the extended lease period, Elkem is given an opportunity to increase power production capacity at Sauda by approximately 1 TWh per year. At the end of February Elkem, through Aktieselskabet Saudefaldene and Sunnhordland Kraftlag AS (SKL) submitted a concession application for this possible development. It is expected to take at least three years before any concession is granted.

The Lakshola power plant was put into operation in November with an annual production of 110 GWh. This facility represents an investment of NOK 214 million.

Merging the power assets with Hafslund ASA is an important step in Elkem's concentration in the energy area.

Elkem is injecting the Group's 10 owned or leased power stations in Norway, with a good overall reservoir and output capacity and an annual production of 2,850 GWh, as well as Elkem's power plants at Alloy in the USA with annual production of 550 GWh. The Group is also transferring its power trading business and its ownership interests in Salten Kraftsamband, Industrikraft Midt-Norge and the Contango consulting company.

Once the merger being completed, the ownership interest in Hafslund will be reported as an associated company.

With annual power production of 6.5 TWh in Norway and the USA, the merged company will be a crucial player in the power business. It will have a strong position in distribution network operations, in part through its 25 per cent interest in Viken Energinett, and in the end-user market through Hafslund's wholly- and partly-owned customer bases. These total 200,000 customers.

The merger is expected to be completed during the third quarter of 2000. It is conditional on the approval of the authorities and the governing bodies of the two companies.



Anders Eckhoff
Member of the Board



Finn Kristensen
Member of the Board



Finn A. Hvistendahl
Member of the Board



Rune Olsen
Member of the Board

OTHER ACTIVITIES

The Other Activities reporting group recorded a loss from operations of NOK 41 million compared to an income of NOK 6 million in 1998. The price of ferrochrome fell sharply at the end of 1998 because of surplus production. Prices were also very low in the first six months, but rose slightly in the second half of the year. At 31 December, prices were still below the level in 1998.

Operations at Elkem Rana were stable throughout the year.

Y2K

The transition to the new millennium caused no problems for Elkem's production facilities in Norway or abroad. Direct costs relating to the prevention of computer problems totalled just over NOK 20 million in 1999.

RESTRUCTURING ELKEM

The agreement to merge Elkem's energy business with Hafslund ASA was signed at the end of December 1999. This merger identifies the value of Elkem's power assets and at the same time creates a large independent Norwegian listed company with a total production of 6.5 TWh. Following the merger, Elkem will be Hafslund's largest shareholder with 45 per cent of the stock. It is expected that the merger will be implemented during the third quarter of 2000.

Elkem will use its position to extend Hafslund's strategy and to be an active participant in the restructuring of the Norwegian and Nordic power business, which is expected to continue. Synergies between the two merged companies are estimated to be worth at least NOK 50 million per year before tax.

The power situation for Elkem's smelting plants will not be changed as a result of the merger. Through these transactions and the shareholding in Hafslund, Elkem will in reality reduce its interests in power subject to reversion against a corresponding increase in perpetual power. All in all, the long-term aspect of Elkem's power engagement has increased.

At the end of January 1999, Elkem signed an agreement to sell its manganese business to the French company Eramet SA.

This sale was completed as planned at 30 June. It released just over NOK 2 billion and generated a pre-tax accounting gain of NOK 296 million. This was recorded as income in 1999.

The sale made it possible for Elkem to concentrate its operations on the areas where the Group's competitive position is strongest.

Overall, Elkem improved its operations considerably during the year and is continuing to focus on cost-reducing measures. Excluding the sale of the manganese business, the Group has also reduced its working capital by more than NOK 400 million. Including the sale of the manganese business, working capital was reduced by some NOK 1.2 billion.

Work on developing growth opportunities in the Group's core business areas continued. It has, for instance, further strengthened its position in the foundry market and is today the world's largest producer of ferrosilicon-based foundry products.

Also worthy of mention is the pre-engineering project for the conversion of the Söderberg line at the Mosjøen aluminium plant to prebake technology. Upgrading Elkem Aluminium Lista to new Söderberg technology is on schedule. In the carbon area, an agreement has been signed to buy a plant in China.

Efforts to identify further growth opportunities through mergers and acquisitions inside and outside Elkem's core areas are time-consuming. However, the Group is giving this work high priority. The board stresses the need to take the time required for a thorough assessment of all aspects of this issue. During the year, Elkem assessed a number of projects but concluded in several cases that the companies were too highly priced or not suited to Elkem's growth strategy.

The board would like to express its recognition of the good work done by the Group's employees in 1999.

SHAREHOLDER RELATIONS

The Group's share price rose significantly in 1999 and it was one of the year's "winners" on the Oslo Stock Exchange. The share

rose from NOK 91 at 1 January to NOK 185 at 31 December – an increase of 103 per cent. Over the same period, the Oslo Stock Exchange's all share index increased by 46 per cent and its industrial index rose 49 per cent.

A total of 88 million shares in the Group were traded in 1999, which corresponds to every share being traded 1.8 times. In 1998, 80 million shares were traded. At 31 December, the company's largest shareholders were Orkla, which owned 25.7 per cent of the shares, and Chase Manhattan Bank with 24.5 per cent. In May, the Aluminum Company of America (Alcoa) disclosed that it had acquired 20 per cent of the shares in the Group and reported in October that this stake had been increased. At 31 December, this company owned about 23 per cent of the outstanding shares, Alcoa's shares are part of the shareholding registered in the name of Chase Manhattan Bank. At the end of 1999, the Group had 12,000 shareholders and foreign ownership accounted for 34 per cent.

In accordance with the authority issued by the general meeting, Elkem has repurchased some of its own shares via the Stock Exchange. At 31 December, the Group's portfolio of its own shares accounted for some 1.6 per cent of all the shares at an average price of NOK 137.50. Outstanding shares at 31 December totalled 48,485,818. Up to the board meeting on 21 March, the Group had acquired a further 573,550 of its own shares at an average price of NOK 138.10. Overall, the Group has accordingly purchased 2.8 per cent of the issued shares. The extraordinary general meeting on 15 January authorised the board of directors to repurchase up to 10 per cent of the Group's shares. This authorisation is valid until the annual general meeting in 2000, but in any event not later than 30 June 2000.

HEALTH, THE ENVIRONMENT AND SAFETY

The Group is working systematically to reduce the burden that its operations have on the environment. Improvement efforts continued in 1999, and progress was made in a number of areas. Elkem's plants are all among the least polluting plants in the industry.

Modernisation of the aluminium plants and the installation of point feeder technology continued in 1999. Emissions of greenhouse gases were further reduced in accordance with the agreement negotiated by the aluminium industry with the authorities in 1997. Aggregate investments on environmental improvement measures in 1999 amounted to NOK 63 million compared to NOK 74 million in 1998.

No discharge/emission limits were seriously exceeded in 1999. However, some minor non-conformances were registered which necessitate action being taken at certain plants.

The lost-time injury frequency was 33 per cent lower in 1999 than in 1998, and lower than in any previous year. Two injuries that might be of a permanent character were registered.

Sick leave at Elkem was 6.5 per cent in 1999 compared to 6.2 per cent in 1998. The general increase in sick leave in society represents a significant challenge. Efforts to deal with factors that cause illness and follow-up of absenteeism are given high priority by the Group.

The largest case of property damage in 1999 occurred at Bjølvefossen, where a generator in the energy recovery plant broke down. This cost NOK 25 million. Most of the loss will be covered by insurance policies. Damage to property in 1999 aggregated NOK 38 million.

Norway has assumed environmental obligations which involve considerable reductions in industry-related emissions up to 2010. Elkem believes that these reductions can be achieved without any curtailment in operations. This assumes that Norway opts for cost-effective measures, in line with the introduction of measures in other involved countries. This can be achieved through common implementation across sectors. Until the regulatory framework is clarified, investments in Norway present a considerable risk.

Further details on health, the environment and safety issues at Elkem are provided in the Group's environmental report on page 67.

DEVELOPMENT

Elkem is well equipped for organic growth in several of its core areas. In the silicon metal areas, the Group's work on the Plant of the Future will optimise the current plant structure. The goal is to have fewer, larger and more optimal plants.

In the aluminium area, Elkem's two plants at Mosjøen and Lista allow for an expansion of production capacity in excess of 50 per cent, from some 200,000 tonnes to more than 300,000 tonnes. These projects probably rank among the most profitable expansions in the world's aluminium industry. They are expected to cost a total of more than NOK 1.8 billion.

The merger of Elkem Energi and Hafslund gives the Group a 45 per cent interest in the new company. This means that Elkem is well positioned for further involvement in energy, including participating in the restructuring now taking place in the energy sector.

In addition to organic growth, the Group will continually assess growth in Elkem's core business through mergers and acquisitions. Several prospects have been identified, in part on the basis of the considerable need for restructuring in the traditional smelting industry and in carbon and materials. Elkem wants to participate actively in this restructuring and has the financial strength today to achieve that objective.

To optimise Elkem in today's business areas and to lay the basis for growth outside its current core areas, the Group has initiated specific measures:

1. Logistic/E-business

Logistics are an important part of Elkem's value chain and the Group believes a great potential lies in developing e-business solutions to optimise its sales and logistics solutions. Several of Elkem's large international customers require that their suppliers develop such business-to-business services and the Group is well positioned – through the role IT has played in its improvement efforts – to develop solutions in the area. A Group project has been initiated with the aim of making Elkem the industry leader in the use of electronic business solutions within three years.

2. Elkem Business System

Elkem has started to develop its own business system in order to exploit more consciously the experience gained from improvement work carried out in the 1990s. This knowledge and the Plant of the Future project now being implemented in all the Group's divisions are one of the pillars of the system. Through its partnership with Alcoa in Elkem Aluminium, the Group has experienced the dynamism which a well-developed business system can generate.

3. Corporate development group

In 1998, Elkem established a separate corporate development group to work more strategically on growth. It has now been decided to expand this group, which will now also work on opportunities for mergers and acquisitions relating to the present business areas. It will also identify opportunities outside the current core areas. In addition, the group will be involved in the development of technology and IT ventures related to Elkem's core business. This expansion will be carried out in 2000.

The board is satisfied with the growth-related work done by Elkem's management in 1999 and believes that it will contribute to an increase in shareholder value in the years to come.

PROSPECTS

Supply and demand forecasts indicate a certain improvement in markets for Elkem's products. The aluminium area remains strong at the beginning of 2000, and the market for silicon metal appears to be strengthening somewhat. Otherwise, markets for most of Elkem's products would appear to be staying stable.

The systematic improvement efforts now being developed through the Elkem Business System are expected to have positive impact on both cost trends and the further development of the Group.

Oslo, 21 March 2000

Finn M. Jebsen
Chairman

Anders G. Carlberg

Bernt Carlsen

Anders Eckhoff

Finn Kristensen

Finn A. Hvistendahl

Rune Olsen

Ole Enger
President and Chief Executive Officer

Business reporting groups

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This reporting group comprises Elkem's silicon metal operations. Its main markets are the world's chemical and electronics producers and the aluminium processing industry.



- Silicon metal is a high-priority area for Elkem
- Better operations and increased production volume contributed to higher net sales and improved income from operations for silicon metal in 1999
- This was achieved in spite of falling prices in some segments and the shift to market-based electricity prices for captive power

Furnace 15 at Elkem Alloy, USA contributed to the plant's production record in 1999

Silicon Metal

NOK million

Key financial figures

INCOME

	1999	1998	1997
Net sales	2 023	1 822	1 631
Operating costs	(1 706)	(1 568)	(1 351)
Depreciation	(72)	(58)	(53)
Income from operations	245	196	227

NET ASSETS

Working capital	344	417	362
Long-term investments and receivables	31	31	25
Fixed assets	1 064	869	629
Net assets	1 439	1 317	1 016

Investments	246	290	158
Return on net assets (%)	18	17	25
Net operating margin (%)	12	11	14

Silicon Metal

As the world's largest supplier of silicon metal, Elkem had a global market share of more than 20 per cent in 1999. Through its differentiation strategy, Elkem has significantly increased its market share in the high-quality segments during recent years. Most of Elkem's silicon metal is produced for the chemicals and electronics industries.

development in IT and telecommunications is based on this semiconductor technology. Elkem also develops and supplies silicon metal which has been further refined for use in solar cell technology.

In 1999, Elkem's market share for silicon metal to the chemicals industry was about 30 per cent. Elkem's customers

months earlier. This was largely due to the crisis in Asia. Demand fell in Asia, Europe and North America and prices were low as a result of high inventories. The market strengthened again towards the end of the year.

Elkem avoided the largest fluctuations in price and volume because supplies to



Wacker Siltronic AG, Germany, uses silicon metal from Elkem to produce polysilicon for such applications as computer chips.

In 1999, Elkem produced almost 180 000 tonnes of silicon metal, compared to slightly more than 163 500 tonnes in 1998. In addition to operational improvements at the plants, the 10 per cent increase reflects the conversion of Furnace 1 at Elkem Thamshavn and the fact that Furnace 15 at Elkem Alloy had its first full year in operation. Several of the plants set production records.

Increased market share
Elkem has now achieved a market share in the electronics industry of well over 50 per cent. Its customers are manufacturers of polysilicon, the basis for producing semiconductors. The rapid

refine the silicon metal to silicones which are used in the production of sealing compounds, cosmetics, textiles, electric insulation materials, medical equipment, synthetic lubricants, rubber for car tyres and other synthetic materials used in car production.

Elkem had 12 per cent of the world market for silicon metal used in aluminium in 1999. In this product area, the Group is about to shift production from standard quality to more refined, high-quality silicon metal.

Avoided fluctuations
Silicon metal prices weakened in the first six months of 1999 following a cyclical peak 12

the chemical and electronics industries are based mostly on long-term contracts. The trend for silicon metal to the aluminum industry is also towards delivering on annual contracts to major customers.

60 per cent of all Elkem's silicon metal production is supplied on such contracts.

Good operations
Elkem Bremanger enjoyed good operation, and recorded an increase compared to 1998 in the volume produced by the furnace that makes ferrosilicon for further refinement in the silgrain plant. The latter set a new annual production record despite a stoppage connected with modernisation and upgrading.

Elkem Fiskaa Silicon had a very good year in 1999, setting annual records for tapped tonnage and production time for three of the furnaces. The improvement in degree of refinement and accuracy seen in 1998 continued in 1999. One of the furnaces was taken out of production in the autumn, partly to replace transformers.

Elkem Meraker enjoyed good operation with all three furnaces following a few problems in January caused by substandard raw materials. The volume produced far exceeded the 1998 figure. Production of high-quality microsilica was also good in 1999.

Elkem Alloy in West Virginia is located in one of the areas hard hit by the North American drought in 1999. Despite this, the plant set a production record for silicon metal for the fourth consecutive year.

At Elkem Thamshavn, silicon production from the converted furnace was better than in the preceding year, but the furnace still suffered some equipment problems.

The plant's new silicon metal furnace (Furnace 15) had its first full year of operation in 1999. It was put into production in the second half of 1998. Several major improvement programmes begun in earlier years were completed during 1999 at Elkem Alloy. The most notable was extensive work on the dust collectors to increase their efficiency. In addition, about USD 5 million was spent on power generating facilities.

Elkem Thamshavn and Elkem Meraker were combined under a common management in order to cut costs and increase efficiency.

Prospects for 2000
Market prospects for Elkem's production of silicon metal are good for 2000. The electronics industry is buoyant following the Asian crisis, while the chemicals industry is expecting growth of three-four per cent. At 31 December 1999, the price of silicon metal to the aluminium industry was on the increase and is expected to continue rising in line with developments in the aluminium market.

Silicon metal from Elkem is also a key component in rubber for "green" tyres. These have better grip and less rolling friction, reducing fuel consumption by up to five per cent.

Products

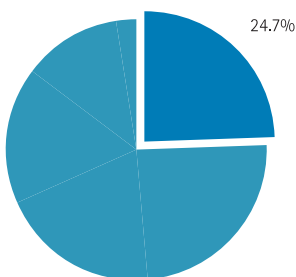
The main products are silicon metal, Silgrain®, silicon metal products and precipitating chemicals. Silicon metal products are used as a basis material in a range of chemicals and electronic products, and in the aluminium industry.

Production locations

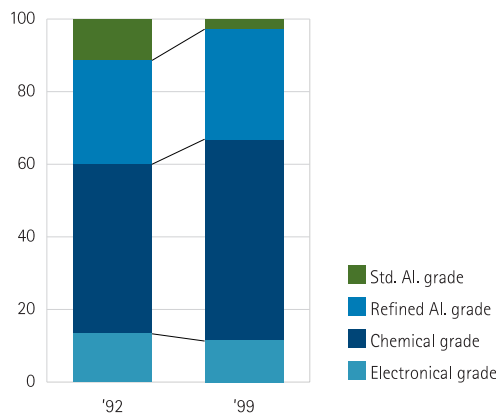
Elkem produces silicon metal at Elkem Fiskaa Silicon, Kristiansand, Elkem Bremanger, Elkem Meraker, Elkem Thamshavn and Elkem Alloy, West Virginia.



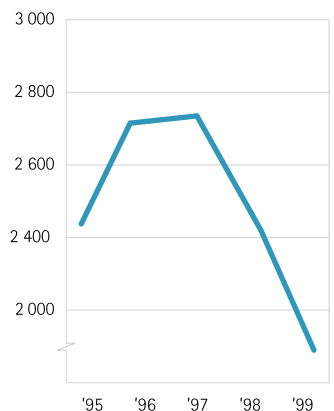
Silicon metal
share of net sales



Product mix Silicon metal 1992 and 1999
% of volume sold



Price Silicon metal std
Dem/MT (Spot) (Source: CRU)



This reporting group comprises Elkem's 50 per cent ownership in Elkem Aluminium ANS. The main markets are rolling mills, extrusion plants and foundries in Europe.

Aluminium

- The increase in net sales for 1999 was a result of higher volume and higher average prices for aluminium in NOK terms
- Favourable raw material prices and a positive cost trend achieved by Elkem Aluminium's improvement programmes were also decisive for the improvement in income from operations
- As part of the specialisation programme, the share of extrusion billets has declined somewhat over the past few years, while production of foundry alloys has increased
- In 1999, total shipments from Elkem Aluminium Lista and Elkem Aluminium Mosjøen reached 244 000 tonnes, an increase of 19 000 tonnes from 1998

The rise in volume reflected higher productivity. Modernising the casthouse at the two plants in 1997 and 1998 has been successful. Elkem Aluminium's upgraded casthouses now rank as the most flexible in Europe, with high productivity and good product quality.

Higher prices were achieved because standard metal was priced higher (the average London Metal Exchange price for delivery in three months rose from USD 1 381 to USD 1 388), and because the USD exchange rate against NOK increased.

Higher net sales also reflected advance sales of some production on the metal exchange in 1998. The increase in net sales, favourable raw material prices and the positive trend in costs yielded by Elkem Aluminium's improvement programmes were decisive for the improvement in income from operations.

The increase in return on capital employed primarily reflected progress in income from operations as well as a significant reduction in average tied-up working capital.

Both plants produce anode paste which is sold externally. Anode paste sales in 1999 totalled 26 900 tonnes, or slightly less than in the preceding year. External anode paste sales will probably rise in 2000.

Market developments

The price of primary aluminium for delivery in three months, as quoted on the London Metal Exchange (LME), was USD 1 220 per tonne at 1 January 1999. This was USD 318 lower than at the same point in 1998. The average price in 1999 was USD 1 388 per tonne, USD 7 higher than in 1998.

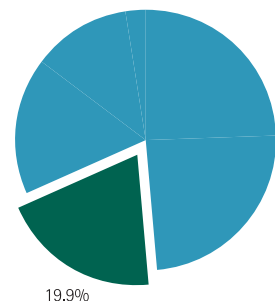
Consumption of primary aluminium in the western world came to approximately 19.4 million tonnes in 1999, 0.7 million tonnes up from the preceding year. Estimated net exports from the former Soviet Union were approximately 2.6 million tonnes.

Registered stocks of primary aluminium (IPAI and LME stocks) were unchanged in 1999, and amounted at 31 December to 2.3 million tonnes.



Rolling slabs up to 32 tonnes are cast at Elkem Aluminium Mosjøen for rolling mills in Europe.

Aluminium
share of net sales



As part of Elkem Aluminium's specialisation in high quality products, changes have been made to the product mix. The share of extrusion billets has declined somewhat over the past few years, while production of foundry alloys has risen. Magnesium-alloyed aluminium, a specialty product now represents the largest

volume in rolling ingots rather than standard grade, which earlier dominated.

Production and operations
Elkem Aluminium's potroom production capacity was 204 000 tonnes in 1999, which is 1 770 tonnes more than in 1998.

Elkem Aluminium Mosjøen produces specialty rolling ingots and low-iron foundry alloys. The plant has installed prebaked anodes in two of the potlines. The other two have Søderberg cells with dry anode technology.

A preliminary project is under-way to consider converting line 2 from Søderberg to



Germany's Norf rolling mill is the largest in the world. It works up aluminum for further use by packaging producers making beverage cans, foil and other products.

NOK million

Key financial figures

	1999	1998	1997
INCOME			
Net sales	1 627	1 467	1 568
Operating costs	(1 217)	(1 188)	(1 328)
Depreciation	(75)	(82)	(71)
Income from operations	335	197	169
NET ASSETS			
Working capital	298	308	389
Long-term investments and receivables	37	51	50
Fixed assets	745	730	748
Net assets	1 080	1 089	1 187
Investments	92	63	87
Return on net assets (%)	31	17	15
Net operating margin (%)	21	13	11

Aluminium

prebake. A conversion is expected to increase the plant's production capacity by 26 000 tonnes of aluminium, up from 121 000 tonnes today. The total investment programme is costed at approximately NOK 850 million. A decision will be taken in the autumn of 2000.

Elkem Aluminium Lista produces extrusion billets and supplies liquid alloyed metal for manufacturing car components at Alcoa Automotive Castings, Scandinavian Casting Center ANS, which is located next to the plant. Elkem Aluminium Lista has three potlines, all with Söderberg cells.

Extensive rebuilding work was carried out at Elkem Aluminium Lista in 1999. Potroom 3 was converted in 1996 to Elkem's new Söderberg technology. The reconstruction of the other two potlines began in 1999 and will be completed during 2000. This new technology creates good environmental conditions and represents a more cost-effective way of producing primary aluminium.

Elkem Aluminium reduced its costs in 1999. At 31 December,

the company had 1 035 employees, a reduction of 39 during the year.

Elkem Aluminium Business System (EABS)

With the aid of EABS, Elkem Aluminium managed to improve its efficiency as a result of more disciplined manufacturing-to-use and eliminating waste throughout the value creation chain. A strong commitment was made to developing employees so that they are better able to operate the systems and processes in a team-based organisation.

The aim of EABS is to service customers with flawless products in accordance with their requirements, and to ensure that every order is executed at the lowest possible cost in all processes.

Prospects for 2000

The implementation of EABS is expected to result in a continuous improvement of the plant's cost position, quality and lead time. A strong aluminium market was still being experienced at the beginning of 2000.

Products

The main products are specially-made rolling slabs, extrusion billets and foundry alloys.

Aluminium is produced in electrolytic cells where a direct current passes through smelted electrolyte which contains alumina. Elkem Aluminium has 596 such cells.

Production locations/plants

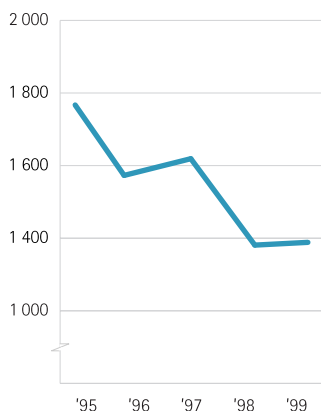
Elkem's Aluminium reporting group comprises Elkem's interest in Elkem Aluminium ANS, a general partnership. This company is owned 50/50 by Elkem ASA and Norsk Alcoa AS, with Elkem as the managing partner. The company has two plants, Elkem Aluminium Lista and Elkem Aluminium Mosjøen.



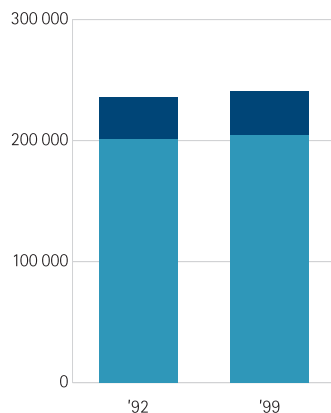
Elkem supplies aluminium alloys used for such applications as the frame of the Audi A8, the world's first series-produced aluminium car.

Aluminium prices

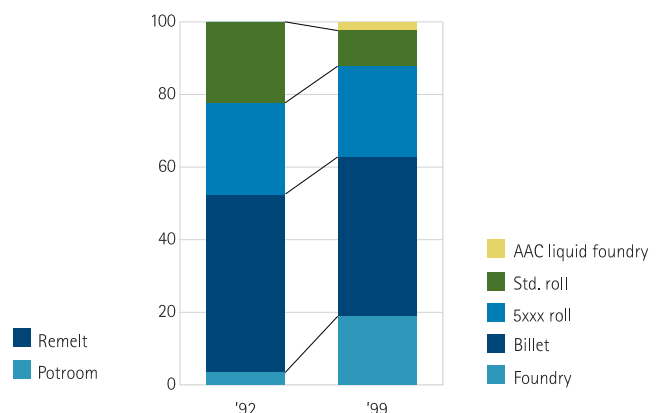
Three-month LME/USD (Source: LME)



Total production EAL and EAM 1992 and 1999, tonnes



Aluminium product mix 1992 and 1999 % of volume sold





This reporting group comprises Elkem's Norwegian power activities which are organised in the Energy division.

- The increase in net sales came from a 287 GWh rise in power production and the shift to market-based electricity prices on captive power
- Income from operations on net power production was NOK 0.0712/kWh, up from NOK 0.0476/kWh in 1998
- Elkem has resolved to merge its energy business with the Norwegian power company Hafslund ASA

Elkem is assured of new leases for its power plants at Sauda, and has applied for a licence to upgrade and expand the Sauda power plants.

Energy

NOK million

Key financial figures	1999	1998	1997
INCOME			
Income from operation bef depreciation	237	155	177
Depreciation	(27)	(28)	(27)
Income from operations	210	127	150
NET ASSETS			
Working capital	35	25	66
Long-term investments and receivables	20	22	16
Fixed assets	661	582	512
Net assets	716	629	594
Investments	107	99	44
Return on net assets (%)	30	20	26
Net operating margin (øre/kWh)	7.12	4.76	5.29

Energy ▶ ▶ ▶

Elkem has decided to participate as a player in the restructuring currently under way in the Nordic power industry. The Group therefore resolved to merge its energy business with the Norwegian power company Hafslund ASA. This merger will make Elkem the main shareholder in one of the largest listed energy companies in Norway. Elkem will own 45 per cent of the shares.

Elkem's total power consumption in Norway was 8 835

due to the achievement of higher prices both internally and externally. Costs depend to only a very limited extent on production volume. Margins accordingly improve sharply during periods of high production.

The spot market price was NOK 0.112/kWh in 1999 compared to NOK 0.116/kWh one year earlier.

In association with partners Borregaard Energi and Norske Skog Energi, Elkem

At the beginning of 1999, the Nordic energy balance was only marginally better than normal. A mild and wet winter resulted in forward prices falling sharply and yielded low spot prices during the winter. Even 10-year contracts fell 20 per cent in the course of a few months, and traded at their lowest at NOK 0.15/kWh.

The forward market strengthened slightly during the second half of 1999, but fell back sharply again at the end of the year after heavy precipitation.



In the USA, Elkem owns the Hawk's Nest river power plant.

GWh. In addition, external commitments totalled approximately 600 GWh. Approximately 5 500 GWh of Elkem's total power needs in 1999 were met by long-term contracts, 2 955 GWh came from captive production, 110 GWh was obtained through energy recovery plants, and approximately 870 were covered by purchasing market power.

Higher prices

The net operating margin increased from NOK 0.0476/kWh in 1998 to NOK 0.0712/kWh in 1999. This improvement was primarily

administered a total power consumption of approximately 16 TWh in 1999 and total hydropower production of approximately 4.7 TWh.

Elkem's own production of electric power in Norway in 1999 was 2 955 GWh, compared with production in a year with "normal" precipitation of approximately 2 740 GWh.

In Norway, Elkem owns and operates power plants at Bremanger, Sauda (Aktieselskabet Saudefaldene) and Elkem Energi Salten (Siso and Lakshola).

New industrial power contracts

The Storting (parliament) passed an Act which gave Elkem the right to conclude new leases for the power plants at Sauda and Bremanger. This implies that Elkem is also entitled to modernise and develop the power plants at Sauda. The Storting debate on this Proposition also resulted in Elkem being given the opportunity to negotiate a new industrial power contract for Elkem Rana. Negotiations with Statkraft are under way on specific details in the agreements and contracts in question.

New power plant

The Lakshola power plant was completed on schedule and within budget. Successful operation started in December 1999. This facility is expected to produce 110 GWh per year.

The upgrading and development project for Sauda has been prepared and an application for a licence was submitted to the Norwegian Water Resources and Energy Directorate (NVE) in February 2000.

Elkem owns 30 per cent of Industrikraft Midt-Norge. This company has applied for a licence to build a combined heat and power generation plants based on gas at Skogn.

Hedging strategy

Elkem hedged a great deal of its power needs for 2000 in 1999. The Group opted for a high degree of cover at today's power market prices.

Prospects for 2000

At 31 December 1999, water reservoir levels stood at 79 per cent in Norway and 62 per cent in Sweden. The energy balance at 31 December was 10 TWh better than normal and the market expected an average price for 2000 of NOK 0.12/kWh.

Activities

The Energy reporting area comprises Elkem's Norwegian power activities organised in the Energy division.

Elkem's power plants in Norway

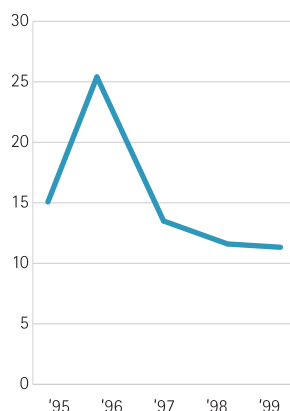
Bremanger Kraft, Aktieselskabet Saudefaldene, Elkem Energi Salten.



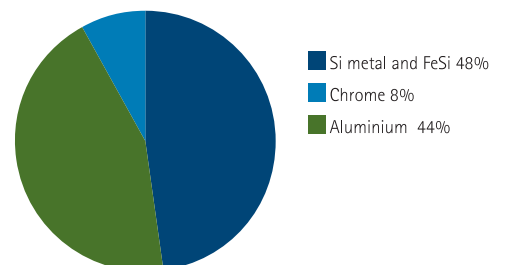
Elkem's power plant at Bremanger.

Spot prices last 5 years

(øre/kWh System price NordPool):



Power consumption in Norway by product area



Percentage of total consumption at about 8 000 GWh

This reporting group comprises Elkem's ferrosilicon operations. Its main markets are the world's steel producers and iron foundries.

Ferrosilicon



Special alloys from Elkem are used in foundry goods when Ulstein Støperier at Bergen in Norway produces wing hubs for windmills.

- Overall good furnace operations and high operating hours at most of the plants
- Additional capacity from the start-up of furnace 3 at Icelandic Alloys
- In 1999, Elkem was the world's largest producer of foundry alloys
- The abolition of antidumping duties in USA put pressure on prices in the US market at the end of the year

Elkem continued its product specialisation in the ferrosilicon area during the year by increasing production of special alloys for the iron foundry industry. As the world's largest supplier of such special alloys, the Group accordingly managed to increase its market share in 1999 despite heavy competition.

Applications for these special alloys include the automotive industry, production of pipes and other engineering industry uses. Elkem sold ferrosilicon products worth a total of NOK 713 million to foundries in 1999 as against more than NOK 622 million in 1998. Sales of special alloys to the

US made especially positive progress.

Elkem's technical support organisation for foundry customers was strengthened in 1999 and will continue to contribute technical support as well as research and development.

Prices for ferrosilicon to the steel market declined 5.5 per cent.

The iron foundry industry had a mixed year in 1999. The car-related industry could report good demand and a high level of activity in general. Good demand for cast-iron pipe for water supplies meant that this segment also enjoyed good

capacity utilisation. Other parts of the foundry industry wrestled with reduced capacity utilisation in 1999 compared to the preceding year.

Elkem changed price setting for captive power production at Bremanger and Salten in 1999 from cost-based to market-based.

Good operations

Elkem's aggregate production of ferrosilicon, measured by standard 75% FeSi, was approximately 320 000 tonnes in 1999 compared to 305 000 tonnes in 1998. This increase derived mainly from good furnace operations and high production time at most plants. At the end of the year, the new

furnace at Icelandic Alloys also contributed to the increase.

Elkem Bremanger enjoyed good operations at the two ferrosilicon furnaces, with a production volume which exceeded the 1998 level.

Bjølvefossen also achieved a production volume above the 1998 level. Technical problems resulted in higher production

costs. Furthermore, electrode problems arose in two of the furnaces during the fourth quarter. The energy recovery plant suffered a breakdown in November. This plant was insured.

Elkem Salten had a good operational year in 1999, with production exceeding 1998 figures. Production time was high for both FeSi furnaces.

Despite minor technical problems, the plant set a new production record. Operations at the granulation plant were fairly stable.

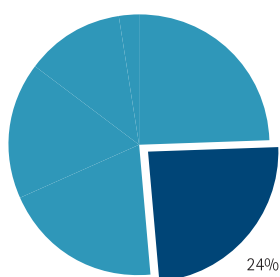
Elkem Thamshavn enjoyed good and stable operations for the ferrosilicon furnace in the first six months of the year. A failure in the furnace's power supply in June resulted in operational problems for a brief period.

At *Icelandic Alloys*, one of the furnaces was out of production in January because of a power shortage. Operations were normal for the rest of the year, with the exception of a transformer breakdown in the autumn with resulting electrode problems. The plant's new 45 MW ferrosilicon furnace was put into operation in September. Operations were affected initially by some technical problems.



Elkem Salten in Norway set a new production record in 1999

Ferrosilicon
share of Elkem's net sales



NOK million

Key financial figures

	1999	1998	1997
INCOME			
Net sales	1 965	1 842	1 806
Operating costs	(1 743)	(1 453)	(1 419)
Depreciation	(110)	(113)	(93)
Income from operations	112	276	294
NET ASSETS			
Working capital	659	678	643
Long-term investments and receivables	102	110	92
Fixed assets	1 252	1 000	765
Net assets	2 013	1 788	1 500
Investments	344	351	345
Return on net assets (%)	6	17	23
Net operating margin (%)	6	15	16

Ferrosilicon

In 1999, *Elkem Alloy* started to produce refined ferrosilicon as part of its product specialisation efforts. This special product will take an increasing part of the capacity in the plant's ferrosilicon furnace from the standard grade.

Operations at *Elkem Chicoutimi* were stable in 1999. The plant continued to be one of the lowest-cost producers in the world recording stable operations.

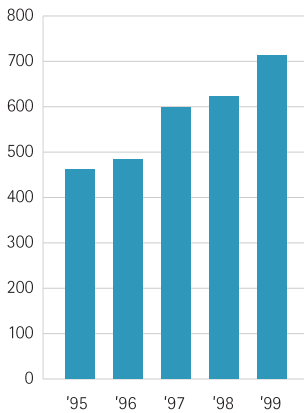
Prospects for 2000
World steel production in 2000 is expected to grow, while stainless steel production should grow sharply. The underlying price trend for 2000 is positive, but the opening of the US market to all ferrosilicon producers creates some uncertainty on the supply side. This could result in continued pressure on prices in the USA and may also have an impact on prices in the rest of the world.

The level of activity in the foundry industry' is expected to be on a par with 1999 or slightly higher.

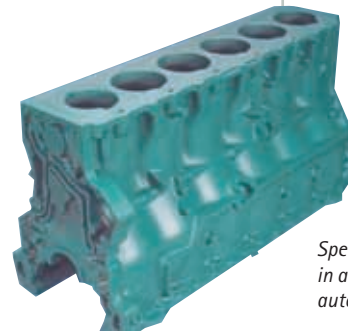
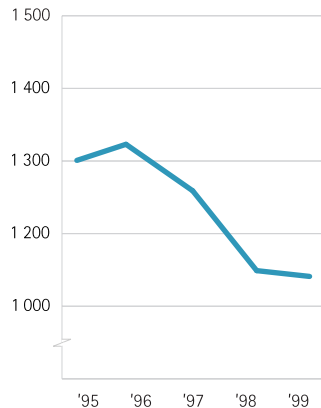
Products
The main products are ferrosilicon, Gransil® granulated ferrosilicon, special alloys, FeSi magnesium and inoculants. Ferroalloys are various blends of iron with one or more other metals. These are used as additives in the steel and foundry industries.

Production locations
Elkem produces ferrosilicon at Elkem Bremanger, Elkem Salten, Elkem Thamshavn, Bjølvefossen (70 per cent) and Icelandic Alloys (51 per cent), Iceland, Elkem Alloy, West Virginia, and Elkem Chicoutimi, Quebec.

Sales foundry products 1995-1999 NOK mill.



Price FeSi std DEM/MT (Spot) (Source: CRU)



Special alloys from Elkem are used in a variety of applications including automotive engine blocks.

Better process management

Process control for smelting furnaces has been an important field for Elkem's information technology commitment over many years. The Group's purposeful efforts in this area have given it systems which rank today among the best in the world. Computerisation of process control systems is one of the foundations for the considerable improvements achieved by Elkem over the past few years.

Technical IT at Elkem spans from instrumentation, process control and production support to information storage and reporting.

Changes to and improvements in work processes with the aid of IT tools have recently been in focus. At the same time, systems are being woven ever closer together in order to make information flow easier, faster and more precise. Clear links can now be seen between systems closest to the processes and information and transaction systems at the highest level.

Elkem's Silicon division, which is responsible for seven of Elkem's 10 production plants in Norway and embraces the Ferrosilicon and Silicon Metal reporting groups, has initiated an extensive upgrading old control systems to a new common standard. This is being based for the first time on a global standard, with Elkem's plants in North America and in Norway building on the same principal functional and system-technical elements. Implementing a common standard of this kind is one of many examples of the way the Group will continue to improve its operations and make them more efficient.

This reporting group covers the main products microsilica, carbon products and calcium carbide. Its main markets are the metallurgical industry, the building and civil engineering sector, the steel industry and producers of acetylene gas.

Materials

Carbon



Elkem Microsilica® strengthens concrete in the Øresund bridge/tunnel project between Denmark and Sweden.

- The reporting group achieved growth in 1999, and Elkem will focus on further expansion in coming years
- Recarburisers for the foundry industry were introduced
- Acquisition and integration of US carbon and calcium carbide plants was fulfilled
- Further improvement programmes and exploitation of economies of scale are expected in 2000. New carbon capacity is due to be introduced

Calcium Carbide

NOK million

Key financial figures	1999	1998	1997
INCOME			
Net sales	1 005	845	766
Operating costs	(862)	(727)	(668)
Depreciation	(48)	(26)	(24)
Income from operations	95	92	74
NET ASSETS			
Working capital	293	280	208
Long-term investments and receivables	71	75	66
Fixed assets	616	571	236
Net assets	980	926	510
Investments	69	284	33
Return on net assets (%)	10	13	16
Net operating margin (%)	9	11	10

► ► ►
Materials
Carbon
Calcium Carbide

MATERIALS

The main product in this business area is Elkem Microsilica®, which is developed and marketed by Elkem Materials.

Microsilica's most important applications are as an additive to concrete, in building and refractory materials and for well drilling in the petroleum industry. Using this product yields more environmentally favourable solutions and improved durability for concrete structures.

Elkem increased deliveries to regions such as South-East Asia and India in 1999. At the same time, a decline in major infrastructure projects in Scandinavia and the Middle East, and the weak economic situation in Japan caused a fall in volumes in these markets. Overall, Elkem Materials reported results on par with 1998.

Elkem Materials also markets Ceramite®, a material with high wear and mechanical strength combined with high heat resistance.

Prospects for 2000

Positive progress in an expanding total market is expected for 2000. The effect of the improved economic situation in Asia appears to be an increase in demand, while efforts to expand geographically may also yield results. Demand for building materials is expected to increase considerably in coming years. Improved volumes are also expected in certain special areas.

CARBON

Elkem Carbon's plant at Kristiansand implemented a new calcining technology in 1999. Based on this new technology, Elkem introduced a new series of recarburisers for the foundry industry. These carbon-based products are used to adjust the carbon content in cast iron and steel.

The Group is the world's largest manufacturer of electrically calcined anthracite and Søderberg electrode paste. Elkem Carbon is well positioned for a further growth.

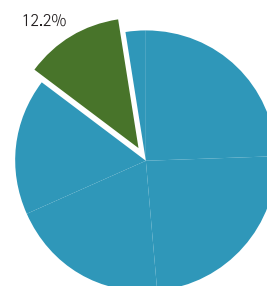
Elkem had its first year of operation at the carbon product plant at Keokuk, Iowa, in 1999. Work is underway to introduce new products from the plant.

In 1999, Elkem signed a conditional agreement to buy the carbon plant at Shizuishan City in China's Ningxia autonomous region. Investment in this facility is part of Elkem's growth strategy for the carbon area.



Calcium carbide is used to produce acetylene gas for cutting and welding.

Material, carbon and calcim carbide share of net sales



Prospects for 2000

The market for carbon products is expected to be stable in 2000, with some global shift in consumption. Markets in Asia, Africa and Latin America are expected to develop positively for Elkem.

CALCIUM CARBIDE

Elkem had its first of operation at the calcium carbide plant in Pryor, Oklahoma, in 1999. The Group's total production capacity was increased by 33 per cent by acquiring this facility. The other Elkem

calcium carbide plant in the USA is Elkem Ashtabula.

The acquisition strengthened Elkem's market position in North America. It now has a majority position in the market for direct sales of calcium carbide in the USA and Canada.

Calcium carbide is used to produce acetylene gas for cutting and welding, for desulphurising blast furnace pig iron and foundry irons, and for modifying slag in steel production.

Prices for calcium carbide were stable during the year.

Programmes to improve the operational efficiency and reduce costs were started and are being given high priority.

Prospects for 2000
Market prospects for Elkem's production of calcium carbide are good for 2000.

Products and activities

The main products are carbon products (electrode paste, lining, calcined anthracite and calcined petroleum coke), microsilica, manganese oxide products, engineering services (filter technology) and calcium carbide.

The reporting area also includes Elkem's purchasing functions for coal and coke and the Group's sales and representative offices in Asia.

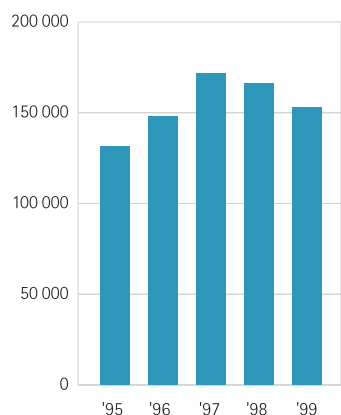
Production locations

Elkem Carbon, Kristiansand, Elkem Keokuk, Iowa, Elkem Ashtabula, Ohio, Elkem Pryor, Oklahoma, Carboindustrial (50 per cent), Brazil.

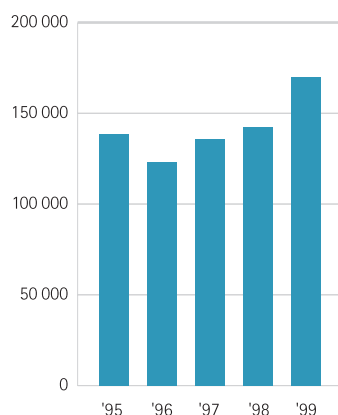


Packing of Søderberg electrode paste.

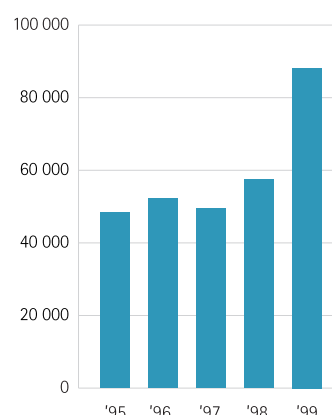
Elkem Microsilica®
volume development, MT



Carbon products
volume development, MT



Calcium Carbide products
volume development, MT





This reporting group includes the Chrome business unit, the Technology function and Elkem Chartering.

Other Activities

Ferrochrome from Elkem Rana is used in the production of stainless steel.

- The reporting group's weak 1999 result is due mainly to the low market prices for ferrochrome, which is its principal activity
- Overheads in connection with the new corporate structure in the North American division, system development and the transition to 2000 also had an impact on the result

CHROME

Elkem produced 157 000 tonnes of ferrochrome in 1999 compared to 170 000 tonnes in 1998. This represents a decrease of almost eight per cent.

The Chrome business unit is made up of the Brazilian chrome ore mine Mineração Vila Nova and the ferrochrome plant at Mo i Rana. Mineração Vila Nova supplies ore to Elkem Rana and to other ferrochrome producers.

High carbon ferrochrome (HC FeCr), the main product, is an essential component in the production of stainless steel. Stainless steel applications include cutlery, sink tops, surgical instruments and aircraft engine turbine blades.

Stockpiling

The market for ferrochrome in 1999 was characterised by high stocks and low prices.

This was primarily due to the Asian economic crisis the year before, which resulted in considerably lower demand for ferrochrome from steel manufacturers in Japan, South Korea and Taiwan.

Ferrochrome producers tried to ship large volumes to markets that were apparently unaffected by the crisis, mainly in Europe and the USA. In Europe, this increase in volume put ferrochrome prices under heavy pressure. They reached an historic low in January 1999. However, demand started to build up again in Asia during 1999 and the balance between the markets levelled off somewhat.

Stainless steel producers in northern Europe represent a major market for Elkem's chrome area. Elkem has about nine per cent of the European chrome market.

Stable operations

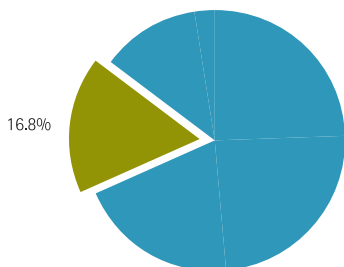
Elkem Rana achieved stable operations in 1999, with one five-week closure to upgrade some of the production equipment.

A new team-based organisational model was adopted at the plant in 1999. This has resulted in a focus on the key processes and more efficient operations. The new model is expected to raise the level of efficiency even further and to yield additional improvements in future.

Better market prospects

The market for ferrochrome improved toward the end of the year, and stainless steel production in 2000 is expected to be about 7.5 per cent higher than in 1999. This represents a total production in the western world of about 18.5 million tonnes.

Share of net sales



Improved continental distribution

With effect from 1 July 1999, Elkem has concentrated all its continental Europe distribution services in Rotterdam in the Elkem Distribution Centre (EDC). This service center handles incoming orders for sale through agents, issuing of invoices and warehouse administration. Plans also call for Elkem's continental storage facilities to be managed from Rotterdam in the future.

The centre was established to improve the flow of finished products to customers from all Elkem's operating areas. Aims include focusing on improved lead time and increased delivery accuracy. This applies to everything from order registration to invoicing, access to information and a reduction in lead time from Elkem to customer. This is achieved in part by using advanced information technology systems. EDC is fully integrated with computer systems already in use at Elkem's plants and sales offices.

Elkem's decision to locate this service centre in Rotterdam is a direct result of the Sales & Marketing 2000 project. A separate project team, with representatives from Elkem Logistics, IT, the plants and the sales organisation will now work on developing the EDC into a centralised professional distribution centre. The Group envisages great opportunities from further development of this concept.



TECHNOLOGY

The Technology function includes Elkem Research, Elkem Technology Services and Fiskaa Industriservice. Work carried out by these units in 1999 was mainly aimed at modernisation, expansion and technological improvements in Elkem's own businesses. Many of the operational improvements in Elkem in 1999 are due to a contribution from the Technology function.

ELKEM CHARTERING

The Group's requirements for marine transport of raw materials and finished goods are handled by Elkem Chartering. This company also made a considerable contribution to the positive result in 1999, despite a slump in the dry cargo market throughout the year. Marine transport of raw materials concentrates particularly on the Atlantic Ocean and the North Sea.

Unloading Elkem products at the harbour at Immingham in the UK.

The company has developed cost-effective calling patterns with a portfolio split of 80 per cent third-party cargo and 20 per cent Elkem cargo. Elkem plants secured better service and improved regularity in 1999 through the jointly-owned North Sea Container Line (NCL), which has a good access to third-party cargo and accordingly can offer a three ships liner handling system.

Products and activities

The Other Activities reporting group comprises Elkem's chrome business, technology function, Elkem Chartering and trading by the sales offices in third-party materials and unallocated overheads.

Production locations

Elkem produces chrome ore at Mineração Vila Nova, Amapa in Brazil and ferrochrome at Elkem Rana in Mo i Rana, Norway. The Technology function is located in Oslo and Kristiansand. The other activities are located at the Group's headquarters in Oslo.

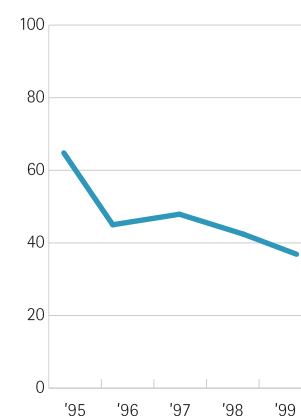
NOK million

Key financial figures

	1999	1998	1997
INCOME			
Net sales	1 380	1 339	1 308
Operating costs	(1 354)	(1 276)	(1 277)
Depreciation	(67)	(57)	(45)
Income from operations	(41)	6	(14)
NET ASSETS			
Working capital	185	317	302
Long-term investments and receivables	471	314	451
Fixed assets	321	360	349
Net assets	977	991	1 102
Investments	99	75	109
Return on net assets	(3)	2	0
Net operating margin (%)	(3)	0	(1)

Price HC ferrochrome

US cent/lb (Spot) (Source: CRU)



Shareholder information

Annual general meeting

Elkem's annual general meeting will be held at 14.00 on Wednesday, 10 May 2000, in the Auditorium, Den norske Bank, Stranden 21, Aker Brygge, Oslo. The share will be quoted ex dividend on the following day.

Company news

During 2000, the Group will publish its quarterly results on 27 April, 23 August and 19 October.

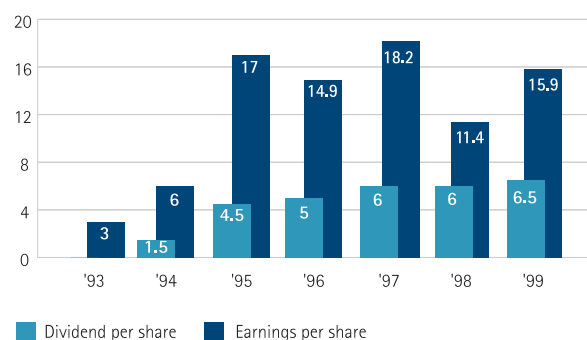
Quarterly results and other presentations will also be made available on the investor relations pages of Elkem's web site when they are published. On the web site, it will also be possible to find the company's share price (with a 15 minute delay), a current update of the 20 largest shareholders, a list of brokers which monitor the company, and addresses and telephone numbers of Elkem employees who deal with enquiries from share analysts and investors. The address is <http://www.elkem.com>

Elkem holds regular presentations for investors and analysts in Oslo, London, New York and other financial centres.

Dividend

The Elkem board has proposed a dividend of NOK 6.50 per share for 1999. This represents a payout ratio of 41 per cent.

Dividend per share



Shareholder policy

Elkem's goal over time is to provide shareholders with a return which is at least as good as that provided by alternative investments involving a similar risk. The aim is to achieve such a return through a combination of long-term increase in value and dividend.

The company's policy is to distribute part of the profit as dividend to the shareholders. The payout ratio will normally vary from 20-50 per cent, depending on market prospects, the liquidity position and reinvestment opportunities. Dividend will accordingly vary from year to year as a result of fluctuations in profit as well as changes in the payout ratio.

Repurchase of own shares

Elkem's share capital has been NOK 985.6 million since 1993, divided into 49 280 000 shares with a nominal value of NOK 20 each.

In September 1999, the company repurchased shares in accordance with a resolution passed by the extraordinary general meeting on 15 January 1999. At 31 December, the company's portfolio of own shares totalled 794 182 of its own shares. Their cost has been charged to equity. There were accordingly 48 485 818 shares owned externally at 31 December.

Share price development

The price of the Elkem share rose from NOK 91 at 1 January 1999 to NOK 185 at 31 December.

Share price development 1999

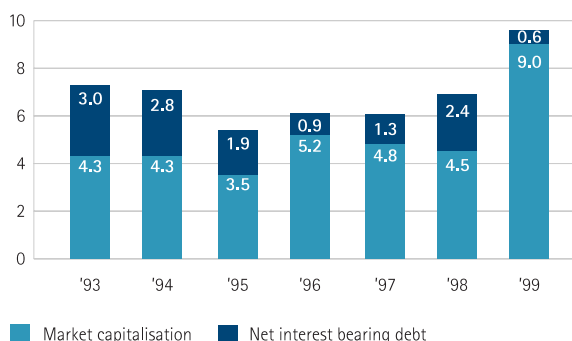


At 31 December 1999, the company's market capitalisation was NOK 9 billion, up from NOK 4.5 billion one year earlier. This increase presents a rise of 103 per cent in the share price. By way of comparison, the Oslo Stock Exchange's all-share index rose by 46 per cent and the industrial index rose by 49 per cent.

The enterprise value, expressed as the sum of market capitalisation and net debt, amounted to NOK 9.6 billion at 31 December.

Enterprise value

in NOK billion



Return

The total return, including dividend of NOK 6.00 per share for 1998, was 110 per cent for the year.

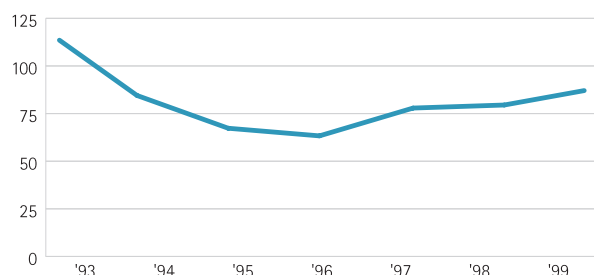
Earnings per share amounted to NOK 16.48 in 1999. Average equity employed per share amounted to NOK 106, which gave a 16 per cent return on equity for 1999.

Turnover ratio

Approximately 88 million Elkem shares were traded in 1999. On average, each share was traded 1.79 times.

Turnover Elkem shares

Number of shares traded (millions)



Shareholder structure

At the end of 1999, Elkem had 11 723 shareholders.

APPORTIONMENT OF SHAREHOLDING

No. of shares	No. of owners	No. of shares	No. of owners
Mer enn 100 000	49	0 %	39 472
10 001–100 000	177	2 %	6 080
5 001–10 000	123	1 %	910
1 001–5 000	627	5 %	1 439
101–1 000	3 148	27 %	1 178
1–100	7 599	65 %	202
Sum	11 723	100 %	49 280

(Data at 31 December 1999. Source: DnB share registry department)

The Orkla Group is the company's largest shareholder, and owned about 26 per cent of the shares at 31 December.

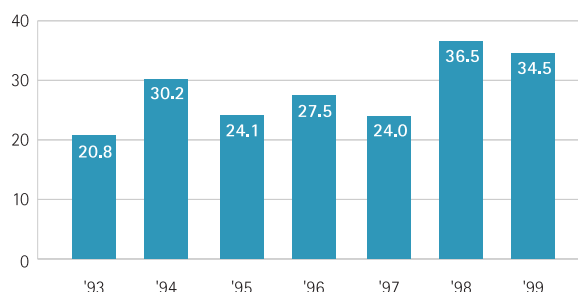
THE 10 LARGEST SHAREHOLDERS IN ELKEM ASA

Shareholders	Shares	Ownership %
Orkla ASA incl group companies	12 467 867	25.7
Chase Manhattan Bank	11 893 803	24.5
Folketrygdfondet	2 270 000	4.7
Avanse – sundry funds	1 670 250	3.4
State Street Bank & Trust	1 550 181	3.2
Storebrand Livsforsikring Aksjefondet 1	1 197 300	2.5
Gjensidige Liv	951 864	2.0
Vital Forsikring ASA	408 400	0.8
K-Avkastning Aksjefond	400 000	0.8
Boston Safe Dep	393 214	0.8
Total	33 202 879	68.5

(Data at 31 December 1999. Source: DnB share registry department)

In May 1999, The Aluminum Company of America (Alcoa) disclosed that the company had acquired in excess of 20 per cent of the shares in Elkem. In October, Alcoa reported that the company had applied for a licence to acquire a further 1 328 200 shares in Elkem, and thus owns approximately 23 per cent. Alcoa's shares form part of the shareholding held by Chase Manhattan Bank.

Non-Norwegian ownership %



(Data per 31.12.1999. Source: DnB Share Registry Department)

The percentage of shares held by foreign shareholders fell from 36 per cent to about 35 per cent.

RISK

RISK stands for regulation of opening values with taxed capital and applies only to Norwegian shareholders. When shares are sold, the opening value (purchase price) is to be adjusted in accordance with the sum of the RISK amounts during the period that the shares have been held. The RISK amount has been set at:

Per 1 Jan	'94	'95	'96	'97	'98	'99
RISK amount (NOK)	0.19	-1.50	-1.10	5.86	3.39	2.07

Depending on the year in which the shares were bought, the following sum of RISK amounts must be used when calculating gains/losses on the sale of shares in 1999:

Year bought	Prior to '94	'94	'95	'96	'97	'98
Total RISK(NOK)	8.91	8.72	10.22	11.32	5.46	2.07

For sales in 2000, the RISK amount at 1 January 2000 must be added to the above. This is estimated at NOK 5.56 per share. In January/February 2001, Elkem will be advised of the final RISK assessment at 1 January 2000. If shares are sold before the dividend payment date, the dividend for the year must also be added to the RISK amount. If the same shares are bought and sold within the same calendar year, the opening value must not be RISK-adjusted.

Management and Organisation

Ole Enger
President and
Chief Executive Officer

Richard Olav Aa
Senior Vice President,
Chief Financial Officer

Marius H. Grønningsæter
Senior Vice President,
Legal, General Counsel and
Company Secretary

Vegard Olderheim
Senior Vice President,
Human Resources

Baard Haugen
Senior Vice President, Strategy
and Corporate Development

Svein Sundsbø
Senior Vice President, Energy,
Corporate Communications
and Health, Environment and
Safety

Øyvind Sørli
Senior Vice President,
Technology

Erik Løkke Øwre
Senior Vice President,
Silicon Division

Arnfinn Holås
Senior Vice President Business
Development, Chrome, Group
Purchasing and Logistics

Tom Preststulen
Senior Vice President,
Material and Carbon Division

Bernt Reitan
Senior Vice President,
Aluminium Division

Anthony C. LaRusso
Senior Vice President,
North American Division

Finn Bjørn Ruyter
Senior Vice President,
Energy Division

President and Chief Executive Officer



Divisions

Silicon
Employees: 1 251

Norway:
Elkem Bremanger
Elkem Fiskaa Silicon
Elkem Meraker
Elkem Salten
Elkem Thamshavn
Bjølvefossen (70%)
Elkem Tana

Iceland:
Icelandic Alloys (51%)

North America
Employees: 789

USA:
Elkem Alloy
Elkem Ashtabula
Elkem Keokuk
Elkem Pryor

Canada:
Elkem Chicoutimi

Materials and Carbon
Employees: 267

Norway:
Elkem Carbon
Elkem Materials
Elkem Chartering

Brazil:
Carboindustrial (50%)
Carboderivados (35%)

Aluminium
Employees: 1 035

Norway:
Elkem Aluminium Lista (50%)
Elkem Aluminium Mosjøen
(50%)

Energy
Employees: 79

Norway:
Saudefaldene
Bremanger Power Plant
Elkem Energi Salten

Elkem endeavours to have its organisational structure and its external financial reporting reflect each other as much as possible. The main differences between today's organisational structure and the financial reporting are as follows:

- The Silicon Division's results are reported as part of the Silicon and Ferrosilicon reporting groups
- The results of the North American Division form part of the Ferrosilicon, Silicon and Materials, Carbon and Calcium Carbide reporting groups
- The results of the Material and Carbon Division are included in the Material, Carbon and Calcium Carbide reporting group

Income statement – The group

NOK million
1 January – 31 December

	Note	1999	1998	1997
Net sales	3,4	9 583	9 957	9 594
Raw materials and production costs	17	(4 844)	(5 057)	(5 191)
Wages, salaries and related costs	5	(1 893)	(1 928)	(1 708)
Depreciation	12,13	(457)	(442)	(378)
Other operating costs	6	(1 465)	(1 503)	(1 256)
Total operating costs		(8 659)	(8 930)	(8 533)
Income from operations		924	1 027	1 061
Income from associates	14	3	7	24
Net interest expenses	7	(84)	(111)	(95)
Other financial items	7	24	6	(7)
Other items	8	296	-	-
Ordinary income before taxes		1 163	929	983
Taxes on ordinary income	10	(319)	(239)	(75)
Taxes on other items	8,10	(50)	-	-
Ordinary income		794	690	908
Extraordinary items	9	-	(165)	-
Taxes on extraordinary items	9,10	-	62	-
Net profit		794	587	908
Minority interests		(14)	26	12
Majority interests		808	561	896
Ordinary earnings per share	11	16.48	13.47	18.18
Earnings per share	11	16.48	11.38	18.18

Oslo, 21 March 2000

Finn M. Jebsen
Chairman

Anders G. Carlberg

Bernt Carlsen

Anders Eckhoff

Finn Kristensen

Finn A. Hvistendahl

Rune Olsen

Ole Enger
President and
Chief Executive Officer

Balance sheet – The group

NOK million

	Note	31.12.99	31.12.98	31.12.97
ASSETS				
Intangible fixed assets	12	77	83	13
Tangible fixed assets	13	4 582	4 833	3 786
Investments in associates	14	89	76	59
Investments in shares	15	240	147	73
Long-term receivables	16	403	404	820
Financial fixed assets		732	627	952
Fixed assets		5 391	5 543	4 751
Inventories	17	1 297	2 378	2 063
Current receivables	18	1 654	1 906	1 963
Market-based financial current assets	19	223	120	88
Cash and bank deposits	20	1 106	275	276
Current assets		4 280	4 679	4 390
TOTAL ASSETS		9 671	10 222	9 141
EQUITY AND LIABILITIES				
Share capital		986	986	986
Nominal value own shares		(16)	-	-
Other equity		4 102	3 654	3 370
Shareholders' equity	21	5 072	4 640	4 356
Minority interests		258	272	246
Shareholders' equity and minority interests		5 330	4 912	4 602
Pension liabilities	22	167	256	244
Deferred taxes	10	207	112	151
Other long-term liabilities		43	40	26
Provisions		417	408	421
Interest-bearing long-term debt	23	1 652	1 741	1 561
Interest-bearing short-term debt	24	77	909	244
Other short-term liabilities	25	2 195	2 252	2 313
Current liabilities		2 272	3 161	2 557
TOTAL EQUITY AND LIABILITIES		9 671	10 222	9 141

Cash flow statement – The group

NOK million
1 January – 31 December

	Note	1999	1998	1997
Ordinary income before taxes		1 163	929	983
Extraordinary items before taxes		-	(165)	-
(Gain)/loss on sale of tangible fixed assets		(10)	-	(7)
Depreciation		457	442	378
Write-down of tangible fixed assets		11	6	10
Income from associates		(3)	(7)	(24)
Unrealised foreign exchange (gain)/loss		1	(11)	(1)
Taxes payable		(283)	(212)	(280)
Change in accounts receivable		187	91	(225)
Change in inventories		1 081	(315)	(295)
Change in accounts payable		(50)	(150)	156
Change in accruals		(125)	42	(28)
Net cash flow from operating activities		2 429	650	667
Investments in tangible fixed assets		(961)	(1 470)	(913)
Sale of tangible fixed assets		790	13	73
Change in other investments		(97)	50	(107)
Net cash flow from investing activities		(268)	(1 407)	(947)
Net cash flow before financing activities		2 161	(757)	(280)
Change in interest-bearing long-term receivables		(5)	209	(47)
New long-term debt		321	404	63
Repayment of long-term debt		(699)	(6)	(250)
Minority increase		-	-	150
Purchase of own shares		(109)	-	-
Distribution of dividends		(296)	(296)	(246)
Net cash flow from financing activities		(788)	311	(330)
Net change in liquid reserves		1 373	(446)	(610)
Liquid reserves 1.1.		(335)	111	721
Liquid reserves 31.12.	26	1 038	(335)	111
Net change in credit facilities		104	1 088	178
Credit facilities 1.1.		3 054	1 966	1 788
Credit facilities 31.12.		3 158	3 054	1 966
Liquid reserves including credit facilities 31.12.	26	4 196	2 719	2 077

1999:

The sale of the manganese business had a positive impact on the net cash flow before financing activities amounting to NOK 1 264 million. Net cash flow from financing activities was positively effected in the amount of NOK 754 million.

1998:

The exchange of assets in the manganese companies Gems and Elkem Mangan KS in connection with the dissolution of the co-operation agreement between Elkem and BHP had a negative impact on net cash flow before financing activities of NOK 315 million in 1998. Net cash flow from financing activities was positively effected in the amount of NOK 235 million.

1997:

Icelandic Alloys is included in the cash flow statement item by item from the time it changed from being an associated company to a subsidiary. Net cash flow before financing activities was negatively effected in the amount of NOK 215 million.

Accounting principles

INTRODUCTION OF THE NEW ACCOUNTING ACT

The annual accounts are prepared in accordance with the Accounting Act of 1998. The introduction of the new Accounting Act had no impact on Elkem's consolidated accounts, with the exception of the order in which items are presented. The changeover took place in the quarterly reports effective from the first quarter of 1999. Deferred tax is presented net in the balance sheet. Comparable figures have been revised accordingly. The accounting principles are described below.

PRINCIPLES FOR CONSOLIDATION

The consolidated financial statements include Elkem ASA and subsidiaries in which Elkem ASA directly or indirectly has the controlling interest. The group accounts are prepared as if the Group was a single entity. All significant transactions and inter-company accounts within the Group are eliminated.

The consolidated financial statements are prepared according to basic accounting principles and good accounting practice, with the exception of certain assets used in the Group's captive power production. These assets were revalued in earlier years as their market values were assessed to be significantly above the net book value and the increase in value was not considered to be of a temporary nature.

Investments in subsidiaries

Companies in which the Group has a controlling interest are consolidated in their entirety in the Group accounts. The minority interests' share of the net profit after tax is shown on a separate line after "Net income for the year", and "Minority interests" in the balance sheet are shown on a separate line under equity.

In the case of investments in subsidiaries, the cost of the parent company's shares is eliminated against the subsidiary's equity at the time of acquisition. The difference between purchase price paid and the net book value is allocated to those specific assets that have values that differ from book value. Positive differences that cannot be so allocated are recorded as goodwill. Goodwill is amortised on a straight-line basis over the estimated useful economic life of the assets, however not more than 20 years.

In the accounts of Elkem ASA, investments in subsidiaries are recorded in accordance with the cost method. The cost method results in shares in subsidiaries being recorded in the balance sheet at cost. Cash payments received are treated as dividends or group contributions, unless the cash disbursement is a repayment of paid-in capital, in which case it is recorded directly against the cost of the shares.

Participation in Joint Ventures

Participation in companies which are material to the Group, and for which co-operation agreements establish joint control (joint ventures) with one or more partners, are included with a proportional part of assets, liabilities, revenue and expenses (gross method).

Investments in associates

Investments in companies in which the Group owns between 20 and 50 percent and has considerable influence are reported according to the equity method. Elkem's share of profit after tax less amortisation of possible goodwill is reported separately in the income statement and investments are stated at cost adjusted for subsequent profits or losses. Dividends received from associates reduce the investments.

Foreign currency translation

Foreign subsidiaries that are included in the consolidated group accounts are all considered as independent units.

Income statements in respect of non-Norwegian subsidiaries are translated into Norwegian kroner (NOK) at the average exchange rate for the year, while assets and liabilities are translated at the exchange rate applicable as of the balance sheet date. Changes in consolidated equity resulting from differences in the year on year closing rates are recorded directly against equity as translation differences.

VALUATION AND CLASSIFICATION PRINCIPLES

Net sales

Net sales of goods and services are recorded at the time of delivery. Sales and purchases in foreign currencies bought and sold are recorded at the exchange rates prevailing at the transaction date for unhedged transactions and at the forward rate for hedged transactions. For long-term construction contracts (projects), income is recognised according to the percentage of completion method. Foreseeable losses on long-term construction contracts are expensed. Net sales exclude VAT, discounts, agents' commissions, invoiced transportation costs and include the effect of currency hedging.

Maintenance

As a general rule, the cost of all maintenance is expensed as incurred. Replacement and upgrading of fixed assets is classified as an investment and is capitalised. This normally implies that expenses directly related to the relining of furnaces are capitalised and depreciated over the expected useful life of the lining.

Pension costs and pension liabilities

Pension liabilities are calculated as the discounted value of the future pension benefits that are assumed to have accrued at the balance sheet date, based on the fact that the employees earn their pension rights evenly over the period they are gainfully employed. The pension funds are assessed at market value and recorded net against pension liabilities in the balance sheet. Each pension plan is assessed individually, but the value of over-funding of one plan or the under-funding of another plan are recorded net in the balance sheet as long as the funds can be transferred between the plans. Net pension assets are shown as a long-term asset while net pension liabilities are shown as long-term debt.

Net pension costs for the year are included in wages, salaries and related costs. The pension cost includes benefits earned in the period, interest cost on projected benefit obligations, estimated return on pension plan assets and the effect of changes in estimates and the terms and conditions of the pension plans, the effect of differences between actual and expected return on pension plan assets, as well as accrued social security tax. The effect of changes in estimates and pension plans, and deviation between actual and projected yield are accrued over the remaining earning period or the expected lifetime only when the accumulated impact exceeds 10 percent of the pension funds or pension liabilities, whichever is the greater.

Research and development

Costs related to research and development are expensed as incurred.

Taxes

The tax expense in the income statement includes both the current tax payable and the change in deferred taxes. The change in deferred taxes reflects future taxes payable as a result of the activities in the year. Deferred taxes are the tax liability related to accumulated profits and losses, which fall due in future periods. Deferred taxes are calculated on the basis of temporary differences between balance sheet values for accounting purposes and taxation purposes at the end of the period (liability method). Tax-increasing temporary differences imply a deferred tax liability. Tax-reducing temporary differences together with losses brought forward imply a possible deferred tax asset. Deferred taxes and deferred tax assets are presented net in the balance sheet.

Classification of assets and liabilities

Assets intended for permanent ownership or use are classified as fixed assets. Other assets are classified as current assets. Receivables that are to be repaid within one year are nevertheless classified as current assets. Analogue criteria are applied when classifying current and long-term liabilities. The first year's instalment on long-term debt is reclassified as a current liability.

Intangible fixed assets

Intangible fixed assets comprise goodwill and intangible rights.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Some assets related to the company's power production have been revalued. The last revaluation took place in 1980. Depreciation is calculated using the straight-line method on cost or revalued amount based on the estimated useful life of each asset. The cost includes planning and project management costs, as well as interest expenses accrued during the construction period.

Construction work in progress is not depreciated until the asset is put into use. Spare parts are recorded in the balance sheet and depreciated as tangible fixed assets if they are material and acquired together with the assets. Other spare parts are classified as inventory and expensed as they are consumed.

Leasing

Rental agreements are classified as financial or operational leases based on a firm assessment of the terms and conditions of each agreement. The operating assets relating to leasing agreements that are classified as financial leasing are capitalised in the balance sheet and depreciated as ordinary operating assets. The instalment portion of the lease obligation is shown as long-term debt. The obligation is reduced by the lease paid after making a deduction for the estimated interest cost.

Investments in other shares and partnerships

Long-term investments are assessed individually at the lower of cost or market value if the decline in value is not considered to be of a temporary nature. Earlier write-downs are reversed in the event that the reason for the decline in value is not considered to exist any more.

Assets and liabilities in foreign currency

Cash and bank deposits are translated at the rate of exchange prevailing at balance sheet date. Short-term receivables and short-term liabilities in

foreign currencies are for the most part hedged through forward currency contracts and recorded at the forward contract rate.

Long-term assets and liabilities in foreign currencies are managed on a portfolio basis in order to reduce the total foreign exchange exposure. Items included in the portfolio are translated at the exchange rate prevailing on the balance sheet date.

Long-term debt in foreign currencies, which is used to finance foreign subsidiaries, and which hedges the foreign exchange risk linked to these investments is translated in the group accounts at the exchange rate prevailing on the balance sheet date. Exchange differences are recorded directly against equity as translation differences.

Inventories

Inventories are valued at the lower of cost according to the FIFO principle and net realisable value.

For raw materials and goods in process the net realisable value is equal to the realisable value of finished goods less cost of completion and sales expenses. The cost of produced products is the full production cost that includes a share of indirect and fixed costs. Changes in inventories are recorded as part of raw materials and production costs. In the case of an increase in the physical inventory, part of the period's current operating costs is capitalised. In the case of reduced physical inventory, more than the current operating costs are expensed. Provisions are made for losses on fixed price contracts, where future revenues are lower than production costs.

Market-based financial current assets

Investments in market-based financial current assets are defined as not being a trading portfolio and are therefore valued together at the lower of cost and market value. Realised losses/gains and the regulation of the value of net unrealised losses are recorded under other financial items.

Financial instruments

Forward exchange contracts are used to hedge future expected cash flows denominated in foreign currency. For forward exchange contracts hedging specific transactions or highly probable transactions, the underlying transaction is booked at the forward rate. The recording of unrealised gains or losses in respect of such forward contracts is thus postponed until the date of the hedged transaction, and included as part of the value of the final transaction. For other forward contracts the difference between the contract rate and the quoted buy/sell rate at the balance sheet date is recorded in the income statement. Foreign currency options are dealt with according to the lower of cost or market value. Interest rate and/or foreign exchange swaps are used to change the structure of the underlying long-term debt. For such swaps, the interest element is accrued in the same manner as interest on debt, while the currency element is treated in accordance with the principles for treating receivables and debt in foreign currencies as described above.

Cash flow statement

The cash flow statement is prepared in accordance with the indirect method. Liquid reserves are comprised of cash and equivalents (cash/bank deposits) and other short-term investments that mature within three months. Short-term loans are considered an integral part of liquidity management, and are deducted when calculating the liquid reserves.

Notes to the accounts – The group

Amounts in NOK million

1. FINANCIAL MARKET RISK – THE GROUP

In addition to the operative risk, Elkem is exposed to risk in the product and input factor markets, as well as foreign exchange and interest rate markets.

The market – products and factor inputs

Some of Elkem's products are exposed to cyclical fluctuations. Elkem seeks to curb these effects by entering into long-term contracts and by linking product prices to the prices of input factors. Silicon metal is the product group where the company has achieved the most in the form of long-term contracts, and sold a substantial part of its production for several years to come. The prices of ferroalloys for steel are mainly fixed as the result of quarterly negotiations.

Compared to the other Elkem products, aluminium stands in a class of its own because of the London Metal Exchange (LME). To increase the predictability of future cash flows the company can, within given limits, sell a large part of the coming year's production forward. As at 31 December 1999, 75 000 tonnes had been sold forward at an average price of USD 1 488 per tonne. The contracts are for the period from and including the second quarter of the year 2000 to and including the first quarter of the year 2001. In addition to this certain forward contracts for the year 2000 have already been closed with a loss of NOK 34 million. This loss will be recorded during the year 2000 for those periods the underlying hedging applies to. Through its ownership in Elkem Aluminium ANS, Elkem is exposed to 50 percent of all its positions. To better measure profitability on the individual delivery margin contracts with customers are hedged by entering into corresponding purchase contracts on LME. As at 31 December 1999, such contracts had been entered into for 55 000 tonnes standard aluminium at an average forward price of USD 1 473 per tonne. This corresponds to the physical sales to customers where sales prices are fixed. Market fluctuations can thus be dealt with irrespective of the physical sales to customers. The company can thus measure the premium on the standard product market price that each delivery gives.

In the Aluminium Division the cost of purchasing aluminium oxide represents a considerable part of operating expenses. Elkem Aluminium ANS has long-term agreements with Alcoa and Billiton in order to cover its oxide needs. In both agreements, the oxide price is linked to the price of aluminium, so that a significant hedging effect is achieved. The cost of oxide necessary to produce one tonne of aluminium is approximately 25 percent of the LME price.

Ferrochrome production is partially covered by ore from Elkem's chrome mine in Brazil. In the Silicon Division, a large part of the quartz needed comes from the company's own quartz quarries in Norway. The division's purchases of electrode paste and prebaked electrodes are for the most part from Elkem Carbon.

Elkem is both a producer and consumer of electric power. The company is a net buyer of power, and has entered into long-term agreements with Scandinavian power producers. To cover the need for additional power and to optimise around the clock variations, seasonal variations, and own production levels, Elkem enters into financial and physical contracts that are traded either bilaterally or over the exchange. In addition, some margin trading takes place within given limits.

The risk of bad debts is reduced by selling against documentary letters of credit and the like for unknown customers and customers in high-risk countries. In addition, the company has insured a significant part of the other accounts receivable.

Foreign exchange

Fluctuations in the value of Norwegian kroner against other currencies are important to Elkem's net income because the company exports the majority of its products to markets where the price is fixed in a foreign currency. Aluminium and ferrochrome are quoted in USD in all markets, and changes in the USD exchange rate have an impact on the price realised in local currency.

In addition, fluctuations in NOK also affect the price of raw materials. Elkem endeavours to reduce this risk by way of forward currency contracts. Such transactions are entered into for most of the company's contractual revenues and disbursements in foreign currencies. In addition and within given limits, Elkem will hedge the competitive exposure the company has in relation to its competitors with regard to foreign exchange. This hedging can run for up to three years forward. For the first year the hedging is arranged by way of a forward contract, in the two following years hedging will primarily be by way of buying foreign currency options. Most of the competitive hedging is in the aluminium field.

Translation of foreign subsidiaries' accounts to NOK is also affected by exchange rate fluctuations. In the case of the US operations, loans in USD reduce this exposure. Some currency swaps have been entered into to adjust this hedging.

Interest

Elkem has secured financial flexibility by entering into long-term loan agreements, many in the form of committed drawing rights. Somewhat more than half of the company's long-term loans are at fixed interest rates. However, Elkem has entered into some interest rate swaps, which in total increase the floating rate portion.

2. SALES AND ACQUISITIONS OF BUSINESSES

1999

Elkem's manganese business was sold to the French company Eramet SA in January 1999, with accounting effect from 30 June 1999. The manganese business comprised the smelting plants at Sauda and Porsgrunn in Norway and Marietta, Ohio in USA. The special metals business at Elkem Marietta was also included in the sale. The sale comprised fixed assets, inventories and all significant contracts. In addition all about 1 100 employees in the business were transferred to Eramet. The business was transferred in exchange of preliminary settlement on 30 June 1999, and final adjustment made in November. Net proceeds were 1 500 million NOK. In addition Elkem released retained accounts receivable of about 550 million NOK during the second half of 1999. The gain on the sale amounted to 296 million NOK before tax, after provisions for expenses related to Elkem's exit from the manganese business. See note 8.

In December 1999 Elkem and Hafslund ASA entered into an agreement regarding transfer of Elkem's energy business in Norway and USA to Hafslund, towards settlement in Hafslund shares. If the agreement is carried through, Elkem will own 45 percent of the shares in Hafslund. The agreement is contingent upon i.a. approval by the General Meeting of shareholders in the companies. It is assumed the business will be transferred during the third quarter of 2000, and the transfer will be accounted for at the time of transfer. The merger is conditioned by permissions by the authorities.

1998

Elkem's co-operation agreement with the Australian Broken Hill Proprietary Company Ltd (BHP) was terminated with effect from 1 December 1998. Through to 30 November 1998, Elkem owned 49 percent and BHP 51 percent of Gems, a company holding the right to buy ore from BHP's manganese mine in Australia for resale to Elkem Mangan KS and Elkem Marietta. In the same period, Elkem owned 51 percent and BHP 49 percent of Elkem Mangan KS. Elkem has proportionally consolidated both companies. From 1 December 1998 the ownership interests were swapped, in that Elkem's share in Gems was exchanged for BHP's stake in Elkem Mangan KS. The swap itself had no significant impact on Elkem's net income, but the technical effect on the accounts was NOK 166 million in fixed asset investments, a NOK 149 million rise in working capital and a NOK 235 million increase in interest-bearing debt. On 31 December 1998, Elkem acquired two plants from Airgas Inc. USA, a calcium carbide plant in Pryor, Oklahoma, and an electrode paste facility in Keokuk, Iowa. See note 12.

3. BUSINESS REPORTING GROUPS

Business reporting groups 1)	Net sales	Net operating costs	Depreciation	Income from operations	Income from associates	Net assets	Investments
1999							
Ferrosilicon	1 965	(1 743)	(110)	112	-	2 013	344
Silicon metal	2 023	(1 706)	(72)	245	-	1 439	246
Materials, Carbon & Calcium carbide	1 005	(862)	(48)	95	-	980	69
Aluminium 2)	1 627	(1 217)	(75)	335	-	1 080	92
Energy 3)	196	41	(27)	210	(11)	716	107
Others	1 380	(1 354)	(67)	(41)	14	977	99
Manganese	1 387	(1 361)	(58)	(32)	-	-	4
Total	9 583	(8 202)	(457)	924	3	7 205	961
1998							
Ferrosilicon	1 842	(1 453)	(113)	276	-	1 788	351
Silicon metal	1 822	(1 568)	(58)	196	-	1 317	290
Materials, Carbon & Calcium carbide	845	(727)	(26)	92	-	926	284
Aluminium 2)	1 467	(1 188)	(82)	197	-	1 089	63
Energy 3)	202	(47)	(28)	127	(8)	629	99
Others	1 339	(1 276)	(57)	6	15	991	75
Manganese	2 440	(2 229)	(78)	133	-	1 833	308
Total	9 957	(8 488)	(442)	1 027	7	8 573	1 470
1997							
Ferrosilicon	1 806	(1 419)	(93)	294	9	1 500	345
Silicon metal	1 631	(1 351)	(53)	227	-	1 016	158
Materials, Carbon & Calcium carbide	766	(668)	(24)	74	-	510	33
Aluminium 2)	1 568	(1 328)	(71)	169	-	1 187	87
Energy 3)	248	(71)	(27)	150	-	594	44
Others	1 308	(1 277)	(45)	(14)	15	1 102	109
Manganese	2 267	(2 041)	(65)	161	-	1 497	137
Total	9 594	(8 155)	(378)	1 061	24	7 406	913
The geographic distribution 4)							
1999							
Norway	5 273	(4 184)	(325)	764	3	4 469	479
North-America	3 058	(2 788)	(109)	161	-	1 822	226
Others	1 252	(1 230)	(23)	(1)	-	914	256
Total	9 583	(8 202)	(457)	924	3	7 205	961
1998							
Norway	5 081	(4 082)	(317)	682	7	5 309	762
North-America	3 263	(2 925)	(95)	243	-	2 560	546
Others	1 613	(1 481)	(30)	102	-	704	162
Total	9 957	(8 488)	(442)	1 027	7	8 573	1 470
1997							
Norway	4 957	(3 918)	(291)	748	-	4 717	430
North-America	3 157	(2 835)	(82)	240	(1)	1 886	244
Others	1 480	(1 402)	(5)	73	25	803	239
Total	9 594	(8 155)	(378)	1 061	24	7 406	913

1) The business reporting groups are further described on pages 13 to 29.

2) The Aluminium Reporting Group includes Elkem's relative share of the above-mentioned items in Elkem Aluminium ANS.

3) The Energy Reporting Group comprises the energy business in Norway.

4) The geographic distribution is based on the location of the unit.

4. NET SALES PER MARKET

The geographic distribution of the Group's net sales, based upon customer location, is as follows:

		1999	1998	1997
EU	Denmark	93	163	127
	Great Britain	705	751	793
	France	403	402	356
	Germany	1 886	1 835	1 561
	Italy	477	571	775
	Sweden	434	423	433
	Others	706	688	614
		4 704	4 833	4 659
Other Europe	Norway	631	528	655
	Others	234	274	217
		865	802	872
America	USA	2 694	2 923	2 758
	Canada	340	375	352
	Latin-America	38	22	14
		3 072	3 320	3 124
Asia	Japan	453	498	489
	Others	122	119	138
		575	617	627
Others		367	385	312
Total		9 583	9 957	9 594

5. WAGES, SALARIES AND RELATED COSTS

	1999	1998	1997
Wages and salaries	1 506	1 525	1 395
National insurance contribution	148	143	108
Pension costs (see note 22)	51	80	55
Other payments	188	180	150
	1 893	1 928	1 708

6. OTHER OPERATING COSTS

	1999	1998	1997
Write-down of tangible fixed assets	11	6	10
Loss on accounts receivable	(19)	(1)	4
Travel and entertainment costs	108	118	93
Other sales and administration costs	1 365	1 380	1 149
	1 465	1 503	1 256

7. NET INTEREST EXPENSES AND OTHER FINANCIAL ITEMS

	1999	1998	1997
Interest income	60	35	34
Interest expenses	(144)	(146)	(129)
Net interest expenses	(84)	(111)	(95)
Other financial income/(expenses)	32	13	(2)
Change in value of market-based financial current assets	12	(12)	-
Write-down of financial fixed assets	(12)	(6)	-
Foreign exchange gain/(loss)	(8)	11	(5)
Other financial items	24	6	(7)

8. OTHER ITEMS

Other items consist of the gain from the sale of Elkem's manganese business as per 30 June 1999. The gain on the sale amounted to 296 million NOK before tax, after provisions for expenses related to Elkem's

exit from the manganese business. Reported figures from the manganese business, as shown below, are included in Elkem's Group figures up until the time of sale, 30 June 1999. See note 2.

Manganese business:	1999	1998	1997
Net sales	1 387	2 440	2 267
Operating costs	(1 361)	(2 229)	(2 041)
Depreciation	(58)	(78)	(65)
Income from operations	(32)	133	161
Elkem exclusive Manganese business:	1999	1998	1997
Net sales	8 196	7 517	7 327
Operating costs	(6 841)	(6 259)	(6 114)
Depreciation	(399)	(364)	(313)
Income from operations	956	894	900

9. EXTRAORDINARY ITEMS

Extraordinary items in 1998 amounted to 165 million NOK in expenses regarding actual and expected damages and costs in the US subsidiary, Elkem Metals Company, related to lawsuits based upon a price

co-operation case in the period 1989-91. At the end of 1999 all cases are settled with no additional costs.

10. TAXES

	1999	1998	1997
Taxes payable			
Norwegian entities	(263)	(170)	(217)
Non-Norwegian entities	(20)	(42)	(63)
	(283)	(212)	(280)
Change in deferred taxes			
Norwegian entities	(46)	25	252
Non-Norwegian entities	(40)	10	(47)
	(86)	35	205
Total taxes	(369)	(177)	(75)
Of this related to other items	(50)	-	-
Of this related to extraordinary items	-	62	-
Taxes on ordinary profit	(319)	(239)	(75)

Taxes on other items in 1999 relate to the gain on the sale of Elkem's manganese business. See note 8. Taxes on extraordinary items in 1998 are related to allocated costs for claims and case costs in connection with the price fixing case in the US subsidiary Elkem Metals Company. See also note 9.

The following is a specification of the effect on taxes of temporary differences and losses brought forward at the end of the accounting year, and deferred taxes and deferred tax assets in the balance sheet after offsetting and correcting for the deferred tax asset that cannot be offset.

	1999	1998	1997
Tax effects that are offset:			
Fixed assets	297	171	171
Current assets	10	16	3
Current liabilities	(32)	(19)	(21)
Other	(58)	(56)	4
Losses brought forward	(68)	(41)	(72)
Total	149	71	85
Tax effects that are not offset:			
Losses brought forward	58	41	66
Deferred taxes	207	112	151

The upward adjustment of the value of Siso Power Plant, Svelgen III, Svelgen IV and Sauda IV for taxation purposes, in accordance with regulations of 20 January 1997 was effected in 1997. The Norwegian Water Resources and Energy Administration (NVE) stipulated the new replacement values. Elkem appealed these values to the tax authorities. Following a decision by the Tax Assessment Board in 1999 and other minor corrections the taxable value was reduced by NOK 75 million. This reduction was mainly due to the valuation of roads belonging to the power plants referred to. The temporary differences for the Group's power plants calculated as a deferred tax asset using an assumed tax rate of 38 percent. The deferred tax assets in connection with the reduction in the value for taxation purposes of the roads amount to

NOK 28 million and is incorporated in the accounts as an increase in the tax charge for 1999. However, there are still several issues regarding the calculation of the power plant replacement values and which costs are deductible that still have to be clarified. A clarification of these issues might result in a decrease in the company's income tax and resource rent tax. The change in the value of the power plants reduced taxes in 1998 and 1997 by NOK 43 million and NOK 250 million respectively.

As of 31 December 1999 the Elkem Group had accumulated carryforward tax losses of NOK 193 million relating to the activity at Icelandic Alloys, while NOK 25 million is related to the activities in Elkem Holding Inc. USA and Elkem Metal Canada Inc.

The tax losses brought forward expire as follows:

2000	167
2001	2
After 2001	49
Total tax losses brought forward	218

The deferred tax asset that is not offset, is related to losses brought forward in Icelandic Alloys. This has not been recorded as a result of the short carryforward access.

Tax rate

Total taxes of NOK 369 million represent 32 percent of ordinary profit before tax. If taken into consideration other items before tax and the tax correction relating to the Group's power plants, the tax rate for the Group would have been 34 percent. This tax rate is an average of the tax

for the Norwegian operations which in principle are taxed at 28 percent, the North American operation is taxed at about 39 percent, and the tax rates for other operations are in the 33 percent range. For the Norwegian power production operations the effective tax rate is higher as a result of resource rent tax. In 1999, resource rent tax amounted to NOK 16 million.

11. EARNINGS PER SHARE

Earnings per share are calculated by dividing the majority interests' share of the net income for the year by the time-weighted average number of shares outstanding in the reporting period. Ordinary earnings per share are calculated by dividing the majority interests' share of the

ordinary net income by the time-weighted average number of shares outstanding in the reporting period. Ordinary earnings per share for 1999, without other items after tax, would have been NOK 11.18. As at 31 December 1999 the number of outstanding shares was 48 485 818.

	1999	1998	1997
Average number of shares issued	49 280 000	49 280 000	49 280 000
Average number of own shares	(262 709)	-	-
Average number of outstanding shares	49 017 291	49 280 000	49 280 000

12. INTANGIBLE FIXED ASSETS

	Goodwill	Other intangible fixed assets	Total
Cost			
Cost 1.1.99	132	3	135
Additions 1999	1	-	1
Conversion differences	6	-	6
Balance 31.12.99	139	3	142
Depreciation and write-downs			
Balance 1.1.99	(52)	-	(52)
Depreciation 1999	(11)	-	(11)
Conversion differences	(2)	-	(2)
Balance 31.12.99	(65)	-	(65)
Net book value			
Balance 1.1.99	80	3	83
Balance 31.12.99	74	3	77
Depreciation rate (%)	5-33	20	

Conversion differences include exchange rate differences when translating the foreign subsidiaries' goodwill.

Goodwill per acquisition	Book value 31.12.99	Economic life	Depreciation schedule
Pryor, Oklahoma, USA	24	7-20 years	Straight-line
Keokuk, Iowa, USA	46	7-20 years	Straight-line
Alcoa Automotive Castings, Scandinavian Casting Center ANS, Norway	3	5 years	Straight-line
Other	1	3 years	Straight-line
	74		

Goodwill relating to Pryor and Keokuk in the US arose on the acquisition of a calcium carbide plant and an electrode paste plant in 1998. The goodwill comprises two elements. Part one, which is amortised on a straight-line

basis of 7 years, relates to a restricted trading clause with the owner. Part two, which is amortised on a straight-line basis over 20 years, relates to the plants' strong positions in the North American market.

Investments in and sale of intangible fixed assets

	1999		1998		1997		1996		1995	
	Inv.	Sale	Inv.	Sale	Inv.	Sale	Inv.	Sale	Inv.	Sale
Goodwill	1	-	78	-	8	-	-	-	-	-
Other intangible fixed assets	-	-	3	-	-	-	-	-	-	-
Total	1	-	81	-	8	-	-	-	-	-

13. TANGIBLE FIXED ASSETS

	Machinery & Equipment	Buildings	Other real estate	Capitalised costs	Construction work in progress	Total
Cost and revaluations						
Cost 1.1.99	6 810	2 097	428	190	771	10 296
Revaluation 1.1.99	23	609	-	-	-	632
Additions 1999	608	110	85	1	157	961
Retirements 1999	(1 407)	(250)	(128)	(24)	(59)	(1 868)
Translation differences	116	13	15	5	18	167
Balance 31.12.99	6 150	2 579	400	172	887	10 188
Of this capitalised interest expenses on tangible fixed assets of own production	18	5	-	-	9	32
Depreciation and write-downs						
Balance 1.1.99	(4 255)	(1 463)	(207)	(167)	(3)	(6 095)
Retirements 1999	808	144	53	14	3	1 022
Depreciation 1999	(331)	(87)	(23)	(5)	-	(446)
Write-downs 1999	(8)	(3)	-	-	-	(11)
Translation differences	(57)	(6)	(7)	(6)	-	(76)
Balance 31.12.99	(3 843)	(1 415)	(184)	(164)	-	(5 606)
Net book value						
Balance 1.1.99	2 578	1 243	221	23	768	4 833
Balance 31.12.99	2 307	1 164	216	8	887	4 582
Economic life	5–20 years	25–50 years	0–20 years	10–20 years	-	
Depreciation schedule	Straight-line	Straight-line	Straight-line	Straight-line		

Translation differences arise from exchange rate differences on translation of non-Norwegian subsidiaries' tangible fixed assets and reclassifications between tangible fixed assets categories. Revaluation in earlier years, latest in 1980, was related to the Group's captive power production.

Investments and sale of tangible fixed assets

	1999		1998		1997		1996		1995	
	Inv.	Sale	Inv.	Sale	Inv.	Sale	Inv.	Sale	Inv.	Sale
Machinery and equipment	608	529	883	6	518	13	356	7	231	17
Buildings	110	105	136	3	170	56	54	2	18	4
Other real estate	85	69	34	1	27	-	12	12	15	2
Capitalised costs	1	-	6	-	3	1	14	-	3	2
Construction work in progress	157	87	411	3	195	3	(13)	-	19	-
Total	961	790	1 470	13	913	73	423	21	286	25

14. INVESTMENTS IN ASSOCIATES

Income from associates	1999	1998	1997
Norsk Jern Eiendom AS	15	14	16
Industrikraft Midt-Norge DA	(11)	(8)	-
Icelandic Alloys Ltd.	-	-	9
Other companies	(1)	1	(1)
	3	7	24

	Business office	Ownership/voting shares (%)	Cost	Book value 31.12.99
Norsk Jern Eiendom AS	Mo i Rana, Norway	26	20	71
Others	-	-	23	18
			43	89

Book value of associates	1999	1998	1997
Book value 1.1.	76	59	109
Sales/investment (net)/dividends	10	10	(74)
Income from associates	3	7	24
Book value 31.12.	89	76	59

15. INVESTMENTS IN SHARES

	Ownership (%)	Book value 31.12.99
Norwegian companies		
Nordstjernen Holding AS	20	150
Alcoa Automotive Castings, Scandinavian Casting Center ANS	6	17
Scanwafer AS	10	9
Other	-	11
Non-Norwegian		
Carboindustrial S.A.	50	48
Other non-Norwegian companies	-	5
		240

16. LONG-TERM RECEIVABLES

	1999	1998	1997
Net pension assets (see note 22)	299	242	214
Other long-term receivables	99	154	135
Loans to employees	5	8	10
Share of receivables in Gems	-	-	247
Receivable from Elkem Mangan KS	-	-	214
	403	404	820

17. INVENTORIES

	1999	1998	1997
Finished goods	735	1 293	1 039
Work in progress	43	180	175
Raw materials	322	583	620
Operating materials	197	322	229
	1 297	2 378	2 063

Of the inventory at 31 December 1999, NOK 84 million is recorded at net realisable value, while the rest is recorded at purchase cost. At 31 December 1998, NOK 143 million was recorded at net realisable value. The inventory of finished goods and work in progress decreased

by NOK 695 million in 1999. The decrease is mainly due to the sale of the manganese business 30 June 1999. In 1998, the inventory of finished goods and work in progress increased by NOK 259 million, while in 1997 it increased by NOK 200 million.

18. CURRENT RECEIVABLES

	1999	1998	1997
Receivables from customers	1 469	1 643	1 728
Provision for doubtful accounts	(52)	(54)	(56)
Other current receivables	237	317	291
	1 654	1 906	1 963

19. MARKET-BASED FINANCIAL CURRENT ASSETS

	The company's share capital (mill)	Total no. of shares (000)	Nominal value (mill)	Book value 31.12.99 (mill)	Market value 31.12.99 (mill)
Hafslund – B	(NOK) 115	1 597	2	55	49
Orkla	(NOK) 1 370	330	2	42	46
Nycomed	(NOK) 10	130	0	8	6
Höganäs – B	(SEK) 191	153	1	20	27
Haldex	(SEK) 112	227	1	23	21
Sapa	(SEK) 915	102	3	11	17
SSAB	(SEK) 2 803	131	3	13	16
Total shares in other foreign companies				51	53
Total				223	235

In 1999, the share portfolio was recorded at costs, which involved the reversal of an earlier charge of NOK 12 million from 1998. In addition, the company recorded realised gains and dividends received totalling NOK 33 million as income, compared to NOK 6 million in 1998.

20. CASH AND BANK DEPOSITS

	1999	1998	1997
Cash and bank balances	412	249	275
Income tax withheld on behalf of employees and other restricted deposits	4	-	-
Other short-term deposits	690	26	1
	1 106	275	276

The Elkem Group provides a bank guarantee as collateral for tax withheld on behalf of employees in Elkem ASA and 100 percent owned Norwegian subsidiaries. This guarantee had as at 31 December 1999 a limit of NOK 40 million.

21. EQUITY

	1999	1998	1997
Share capital			
Share capital 1.1.	986	986	986
Change during the year	-	-	-
Share capital 31.12.	986	986	986
Nominal value own shares			
Own shares 1.1.	-	-	-
Own shares bought during the year	(16)	-	-
Nominal value own shares 31.12.	(16)	-	-
Other equity			
Other equity 1.1.	3 654	3 370	2 714
Net income for the year	808	561	896
Own shares (acquisition cost above nominal value)	(93)	-	-
Dividend (NOK 6.50 per outstanding share per 31.12.99)	(315)	(296)	(296)
Conversion differences/hedging	48	19	56
Other equity 31.12.	4 102	3 654	3 370

Conversion differences include changes in exchange rates on USD liabilities that hedge the foreign exchange risk inherent in the investment in the US subsidiary Elkem Holding Inc. This hedge covers approx. 73 percent of the gross exposure at the end of 1999. Similar transactions have not been carried out for the other foreign subsidiaries.

Own shares as per 31 December 1999

In September 1999, Elkem ASA bought 784 800 shares at a total consideration of NOK 109 million, or about NOK 139 per share. The background for this transaction was that the company considered this a sensible way of investing surplus liquidity. In addition, the company acquired 9 382 own shares from its subsidiary Verksjern AS.

22. PENSION COSTS AND PENSION LIABILITIES

Elkem ASA and all major subsidiaries have pension plans that will provide future pension benefits to the employees. For the Norwegian part of the operations, the pension plans are managed by insurance companies, while the pension plans for the North America operations are primarily managed as independent pension plans. Allocations to the Group's pension plans are made in accordance with practice and actuarial

assessment methods generally accepted in the country where the pension plan applies. The Group's pension plan assets at the end of the year were primarily invested in listed companies (53 percent), bonds (39 percent), and other interest-bearing securities and real estate (8 percent). In addition to the Group's employees, the pension plans cover approximately 2 153 Norwegian pensioners and 886 non-Norwegian pensioners.

Net accrued pension cost

	1999	1998	1997
Present value of this year's pension earnings	66	65	52
Interest cost on pension liabilities	151	170	155
Projected yield on pension assets	(223)	(233)	(166)
Net amortisation	40	68	9
Net pension cost, actuarially assessed	34	70	50
Other pension-related costs	17	10	5
Total pension costs	51	80	55

Estimated pension liability

	1999	1998	1997
Projected benefit obligation (PBO)	(2 046)	(2 826)	(2 471)
Pension assets at fair value	2 012	2 554	2 266
Net estimated pension (liabilities)/assets	(34)	(272)	(205)
Unrecognised effect of changes in estimates/plans	166	258	175
Net recognised pension (liabilities)/assets	132	(14)	(30)
Pension liabilities in the balance sheet	(167)	(256)	(244)
Pension assets in the balance sheet	299	242	214

Economic assumptions:

Discount rate (%)	6.0 – 7.75	6.0 – 7.5	6.0 – 8.0
Assumed return on assets (%)	7.0 – 10.0	7.0 – 10.0	7.0 – 9.5
Assumed salary increase (%)	3.0 – 5.5	3.0 – 5.5	3.0 – 5.0
Assumed adjustment in NIS basic amount (G) (%)	0.0 – 5.0	0.0 – 5.0	0.0 – 5.0
Assumed pension increase (%)	0.0 – 5.0	0.0 – 5.0	0.0 – 5.0

The reduction in estimated pension liabilities and pension assets is mainly due to the sale of the manganese business on 30 June 1999.

Net pension assets can be used to cover pension rights earned in the future. Pension liabilities at 31 December 1999 include a provision of NOK 144 million (USD 17.9 million) for estimated liabilities relating to social benefits to pensioners of the US subsidiary Elkem Holding Inc.

23. INTEREST-BEARING LONG-TERM DEBT

	1999	1998	1997
Mortgage loans	3	25	49
Other long-term interest-bearing debt	1 658	2 015	1 591
Less current portion of long-term debt	(9)	(299)	(79)
	1 652	1 741	1 561

Loan agreements include clauses relating to the Group's equity and debt ratio. In 1999, Elkem satisfied these requirements. In 1999, Elkem ASA raised a new long-term loan of USD 20 million. In addition, drawings were made under the Group's long-term loan facilities.

The table below shows the maturity structure for the loans, by currency (ex swaps):

Currency	2001	2002	2003	2004	Post 2004	Average interest rates as of	
						Total	31.12.99
NOK	24	281	2	8	335	650	7.7%
USD	-	-	161	89	635	885	6.7%
EUR	-	-	77	-	-	77	3.4%
CHF	-	-	40	-	-	40	2.4%
Total	24	281	280	97	970	1 652	6.8%

Elkem makes use of interest rate swaps and currency swaps in order to hedge the interest rate risk and change the structure of the Group's foreign currency loans. Including the effect of the interest rate swaps, 38 percent of the company's interest-bearing debt had fixed interest rates.

The table below shows which interest and currency swaps the Group had entered into at 31 December 1999:

Elkem receiving	Amount (mill)	Interest	Elkem paying	Amount (mill)	Interest	Due date
NOK	161	6.42 %	USD	25	Libor, 6 mths	February 2001
NOK	70	Nibor, 6 mths	USD	10	Libor, 6 mths	April 2000
NOK	100	4.89 %	NOK	100	Nibor, 6 mths	June 2000

The average interest rate for the Group's long-term loans (including interest and currency swaps) with fixed and floating interest rates was 6.8 percent at year-end, of these 8.9 percent for the NOK loans, and 6.5 percent for the USD debt.

Of the Group's aggregate long-term liabilities in US Dollar, USD 107 million on the parent company's accounts, is considered as a hedge for

the foreign exchange risk associated with the investment in the US subsidiary Elkem Holding Inc. This represents approx. 73 percent of the net exposure at the end of 1999. Translation differences on liabilities and foreign exchange instruments linked to this hedging are recorded directly against equity.

24. INTEREST-BEARING SHORT-TERM DEBT

	1999	1998	1997
Bank overdrafts	48	131	64
Short-term loans	20	479	101
Current portion of long-term debt	9	299	79
	77	909	244

25. OTHER SHORT-TERM LIABILITIES

	1999	1998	1997
Payable to suppliers	911	962	1 112
Value-added taxes, vacation-pay and employee taxes payable	210	244	199
Dividends	315	296	296
Taxes payable	296	177	200
Other short-term liabilities	463	573	506
	2 195	2 252	2 313

26. LIQUID RESERVES INCLUDING CREDIT FACILITIES

	1999	1998	1997
Cash and bank deposits	1 106	275	276
Short-term debt	(20)	(480)	(101)
Bank overdrafts	(48)	(130)	(64)
Liquid reserves 31.12.	1 038	(335)	111
Unutilised bank overdraft facilities	439	1 005	646
Unutilised long-term credit lines	2 719	2 049	1 320
Credit facilities 31.12.	3 158	3 054	1 966
Liquid reserves including credit facilities 31.12.	4 196	2 719	2 077

27. MORTGAGES AND GUARANTEES

Book value of mortgaged assets	1999	1998	1997
Machinery and equipment	114	289	202
Buildings	25	50	31
Other real estate	-	1	1
Construction work in progress	1	1	4
	140	341	238
Guarantees	1999	1998	1997
Joint and several liabilities	316	267	316
Guarantees given by Elkem ASA on behalf of subsidiaries	21	8	10
Other guarantees	12	20	6
	349	295	332

The joint and several liabilities are for debt in the general partnership Elkem Aluminium ANS.

28. CURRENCY EXCHANGE CONTRACTS

The Group makes use of forward contracts to hedge contractually binding cash flows in foreign currencies. In addition to this hedging, forward contracts are used for competitive hedging up to three years ahead. In this case, forward contracts are used for the first year, while hedging for the next two years is primarily arranged by way of currency

options. These forward contracts are treated in the accounts as hedges of the underlying positions. The table below shows the Group's open net contracts (bought and sold) at forward rates as at 31 December 1999 (all amounts in million).

Forward contracts for amounts in excess of NOK 10 million:

Buy currency	Amount	Sell currency	Amount	Average forward rate
NOK	44	CAN	8	5.4414
NOK	11	DKK	10	108.5500
NOK	2 043	EUR	246	8.3170
NOK	140	GBP	11	12.7449
NOK	56	JPY	740	7.5203
NOK	40	SEK	44	92.1800
NOK	1 394	USD	177	7.8624
USD	8	NOK	61	7.9756
EUR	2	NOK	16	8.1300
EUR	2	USD	2	0.9781

Other contracts total NOK 8 million. The currency exchange contracts all have external banks as the contract party. Most mature in 2000.

Currency options:

Right to buy		Right to sell		Average Rate	Maturity	Premium paid	Market value 31.12.99
Currency	Amount	Currency	Amount				
NOK	526	USD	68	7.7334	2000	22	12

29. POWER PRODUCTION

Power

The table contains key information about the power plants that are owned and/or operated by Elkem, and the long-term contracts:

Plant, type, location/Contract	Annual production capacity/ Annual contract volume	Ownership status and remaining utilisation period/ Contract duration	Key financial terms and conditions
Power Plants			
Norway			
Sauda I-III Hydropower reservoir Rogaland	928 GWh	Leased by AS Saudefaldene from Statkraft until 2010. Negotiations for extension are in progress.	Annual delivery obligation of 883 GWh to Eramet Norway AS. At the end of the lease, the plants must be in good working condition.
Sauda IV Hydropower reservoir Rogaland	297 GWh	Owned by AS Saudefaldene. Reverts to the State of Norway 2009. Negotiations about lease are in progress.	At reversion the plant must be in good working condition.
Svelgen I, II Hydropower reservoir Sogn og Fjordane	253 GWh	Leased by Elkem ASA from Statkraft until 2010. Negotiations for extension are in progress.	At the end of the lease, the plants must be in good working condition.
Svelgen III, IV Hydropower reservoir Sogn og Fjordane	400 GWh	Owned by Elkem ASA. Reverts to the State of Norway respectively 2021 and 2029.	At reversion the plants must be in good working condition.
Siso Hydropower reservoir Nordland	862 GWh	Owned by Elkem ASA. Reverts to the State of Norway 2026.	At reversion the plant must be in good working condition.
Lakshola Hydropower reservoir Nordland	110 GWh	Owned by Elkem ASA. Reverts to the State of Norway 2056.	At reversion the plant must be in good working condition.
USA			
Hawks Nest Hydropower run-of-river West Virginia	550 GWh	Owned by Elkem Metals Co. L.P. Licence up for renewal in 2017.	Annual licence fees amount to approx 0.3 MUSD.
Alloy Coal-fired West Virginia	273 GWh	Owned by Elkem Metals Co. L.P.	Annual operating licence fee approx USD 60 000. Coal supply contract expires April 2000.
Canada			
Centrale Hydropower run-of-river Chicoutimi, Quebec	240 GWh	Owned by Elkem Metal Canada Inc. Water rights expire 2005. Negotiations for extension are in progress.	
Power Contracts			
Norway			
Statkraft (various contracts for various units)	4 728 GWh	Expires 2004–2011.	Varying degree of index adjustment, annual or multi-year interval.
Contracts with local/regional government-owned power producers (various contracts for various units)	333 GWh	Expires 2003–2019.	Partial index adjustment
Vattenfall (Elkem ASA)	343 GWh in 2000	Expires 2019. Annual volume will be stepped up to 4 076 GWh in 2015.	Price adjustment formula contains LME Aluminium price and NOK/USD exchange rate
Iceland			
Landsvirkjun (Icelandic Alloys Ltd)	1 020 GWh	Expires 2019.	Price is partially index-adjusted based on Norwegian price indices.
USA			
Contracts with regional government owned and commercial power producers (Elkem Metals Co, L.P.)	865 GWh	Expires 2000–2001, or open contract with termination notice.	Mainly fixed price contracts, partly spot price.
Canada			
Contract with commercial power producer (Elkem Metal Canada Inc)	40 GWh	Expires 2000. Negotiations for new contract in progress.	

Power plant assets are depreciated over the shorter of useful economic life and remaining utilisation/rental period. Estimated future costs at end of utilisation/rental period accrue over the same period on a straight-line basis.

30. MINING

The table contains key information about the mines and quarries that are owned and/or operated by Elkem:

Plant, location	Annual production	Ownership status and remaining utilisation period	Key financial terms and conditions
Quartzite			
Elkem Tana AS	400 000 MT	Quarry land owned by the State of Norway. Known reserves last until 2015 at present usage.	Extraction fee per MT will cover restoration upon release of the land.
Elkem ASA, Unit Elkem Mårnes	130 000 MT	Quarry land owned by local landowners. Known reserves last until 2015 at present usage.	Index-adjusted fee to landowners per MT.
Elkem ASA, Unit Vatnet Kvarts	40 000 MT	Quarry land owned by local landowners. Known reserves last until 2005 at present usage.	Index-adjusted fee to landowners per MT.

In addition Elkem has access to Quartzite sources through their involvement in the subsidiary Erimisa SA in Spain.

Chrome ore			
Mineração Vila Nova Ltda., Brazil	Approx 400 000 MT	Mining area owned by the State of Brazil. The proven reserves amount to 5 million MT chrome ore. Prospecting is in progress.	Landscaping and reforestation required upon release of area.

Mine and quarry assets are depreciated over the shorter of useful economic life and remaining utilisation period. Estimated future costs at end of utilisation period accrue over the same period on a straight-line basis or usage, as relevant. Utilisation period is calculated from known reserves and planned annual usage.

Income statement – Elkem ASA

NOK million
1 January - 31 December

	Note	1999	1998	1997
Net sales		6 520	6 353	5 965
Raw materials and production costs		(4 146)	(4 030)	(3 875)
Wages, salaries and related costs	2	(800)	(880)	(783)
Depreciation	6	(201)	(220)	(202)
Other operating costs	3	(707)	(698)	(599)
Total operating costs		(5 854)	(5 828)	(5 459)
Income from operations		666	525	506
Income from associates	8	(18)	-	-
Net interest expenses	4	(46)	(71)	(67)
Other financial items	4	172	99	114
Ordinary income before taxes		774	553	553
Taxes on ordinary income	5	(258)	(136)	19
Net profit		516	417	572
Information about:				
Allocation to reserve for valuation variances		14	-	-
Group contribution given (after taxes)		65	16	10
Proposed dividend		315	296	296
Earnings per share		10.53	8.45	11.60

Balance sheet – Elkem ASA

NOK million

	Note	31.12.99	31.12.98	31.12.97
ASSETS				
Intangible fixed assets		4	4	-
Tangible fixed assets	6	2 188	2 337	1 947
Investments in consolidated subsidiaries	7	2 560	2 142	2 307
Long-term receivables from Group companies		586	963	609
Investments in associates	8	2	11	-
Investments in shares	9	21	18	5
Long-term receivables	10	171	193	377
Financial fixed assets		3 340	3 327	3 298
Fixed assets		5 532	5 668	5 245
Inventories	11	430	899	653
Current receivables	12	1 595	1 782	1 536
Market-based financial current assets	13	223	120	88
Cash and bank deposits	14	779	42	35
Current assets		3 027	2 843	2 312
TOTAL ASSETS		8 559	8 511	7 557
EQUITY AND LIABILITIES				
Share capital		986	986	986
Nominal value own shares		(16)	-	-
Share premium reserve		702	702	702
Paid-in capital		1 672	1 688	1 688
Reserve for valuation variances		14	-	-
Other equity		1 844	1 752	1 647
Retained earnings		1 858	1 752	1 647
Equity	15	3 530	3 440	3 335
Deferred taxes	5	88	81	78
Other long-term liabilities		4	4	-
Provisions		92	85	78
Long-term loans from Group companies		997	983	981
Other interest-bearing long-term debt	16	1 229	1 301	1 267
Other long-term liabilities		2 226	2 284	2 248
Bank overdrafts		28	78	5
Other short-term liabilities	17	2 683	2 624	1 891
Current liabilities		2 711	2 702	1 896
TOTAL EQUITY AND LIABILITIES		8 559	8 511	7 557

Cash flow statement – Elkem ASA

NOK million
1 January – 31 December

	1999	1998	1997
Ordinary income before taxes	774	553	553
(Gain)/loss on sale of tangible fixed assets	(5)	-	1
Depreciation	201	220	202
Write-down of fixed assets	11	6	60
Income from associates	18	-	-
Unrealised foreign exchange (gain)/loss	(17)	6	52
Taxes payable	(153)	(133)	(184)
Change in accounts receivable	189	33	(267)
Change in inventories	469	(246)	26
Change in accounts payable	(74)	(129)	195
Change in accruals	(265)	12	(141)
Net cash flow from operating activities	1 148	322	497
Investments in tangible fixed assets	(377)	(625)	(294)
Sale of tangible fixed assets	320	6	5
Change in other investments	97	(492)	(275)
Net cash flow from investing activities	40	(1 111)	(564)
Net cash flow before financing activities	1 188	(789)	(67)
Change in interest-bearing long-term receivables	(8)	212	(48)
New long-term debt	157	294	-
Repayment of long-term debt	(492)	(17)	(212)
Purchase of own shares	(111)	-	-
Distribution of dividends	(296)	(296)	(246)
Net cash flow from financing activities	(750)	193	(506)
Net change in liquid reserves	438	(596)	(573)
Liquid reserves 1.1.	(651)	(55)	518
Liquid reserves 31.12.	(213)	(651)	(55)
Net change in credit facilities	422	858	145
Credit facilities 1.1.	2 361	1 503	1 358
Credit facilities 31.12.	2 783	2 361	1 503
Liquid reserves including credit facilities 31.12.	2 570	1 710	1 448

Notes to the accounts – Elkem ASA

Amounts in NOK million

1. NEW ACCOUNTING ACT

The introduction of the new Accounting Act resulted in some changes in Elkem ASA's accounts. Comparable figures have been revised accordingly.

The company has reversed earlier write-downs on shares in subsidiaries totalling NOK 418 million. The reversal has resulted in an increase in the

book value of shares in consolidated subsidiaries and a corresponding increase in other equity. Deferred tax is presented net in the balance sheet. Taxes payable on group contribution paid are no longer deducted from the year's tax charge. Similarly, group contribution given is presented net after deducting taxes payable.

2. SALARIES, REMUNERATIONS, NUMBER OF EMPLOYEES

	1999	1998	1997
Wages and salaries	663	723	685
National insurance contribution	74	80	54
Pension costs (see note 10)	32	45	21
Other payments	31	32	23
	800	880	783
Includes the following remuneration:			
(NOK 000)	1999	1998	1997
Members of the Board of Directors	724	720	705
Members of the Corporate Assembly	272	220	251

Benefits to executive officers etc.

Ole Enger, President and Chief Executive Officer received an annual salary of NOK 2 200 000. Salary paid in 1999 amounted to NOK 2 016 091. Other reportable benefits totalled NOK 72 910.

The President and CEO's retirement age is 65 years. In consultation with the company, he can retire from his position on reaching the age of 60. Remuneration will then be reduced from 100 percent at the age of 60 to 60 percent at the age of 65, against an obligation to work 50 percent during that period. The ordinary pension on reaching the age of 65 years is 60 percent of ordinary salary, co-ordinated with benefits from the National Insurance Scheme and the company's collective pension plan. The estimated cost of the President and CEO's pension scheme was NOK 603 000 in 1999.

In the event that the company decides to make material changes in the employment contract of the President and CEO above and beyond that mentioned above, or the employment is terminated and the parties are unable to agree on another arrangement, the President may elect to resign without notice. In such circumstances his salary will remain unchanged for six months. For the next 30 months he will receive 80 percent of full salary. He will also retain a company car and free telephone in the period. In the event that the President and CEO takes up an appointment with another company the severance pay agreement is terminated six months after the date of taking up the new position, however at the latest at the end of the severance pay period.

The President and CEO and some of the senior executives have been granted long-term bonus schemes where payments are linked, among other things, to the Group's results and the performance of the share over several years. The first payment of the bonus can take place in the year 2002, with the exception of the President and CEO who can receive a bonus in 2001. Senior executives covered by this scheme are: Richard Olav Aa (SVP and CFO), Marius H. Grønningsæter (SVP Legal Counsel), Finn Bjørn Ruyter (SVP Energy Division), Anthony C. LaRusso (SVP North American Division), Bernt Reitan (SVP Aluminium Division), Tom Preststulen (SVP Materials and Carbon Division), Arnfinn Hoolaas (SVP Business Development), Baard Haugen (SVP Corporate Development) og Espen Falla (VP IT). The total bonus payment for results achieved from 1996 through to 2005 cannot exceed 5 years' salary.

Auditor

Auditor's fees in Elkem ASA for ordinary audit totalled NOK 838 000 in 1999 and NOK 433 500 for advisory services, while for the Group the fee for ordinary auditing was NOK 3 293 000 and NOK 3 976 000 for advisory services.

No. of employees

As at 31 December 1999, the Group had 4 030 employees. The average number of employees in 1999 was 4 655. As at 31 December 1999, Elkem ASA had 1 206 employees. The average for 1999 was 1 236.

3. OTHER OPERATING COSTS

	1999	1998	1997
Write-down of tangible fixed assets	11	6	10
Loss on accounts receivable	3	2	4
Travel and entertainment costs	67	74	65
Other sales and administration costs	626	616	520
	707	698	599

4. NET INTEREST EXPENSES AND OTHER FINANCIAL ITEMS

	1999	1998	1997
Interest income	33	18	19
Interest income – Group (net)	43	34	16
Interest expenses	(122)	(123)	(102)
Net interest expenses	(46)	(71)	(67)
Income from subsidiaries (dividend)	143	115	167
Other financial income	29	5	2
Change in value of market-based financial current assets	12	(12)	-
Write-down of financial fixed assets	(1)	-	-
Foreign exchange gain/(loss)	(11)	(9)	(55)
Net financial items	172	99	114

5. TAXES

The following is a specification of the difference between the net income before taxes and the tax basis for the year:

	1999	1998	1997
Ordinary income before taxes	774	553	553
Income from partnerships reported in accordance with cost method	90	-	-
Permanent differences	28	32	11
Change in temporary differences	(30)	(31)	(16)
Tax basis for the year	862	554	548
Calculated taxes payable on current year's income (28 %)	241	155	154
Credit for taxes payable abroad	(43)	(34)	(44)
Taxes paid abroad	23	15	28
Estimated resource rent taxes	13	8	19
Correction of tax allocation previous years	4	(5)	31
Total taxes payable on current year's income	238	139	188
Change in deferred taxes	20	(3)	(207)
Taxes on ordinary income	258	136	(19)

Taxes paid abroad of NOK 23 million in 1999 are underlying taxes related to dividends from foreign subsidiaries.

The following tax-increasing and tax-reducing temporary differences can be offset and are the basis for the calculation of deferred taxes in the balance sheet:

	1999	1998	1997
Differences that are offset:			
Fixed assets	345	278	358
Current assets	33	94	29
Liabilities	(7)	(13)	(25)
Other	-	(3)	(3)
Total temporary differences	371	356	359
Differences that are not offset:			
Fixed assets	44	53	20
Basis for calculation of deferred taxes	415	409	379
Tax rate applied (%)	28/38	28/38	28/38
Net deferred tax liability	88	81	78

The upward adjustment of the value of Siso Power Plant, Svelgen III and Svelgen IV for taxation purposes, in accordance with regulations of 20 January 1997 was effected in 1997. The Norwegian Water Resources and Energy Administration (NVE) stipulated the new replacement values. Elkem appealed these values to the tax authorities. Following a decision by the Tax Assessment Board in 1999 and other minor corrections the taxable value was reduced by NOK 49 million. This

reduction was mainly due to the valuation of roads belonging to the power plants referred to. The deferred tax asset in connection with the reduction in the value for taxation purposes of the roads amounts to NOK 18 million and is incorporated in the accounts as an increase in the tax charge for 1999. The change in the value of the power plants reduced taxes in 1998 and 1997 by NOK 28 million and NOK 207 million respectively.

6. TANGIBLE FIXED ASSETS

	Machinery and Equipment	Buildings	Other real estate	Capitalised costs	Construction work in progress	Total
Cost and revaluations						
Cost 1.1.99	3 328	1 319	70	62	316	5 095
Revaluation 1.1.99	23	597	-	-	-	620
Retirements new principle 1)	(531)	(134)	(5)	(4)	(22)	(696)
Additions 1999	192	75	1	-	109	377
Retirements 1999	(52)	(1)	(1)	(1)	(1)	(56)
Balance 31.12.99	2 960	1 856	65	57	402	5 340
Of this capitalised interest expenses on tangible fixed assets of own production	3	1	-	-	9	13
Depreciation and write-downs						
Balance 1.1.99	(2 235)	(1 057)	(31)	(55)	-	(3 378)
Retirements new principle 1)	301	78	-	4	-	383
Retirements 1999	49	2	1	2	-	54
Write-downs 1999	(8)	(3)	-	-	-	(11)
Depreciation 1999	(140)	(56)	(1)	(3)	-	(200)
Balance 31.12.99	(2 033)	(1 036)	(31)	(52)	-	(3 152)
Net book value						
Balance 1.1.99	1 116	859	39	7	316	2 337
Balance 31.12.99	927	820	34	5	402	2 188
Useful economic life	5–20 years	25–50 years	0–25 years	10–20 years		
Depreciation method	Straight-line	Straight-line	Straight-line	Straight-line		

1) "Retirements new principle", refer to Elkem Mangan KS which was accounted for using the gross method in 1998. With effect from 1 January 1999 the investment is reported in accordance with the cost method.

Investments in and sale of tangible fixed assets

	1999		1998		1997		1996		1995	
	Inv.	Sale	Inv.	Sale	Inv.	Sale	Inv.	Sale	Inv.	Sale
Machinery and equipment	192	234	355	3	182	3	138	2	134	4
Buildings	75	57	86	3	26	1	37	2	15	4
Other real estate	1	6	8	-	1	-	3	4	1	1
Capitalised costs	-	-	1	-	1	1	11	-	2	-
Construction work in progress	109	23	175	-	84	-	(9)	-	8	-
Total	377	320	625	6	294	5	180	8	160	9

7. INVESTMENTS IN CONSOLIDATED SUBSIDIARIES AND JOINT VENTURES (NOK 000)

	Business office	Country	Elkem ASA's ownership/ voting rights (%)	Elkem ASA's book value 31.12.99
Elkem Automotive AS	Oslo	Norway	100	10 800
Elkem Brazil S.A.	Rio de Janeiro	Brazil	100	19 692
Elkem Danmark AS	Vedbæk	Denmark	100	5 139
Elkem GmbH	Düsseldorf	Germany	100	1 309
Elkem Holding Inc.	Pittsburgh	USA	100	601 151
Elkem Holdings Ltd.	Sheffield	UK	100	21 840
Elkem International AS	Oslo	Norway	100	482
Elkem Japan KK	Tokyo	Japan	100	15
Elkem Mangan Management AS	Oslo	Norway	100	122 147
Elkem Meraker AS	Kopperå	Norway	100	156 542
Elkem Metal Canada Inc.	Quebec	Canada	100	62 080
Elkem Mineraler AS	Oslo	Norway	100	15 050
Elkem Nydalen AS	Oslo	Norway	100	50
Elkem Rana AS	Mo i Rana	Norway	100	143 200
Elkem SARL	Paris	France	100	8 770
Elkem SRL	Milano	Italy	100	6 397
Elkem Sverige AB	Stockholm	Sweden	100	252
Elkem Tana AS	Tana	Norway	100	5 000
Elkem Technology AS	Oslo	Norway	100	20 000
Hoffsvn. 65 B ANS	Oslo	Norway	100	-
Mineração Vila Nova Ltda.	Santana	Brazil	100	26 622
Aktieselskabet Saudefaldene	Sauda	Norway	100	323 615
AS Sulitjelma Gruber	Fauske	Norway	100	16 433
Thamshavn Verk AS	Orkanger	Norway	100	198 554
AS Verksjern	Oslo	Norway	100	50 416
Elkem International Trade Co Ltd.	Shanghai	China	28 1)	558
Elkem Mangan KS	Oslo	Norway	90 2)	451 687
Elkem Chartering AS	Oslo	Norway	80	796
Bjølfefossen ASA	Ålvik	Norway	70	166 579
Contango AS	Oslo	Norway	70	650
Elkem BeNeLux S.A.	Brussels	Belgium	51	258
Icelandic Alloys Ltd.	Akranes	Iceland	51	123 392
Elkem Aluminium ANS	Oslo	Norway	50 3)	-
Total consolidated subsidiaries and joint ventures				2 559 476

1) The remaining 72 percent of the shares in Elkem International Trade Co Ltd. are owned by Elkem International AS.

2) The remaining 10 percent of the partnership Elkem Mangan KS are owned by Elkem Mangan Management AS.

3) Ownership interests in the joint venture Elkem Aluminium ANS are reported in accordance with the gross method.

8. INVESTMENTS IN ASSOCIATES

	Business office	Ownership/ voting shares	Cost	Book value 1.1.99	Additions/ retirements	Income from associates	Book value 31.12.99
Industrikraft							
Midt-Norge DA	Oslo, Norway	30 %	21	11	9	(18)	2

The investment is reported using the equity method.

9. INVESTMENTS IN SHARES

	Ownership/voting shares (%)	Book value 31.12.99
Scanwafer AS	10	9
Other	-	12
		21

10. PENSION COSTS AND PENSION LIABILITIES

Net accrued pension cost

	1999	1998	1997
Present value of this year's pension earnings	27	25	23
Interest cost on pension liabilities	42	45	42
Projected yield on pension assets	(48)	(51)	(47)
Net amortisation	2	23	8
Net pension cost, actuarially assessed	23	42	26
Other pension-related costs	9	3	(5)
Total pension cost	32	45	21

Estimated pension liability

	1999	1998	1997
Projected benefit obligation (PBO)	(742)	(894)	(723)
Pension assets at fair value	737	877	726
Net estimated pension (liabilities)/assets	(5)	(17)	3
Unrecognised effect of changes in estimates	146	153	109
Net recognised pension assets	141	136	112

Economic assumptions:

Discount rate (%)	6.0	6.0	6.0
Assumed return on assets (%)	7.0	7.0	7.0
Assumed salary increase (%)	3.0	3.0	3.0
Assumed adjustment in NIS basic amount (G) (%)	2.5	2.5	2.5
Assumed pension increase (%)	2.0	2.0	2.0

11. INVENTORIES

	1999	1998	1997
Finished goods	182	409	249
Work in progress	29	67	65
Raw materials	119	227	221
Operating materials	100	196	118
	430	899	653

Of the inventory at 31 December 1999, NOK 13 million is recorded at net realisable value, while the rest is recorded at purchase cost. The inventory of finished goods and work in progress decreased by NOK 265 million in 1999. The decrease is mainly due to the sale of the

manganese business 30 June 1999. In 1998, the inventory of finished goods and work in progress increased by NOK 162 million, while in 1997 it decreased by NOK 25 million.

12. CURRENT RECEIVABLES

	1999	1998	1997
Receivables from customers	725	852	916
Short-term receivables from Group companies	729	750	480
Other current receivables	141	180	140
	1 595	1 782	1 536

13. MARKET-BASED FINANCIAL CURRENT ASSETS

In 1999, the share portfolio was recorded at costs, which involved the reversal of an earlier charge of NOK 12 million from 1998. Realised gains and dividends received totalling NOK 33 million was recorded as income in 1999, compared to NOK 6 million in 1998. See note 19 in the Group accounts.

14. CASH AND BANK DEPOSITS

	1999	1998	1997
Cash and bank balances	168	42	35
Other short-term deposits	611	-	-
	779	42	35

The Elkem Group provides a bank guarantee as collateral for tax withheld on behalf of employees. This guarantee had as at 31 December 1999 a limit of NOK 29 million.

15. EQUITY

In connection with the introduction of the new Accounting Act, previous write-downs on shares in subsidiaries were reversed in the amount of NOK 418 million. The reversal is corrected with effect from 1 January 1997.

Changes in the company's equity	Share capital	Nom. value own shares	Share premium reserve	Reserve for valuation variances	Other equity	Total
Equity 31.12.98	986	-	702	-	1 334	3 022
Reversal	-	-	-	-	418	418
Equity 1.1.99	986	-	702	-	1 752	3 440
Purchase of own shares	-	(16)	-	-	(95)	(111)
Net income for the year	-	-	-	14	502	516
Dividend	-	-	-	-	(315)	(315)
Equity 31.12.99	986	(16)	702	14	1 844	3 530

Own shares as per 31 December 1999

In September 1999, Elkem ASA bought 784 800 shares at a total consideration of NOK 109 million, or about NOK 139 per share. The background for this transaction was that the company considered this a sensible way of investing surplus liquidity. In addition, the company acquired 9 382 own shares from its subsidiary Verksjern AS at a cost of NOK 1.7 million.

Shareholders

Shareholders holding more than 1% of the shares in Elkem ASA as at 31 December 1999:

Owner	No. of shares	%
Orkla ASA and owned companies	12 467 867	25.7
Chase Manhattan Bank	11 893 803	24.5
National Insurance Fund	2 270 000	4.7
Avanse – several funds	1 670 250	3.4
State Street Bank & Trust	1 550 181	3.2
Storebrand Livsforsikring	1 197 300	2.5
Gjensidige Liv	951 864	2.0

16. OTHER INTEREST-BEARING LONG-TERM DEBT

	1999	1998	1997
Mortgage loans	-	14	8
Other long-term interest-bearing debt	1 234	1 555	1 289
Less current portion of long-term debt	(5)	(268)	(30)
Total external interest-bearing long-term debt	1 229	1 301	1 267

External interest-bearing long-term debt:

Currency	2001	2002	2003	2004	Post 2004	Total
NOK	5	278	-	6	335	624
USD	-	-	-	89	516	605
	5	278	-	95	851	1 229

17. OTHER SHORT-TERM LIABILITIES

	1999	1998	1997
Payables to suppliers	275	468	515
Payables to suppliers – Group companies	515	396	478
Value-added taxes, vacation-pay and employee taxes payable	144	167	135
First year's instalment on interest-bearing long-term debt	5	268	30
Other interest-bearing debt	13	439	71
Interest-bearing debt – Group companies	951	176	12
Dividends	315	296	296
Taxes payable	220	124	125
Other short-term liabilities	155	274	215
Other short-term liabilities – Group companies	90	16	14
	2 683	2 624	1 891

18. MORTGAGES AND GUARANTEES

Book value of mortgaged assets	1999	1998	1997
Machinery and equipment	-	163	57
Buildings	-	31	13
Other real estate	-	1	1
	-	195	71
Guarantees	1999	1998	1997
Joint and several liabilities	316	267	316
Guarantees for loans to subsidiaries	22	67	73
Guarantees given on behalf of subsidiaries	68	65	50
Other guarantees	12	20	6
	418	419	445

The joint and several liabilities are for debt in the general partnership Elkem Aluminium ANS.

19. SHAREHOLDING OF CORPORATE ASSEMBLY, BOARD OF DIRECTORS, MANAGEMENT AND THE AUDITOR

The company's share capital is NOK 985 600 000, divided into 49 280 000 shares of NOK 20 nominal value. There are no voting restrictions. The company owned 794 182 own shares as at 31 December 1999, so that the number of outstanding shares at year-end was 48 485 818.¹⁾

Shares owned by management, members of the Board of Directors and the Corporate Assembly and close personal relations at 31 December 1999:

CORPORATE ASSEMBLY

Elected by the shareholders:

Jens P. Heyerdahl d.y., <i>Chairman</i>	2 170
Ebbe C. Astrup	60 293
Svein R. Hagen	0
Hans Herman Horn	23 000
Mette K. Johnsen	100
Bjørn Kristoffersen	0
Sven A. Solberg	4 700
Olaug Svarva	31
Mille-Marie Treschow	369
Egil M. Ullebø	50

Deputies:

Ole Borge	360
Hans Erik Gjøvaag	300
Olav T. Lappegård	599
Tom Vidar Rygh	3 350

Elected by the employees:

Nils Dag Drivdal	0
Morten Vik	0
Roar Aanvik	0
Kjell Vetland	0
Einar Støfringshaug	0

Deputies:

Knut Gullhav	0
Per Tronvoll	0
Vidar Kolnes	0

BOARD OF DIRECTORS

Elected by the shareholders:

Finn M. Jebsen, <i>Chairman</i>	8 074
Anders G. Carlberg	500
Anders Eckhoff	500
Finn A. Hvistendahl	1 000
Finn Kristensen	50

Elected by the employees:

Bernt Carlsen	0
Rune Olsen	0

Deputies:

Trond Aspen	0
Svein Øvrebø	78
Hedvig Aarvold	0

MANAGEMENT

Ole Enger	1 500
Marius H. Grønningseter	500
Richard Aa	0
Hilde Aasheim	0
Svein Sundsbø	0
Øyvind Sørli	0
Gudmundur Einarsson	500
Svein Tore Holsether	500
Arnfinn Holås	0
Tom Preststulen	0
Bernt Reitan	216
Anthony LaRusso	0
Finn Bjørn Ruyter	0
Vegard Olderheim	1 261
Sven Crosby	0
John M.W. Vickery	1 000
Ola Bøsterud	0
Christian Dethloff	0
Christian Stokke	0
Baard Haugen (took up his position 6.3.00)	800

AUDITOR

Erik Mamelund	0
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¹⁾ In March 2000 the company bought a further 573 550 own shares. At 16 March 2000, the portfolio of own shares totals 1 367 732 and there are 47 912 268 outstanding shares.

Auditor's Report for 1999

(Translated from Norwegian)

To the Annual Shareholders' Meeting of Elkem ASA

We have audited the annual financial statements of Elkem ASA as of 31 December 1999, showing a profit of NOK 516 308 058 for the parent company and a profit of NOK 794 000 000 for the group. We have also audited the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the appropriation of the profit. The financial statements comprise the balance sheet, the statements of income and cash flows, accounting principles, the accompanying notes and the consolidated accounts. These financial statements are the responsibility of the Company's Board of Directors and Chief Executive Officer. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and auditing standards and practices generally accepted in Norway. Those standards and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements have been prepared in accordance with law and regulations and present the financial position of the Company and of the Group as of 31 December 1999, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the Company's management has fulfilled its obligation in respect of registration and documentation of accounting information as required by law and accounting standards, principles and practices generally accepted in Norway
- the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the appropriation of the profit is consistent with the financial statements and comply with law and regulations.

Oslo, 21 March 2000

Arthur Andersen & Co

Erik Mamelund (sig)

State Authorised Public Accountant (Norway)

The Corporate Assembly's report to the Annual General Meeting

At a meeting held on 23 March 2000, the Corporate Assembly discussed the 1999 annual accounts that have been presented by the Board, the balance sheet as at 31 December 1999 for Elkem ASA and the Elkem Group, and the allocation of the profit for the year in the parent company. The Corporate Assembly resolved to recommend approval of the accounts and the Board's proposal for the allocation of the net profit.

Oslo, 23 March 2000

Jens P. Heyerdahl d.y. (sig)

Chairman, Corporate Assembly

Key figures – The group

All amounts in NOK million unless otherwise stated

	Definitions	1999	1998	1997	1996	1995
Income	Net sales	9 583	9 957	9 594	9 334	9 320
	Sales outside Norway (%)	93	95	93	91	92
	Income from operations	924	1 027	1 061	1 024	1 135
	Income from associates	3	7	24	43	130
	Ordinary income before taxes	1 163	929	983	945	1 079
	Net profit	794	587	908	738	857
	Minority interests	(14)	26	12	2	7
	Majority interests	808	561	896	736	850
Cash flow	Net cash flow from operating activities	2 429	650	667	1 188	1 235
	Investments in tangible fixed assets	961	1 470	913	423	286
	Liquid reserves 1	1 038	(335)	111	721	89
	Liquid reserves including credit facilities 2	4 196	2 719	2 077	2 509	1 836
Capital	Total assets	9 671	10 222	9 141	8 277	8 170
	Total equity 3	5 330	4 912	4 602	3 782	3 291
	Equity ratio (%) 4	55	48	50	46	40
	Net interest-bearing debt 5	604	2 360	1 302	923	1 879
	Operating working capital 6	1 814	3 030	2 656	2 292	2 231
	Fixed assets	5 391	5 543	4 751	4 084	4 382
	Net assets 7	7 205	8 573	7 406	6 376	6 613
Profitability	Gross operating margin (%) 8	14.4	14.8	15.0	14.8	15.9
	Net operating margin (%) 9	9.6	10.3	11.1	11.0	12.2
	Return on net assets (%) 10	11.8	12.9	15.7	16.4	19.1
	Return on equity (%) 11	15.5	14.5	21.7	20.9	28.3
Share data	No. of outstanding shares (mill)	48.486	49.280	49.280	49.280	49.280
	Average no. of outstanding shares (mill)	49.017	49.280	49.280	49.280	49.280
	Earnings per share (NOK) 12	16.48	11.38	18.18	14.94	17.25
	Ordinary earnings per share (NOK) 13	16.48	13.47	18.18	14.94	17.25
	Cash flow per share (NOK) 14	49.55	13.19	13.53	24.11	25.06
	Dividend per share (NOK)	6.50	6.00	6.00	5.00	4.50
	Market price 31.12. per share (NOK)	185.00	91.00	98.00	105.50	71.50
	Dividend coverage (%) 15	39	53	33	33	26
	Price/earnings ratio (P/E) 16	11.2	8.0	5.4	7.1	4.1
	Book value of equity 31.12. per share (NOK) 17	110	100	93	77	67
RISK per share – estimated for 1999 (NOK)	5.56	2.07	3.39	5.86	(1.10)	
Employees	Number of employees at 31.12.	4 030	5 254	5 203	5 048	5 301

Definitions

1)	Liquid reserves	Cash and bank deposits less bank overdrafts and short-term loans
2)	Liquid reserves including credit facilities	Liquid reserves plus unutilised credit facilities
3)	Total equity	Shareholders' equity plus minority interests
4)	Equity ratio	Total equity divided by total assets
5)	Net interest-bearing debt	Interest-bearing debt less liquid assets and interest-bearing receivables
6)	Operating working capital	Receivables from customers plus inventories less external payables to suppliers and advances from customers
7)	Net assets	Operating working capital plus total fixed assets
8)	Gross operating margin	Income from operations plus depreciation divided by net sales
9)	Net operating margin	Income from operations divided by net sales
10)	Return on net assets	Income from operation plus income from associates divided by average net assets
11)	Return on equity	Ordinary income divided by average total equity
12)	Earnings per share	Majority interests divided by the average number of outstanding shares
13)	Ordinary earnings per share	Ordinary income less minority interest divided by the average number of outstanding shares
14)	Cash flow per share	Cash flow from operating activities divided by the average number of outstanding shares
15)	Dividend coverage	Dividend per share as a percentage of earnings per share
16)	Price/Earnings	Market price per share divided by earnings per share
17)	Book value of equity per share	Total equity divided by number of outstanding shares

Environmental report 1999



- Elkem achieved good results in the environmental area during 1999. A series of measures resulted in lower resource consumption and reduced the burden on both people and the environment
- Most regulated emissions and discharges were considerably lower than our permits
- Lost-time injuries were reduced by as much as 33 per cent compared to 1998. In 1999, Elkem reported the lowest number of injuries in its history

A new aluminium oxide unloading crane at Mosjøen has removed a dust and noise nuisance. It cost NOK 30 million.

ELKEM AND THE ENVIRONMENT

Metals and materials from Elkem are basic materials for modern industrial production in many fields. Environmental performance and good resource utilisation are therefore crucial if the Group is to maintain its position as one of the world's leading suppliers in its core areas.

Production processes involve resource consumption, emissions and discharges, transport and waste. The Group therefore faces a considerable challenge in running its business so that the burden on health, the environment and safety is kept to a minimum throughout the value added chain.

But the applications for which Elkem's products are produced also have great importance for the environment. Materials from Elkem make cars lighter, extend the lifespan of concrete and make it possible to reduce energy consumption in producing various metals and alloys.

Elkem is the world's largest producer of silicon metal, for example. The Group supplies well over half of the silicon metal which is further processed for use in the world electronics industry, and almost a third of the volume used by the chemicals industry. End users may be manufacturers of electronic equipment for IT and communications, or of synthetic materials such as oil, sealing compounds or medical equipment.

Elkem also develops and supplies silicon metal for use in solar cell technology.

Large amounts have been invested in rebuilding Elkem's two aluminium plants at Lista and Mosjøen in Norway. As the second largest Norwegian

aluminium producer, Elkem has thereby increased its production capacity for a metal which means a lot in an environmental context, while at the same time considerably improving the environmental aspects of its actual production.

Elkem's environmental report provides an overall picture of the Group's challenges, management, performance and status for health, the environment and safety. Further details are provided in the environmental reports published by all of Elkem's Norwegian plants. In 1999, four of the company's units received awards for good environmental reports.

The organisation of Elkem's environmental work is laid down in the Group's environmental policy, which provides guidelines for all Elkem units. Compliance with the environmental policy is checked through internal audits and routine reporting to divisions and corporate management.

CHALLENGES

Elkem administers important natural resources. Further development of environmental advantages is accordingly necessary if the Group is to defend its leading position on the world market. The ability to extend processes and operations is nevertheless closely linked to the general conditions under which the Group operates.

Competition from companies with lower environmental requirements and taxes represents a principal market challenge to Elkem. The Group is therefore working actively to secure a regulatory framework which rewards high environmental standards.

The unilateral Norwegian tax being levied on sulphur dioxide emissions is one

example of a general condition which prejudices improvement work. In 1999, this tax costs Elkem approximately NOK 15 million. The Group believes that these funds should have been used instead to reduce sulphur dioxide emissions. It accordingly supports the proposal to introduce a system of tradable quotas for sulphur dioxide emissions, which will stimulate cost-effective reduction measures.

Norway has accepted considerable environmental commitments from around 2010. These obligations include a considerable reduction in emissions of greenhouse gases, sulphur dioxide and nitrogen oxides. The reductions required to meet the commitments call for extensive technological development and investments.

Elkem believes that it should be possible to achieve these emission reductions without any cutback in its operations. This assumes that Norway opts for cost-effective reduction measures in line with the adoption of such measures in other affected countries. That can be achieved by common implementation across sectors. Until the policy conditions have been clarified, investments in Norway involve a great deal of uncertainty.

The environment and economics

A high level of resource utilisation makes Elkem competitive in an international market. The Group's own research and development also made a valuable contribution in this connection during 1999. Elkem's R&D projects contribute not only to more effective utilisation of resources and higher earnings, but also to reducing the burden on the environment.



Elkem registered a 33 per cent improvement in lost-time injuries during 1999.

In the 1970s and 1980s, Elkem invested several hundred million kroner in developing and installing plant for filtering flue gases at all its smelting plants. Today, conversion and exploitation of waste materials and by-products from Elkem's production processes is organised as a separate business area. Filtration of offgases from the plants has resulted in the development of special products which today represent a considerable part of Elkem's product range. Elkem Meraker, where silicon was previously the main product, was operated in 1999 primarily for dust production.

Greenhouse gases

Under the Kyoto protocol, Norway is committed to reducing emissions considerably in 2008–2012 compared with estimated levels. During this period, Norwegian emissions will be no higher than 101 per cent of emissions in 1990. This commitment can be achieved jointly with other countries. By comparison, the 1999 level of Elkem's greenhouse gas emissions in Norway was equivalent to 95 per cent of the 1990 level. Since production levels rose over the same

period, emissions per unit produced declined considerably.

Under the emission agreement negotiated between the Norwegian aluminium industry and the authorities, Elkem has accepted commitments which will contribute to global reduction of greenhouse gas emissions. For every tonne of aluminium produced, emissions will be reduced by 55 per cent in 2005 compared to the 1990 level.

Emission trading

Elkem and the rest of the processing sector and industry in general have proposed a trading model which assumes a free initial allocation of quotas to the process industry on the basis historical emissions. The distribution model chosen by the authorities will be crucial to the future competitiveness of Norway's process industry.

Over the past few years, Elkem has been working on several projects to identify the potential for further emission reductions. These embrace energy recovery, further process improvements and increased use of biologically-based carbon materials as reducing agents in processes.

ELKEM HES POLICY

1. Goals

Elkem will manage the activities in such a way that the strain on health, safety and environment be minimized throughout the whole chain of value added. The manufacturing of metals, materials and other products will be carried out through resource efficient processes thus taking care of health, environment and safety.

Elkem is and shall continue to be environmentally aware, with a healthy and safe working environment to protect our employees, our installations and our assets.

2. Priorities

Health, safety and environment activities are to be an integral part of the activities and are to be assessed on the same level as other operational tasks. Elkem's first concern will be to protect employees and other affected by our activities against work-related injuries and ill health. We shall operate in compliance with all laws and regulations in force within this field. Environmental aspects are always to be considered when decisions on investments and use of resources are made.

3. Accountability

Managers at all levels are accountable for the organization, training and implementation of health, safety and environment procedures, and to ensure that practices are in compliance with statutory regulations and provisions (policies) within their own areas of accountability. Managers will also set specific goals for improvement and cooperate with all employees to achieve same. All employees shall contribute to a safe working environment, protection of the external environment and the company's resources and equipment. Each employee is responsible for her/his protection and must adhere to instructions and guidelines established for the implementation of specific tasks.

4. Improvements

Health, Safety and Environmental Protection shall be an integral part of Elkem's Quality Management System (EQMS). Deviations are to be dealt with, creating a basis for corrective actions and continuous improvement.

5. Prevention

Safety procedures and practices will be based on risk assessments. Potential hazards are to be identified and evaluated. Accidents, ill health, injuries and environmental damage are to be registered and investigated in order to find their root cause.

6. Reporting

To ensure compliance with relevant laws, regulations and Elkem's goals, policies and guidelines, a system for continuous registration, reporting and auditing shall be available. The plants will yearly publish environmental reports describing essential affairs in accordance with the company's template. As basis for our environmental management system, all plants shall be certified according to ISO 14001.

Through the Ferroalloy Industry's Research Association (FFF), Elkem continued work in 1999 on developing bio-carbons for smelting reduction processes. This research project, which will continue to 2001, has received a promise of funds from the government-financed Klimatek research programme. Results so far indicate that the cost of a major transition to bio-carbon produced from Norwegian timber is unacceptable.

Energy recovery

Recovered energy can replace new production from fossil-fuelled power plants and thereby reduce global emissions of carbon dioxide and acidifying nitrogen oxides and sulphur dioxide. Several energy recovery projects have been started and more are at the planning stage.

In 1999, Elkem recovered 95 GWh electric power from flue gases at Bjølvfossen and Elkem Thamshavn. In addition, about 600 GWh was recovered in the form of hot water and energy-rich off-gases from Elkem's smelting plants in Norway. Among other applications, the heat is used for fish farming and greenhouse cultivation.

Elkem's smelting plants in Norway have an estimated recovery potential of 400–500 GWh of electricity. Exploitation of this surplus energy to produce electricity is emission-free and, compared to alternative fossil-based power (condensing coal power plants), represents a reduction of some 360 000 tonnes in carbon dioxide emissions. Exploiting the large amount of energy in flue gases from the smelting plants accordingly makes a considerable contribution to reducing global emissions of greenhouse gases.

- Elkem has invested considerable resources in developing a steam-producing furnace cover to increase the recovery rate in producing electricity. It has been decided to install one such cover at Elkem Thamshavn as an expansion of the existing recovery power station.
- The Group is continuing work on necessary clarifications for a comprehensive recovery power station at Elkem Salten. Integrating the new furnace cover technology would make it possible to recover 250–300 GWh electricity per year, or 25–30 per cent of Elkem Salten's current power consumption. However, the investments involved are substantial and that calls for a further evaluation of all commercial aspects of the project.
- Elkem Fiskaa Silicon and Kristiansand Energiverk AS are negotiating over the utilisation of heat from Furnace 9 for district heating and possible process steam to be used by neighbouring industries. The recovery plant's production capacity will be 50–100 GWh per year. Through the support scheme for bio-energy and energy-flexible thermal plants, the Ministry of Petroleum and Energy has approved investment support for the project.

ENVIRONMENTAL STATUS 1999

From an environmental perspective, 1999 was another good year for the company's units. Most of the regulated emissions to air and discharges to water were considerably lower than permits allow.

A range of measures was completed and initiated in

1999 which will result in significant reductions in emissions and discharges and reduce the burden on both people and the environment. Several projects were also started to acquire new knowledge on emissions and discharges, and their impact on the environment.

No excess discharges or emissions were registered in 1999 of such a nature as to result in orders or fines for the plants. Nevertheless, several non-conformances were registered which call for special improvements at the individual facility. No accidental discharges were registered which were of such a nature as to cause harm to people or the environment.

Three of the Group's plants are currently negotiating new emission permits with the authorities. Such permits are expected to be issued for Elkem Ashtabula, Elkem Aluminium Mosjøen and Elkem Aluminium Lista in 2000.

The plants report emissions/discharges direct to the authorities.

Environmental surveys

Several surveys were completed in 1999 to monitor the environmental impact of Elkem's production plants on their local environments.

- During 1999, Det Norske Veritas completed its commission from Elkem to measure concentrations of sulphur dioxide, nitrogen dioxide and air-borne particles and dust depositions in the vicinities of Bjølvfossen, Elkem Fiskaa Silicon, Elkem Meraker, Elkem Salten and Elkem Thamshavn. The results have been submitted to the Norwegian Pollution Control Authority (SFT).

- Examination of the vegetation in the vicinity of the aluminium plants in 1999 showed once again that emissions have little impact on forests in the region and that the emission situation is constantly improving.
- A comprehensive fjord study was carried out at Elkem Bremanger in 1998. The results show a significant improvement compared to earlier studies, but some overburdening of certain areas can still be observed.

EMISSIONS TO AIR

Electro-metallurgical production of metals and alloys from natural ores, minerals and carbon results in emissions of gases and discharges of dust to the air. Particles in the off-gases are removed in advanced filter facilities.

Status 1999

In 1999, emissions of greenhouse gases from Elkem's plants in Norway were at the same level as in 1998. Greenhouse gas emissions per tonne produced have been considerably reduced over the last few years. In general, emissions to the air were on a level with 1990 despite a significant rise in production during the period. No serious accidental emissions causing harm to people or the environment were registered in 1999. In 1999, all Elkem's smelting plants in Norway and the aluminium plants at Lista and Mosjøen were instructed to investigate the presence of heavy metals in raw materials, products and emissions.

Results from this extensive survey accord with experiences and evaluations from different environmental surveys. However, the survey has been useful because the Group acquired a more consistent

database which will provide the basis for future monitoring programmes. Owing to the short time available for the studies, some of the collected data are sufficiently uncertain that additional surveys are planned in the course of 2000.

See page 73 for a review of the most important emissions to the air.

Measures carried out in 1999

Several measures were implemented in 1999 and investments made with the aim of reducing emissions to the air from Elkem's production facilities.

- Conversion of the aluminium plants with the installation of "point feeder" technology continued in 1999. Emissions of greenhouse gases from these plants were further reduced.
- Significant investments were made to reduce emissions of dust to the air at Elkem Ashtabula, Elkem Aluminium Mosjøen, Bjølvfossen and Elkem Fiskaa Silicon. The Mosjøen investment was the biggest, with a new unloading installation for aluminium oxide alone amounting to approximately NOK 30 million. Dust suction facilities have also been installed on the furnaces to reduce the amount of dust in the casthouses. These installations came on line in 1999.
- In association with the Kristiansand Port Authority, Elkem Fiskaa has converted to container transport on barge instead of hauling containers through built-up areas by lorry to the city's loading terminal. This eliminates the transport of 4 000 containers a year through the streets from Elkem's industrial site at Fiskaa.

Accidents and problem areas

The problems experienced in satisfying permit requirements for dust emissions from one of the furnaces at Bjølvfossen in 1998 were remedied in 1999. The cause was operational problems in the plant's dust cleansing unit. This was undertaken a comprehensive upgrading and it is now functioning normally.

DISCHARGES TO WATER

The most important discharges to water are from the production facilities at Lista, Mosjøen, Rana and Ashtabula. These discharges are routinely analysed for a large range of components in accordance with guidelines laid down by the authorities.

Status 1999

Figures for 1999 show discharges well below the limits for all parameters in the permits. Nevertheless, certain discharges exceeded parameter limits on a daily or monthly basis as a result of operational interruptions in the cleansing systems. In 1999, no registered accidental discharges were of such a nature as to harm the environment.

See page 73 for a review of the most important discharges to water.

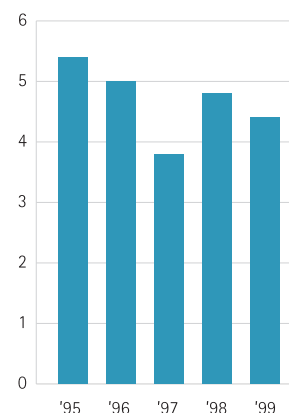
Measures carried out in 1999

Major work on increasing the capacity of the water purifying plant at Elkem Ashtabula started in 1999. The plant completed two projects aimed at preventing washout of fine particles to the surrounding areas.

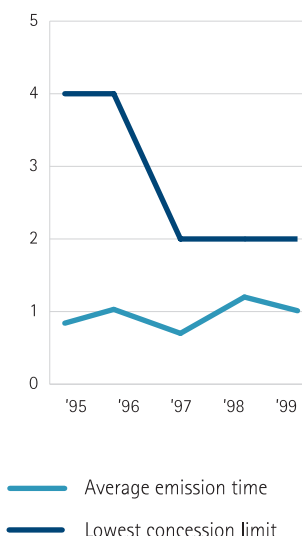
Accidents and problem areas

Elkem Bremanger registered an unsatisfactory number of acute discharges from the silgrain installation. The total discharge was less than is permitted under the licence, but nevertheless unacceptable in light of the plant's goals. This will be given priority.

Discharges of PAH to water (tonnes) from Elkem's two aluminium plants



Degree of cleansing of dust discharges at Elkem's Si/FeSi plants in Norway



DISPOSAL SITES

Bjølvefossen completed its work on upgrading an old deposit site in the shore zone during 1999. This will prevent washout of fine particles to the fjord. The project had a budget of NOK 3 million.

Elkem Pryor received approval in 1999 to close an old deposit site.

In 1999, Elkem Metals Company in the USA paid a lump-sum settlement of approximately NOK 200 000 to release the plants at Marietta and Ashtabula from any further liability for the PCB-polluted deposition site (superfund site).

SAFETY

Status 1999

Registered lost-time injuries were considerably reduced in 1999 compared to the year before. Four operative units had no registered lost-time injuries. The lost-time injury frequency per million working hours was 5.8, or 33 per cent lower than in 1998 and the lowest ever reported by the company.

44 injuries in 1999 resulted in absence from work, compared to 69 in 1998. Of the 1999 figure, 29 occurred in Norway as against 51 in 1998. There were eight cases in North America compared to 11 in 1998. Iceland experienced seven

cases compared to 11 in 1998. The largest financial loss from property damage in 1999 was incurred by Bjølvefossen, where a turbine generator-set in the energy recovery plant suffered a breakdown. The total loss amounted to NOK 25 million. In addition, an operating loss of NOK 1 million was incurred for the year. Property damage in 1999 for the Group as a whole amounted to NOK 38 million. This is somewhat higher than in 1998 and 1997.

HEALTH AND THE WORKING ENVIRONMENT

Sick leave at Elkem was 6.5 per cent in 1999 compared to 6.2 per cent in 1998. The general rise in sick leave in society is a considerable challenge. Efforts to tackle factors which cause ill-health and follow-up of sick leave are accordingly a priority.

At certain plants, Elkem has introduced test schemes with more flexible systems of self-reporting systems for sick leave. Follow-up measures through occupational rehabilitation and "active sick leave" are much used. In future, organisational changes with growing demands on expertise will continue to make this work important. It is a common responsibility for everyone in the companies, with the Group's own

occupational health services playing an important supporting role. Elkem's occupational medicine advisory council (AMF) participates in coordinating this work.

Measures carried out in 1999

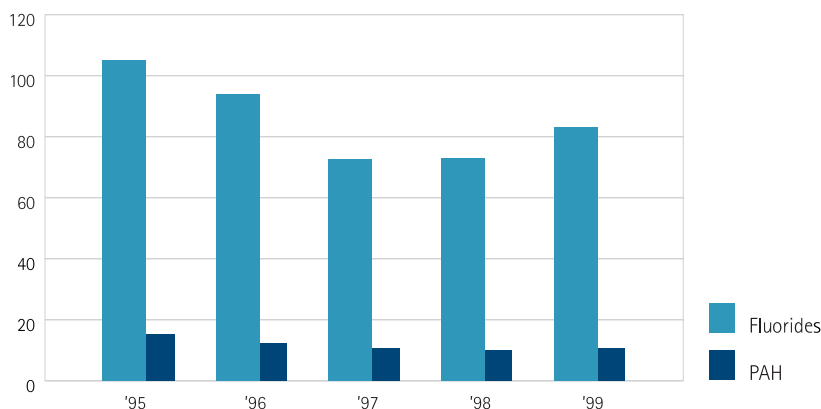
The five-year study on obstructive lung disorders (OLS) which was initiated in 1997 is continuing. Standardised lung function data are being gathered annually from all operators at the smelting plants in Norway.

A survey of how to prevent heat stress influence under particularly exposed operations in smelting plants was completed at two of the three remaining plants. As expected, results so far show certain stressful working conditions. The AMF has reviewed the results and will follow up the action taken.

The aluminium plants at Lista and Mosjøen are participating in a project on systematic measures against suffering from strain in the aluminium industry. The background was that suffering from strain has been, and remains, the occupational illness seen most frequently and the most important reason for sick leave.

A survey of strain problems in the autumn of 1998 was finished in the spring of 1999. During the year, a training programme dealing with strain-related suffering was arranged for selected groups at all the plants. The project is expected to be completed in the winter of 2000. A new poll will be carried out in the spring of 2000. This will show whether the training has had any effect in the form of less suffering by those who have participated. A final survey is planned for 2002 to assess the long-term effect.

Fluoride and PAH emissions to air (tonnes) from Elkem's two aluminium plants



IMPORTANT EMISSIONS AND DISCHARGES

Emissions to air from Elkem's plants in Norway (Excl manganese)

	t/year		SO ₂ t/year		NO _x t/year		Dust t/year		Fluoride t/year		PAH t/year	
	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998
Meraker	113 000	116 000	737	655	610	598	420	143				
Bremanger	273 661	263 684	695	832	1 075	1 035	49	45				
Fiskaa Silicon	184 697	175 000	610	576	442	422	136	137				
Salten	380 267	361 918	1 387	1 331	1 203	1 164	392	358				
Thamshavn	229 111	228 438	616	629	780	785	371	389				
Bjølvfossen	225 933	206 188	623	659	673	662	197	275				
EAL	305 000*	296 500*	186	270	-	82	110	101	32.5	31	6.5	5.7
EAM	340 887*	377 550*	193	224	46	45	164	110	50	42	4.0	4.2
Rana	153 449	151 000	287	288	-		36	45				
Carbon	15 100	16 254	409	414	11.2	200	1.85	2.6				0.8
Total	2 221 105	2 192 532	5 743	5 878	4 840	4 993	1 877	1 605	83	73	11	11

* Also including CF-gases (converted to CO₂ equivalents)

Discharges to water from Elkem's plants in Norway (Excl manganese)

	SS t/year		PAH t/year		Cr t/year	
	1999	1998	1999	1998	1999	1998
Rana	0.68	0.59	0.02	0.037	0.006	<0.002
Bremanger	261	326				
EAL	330	357	1.6	1.6		
EAM	170	70	2.8	3.2		
TOTAL	762	754	4.4	4.8	0.006	<0.002

Reportable emissions and discharges from Elkem units in USA (Excl manganese)

		To air (tonnes per year)		To water (per tonne)	
		1999	1998	1999	1998
Ashtabula	Cl	*	0.77	-	-
	SS	-	-	3.9	4.6
	Zn	-	-	0.08	0.08
Alloy	SS		-	21.3	30.5
	Mn		-	0.04	0.03
	H ₂ SO ₄	*	23.6		
	HCl	*	43.6		

* US Toxic Release Inventory to be reported within 1 July 2000

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