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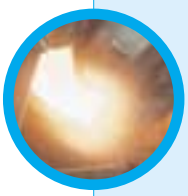
The ordinary General Meeting will be held on May 15, 2001.

The board will not propose any dividend payment for 2000.

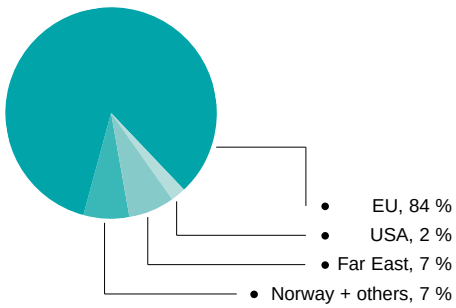
Publication of results for 2001
January-March: May 16, 2001
January-June: August 24, 2001
January-September: November 14, 2001



...this is FESIL.

The FESIL Group is a major producer of ferrosilicon (FeSi) and silicon metal (SiMetal). The Group has three melting plants, all of them in Norway: Holla Metall, Lilleby Metall and Rana Metall. Special products, including granulated and refined qualities, make up the bulk of the production. FESIL also owns FESIL-Brikettfabrikken that makes briquettes from FeSi and silicon carbide (SiC). All plants are certified as conforming to ISO 9000 and ISO 14001. A further presentation of each plant is given on page 51.

Turnover per market 2000



History

The history of FESIL began with Lilleby Metall in the city of Trondheim; here production of FeSi was started as early as 1927. The owner, Ila og Lilleby Smelteverker AS, was registered as a joint stock company December 5th, 1936. The company's name remained unchanged till 1995 when it was changed to FESIL ASA. FESIL ASA has been listed on the Oslo Stock Exchange since June 1995. FESIL ASA has its head office in the city of Oslo.

Environment

The Norwegian authorities have imposed the most stringent environmental regulations on the country's ferroalloy industry. FESIL's plants do not release anything to the sea other than cooling water and sanitary effluents. The smoke is cleansed of dust. The dust, micro silica, has become a valuable additive to a number of products, among them concrete. FESIL's production is solely powered by clean and renewable hydroelectric power.

Sales and marketing

FESIL's wholly owned sales company FESIL Sales AS handles all marketing and sales of FeSi and SiMetal. The company is represented in every important market by either subsidiaries or agents. FESIL Sales AS is also the sales agent of the FeSi produced at the Norwegian plant Finnfjord Smelteverk AS. The world's leading steel works, aluminium and iron foundries and chemical groups are to be found among FESIL's customers.

Ownership

FESIL ASA's 7,999,500 shares are listed and traded on the Oslo Stock Exchange. The biggest shareholders are the British -Swiss group Tensil/Gurta (46.4 %) and the American company Globe Metallurgical Inc. (40.0 %). The remaining shares are spread among 220 other shareholders.

Strategy

FESIL's objective is to maintain and further develop its international position as a leading producer and marketer of silicon alloys and related by-products.

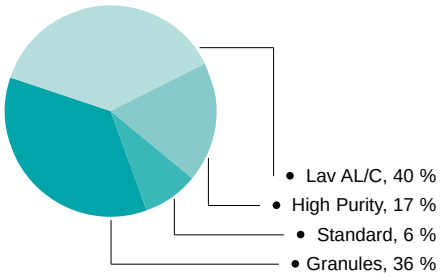
A primary objective is to give the shareholders a return on invested capital that over time at least equals the return on investments carrying a comparable risk. Since the markets for ferroalloys are strongly cyclical, the return must be evaluated over a period of time.

In order to reduce exposure to cyclical fluctuations, FESIL is endeavouring to shift its production away from standard products to products that require greater experience and technological know-how. Efforts to ensure that the products are of a stable and high quality are given high priority.

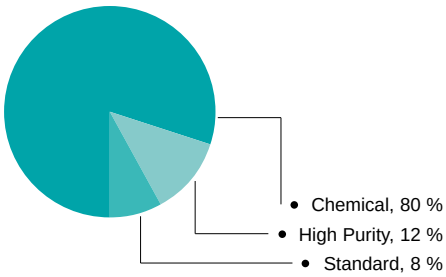
FESIL is continuously working to reduce costs through, among other, cheaper procurement, rationalisation, process improvements and greater efficiency in furnace operation. The lowest possible cost is a precondition for long-term survival and profitability. Production of FeSi and SiMetal is very energy intensive, and long-term power contracts at competitive prices and terms are consequently crucial. The company is therefore constantly focused on the question of power contracts.

Stable and long-term relationships with its customers form the basis of FESIL's marketing strategy. The marketing organisation is, as far as possible, integrated with the rest of FESIL's organisation. This market orientation of the Group is designed to ensure a rapid response to market information.

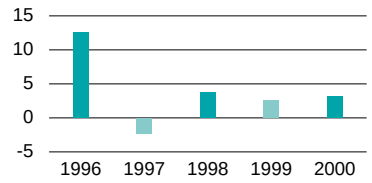
FeSi production 2000



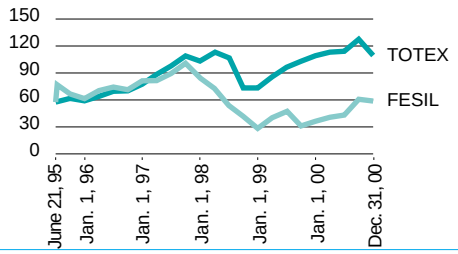
SiMetall production 2000



Earnings per share (after tax) (in NOK)



Share price vs. Oslo Børs stock index



Group Profit and Loss Statement
(in NOK mill.)

	2000	1999	1998	1997	1996
Operating income	**1,845**	1,711	2,037	2,107	2,133
Operating expenses	**1,748**	1,616	1,929	2,049	1,927
Ordinary depreciation	**49**	49	48	70	69
Operating result	**48**	46	60	(11)	137
Share of results in other companies	**15**	11	9	11	10
Net financial items	**(28)**	(28)	(24)	(27)	(39)
Profit before taxes	**35**	29	46	(27)	109
Taxes	**(10)**	(9)	(16)	9	(9)
Profit/loss for the year	**25**	20	30	(18)	100

main financial figures group

Group Balance Sheet
(in NOK mill.)

	2000	1999	1998	1997	1996
Fixed Assets	**460**	414	427	346	440
Current Assets	**731**	701	757	736	786
Total Assets	**1,191**	1,115	1,184	1,082	1,226
Equity	**497**	466	446	415	433
Long-term Debt	**265**	265	284	276	349
Short-term Debt	**430**	384	454	391	444
Total equity and liabilities	**1,191**	1,115	1,184	1,082	1,226

Key figures Balance Sheet
(in NOK mill.)

	2000	1999	1998	1997	1996
Equity ratio	**42 %**	42 %	38 %	38 %	35 %
Interest bearing debt	**410**	371	406	387	483
Investments	**65**	41	126	47	80

Highlights 2000

– Full operations, prices still low

At the beginning of 2000, because of a difficult market for silicon metal (SiMetal), two of the group's furnaces were idle and a considerable number of employees were temporarily laid off. One objective for 2000 was to have both furnaces back in production, provided that the market allowed it. One of the furnaces was re-started in April, the other one in May.

During 2000 all of FESIL's plants were certified according the environmental standard ISO 14001. The prices that FESIL achieved in 2000 for its main products, ferrosilicon (FeSi) and silicon metal (SiMetal), were still low. For FeSi the prices were almost unchanged from 1999, while the SiMetal prices were approx. 4 % lower in 2000 than the year before. There was consequently little reason to expect any substantial change in the earnings in these areas. The FESIL Group's operating result in 2000 was NOK 48 million (1999: NOK 46 million) and the result after taxes was NOK 25 million (1999: NOK 20 million).

Year 2000 will be remembered as the year when the power intensive industry turned down an offer for new electricity contracts on terms decided by the Government. The turn of the century meant in many ways a change in the industrial policy that had been in force in Norway most of the past century. The industry is prepared to meet this challenge if there is a working power market in Scandinavia and the rest of Europe. In 2000, FESIL bought 48.6 % of the shares in the German company GfM Hafner&Polte mbH. By this acquisition, FESIL aims to further strengthen its position as an important supplier to the European steel and foundry industries.

Tasks and objectives for 2001

– Efficiency, power and environment

FESIL is operating in very cyclical and international markets. For several years the strategy has been, through increasing specialisation, to move away from the most cyclical products. FESIL is now almost 100 % specialised. At the same time, the flexibility is being maintained and thus standard grades may still be produced. It is FESIL's opinion that long-term profitability can only be achieved through the combination of specialisation and efficient operations. To increase efficiency is an ongoing process that never ends. This will be one of FESIL's principal focuses also in 2001, through strict cost control and improvements in every part of the process. Even though FESIL's power situation is satisfactory the next four years, the power market is changing fast. During 2001 FESIL will continue working to secure long-term power prices at acceptable and competitive terms. Both FESIL and the other ferroalloy industries in Norway are subject to the world's most severe environmental requirements. The company's involvement in environmental matters is considerable. During 2001 FESIL will continue working to further reduce its emissions. It is also important to get acceptance for the fact that future environmental requirements must be made internationally in order that our competitiveness is not reduced to the advantage of our much more polluting competitors in Eastern Europe, Asia and South America.

board of directors' report 2000

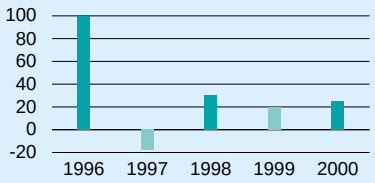
The year 2000

At the beginning of year 2000, because of a difficult silicon metal market, two out of the FESIL group's five silicon metal furnaces were out of production. The furnaces had been shut down since the first half year 1999, and a significant number of employees were consequently temporarily laid off. A defined target for 2000 was to have both furnaces back into production, provided there was basis for a profitable production. The furnaces were restarted in April and May 2000.

In 2000 the politicians presented, through the Parliamentary Bill no. 78, their so called "last offer" to the power intensive industry for long-term power on terms determined by the Government. FESIL considered this power too expensive, and the response was similar to those of almost all the other power intensive companies in Norway; the offer was turned down. This means that an industry that was established on the basis of Norway's large volumes of cheap and renewable hydroelectric power, now has to operate more and more in a liberalised and hopefully well functioning energy market. This makes demands on all parties, both the power intensive industry itself and the power producers.

Through its German subsidiary, FESIL Legierungshandel GmbH, FESIL bought in 2000 48,6 % of the shares in GfM Hafner&Polte mbH (GfM). GfM is Europe's biggest producer of ferroalloy briquettes for the foundry industry. GfM had also built up a metal trading activity over the last years. The company's name is now changed from GfM to GfM FESIL mbH (GfM FESIL). As a part of this transaction, FESIL transferred all its metal trading activity in Germany to GfM FESIL, and also all marketing and sales of briquettes produced at FESIL's briquetting plant in Norway. GfM FESIL is FESIL's agent for ferrosilicon and micro silica in Germany, Netherlands, Austria and Switzerland. All employees in FESIL Legierungshandel GmbH were transferred to GfM FESIL.

Profit/loss after tax (in NOK mill.)



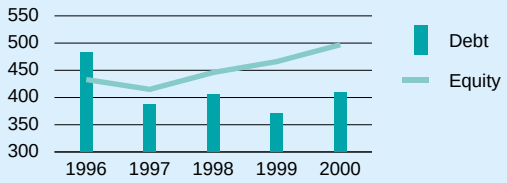
The reduction in FESIL's operating income due to these changes is expected to be more than compensated by FESIL's share of GfM FESIL's net income. In this way, FESIL has positioned itself as a very important supplier to the European foundry market. At the same time, FESIL's sales organisation for the steel market is strengthened.

FESIL's two main products are ferrosilicon (FeSi) and silicon metal (SiMetal).

Ferrosilicon is used mainly as a small, but important additive in the steel and foundry industry. Since the need for FeSi is closely tied to steel production, the world consumption and production of steel are important indicators for the development of the FeSi industry. Since the beginning of 1998 the world's total steel production had decreased. The decline bottomed out in early 1999, and thereafter the production increased steadily for the rest of the year. The increase continued into 2000. During the second half of 2000, signs of flattening out became obvious. In the US, the production reached its top already in the second quarter, thereafter decreasing for the rest of 2000. The world's total steel production in 2000 did, however, end 7.4 % higher than in 1999. The production increased in all major regions; Asia with 6.9 %, EU with 4.9 % and North America with 4.6 %. These relatively big changes of the FeSi consumption did not seem to have too much impact on the FeSi prices. The prices have been stable but low the last three years. The reason is to be found on the supply side. The increased demand is met by increased exports from China and countries within CIS. Most of FESIL's FeSi is sold in the EU. The fact that the euro weakened in 2000 against the Norwegian currency was not favourable for FESIL. Efficient and stable operations at the plants are, in addition to the market development, very important for FESIL's financial results. Since FESIL's operations were satisfactory in 2000, the total earnings from FESIL's FeSi activities turned out as expected.

Silicon metal (SiMetal) is used by the chemical, aluminium and electronics industry. FESIL has concentrated on supplying the chemical industry. The use of SiMetal by the chemical sector had increased steadily for many years, but in 1998, as a consequence of the slowdown that began in Asia, this trend was broken. The demand for SiMetal in fact fell while, at the same time, world production capacity had been increased. A surplus of SiMetal developed, resulting in a considerable fall in prices. The price erosion continued through most of 1999. Because FESIL did not want to sell at the very low spot prices, and as its contribution to stabilise a falling market, FESIL decided to temporarily cut back production of SiMetal. During some

Interest bearing debt vs. equity (in NOK mill.)



months in 1999, FESIL operated at only 50 % of capacity. The European market stabilised towards the end of the year. At that time FESIL's stocks were considerably reduced. This allowed FESIL to gradually increase its production again. All of FESIL's furnaces were back on stream by the end of the first half of 2000. Even though the European spot prices have increased steadily throughout 2000, most of FESIL's SiMetal was sold on yearly contracts concluded when entering 2000 at a time when prices still were low. Also most of FESIL's SiMetal is being sold in the EU. Therefore, the weakening of the euro had a negative impact on FESIL's results. In total, FESIL's return on its SiMetal activities in 2000 was not as good as expected.

Result and dividend

The pre-tax result of the FESIL group in 2000 was a profit of NOK 35 million. The corresponding figure for 1999 was a profit of NOK 29 million. The group's operating income increased by 8 % in 2000 to NOK 1,845 million (1999: NOK 1,711 million). The operating profits reached NOK 48 million in 2000 (1999: NOK 46 million).

The higher operating income in 2000 compared to 1999 is basically due to higher production of SiMetal in 2000. In 1999, three furnaces were temporarily shut down due to market conditions. These three furnaces were restarted between the 4th quarter of 1999 and spring 2000.

Despite a higher operating income in 2000 as compared with 1999, the operating result was only 2 million better in 2000 than the previous year. This is primarily because FESIL's sales price on SiMetal converted to NOK was 4 % lower in 2000 than in 1999, and also because FESIL's trading activity in Germany was transferred to the company GfM FESIL mbH with effect from year 2000, when FESIL bought 48.6 % of the shares in this company. The sales price on FeSi was more or less the same in 2000 as in 1999.

Net financial items amounted to net costs of NOK 13 million in 2000 (1999: net costs of NOK 17 million). The lower financial costs is mainly due to the fact that the result from FESIL's trading operations in Germany (through GfM FESIL) in 2000 is included by use of the equity method, meaning that FESIL's part of this result is included as a financial income. Net interest costs in 2000 were NOK 28 million (1999: NOK 30 million). The somewhat lower interest cost is explained by the on average NOK 14 million lower interest bearing debt in 2000 compared to 1999. The interest rate level was about the same over the two years.

The cash flow from operating activities was NOK 24 million in 2000 (1999: NOK 61 million). The Group's taxes amounted to NOK 10 million in 2000 (1999: NOK 9

million), of which NOK 5 million (1999: NOK 3 million) were taxes payable.

The result for the year after tax was a profit of NOK 25 million (1999: Profit of NOK 20 million). Earnings per share were NOK 3.14 (1999: NOK 2.45).

Since the prices on FESIL's products are still at a comparatively low level, and in order to maintain a strong financial position, the Board will propose to the Annual General Meeting that no dividend will be paid for 2000 (dividend in 1999: NOK 0). The Annual General Meeting will take place on May 15, 2000.

The results for 2000 are presented given the assumption of a "going concern".

Capital developments, financing and investments

FESIL's financial position has been significantly strengthened over the past six to seven years. Whilst the group's equity capital at the end of 1994 amounted to NOK 60 million, by the end of 2000 it was NOK 497 million. The book value of FESIL's assets has over the same period decreased by NOK 6 million, to 1,191 million as of 31.12.00. This means that the equity to assets ratio, during this period, has increased from 5 % to 42 %.

The group's net interest bearing debt amounted to NOK 410 million at the end of 2000 compared with NOK 371 million at the end of 1999. 15 % of the net interest bearing debt as of December 31, 2000 was denominated in Euros (EUR), 3 % in Japanese Yen (JPY), and the rest in Norwegian kroner (NOK). 70 % of the net interest bearing debt was tied to floating interest rates or a rate fixed for less than 12 months. At the end of 2000 not utilized drawing rights and free liquidity amounted to NOK 183 million.

The group's investments in fixed assets in 2000 totalled NOK 65 million.

Shareholder structure

In 1997 and 1998 the American metal producer Globe Metallurgical Inc. (Globe) bought 39.25 % of the FESIL-shares. During 2000 Globe increased its share to 39.99 %. Globe is the world's largest producer of special alloys for the foundry industry and the world's second largest producer of SiMetal.

The Tensil/Gurta group bought additional shares in 2000 and controlled 46.39 % of the FESIL shares by the end of the year.

As of 31.12.00, foreign interests hold 86.9 % of the company's shares.

During 2000 the price of FESIL's shares fluctuated between NOK 30-71. As of 31.12.00, the share price was NOK 58.00, compared with NOK 36.00 at the end of 1999.

As of 31.12.00 FESIL had 222 shareholders. The number of shares issued was 7,999,500, all with voting rights.

The company's share capital is NOK 79,995,000. At the end of 2000, FESIL's market value was NOK 464 million.

Environment

Norwegian producers of ferroalloys are subject to the world's strongest environmental regulations. This implies major efforts to improve the production processes and to achieve optimal process control and maintenance.

Holla Metall, the melting plant, met all emission restrictions in 2000. The plant was thoroughly inspected by the Norwegian Pollution Control Authority (SFT) in 1999. The switching station was rebuilt for NOK 7.5 million to improve the safety when maintenance is carried out. This is now very good. Other projects, at a total cost of about NOK 2 million, were carried out to improve the internal environment and to reduce some diffuse emissions.

The conditions in the sea next to the Holla plant were examined in connection with SFT's evaluation of the environmental aspects of the quartz washing process. This examination will be extended to cover a somewhat larger area. The plant management expects no problems in this respect. A project for supplying hot water to a process of breeding fish is carried out in cooperation with the two external partners. This project is an integrated part of the overall effort to optimise the energy usage at the Holla plant.

Lilleby Metall, the melting plant, had a few problems with visually detectable emissions from the filter after restarting furnace number 10 in March due to late delivery of bags for the filter. SFT was informed, but it remains to agree on exactly how these visual emissions shall be defined. Problems with the process operation of furnace number 10 from June to August caused failure to meet the 97 % limit for gas cleaning during this period. Lilleby met all other emission limits in 2000.

Lilleby had an unannounced inspection from SFT in 2000. This resulted in one discrepancy and one note, both of which are now corrected. From its neighbours Lilleby received complaints from 18 incidents of fume emissions. Improvements in the operation of furnace number 10 during the autumn have reduced these complaints substantially.

A new control system was installed in 2000 for operating the washing equipment for quartz. The mud content of the wastewater to the municipal sewage disposal plant is now close to zero.

73.7 GWh of recovered energy from the process gas was delivered to a local heating system belonging to the city of Trondheim. This is about 16 % more than in 1999, which is mainly due to the restart of furnace number 10 in March. This

energy recovery corresponds to the annual average heating demand for approx. 8,700 apartments in the city of Trondheim. Lilleby Metall is capable of recovering energy equivalent to approx. 100 GWh/year when all furnaces are in full operation. FESIL will apply for financial support for a project to recover the energy in the cooling water at the plant. If so, another 35 GWh/year of energy will be recovered, strengthening further Lilleby's position as the plant in Norway that recovers most of its electricity consumption; as mush as 45 %.

Rana Metall, the melting plant, met all their emission control requirements in 2000. SFT's thorough inspection resulted in 4 discrepancies and 4 notes, all of which are corrected. The report from the city's air pollution control program is still not finalised, but the plant has joined a new joint measurement program that is starting now. A total of 45.4 GWh of energy was recovered from the Rana Metall process gas in 2000.

ISO 14001: All FESIL production units carried out a successful environment certification program in 2000 leading to all units being approved according to the ISO 14001 environment certification standard.

ISO 14001 requires a system for environmental management control where a continuous improvement with respect to environmental issues shall be confirmed together with documentation that the plant at all times meets the laws and regulations given by the authorities.

The whole organisation has contributed to this certification process. Each plant has evaluated the status and selected which of the environmental aspects that are to be addressed first, and how. These environmental plans are continuously updated.

Heavy metal pollution: As mentioned in the annual report for 1999, the plants were ordered to examine the 6 heavy metals: Mercury, arsenic, lead, copper, chromium and cadmium. This was followed up by a comprehensive co-operation between all Norwegian producers of silicon-based ferroalloys. SFT concluded that the industry had done a thorough examination, and that the levels could not be judged as high.

Climate gases - CO_2: It was expected that the details of the Kyoto-protocol would be finalised in 2000 to allow each country to decide on the ratification. This was, however, not the case. It is not known when this very complicated process will reach its end.

Meanwhile, Norwegian authorities continue to plan how Norway shall reduce the emission of climate gases. A proposal to the Norwegian parliament, Stortinget, concerning this is expected before the summer of 2001. The strategy and selected means of reduction will have major impact on the

process industry in Norway. It seems to be a fairly broad political understanding that this industry must be assigned CO_2-quotas to avoid major disadvantages compared with foreign producers with less CO_2 costs. On the other hand, many people are of the opinion that Norway should force through at least 50 % of the planned reductions within the country. The Norwegian process industry finds this unsatisfactory because possible actions to reduce CO_2 emissions in Norway seems to be significantly more expensive than to achieve the same reductions in most other countries. The main action in most European countries will be to convert parts of the energy production from coal to gas, while Norway's most likely option is to go for more costly solutions for the process industry.

It seems that the political process on this issue will start to gain momentum in the autumn of 2001. It seems reasonable to address the CO_2 challenges for the process industry when the political picture becomes somewhat clearer.

FESIL has for several years worked to reduce the use of fossil CO_2 by using more bio carbon in the form of woodchips and charcoal. Rational and inexpensive production of charcoal has been a major strategy, which has been pursued through a company in Estonia where FESIL owns 50 % of the shares. Major progress is expected in 2001. FESIL finds it of major strategic importance to get thorough knowledge about modern charcoal technology.

Sulphur – SO_2: Since the SO_2 tax was introduced in Norway on 01.01.1999, the process industry has worked actively to find a better solution for the environment. This is addressed in a separate article in this annual report.

Personnel and the working environment

At the end of 2000 FESIL had 370 employees (1999: 423). Of these, 6 were employed at FESIL's companies outside Norway. The employee reduction is mainly due to reduced manning at Holla and Lilleby, and to the fact that all employees at the German subsidiary FESIL Legierungshandel GmbH are transferred to the associated company Gfm FESIL mbH. Due to marketing adjustments, FESIL had reduced production and temporary redundancy at two of its plants until April 1. From that date it has been full operation at Lilleby, while Holla was back in full operation from June. The start-up at Holla came after a necessary reconstruction of 2 of the furnaces.

Absence due to illness within Norwegian industry is increasing. In FESIL absence due to illness has increased from 6.9 % in 1999 till 8.7 % in 2000. The increase relates to the absence between 4 days and 3 months, while short-time absence up to

3 days is less than 1 %. The reason for the relatively heavy increase is complex, but anxiety due to reduced production and temporary redundancies have probably been a contributing factor. Even if absence due to illness is high, the development through the year has been positive. Through active follow-ups we have reason to believe in reduced absence this year.

The number of injuries with absence beyond the day of injury was 32 in 2000 against 18 in 1999. This gave an H-value of 46 in 2000 against 26 the preceding year. (H-value is the number of injuries resulting in time off work beyond the day of injury / number of working hours x 1,000,000).

At Lilleby one serious accident happened in July when an electrician got 6,000 volt through his body while inspecting a circuit breaker. The first aid given by his colleges was very efficient and probably saved his life. After a long stay in hospital he was back in work on active sick leave from New Year.

The injury development was negative at all plants compared with 1999. Even if all units have active programs working to improve safety – we have not succeeded. To improve safety will therefore in the future be a priority task.

In the autumn 2000 the company arranged a follow-up conference to the conference in 1998 focusing on HES (Health, Environment, Safety). The conclusions from the conference stressed, among other things, the necessity of continued focus on close call incidents, that everybody takes responsibility for their own safety and remain focused on our goal: Zero injuries causing absence. The goal this year is to have an injury statistics similar to the remainder of melting plants in Norway.

Managing director Odd Samstad resigned on September 8, 2000. From the same date Mr. Sigbjørn Brevik was appointed as acting managing director.

At the Annual General Meeting on May 11, 2000, Mr. John J. Cunningham was elected as a new director on the Board, replacing Mr. John F. Lalley. In September Mr. Reinert E. Vigtel replaced Mr. Rune Larsen as employee representative director, in connection with the latter leaving FESIL. At the Extraordinary General Meeting held on November 21, 2000, the following new directors were elected to the Board: Mr. Morten Garman, Mr. Giorgio Barelli and Mr. Cato A. Holmsen. They replaced the following directors: Mr. Jonathan O. Lee, Mr. Hans-Tormod Hansen and Mr. Arden C. Sims. Mr. Morten Garman was elected chairman of the Board.

Prospects

On entering a new year the basic outlook for FESIL's products appear promising. Although a reduction is expected in 2001, the world's total steel production will remain on a high level. The need for ferrosilicon (FeSi) is large. How the FeSi prices will develop, is however quite uncertain. It seems quite likely that EU in 2001 will remove the anti dumping duties that since 1993 have been in place against FeSi from China and CIS. It is hard to predict the consequences of removed EU duties, in part because available statistics indicate that the system of anti dumping duties to a large degree is being evaded. It is also ex-pected that US will decide in 2001 whether or not to reintroduce the anti dumping duties that were lifted on all imported FeSi in 1999. Another item of constant uncertainty is the development of the net exports from China, CIS and Eastern Europe. In addition, today's FeSi prices are profitable only to a few of the world's FeSi producers. All in all this makes it very difficult to predict the FeSi prices on short term. FESIL is in negotiations with the Norwegian FeSi producer Finnfjord Smelteverk AS to re-establish a supply contract, whereby FESIL will market and sell their production. The negotiations are proceeding and are expected to be confirmed shortly. With respect to silicon metal (SiMetal), the market seems to continue growing. There are reasons to expect increased prices in 2001, mainly due to increased consumption.

It is the opinion of the Board that FESIL is both financially as well as opera-

tionally well prepared for the New Year. There are also reasons for optimism in the longer run. The need for improved infrastructure in many countries and the generally increasing welfare will increase the demand for FESIL products.

As a whole, FESIL's power supply is satisfactory in 2001 and will, to a large degree, remain satisfactory up to year 2005. However, the Board is not satisfied with the decisions taken by the Norwegian Parliament in 2000 regarding the future power regime for the Norwegian power intensive industry. As a consequence it is likely that this industry will buy much more of the power it needs in the future on the open power market as this is being liberalised. Still, the Board considers it important that the Norwegian energy policy provides that the country's most important natural resource, hydroelectric power, is processed further in Norway.

The Norwegian ferrosilicon and silicon metal industry is among the cleanest in the world, and the engagement in environmental matters is strong. The concession requirements that the industry operates under, given and implemented by the Norwegian authorities, are the strictest in the world. The Board is therefore both worried and surprised when learning that some politicians unilaterally want to impose further Norwegian environment taxes. One consequence will be that the competitiveness of the Norwegian industry is reduced, to the advantage of its much more polluting competitors in Eastern Europe, Asia and South America. It is the opinion of the Board that the environmental policy must be dealt with internationally, and that actions should be co-ordinated cross borders so that they are implemented where they have most effect.

Allocation of result

FESIL ASA's result for the year was NOK 14,615,000, while free equity as of 31.12.00 is NOK 161,918,000. The Board proposes the result to be allocated as follows:

• To other equity: NOK 14,615,000.

The Board of Directors of FESIL ASA
Oslo, February 26, 2001

Morten Garman
Chairman

Giorgio Barelli

John J. Cunningham

Giovanni L. Ghezzi

Cato A. Holmsen

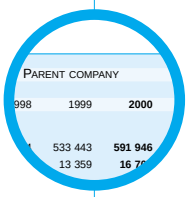
Johannes S. Lien

Åge Sakariassen

Reinert E. Vigtel

Arne Byrkjeflot
Observer

Sigbjørn Brevik
President and CEO

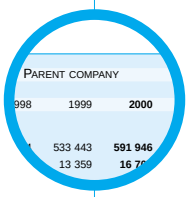


profit and loss account 2000

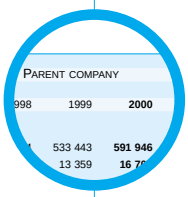
PARENT COMPANY			(AMOUNTS IN NOK 000s)		GROUP		
1998	1999	**2000**		Note	**2000**	1999	1998
			Operating income				
627,024	533,443	**591,946**	Revenue		**1,835,440**	1,700,048	2,024,094
12,241	13,359	**16,702**	Other operating income		**9,453**	11,201	12,654
639,265	546,802	**608,648**	Total operating income	4	**1,844,893**	1,711,249	2,036,748
			Operating expenses				
418,138	333,261	**408,907**	Raw materials		**1,289,494**	1,151,862	1,475,170
-16,248	21,599	**-15,881**	Change in stocks		**-17,820**	32,305	-22,933
122,300	97,960	**117,604**	Salaries and other personnel expenses	6, 7	**188,166**	169,050	186,584
22,738	25,223	**26,067**	Ordinary depreciation	9	**49,425**	48,678	47,525
72,595	57,153	**63,648**	Other operating expenses	8	**287,682**	263,216	290,116
619,523	535,196	**600,345**	Total operating expenses		**1,796,947**	1,665,111	1,976,462
19,742	11,606	**8,303**	Operating result		**47,946**	46,138	60,286
			Financial items				
3,694	15,609	**23,759**	Share of results in other companies	3	**14,664**	10,639	8,938
7,425	8,360	**6,646**	Financial income	3	**14,298**	12,830	12,550
19,003	23,642	**22,866**	Financial expenses	3	**41,524**	40,825	36,274
-7,884	327	**7,539**	Total financial items		**-12,562**	-17,356	-14,786
11,858	11,933	**15,842**	Profit before tax		**35,384**	28,782	45,500
-2,475	-7,502	**-1,227**	Taxes	18	**-10,249**	-9,204	-15,979
9,383	4,431	**14,615**	Result for the year		**25,135**	19,578	29,521
			Earnings per share (NOK) (result for the year/shares)		**3.14**	2.45	3.69

balance sheet 2000

assets



PARENT COMPANY			(AMOUNTS IN NOK 000s)		GROUP		
1998	1999	**2000**		Note	**2000**	1999	1998
			ASSETS				
			Fixed assets				
			Intangible fixed assets	10			
15,592	8,091	**6,864**	Deferred tax assets	18			5,525
15,592	8,091	**6,864**	Total intangible fixed assets				5,525
			Tangible fixed assets				
59,743	64,895	**62,932**	Land, buildings and other property		**64,437**	66,553	60,453
137,471	135,461	**164,861**	Machinery and plant		**252,300**	238,822	251,682
9,287	7,417	**6,533**	Fixtures and fittings, tools, office machines etc.		**17,349**	17,204	20,455
206,501	207,773	**234,326**	Total tangible fixed assets	9	**334,086**	322,579	332,590
			Financial fixed assets				
83,239	91,295	**79,545**	Investments in subsidiaries	11			
120	120	**120**	Investments in associates	11	**102,004**	67,669	61,194
3,462	366	**366**	Investments in other companies	12	**377**	367	3,463
1,105		**1,271**	Pension funds	7	**1,186**		2,436
22,056	22,826	**21,973**	Other long-term receivables	13, 17	**22,121**	22,983	22,070
109,982	114,607	**103,275**	Total financial fixed assets		**125,688**	91,019	89,163
332,075	330,471	**344,465**	Total fixed assets		**459,774**	413,598	427,278
			Current assets				
126,751	92,646	**116,164**	Stocks	5	**368,050**	399,749	419,279
			Debtors				
6,326	2,870	**2,866**	Accounts receivable		**305,305**	240,427	290,062
211,391	242,804	**253,899**	Group receivables				
11,432	5,365	**8,794**	Other short-term receivables		**52,323**	50,157	38,286
229,149	251,039	**265,559**	Total debtors	17	**357,628**	290,584	328,348
7,010	42,574	**46,672**	Bank deposits, cash in hand etc.	15	**5,761**	11,190	9,296
362,910	386,259	**428,395**	Total current assets		**731,439**	701,523	756,923
694,985	716,730	**772,860**	Total assets		**1,191,213**	1,115,121	1,184,201



balance sheet 2000

equity and liabilities

PARENT COMPANY			(AMOUNTS IN NOK 000s)		GROUP		
1998	1999	**2000**		Note	**2000**	1999	1998
			EQUITY AND LIABILITIES				
			Equity				
			Paid-up capital				
79,995	79,995	**79,995**	Share capital	20	**79,995**	79,995	79,995
119,057	119,057	**119,057**	Share premium reserve		**119,057**	119,057	119,057
199,052	199,052	**199,052**	Total paid-up capital	19	**199,052**	199,052	199,052
			Retained earnings				
149,741	154,172	**168,782**	Other equity		**297,618**	266,861	247,283
149,741	154,172	**168,782**	Total retained earnings	19	**297,618**	266,861	247,283
348,793	353,224	**367,834**	Total equity		**496,670**	465,913	446,335
			Liabilities				
			Provisions				
	2,630		Pension obligations	7		2,464	
			Deferred tax liabilities	18	**5,047**	253	
	2,630		Total provisions		**5,047**	2,717	
189,841	176,235	**191,759**	**Total liabilities to financial institutions**	14	**259,530**	262,019	283,596
			Short-term liabilities				
60,905	97,369	**104,308**	Drawn on overdraft facility		**30,199**		2,290
63,802	44,190	**58,014**	Trade creditors	17	**199,806**	195,762	263,289
			Taxes payable		**3,169**	637	1,883
14,339	14,817	**16,211**	Public duties payable		**29,247**	28,694	23,665
17,305	28,265	**34,734**	Other short-term liabilities	3, 17	**167,545**	159,379	163,143
156,351	184,641	**213,267**	Total short-term liabilities		**429,966**	384,472	454,270
694,985	716,730	**772,860**	Total equity and liabilities		**1,191,213**	1,115,121	1,184,201

The Board of Directors of FESIL ASA
Oslo, February 26, 2001

Morten Garman
Chairman

Giorgio Barelli

John J. Cunningham

Giovanni L. Ghezzi

Cato A. Holmsen

Johannes S. Lien

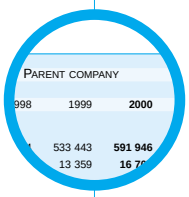
Åge Sakariassen

Reinert E. Vigtel

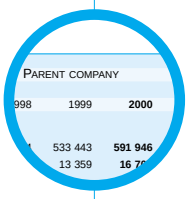
Arne Byrkjeflot
Observer

Sigbjørn Brevik
President and CEO

cash flow statement



PARENT COMPANY			(AMOUNTS IN NOK 000s)		GROUP		
1998	1999	**2000**		Note	**2000**	1999	1998
			Cash flow from operations				
11,858	11,933	**15,841**	Ordinary result before tax		**35,382**	28,782	45,499
			Taxes paid in period		**-4,846**	-3,776	-11,177
192	-1,378		Loss (gain) on sale of fixed assets		**843**	-1,378	146
22,738	25,223	**26,067**	Ordinary depreciation	9	**49,425**	48,678	47,525
-24,035	34,105	**-23,518**	Changes in stocks	5	**31,699**	19,530	-33,836
10,912	3,456	**4**	Changes in accounts receivable		**-64,878**	49,636	1,962
4,383	-9,612	**13,824**	Changes in trade creditors		**4,044**	-67,527	57,609
-2,926	7,503	**4,526**	Changes in other accruals		**-9,113**	-6,853	8,619
-121	-1	**-1**	Effect of changes in foreign exchange rates		**-1**	-1	-1,063
-1,613	3,736	**-3,901**	Changes in pension liabilities	7	**-4,068**	4,900	-3,387
-3,694	-11,750		Change in result of associated companies		**-14,664**	-10,639	-8,938
17,694	63,215	**32,842**	Net cash flow from operations		**23,823**	61,352	102,959
			Cash flow from investments				
85			Proceeds from sale of fixed assets		**843**	6	552
-83,556	-26,495	**-52,715**	Payment for fixed assets purchased		**-67,805**	-38,673	-118,494
-6,550	-770	**853**	Received on long-term loans made		**1,281**	-914	-6,523
13,606	8,168	**11,750**	Received on other investments		**3,069**	8,608	3,028
16,568	-31,412	**-11,095**	Payments on short-term loans to Group				
-59,847	-50,509	**-51,207**	Net cash flow from investments		**-62,612**	-30,973	-121,437
			Cash flow from financing				
16,794	36,464	**6,939**	Net change overdraft facility		**30,199**	-2,290	-2,807
			Cash inflow from new short-term debt				13,178
25,781		**15,524**	Cash inflow from new long-term debt				8,848
			Repayment of short-term debt		**5,737**	-4,618	
	-13,606		Repayment of long-term debt		**-2,621**	-21,577	
42,575	22,858	**22,463**	Net cash flow from financing		**33,315**	-28,485	19,219
422	35,564	**4,098**	Net cash flow for the period		**-5,474**	1,894	741
6,588	7,010	**42,574**	Cash and cash equivalents at beginning of period		**11,190**	9,296	8,555
7,010	42,574	**46,672**	Cash and cash equivalents at end of period	15	**5,716**	11,190	9,296



Accounting principles

General

The annual financial statements have been prepared in compliance with The Norwegian Accounting Act and Norwegian Generally Accepted Accounting Principles (NGAAP). All amounts are in NOK 000s, unless otherwise stated.

Consolidation principles

Subsidiaries

The Group accounts include the parent company and all companies in which the parent company directly or indirectly exercises dominant influence. These companies (subsidiaries) are listed in note 11. All subsidiaries are fully consolidated. There are no minority interests in any of the subsidiaries included in the Group accounts.

In the Group accounts, inter-company receivables and payables, and transactions between group companies are eliminated. Shares in subsidiaries are eliminated in accordance with the acquisition method of consolidation. This means that the cost of the shares to the parent company is eliminated against the equity of the subsidiary at the time of acquisition. Assets and liabilities are analysed and included at current value. Any remaining added value is included in the balance sheet as goodwill, which is amortised over its useful economic life. In calculating the deferred tax/deferred tax asset relating to revaluations, the nominal tax rate is used.

Subsidiaries acquired during the year are included in the group financial statements from the date of acquisition to the year end. Companies which are sold during the period are included up to the date of disposal.

The subsidiaries are recorded in the Parent Company accounts using the acquisition method of accounting.

Conversion of foreign subsidiaries' accounts

The profit and loss accounts of foreign subsidiaries are converted into Norwegian kroner at the average exchange rate for the year, while the balance sheet figures are converted at the exchange rate on the balance sheet date. Any conversion differences are recorded directly against equity.

Associated companies

Companies in which the group owns between 20 % and 50 % and exercise significant influence, are considered associated companies and are included in the groups accounts using the equity method of accounting. In the parent company, the investment is recorded at cost.

The group share of the profit in associated companies is based on profits after tax, reduced by any amortisation of goodwill resulting from the cost of the shares being higher than the acquired share of the company's equity. In the profit and loss account the share of the profit of associated companies is classified as financial income.

Other shares/parts

Other shares and minor investments where FESIL have no significant influence are recorded at historic cost price. If the real value is lower than historic cost, and this diminution in value is not considered to be temporary, the item is written down. Any dividends distributed by the companies are included in financial income.

Valuation and classification principles

Current assets and short-term liabilities include items which fall due within one year of the end of the financial year, as well as other items relating to the operating cycle. Other items are classified as fixed assets / long-term liabilities.

Fixed assets are recorded at cost but are written down to net realisable value if the diminution in value is not temporary, and are depreciated over the estimated useful economic life of the asset. Land is not depreciated.

Long-term liabilities are valued at the nominal amount at the time of the initial establishment. First year's instalments on long-term loans are classified as long-term liabilities.

Current assets are valued at the lower of cost and net realisable value (the lower of cost and market value). Short-term liabilities are valued at the nominal amount at the time of the initial establishment.

Intangible assets

All costs in connection with research and development projects are expensed when the costs are incurred. A deferred tax asset is recognised in order to comply with the Norwegian Acc. Act 1998. The implementation effect is taken to reserves.

Fixed assets

Fixed assets are valued at cost or valuation and are depreciated on a straight-line basis over the estimated useful economic life of the asset. Depreciation is normally straight -line over the expected lifetime. Normal maintenance and repair costs are recorded as an expense when the cost is incurred. Costs relating to periodical maintenance that occur every 2–5 years are accrued over the relevant period. Costs relating to major replacements and renewals that substantially increase the useful economic life of the asset are capitalised. Fixed assets that are replaced are expensed when the costs are incurred.

Leasing agreements

Leasing agreements where the risks and rewards associated with owning the asset are transferred to the lessee are considered finance leases, and the asset is included in the balance sheet. Any other leasing agreements are considered operational, and no asset is recognised.

Stocks

Stocks are valued at the lower of acquisition cost and estimated market value after deducting sales costs. The acquisition cost of goods for resale is the purchase price. The acquisition cost of work in progress and finished goods is their full production cost.

Accounts receivable

Trade debtors and other accounts receivable are recorded at their nominal value reduced by a provision for bad debts. The provision is made based on an individual assessment of each balance. Additionally, an unspecified provision is made to cover expected losses.

Foreign exchange

Monetary assets and liabilities in foreign currencies are converted to NOK at the exchange rate on the balance sheet date. Assets and revenue flows in foreign currencies are hedged in part through borrowing in foreign currencies and in part through various off-balance sheet financial instruments. FESIL ASA mainly employs forward contracts in its hedging activities. Hedged balance sheet items are recorded at the contracted rates. Gains and losses on such contracts are included in net income when the transactions are settled. The company does not utilise such derivative financial instruments for speculative purposes. Currency gains or losses on operating cashflow are included in operating income. Currency conversion differences and hedging of currency related to fixed assets and long-term liabilities are recorded under financial items.

Pensions and pension obligations
Most of the group companies have pension plans that provide the employees with a right to defined future pension benefits (a defined benefit pension plan), where the benefits are based on the number of pension earning years of service and the salary at the time of reaching pensionable age. The pension benefits are in part financed by FESIL's pension fund (secured schemes) and partly over the company's profit and loss account (unsecured schemes). Pensions are recorded in accordance with the Norwegian Accounting Standard for Pension Costs. The pension cost for the year is included in "Salaries and other personnel expenses". This comprises benefits earned in the period, interest cost on projected pension obligations, estimated return on pension plan assets, the effect of changes in the estimates and terms and conditions of the pension plans, and the effect of differences between the actual and expected return on pension plan assets. The net projected obligation is the difference between the present value of the projected benefit obligations and the market value of the pension plan assets. Changes in the projected benefit obligations, as a consequence of changes in estimates as well as deviations between actual and expected return on pension plan assets, are recorded in the accounts when the deviation exceeds 10 % of gross pension obligations or pension plan assets for the individual scheme, whichever is the higher. See note 7.

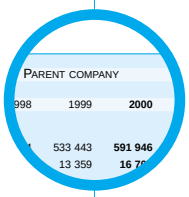
Taxes
The tax charge in the profit and loss account includes both the current tax payable and the change in deferred tax. The change in deferred tax reflects future taxes payable as a result of the activities in the year. Deferred tax is the tax liability related to the accumulated profits and losses, which fall due in future periods. Deferred tax is estimated based on the net of positive and negative temporary differences between taxation and accounting values, as well as losses carried forward. Consideration is given to deferred tax in connection with acquisitions and in profits according to the equity method of accounting. This is in accordance with the rules in the revised "Draft Norwegian Accounting Standard for the Treatment of Tax". The tax is divided in tax on ordinary result and tax on extraordinary result according to the basis for taxation. The net deferred tax asset or liability is shown in the balance sheet. See note 18.

Operating income and expenses
Operating income is recorded when earned. Sales of goods are recorded at the time of delivery. Operating expenses are matched with the corresponding operating income. The cost of freight and insurance is included in other operating expenses.

Power costs
Power costs are charged in the period in which the power is used. Long-term contracts are recorded at the agreed fixed price, while spot purchases of power are recorded at the spot rate. Part of the need for spot power is hedged, using forward contracts. These are expensed on expiry.

Extraordinary income and expenses
Extraordinary income and expenses are defined as items that are significant in size, of an unusual character compared with ordinary operations, and which cannot be expected to occur regularly. Gains and losses on sale of fixed assets and amounts written down on these are recorded as ordinary income/expenses if the transaction does not satisfy all the above criteria.

Contingent liabilities
Contingent liabilities which are probable, are provided for in the accounts. Contingent liabilities which are possible, but not probable, are not provided for, but information is given in a note to the accounts. Contingent income is not included in the accounts.



(All amounts in NOK 000s unless otherwise specified)

1. Financial market risk

The company uses different types of financial instruments in order to manage financial risk.

Interest rate risk

Interest rate risk occurs in the short and medium term as part of the company's debt has a floating interest rate. The maximum share of floating interest is continuously reviewed. The loan portfolio as of 31.12.00 comprises a combination of fixed and floating interest rates. The company's interest rate sensitivity is at a desired level by the use of fixed interest rate for some long-term loans, as well as by use of interest rate swaps and FRA's (Future Rate Agreement). A 1 % change in the market interest rate will mean a change in the company's interest cost at +/- NOK 2,7–3,0 mill.

Currency risk

The development in currency rates implies a direct as well as an indirect financial risk to the company. Hedging of both currency cash flows and assets in currency is done partly by using forward contracts and options and partly by actual "on balance sheet" positions.

Outstanding currency hedging contracts (forward/options) as of 31.12.00 (in millions in the actual currency):

Currency	Sold
USD	4
EUR	17
GBP	2
SEK	8

All contracts have been made in order to hedge the cash flow in the year 2001.

2. Agreements with related parties

FESIL has following agreements with its partners:

Globe Metallurgical Inc./Globe Norge AS (shareholder):	Agreement concerning transfer of power contract *)
Tennant Ltd. (J.J. Cunningham chairman):	Distribution agreement, covering Great Britain
Sineco (G. Ghezzi chairman):	Renting of storage room, covering Italy
FESIL Metaux S.A. (G. Ghezzi 50 % partner):	Agent's agreement for France, Belgium and Luxemburg
FESIL Metalli S.r.l. (G. Ghezzi 50 % partner):	Agent's agreement for Italy

All agreements listed above are made on strict business terms (arm's length basis).

*) FESIL sold its melting plant Hafslund Metall in October 1997 to Globe Metallurgical Inc.'s (Globe) wholly owned subsidiary Globe Norge AS. Power contract 7032 was included in the sale. The power contract had a substantial negative value. At the time of the transaction, it had not been possible to transfer the contract from FESIL to Globe Norge. Because of that a separate agreement was made whereby Globe/Globe Norge committed themselves to have the contract transferred within 12 months and to indemnify and hold FESIL harmless from any loss under the contract. Despite intensive negotiations between the parties the contract is still not transferred, but Globe has reconfirmed their commitment to have the contract transferred without further obligations for FESIL, and to indemnify and hold FESIL harmless as long as FESIL is part of the contract. The original power contract expired at the end of 2004. In 1999/2000 the maturity was prolonged until the end of 2010 and the yearly volume reduced with 50 % against a yearly compensation. The company is now considering which actions should be taken to secure the transfer of the contract. It is therefore not possible today to state when the contract will be transferred. As per 31.12.00 the contract has a negative present value of approximately NOK 150–170 mill. No reserves are made in FESIL's accounts for any losses related to this power contract.

3. Combination of items

PARENT COMPANY				GROUP		
1998	1999	**2000**		**2000**	1999	1998
			Share of results in other companies			
			Share of result in associated companies (see note 11)	**11,595**	10,639	8,938
	3,859		Group contribution			
3,694	11,750	**23,759**	Share of result in Rana Metall KS			
3,694	15,609	**23,759**	TOTAL	**11,595**	10,639	8,938
			Financial income			
7,293	5,902	**4,838**	Interest income	**10,273**	9,754	11,973
	1,795	**1,789**	Foreign exchange gain	**2,896**	1,946	
132	663	**19**	Other financial income	**1,129**	1,130	577
7,425	8,360	**6,646**	TOTAL	**14,298**	12,830	12,550
			Financial expenses			
18,016	23,395	**22,563**	Interest expenses	**38,379**	39,599	34,024
430		**24**	Foreign exchange losses	**1,083**		430
557	247	**279**	Other financial expenses	**2,062**	1,226	1,820
19,003	23,642	**22,866**	TOTAL	**41,524**	40,825	36,274
			Other short-term liabilities			
1,575	969	**1,642**	Accrued interest expenses	**3,000**	3,000	3,174
11,442	9,756	**8,425**	Allocations etc.	**19,107**	18,730	25,777
			Currency loan	**121,697**	115,960	120,635
4,288	17,540	**24,667**	Other short-term liabilities	**23,741**	21,689	13,557
17,305	28,265	**34,734**	TOTAL	**167,545**	159,379	163,143

4. Segment information

The parent company's income is all from their own products. All sales from the plants are distributed through the group's sales company FESIL Sales AS.

GROUP (Amounts IN NOK MILL.)

Operating income and result by business area	Operating income 2000	Operating result 2000	Operating income 1999	Operating result 1999	Operating income 1998	Operating result 1998
Own products	1,155.8	48.2	1,019.7	34.1	1,156.1	44.5
Trading products	689.1	-0.3	691.5	12.0	880.6	15.8
TOTAL	1,844.9	47.9	1,711.2	46.1	2,036.7	60.3

Operating income by geographic area		Norway	EU	USA	Far East	Other	TOTAL
Own products	2000	78.3	933.3	17.7	125.4	1.1	1,155.8
Trading products		26.5	610.3	24.7	4.2	23.4	689.1
TOTAL		104.8	1,543.6	42.4	129.6	24.5	1,844.9
Own products	1999	51.5	854.8	14.7	96.8	1.9	1,019.7
Trading products		5.9	584.0	91.1	10.5	0.1	691.5
TOTAL		57.4	1,438.8	105.8	107.3	2.0	1,711.2
Own products	1998	58.1	914.4	87.0	94.0	2.6	1,156.1
Trading products		16.9	764.1	65.3	31.6	2.7	880.6
TOTAL		75.0	1,678.5	152.3	125.6	5.4	2,036.7

5. Stocks

PARENT COMPANY				GROUP		
1998	1999	**2000**		**2000**	1999	1998
55,737	43,231	**50,868**	Raw materials and process materials	**67,858**	66,131	93,818
69,947	49,415	**65,296**	Self-produced finished goods	**194,899**	195,754	201,729
1,067			Goods purchased for resale	**105,293**	137,864	123,732
126,751	92,646	**116,164**	TOTAL	**368,050**	399,749	419,279

Of the total stocks of the parent company NOK 113.5 mill. is valued at purchase cost and NOK 2.7 mill. at net realisable value. For the group the corresponding figures are NOK 317.7 mill. at purchase cost and NOK 50.4 mill. at net realisable value. See note 16 concerning securities in stock.

6. Payroll expenses

PARENT COMPANY				GROUP		
1998	1999	**2000**		**2000**	1999	1998
99,041	76,109	**88,999**	Salaries	**146,853**	134,782	155,166
13,478	10,136	**8,494**	National insurance contribution	**13,654**	15,542	18,606
2,944	4,727	**4,611**	Pension costs	**6,901**	7,511	3,361
6,837	6,988	**15,500**	Other payments	**20,758**	11,215	9,451
122,300	97,960	**117,604**	TOTAL	**188,166**	169,050	186,584
301	277	**255**	Average no. of employees	**399**	433	449

Remuneration to executives in 2000	(NOK)	President/CEO	Board members
Salaries/fees		1,976,092	760,000
Pension costs		59,564	
Other remuneration		163,626	

President/CEO Odd Samstad left the company on September 8, 2000. In the accounts as per 31.12.00 a reserve of NOK 5.6 mill. is made concerning a disputed severance pay.

Sigbjørn Brevik has been appointed temporarily as president/CEO from September 9, 2000.

There are no obligations attached to subscription rights, options and similar rights which give employees or representatives right to subscribe to, buy or sell shares or primary capital certificates.

Auditor
Total remuneration to the company's auditor for 2000 is expensed at NOK 451,000 for auditing and NOK 338,000 for other services. Total remuneration to the group's auditors for 2000 is expensed at NOK 916,000 for auditing and NOK 603,000 for other services.

7. Pension expenses and pension obligations

Parent company				Group		
1998	1999	**2000**		**2000**	1999	1998
			The year's pension expenses			
2,906	2,409	**2,328**	Present value of the year's pensionable earnings	**3,697**	3,692	4,120
4,407	4,520	**5,285**	Interest charge on accrued pension liabilities	**7,089**	6,205	5,887
-4,042	-3,604	**-4,320**	Expected return on pension funds	**-6,169**	-5,507	-5,563
701	1,402	**1,318**	Net amortisation etc.	**2,284**	3,121	1,925
3,972	4,727	**4,611**	Net pension expenses	**6,901**	7,511	6,369
-1,028			Funds secured schemes not previously taken into account			-3,008
2,944	4,727	**4,611**	Booked pension expenses	**6,901**	7,511	3,361
			Pension liabilities 31.12.00			
			Funded schemes			
64,650	65,195	**77,934**	Estimated accrued pension liabilities	**105,983**	91,647	89,205
-62,709	-54,058	**-68,320**	Estimated value of pension fund	**-96,818**	-83,262	-86,055
-9,524	-16,220	**-19,841**	Not recorded variance on basis of calculation	**-24,768**	-18,445	-15,305
-7,583	-5,083	**-10,227**	Net pension funds, funded schemes	**-15,603**	-10,060	-12,155
			Unsecured schemes			
18,727	15,533	**15,794**	Capitalised value incl. employment tax	**24,097**	23,315	25,563
-11,616	-10,923	**-10,230**	Deferred liabilities due to change of plans	**-13,356**	-14,275	-15,194
-633	3,103	**3,392**	Deferred liability forecast gain/(loss)	**3,676**	3,484	-650
6,478	7,713	**8,956**	Net pension liabilities unsecured schemes incl. employment tax	**14,417**	12,524	9,719
-1,105	2,630	**-1,271**	Net pension liabilities/funds secured and unsecured schemes	**-1,186**	2,464	-2,436

Information on members

		Secured schemes	**Unsecured schemes**
Parent company:	No. of working members	274	274
	No. of pensioners	142	22
Group:	No. of working members	400	401
	No. of pensioners	165	26

Actuarial assumptions:

Yield on pension funds	7.0 %	
Discount rate	6.0 %	6.0 %
Annual wage increase	3.5 %	3.5 %
Expected growth of National Insurance basis amount	3.0 %	3.0 %
Annual pension increase	2.5 %	2.5 %
Expected retirement at age 62 under Early Retirement Scheme (AFP)		25.0 %

8. Other operating expenses

PARENT COMPANY				GROUP		
1998	1999	**2000**		**2000**	1999	1998
4,879	3,163	**1,375**	Freight and insurance	**157,190**	141,139	152,597
23,889	15,945	**23,165**	Maintenance	**41,256**	33,387	42,506
			Commission on sales	**17,038**	17,416	18,814
43,827	38,045	**39,108**	Other operating expenses	**72,198**	71,274	76,199
72,595	57,153	**63,648**	TOTAL	**287,682**	263,216	290,116

9. Fixed assets / leasing

PARENT COMPANY	**Plant under construction**	**Land/ buildings**	**Machines/ incl. plants**	**Fixtures and fittings**	**Total**
Acquisition costs 01.01.00	5,167	1,475	546,236	19,038	571,916
Additions 2000	6,325		44,271	2,024	52,620
Transferred from plants under construction	-8,273		8,273		0
Acquisition costs 31.12.00	3,219	1,475	598,780	21,062	624,536
Revaluation before 01.01.99		58,330	19,871		78,201
Accumulated depreciation 31.12.00		92	453,790	14,529	468,411
Net book value 31.12.00	3,219	59,713	164,861	6,533	234,326
This years depreciation		15	23,144	2,908	26,067
Estimated useful life		10 years onwards	5–33 years	3–12 years	
Depreciation plan		Straight line	Straight line	Straight line	
This years leasing cost of non-capitalised items				1,446	1,446
Capitalised leasing agreements incl. in acquisition cost				7,968	7,968

GROUP	Plant under construction	Land/ buildings	Machines/ incl. plants	Fixtures and fittings	Total
Acquisition costs 01.01.00	6,115	2,185	910,763	71,700	990,763
Additions 2000	7,120		50,206	7,928	65,254
Transferred from plants under construction	- 9,221		8,273	948	0
Disposals 2000			-5,031	-2,562	-7,593
Acquisition costs 31.12.00	4,014	2,185	964,211	78,014	1,048,424
Revaluation before 01.01.99		58,330	19,871		78,201
Accumulated depreciation 31.12.00		92	731,782	60,665	792,539
Net book value 31.12.00	4,014	60,423	252,300	17,349	334,086
This years depreciation		15	41,006	8,404	49,425
Estimated useful life		10 years onwards	5–33 years	3–12 years	
Depreciation plan		Straight line	Straight line	Straight line	
This years leasing cost of non-capitalised items				2,128	2,128
Capitalised leasing agreements incl. in acquisition cost				10,609	10,609

The part of "Land and buildings" concerning land is not depreciated.

Revaluation of industrial plant is depreciated and amounted to KNOK 1,391 in 2000, and the book value of the aggregate revaluations at December 31, 2000 were KNOK 62,490

Leased computer equipment is capitalised and depreciated over 3 years. Machinery and transport equipment at the plants are also capitalised. Leasing agreements are normally over 3 years.

The company's liabilities concerning capitalised leasing agreements are KNOK 3,038. The remaining leasing liabilities falls due within 1–2 years.

10. Research and development

All costs in connection with research and development projects are expensed when the costs are incurred. FESIL organises their R&D activities through Ferro Alloys Industries Research Association (FFF), which has established research activities amounting to NOK 8 mill. annually at SINTEF, Trondheim. This activity is supported by The Norwegian Research Board, and includes basic research as well as further education of specialists with doctorates. FESIL's expenses in connection with these activities are approximately NOK 2 mill. per year.

Development of products and processes is done internally through co-operation between the head technical department and personnel at the different plants, and with the use of expertise from SINTEF when considered appropriate. Within the FESIL Group, both real R&D projects and projects that include parts of R&D are carried out. The expenses for these activities are approximately NOK 6.5 mill. annually, and cover the costs of personnel, material and external services.

The total future income from the ongoing research and development activities is expected to equal or exceed total cost.

11. Subsidiaries and associated companies

	Time of acquisition	Business office	Ownership share	Voting share
Subsidiaries of FESIL ASA				
ILAB Ltda.	1986	Brazil	100 %	100 %
Rana Metall AS (general partner)	1989	Mo i Rana	100 %	100 %
FESIL Komplementar AS (general partner)	1974	Oslo	100 %	100 %
FESIL Sales AS	1987	Oslo	90 %	90 % *)
Rana Metall KS	1989	Mo i Rana	90 %	90 % *)
Subsidiaries of FESIL Sales AS:				
FESIL-Brikettfabrikken AS	1969	Porsgrunn	82 %	82 % *)
FESIL Legierungshandel GmbH	1973	Duisburg	100 %	100 %
FESIL International AS	1978	Tokyo	100 %	100 %
FESIL Metales S.L.	1992	Madrid	100 %	100 %
FESIL AB	1996	Stockholm	100 %	100 %
Gemalco Rohstoffhandel GmbH	1990	Duisburg	100 %	100 %

*) The Group owns 100 % of FESIL-Brikettfabrikken AS, FESIL Sales AS and Rana Metall KS.

Associated company				
Norkvarts AS	1982	Oslo	33 %	33 %
Norsk Jern Eiendom AS	1989	Mo i Rana	20 %	20 %
FESIL Metalli S.r.l.	1991	La Spezia	50 %	50 %
Gemalco SAH	1985	Lusanne	50 %	50 %
GFM FESIL	2000	Duisburg	49 %	49 % *)
FESIL Metaux	1985	Paris	50 %	50 % *)
Foundry Service AS	2000	Oslo	49 %	49 % *)

*) GfM Fesil is partly owned by FESIL Legierungshandel GmbH with 48,6 %
Foundry Service is owned 100 % by GfM Fesil
FESIL Metaux is owned 100 % by Gemalco SAH

Associated companies	**GfM FESIL**	**Norkvarts AS**	**Norsk Jern Eiendom AS**	**FESIL Metalli S.r.l.**	**Gemalco SAH**	**Total**
Acquisition cost	16,805	120	610	244	900	18,679
Book equity when acquired	16,805	120	610	244	900	18,679
Balance at 01.01.00		4,491	59,882	534	2,762	67,669
Part of this years profit and loss account	7,177	1,546	5,659	-56	338	14,664
Transfer to/from the company (dividend/group contribution)			-3,069			-3,069
Other changes during this year	109	19	5,669	-6	144	5,935
Balance at 31.12.00	24,091	6,056	68,141	472	3,244	102,004

12. Shares and parts in other companies

PARENT COMPANY			GROUP		
Ownership share	Book value		Ownership share	Book value	
		Eletrosilex S.A.	10 %		1
	366	Other companies			376
	366	TOTAL			377

13. Debts which fall due more than one year after the end of the financial year

PARENT COMPANY				GROUP		
1998	1999	**2000**		**2000**	1999	1998
168			Loans to group companies			
5,000	5,000	**5,000**	Other long-term receivables	**5,000**	5,000	5,000
179	133		Loan to employees		321	350
16,709	17,693	**16,973**	Other loans	**17,121**	17,662	16,720
22,056	22,826	**21,973**	TOTAL	**22,121**	22,983	22,070

14. Liabilities which fall due more than five years after the end of the of the financial year

PARENT COMPANY				GROUP		
1998	1999	**2000**		**2000**	1999	1998
189,841	176,235	**191,759**	Total long-term liabilities	**259,530**	262,019	283,596
75,200	103,850	**99,316**	Of this, loans which fall due more than 5 years after the end of the financial year	**100,461**	112,850	165,394
114,641	72,385	**92,443**	Other long-term liabilities	**159,069**	149,169	118,202

The loans which fall due more than 5 years after the end of the financial year are serial loans. Average interest rate is 7.4 %.

Debt covenants
There are debt covenants tied to the group's interest bearing long-term debt. As per Dec. 31, 2000 all covenants were fulfilled with satisfactory margin.

15. Granted overdraft facilities and other drawing rights and restricted bank deposits

Cash and cash equivalents consist of cash and bank deposits.

PARENT COMPANY				GROUP		
1998	1999	**2000**		**2000**	1999	1998
6,953	4,040	**4,193**	Restricted bank deposits	**4,638**	4,272	9,226
59,095	22,631	**15,692**	Undrawn overdraft facilities/free liquidity	**174,793**	241,760	230,449
933	36,741	**11,581**	Undrawn other drawing rights	**8,463**	45,781	5,298

16. Mortgages and securities

PARENT COMPANY				GROUP		
1998	1999	**2000**		**2000**	1999	1998
			Secured debts			
252,321	274,573	**297,709**	Book value of debt secured by mortgages	**384,095**	380,979	409,691
			Book value of mortgaged assets:			
1,000	1,000	**1,000**	Shares			
217,718	273,865	**265,558**	Receivables	**168,941**	139,917	182,181
126,751	92,646	**116,164**	Stocks	**365,652**	391,713	413,151
206,501	207,773	**234,326**	Operating assets	**332,551**	316,480	324,961
551,970	575,284	**617,048**	Total	**867,144**	848,110	920,293

Guarantees

The group's subsidiary FESIL Sales AS and subsidiaries have given guarantees for a total of KNOK 8,528. These are guarantees for VAT, tax deduction and discounted bills of exchange. The parent company has given guarantees for KNOK 2,655. This includes guarantee for a loan to Norchar AS of USD 300,000.

The group has established a group bank facility with cross guarantees and right of set-offs between the group companies.

17. Intercompany accounts

The balance due to/from group companies and associates listed below are included in the respective balance sheet accounts.

PARENT COMPANY

	Trade debtors			**Other debtors**			**Trade creditors**		
	2000	1999	1998	**2000**	1999	1998	**2000**	1999	1998
Group companies	**253,899**	242,804	211,391			168	**17,089**	12,636	2,629
Associated companies	**125**			**7,140**	7,140	5,061			
TOTAL	**254,024**	242,804	211,391	**7,140**	7,140	5,229			

GROUP

	Trade debtors			**Other debtors**			**Trade creditors**		
	2000	1999	1998	**2000**	1999	1998	**2000**	1999	1998
Associated companies	**66,525**	1,644	1,978	**7,140**	8,721	7,647	**4,133**	1,426	1,600

18. Taxes

Parent company				Group		
1998	1999	**2000**		**2000**	1999	1998
			This years tax expenses :			
			Tax payable in Norway	**699**	86	
			Tax payable abroad	**4,755**	3,339	11,177
2,475	7,502	**1,227**	Change in deferred tax	**4,795**	5,779	4,802
2,475	7,502	**1,227**	Total tax expenses	**10,249**	9,204	15,979
			Summary of temporary differences:			
-12,258	-12,258	**-12,258**	Receivables	**-13,626**	-13,340	-13,964
14,314	11,318	**15,626**	Stocks	**24,299**	23,018	18,695
6,452	23,280	**11,672**	Operating fixed assets	**-11,264**	-8,509	-12,974
-90	-121	**-6,734**	Provisions according to NGAAP	**-12,899**	-8,854	-3,635
1,105	-2,630	**1,685**	Pensions	**1,599**	-2,463	2,437
10,480	8,384	**6,707**	Gain/loss account and other accounts	**6,707**	8,385	10,481
			Associated companies	**69,384**	62,006	60,050
-75,691	-56,868	**-41,211**	Loss/tax credit carried forward	**-46,175**	-59,340	-80,823
-55,688	-28,895	**-24,513**	Total temporary differences	**18,025**	903	-19,733
-15,592	-8,091	**-6,864**	Deferred tax / Deferred tax asset	**5,047**	253	-5,525

Explanation of why the tax expense differs from 28 % of profit/loss before tax:

Parent company				Group		
1998	1999	**2000**		**2000**	1999	1998
3,320	3,341	**4,435**	28 % tax of profit/loss before tax	**9,908**	8,059	12,740
143	122	**105**	Permanent differences *)	**341**	1,145	3,239
-988	4,039	**-3,313**	28 % of change in temporary differences regarding parts in general partnerships			
2,475	7,502	**1,227**	Calculated tax expense	**10,249**	9,204	15,979

*) Permanent differences include non-deductible expenses, i.e. entertainment expenses, and already taxed parts of the result from subsidiaries and associated companies as well as the effect of higher tax rates in subsidiaries and associated companies abroad.

Specification of loss and tax credit carried forward

Parent company			Group
		Last year for utilization:	
	36,653	Year 2007	36,653
	4,472	Year 2008	3,864
	86	Year 2009	4,207
		Year 2010	1,451
	41,211		46,175

19. Equity

PARENT COMPANY	Share capital	Share premium fund	Other equity	Total
Equity per 01.01.00	79,995	119,057	154,172	353,224
Result for the year			14,610	14,610
Equity per 31.12.00	79,995	119,057	168,782	367,834

GROUP	Total Equity
Equity per 01.01.00	465,913
Change in equity in Norsk Jern Eiendom AS as per 31.12.99	5,669
Conversion differences	-47
Result for the year	25,135
Equity per 31.12.00	496,670

20. Share capital and shareholder information

The number of issued shares in the company at December 31, 2000 was 7,999,500 at nominal value NOK 10. At the end of 2000 the share price listed at the Oslo Stock Exchange was NOK 58 compared with NOK 36 the previous year. There are no arrangements which dilute the earnings per share.

RISK-amount per share (NOK)	
per 01.01.01*)	0.00
per 01.01.00	0.00
per 01.01.99	0.00
per 01.01.98	0.00
per 01.01.97	-1.50
per 01.01.96	-1.00

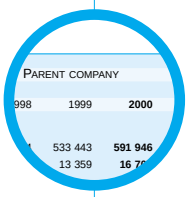
*) RISK-amount per 01.01.01 is estimated. The taxation authorities will determine the final RISK-amount based on FESIL's tax return for 2000.

Shareholder structure	No. of	Ownership	Voting
The company's largest shareholders as of 31.12.00	**shares**	**share**	**share**
Globe Metallurgical Inc.	3,199,799	39.99 %	39.99 %
Tensil Ltd.	3,199,799	39.99 %	39.99 %
Elkem ASA	800,150	10.00 %	10.00 %
Gurta AG	281,338	3.51 %	3.51 %
Tensil B.V.	231,300	2.89 %	2.89 %
Fokus Bank ASA	150,000	1.87 %	1.87 %
Total largest shareholders	7,862,386	98.25 %	98.25 %
Other shareholders	137,114	1.75 %	1.75 %
Total issued shares	7,999,500	100.00 %	100.00 %

The following shares are held by Board Members, president/CEO,	Board appointment/	No. of
senior management and/or their related parties:	**position**	**shares**
Board members:		
Giovanni Luigi Ghezzi	as chairman of Gurta AG	3,712,437
Arne Byrkjeflot	via narrative	100
Åge Sakariassen		100
FESIL ASA's management:		
Stein Anderssen	Senior Vice President /CFO	100
Henrik Brekken	Senior Vice President Silicon Metal	67
Svein Johnsen	Senior Vice President Personnel/Health and Safety	100
Ragnar Vaksdal	Marketing Director SiMet	400

21. Contingency issues

In connection with an explosion in 1988 on board a vessel carrying briquettes, the ship-owner's insurance company has made a claim against FESIL-Brikettfabrikken AS (FESIL). The claim for compensation is approx. NOK 16 mill. incl. interest expense. FESIL is of the opinion that the ship-owning company is liable and that the claim is unfounded. The expected outcome is not likely to have a material effect on FESIL's accounts. FESIL will always be involved in minor civil disputes. Any probable expenses are provided for.



auditor's report

Auditor's report for 2000

We have audited the annual financial statements of FESIL ASA as of December 31, 2000, showing a profit of NOK 14,615,000 for the parent company and a profit of NOK 25.135.000 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 allocation of the profit. The financial statements comprise the balance sheet, the statements of income and cash flows, the accompanying notes and the group accounts. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. 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.

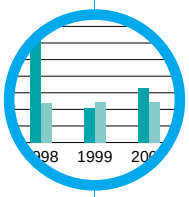
We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and auditing standards and practices generally accepted in Norway. Those standards and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the law and regulations and present the financial position of the Company and of the Group as of December 31, 2000, 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 duty to produce a proper and clearly set out registration and documentation of accounting information as required by law and accounting standards, principles and practices generally accepted in Norway,
- the information given in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit are consistent with the financial statements and comply with the law and regulations.

Oslo, February 26, 2001
PricewaterhouseCoopers DA

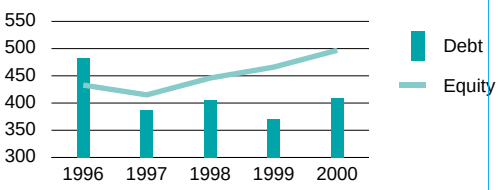
Erling Elsrud
State Authorised Public Accountant (Norway)
Note: This translation from Norwegian has been prepared for information purposes only.



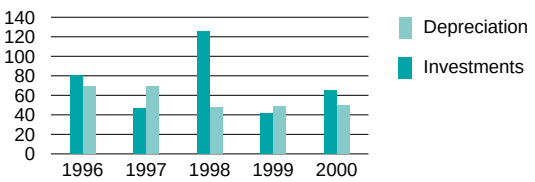
Financial key figures

	2000	1999	1998	1997	1996	Comment
Operating margin %	2.6	2.7	3.0	-0.5	6.4	Operating result / operating income
Profit margin %	1.4	1.2	1.5	-0.9	4.7	Profit for the year / operating income
Return on assets %	5.5	5.0	6.1	0.0	12.2	Income bef. finance and taxes / avg. tot. assets
Return on equity %	5.2	4.4	6.9	-4.3	25.6	Profit for the year / average equity
Equity to assets %	42 %	42 %	38 %	38 %	35 %	Equity / total assets
Net interest bearing debt / equity	0.83	0.80	0.91	0.93	1.12	
Equity / fixed assets	1.08	1.13	1.04	1.20	0.98	
Current ratio	1.70	1.83	1.67	1.88	1.77	Current assets / short-term liabilities

Interest bearing debt vs. equity (in NOK mill.)



Operational investments and depreciation (in NOK mill.)

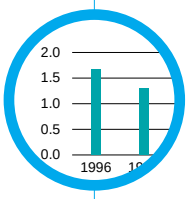


Sensitivities

A 5 per cent change in price on main products and other key factors will imply an approximate effect on the operating result in the range:

Figures in NOK mill.	5 % change
Sales FeSi (own production)	24
Sales SiMet (own production)	29
Purchase of power spot	1
Purchase raw materials FeSi (own prod.)	12
Purchase raw materials SiMet (own prod.)	15
Exchange rate Euro / NOK	29

Note: A price change such as described, will not necessarily give an imme-diate effect, since the pricing is often tied up to long-term contracts.

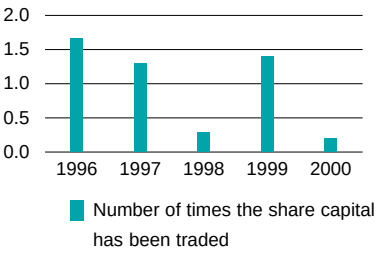


shareholder structure

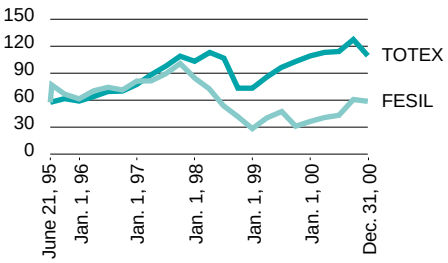
Share-related key figures

	2000	1999	1998	1997	1996	Comment
Earnings per share	3.1	2.5	3.7	-2.3	12.5	
Cash flow per share	3.0	7.7	12.9	16.7	21.2	
Equity per share	62.1	58.3	55.8	51.9	54.1	
Stock value 31.12. NOK mill.	464.0	288.0	240.0	656.0	660.0	
P/E-ratio 31.12.	18.6	14.4	8.1	N.A.	6.6	
Stock value in % of book equity	93.4	61.8	53.8	158.1	152.4	
RISK-amount per share (per 01.01. the following year)	0.0	0.0	0.0	0.0	-1.5	Per 01.01.01: Assumed figure

Turnover on share capital



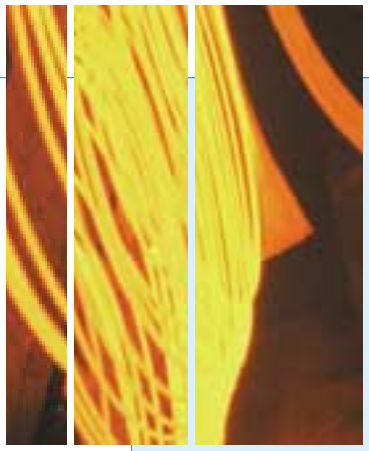
Share price vs. Oslo Børs stock index

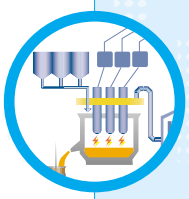


Shareholder structure

The company's largest shareholders as of 31.12.00:	No. of shares	Ownership share	Voting share
Globe Metallurgical Inc.	3,199,799	39.99 %	39.99 %
Tensil Ltd.	3,199,799	39.99 %	39.99 %
Elkem ASA	800,150	10.00 %	10.00 %
Gurta AG	281,338	3.51 %	3.51 %
Tensil B.V.	231,300	2.89 %	2.89 %
Fokus Bank ASA	150,000	1.87 %	1.87 %
Total largest shareholders	7,862,386	98.25 %	98.25 %
Other shareholders	137,114	1.75 %	1.75 %
Total issued shares	7,999,500	100.00 %	100.00 %

The following shares are held by Board members, president/CEO and senior management:	Board appointment/ position	No. of shares
Board members:		
Giovanni Luigi Ghezzi	as Chairman of the Board in Gurta AG	3,712,437
Arne Byrkjeflot	via narrative	100
Åge Sakariassen		100
FESIL ASA's management:		
Stein Anderssen	Senior Vice President, CFO	100
Henrik Brekken	Senior Vice President SiMet	67
Svein Johnsen	Senior Vice President Personnel	100
Ragnar Vaksdal	Director Marketing and Sales SiMet	400





• • • production •

• market •

• logistics •

production

FESIL is among the world's largest producers of silicon alloys, - and technologically in the forefront. To an outsider the production process may seem simple, but at FESIL's quality levels the know-how and equipment required is on par with any other "high-tech" operation.

Basically, Norwegian hydroelectric power is used to refine the raw materials - quartz, iron and coal/coke/charcoal - into metallurgical products with precise and constant chemical and physical properties. The end product is the result of generations of development and search for quality.

Today, all plants in the FESIL system have obtained accredited ISO 9000 certification. This also applies to FESIL's global sales and logistics systems. All FESIL's melting plants, including the briquette factory, have obtained ISO 14001 certification in 2000.

It has been a natural choice for FESIL to make the most out of its technological expertise by switching ever more of its production over to specialised products and qualities. At FESIL's own plants, production of standard grade material will be limited to a minimum.

The FESIL plants were among the first in the world to collect the previously polluting microsilica from the furnace gases and turn it into a commercial product.

Lilleby Metall was the first plant of its kind to develop a heat recovery system that provides industries and institutions in the neighbourhood with hot water.

Reducing energy consumption to a minimum and protecting the environment against undesirable emissions are now, more than ever, central goals for the FESIL organisation.

DNV
NORWEGIAN ACCREDITATION
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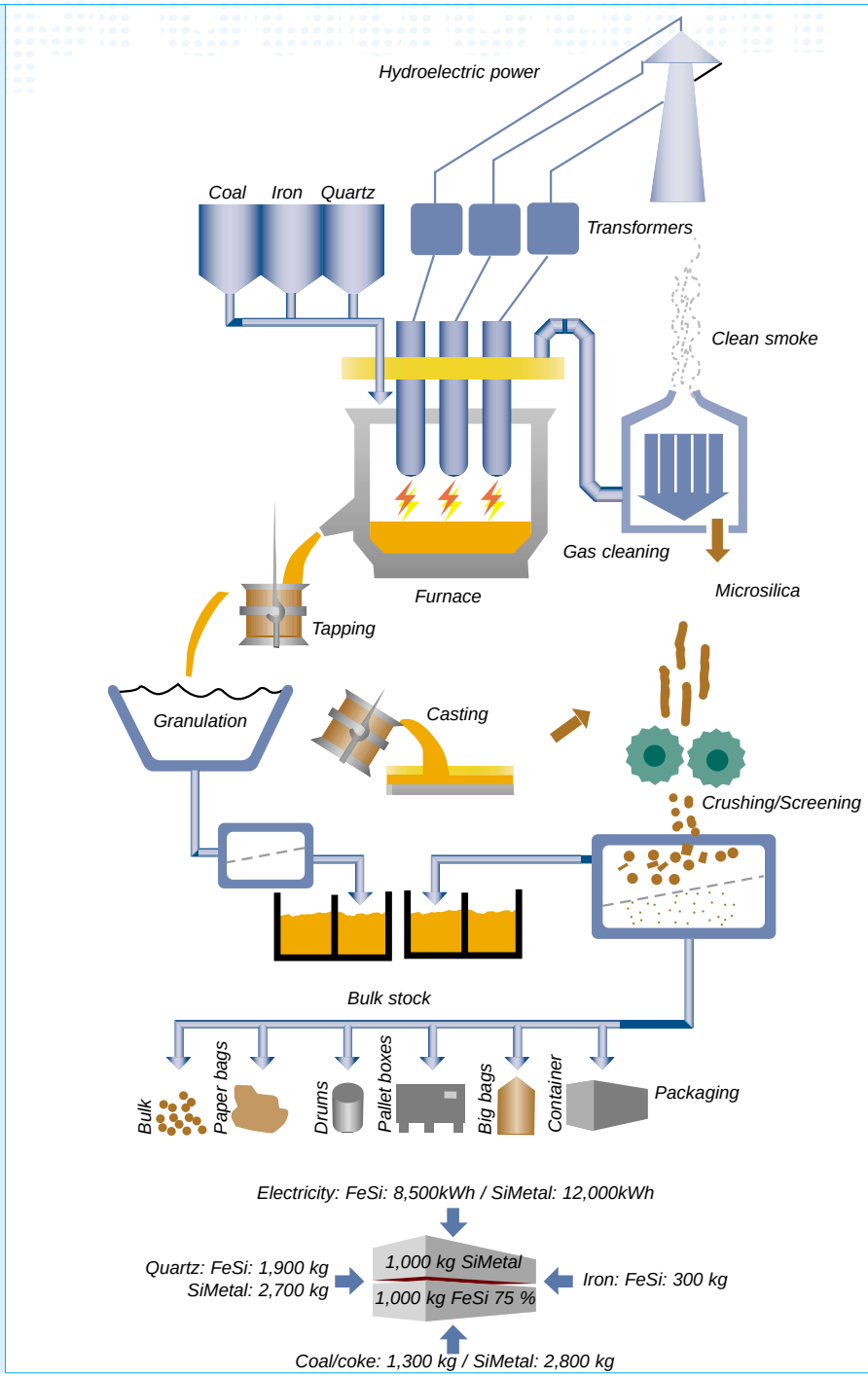

Hydroelectric power
Coal
Iron
Quartz
Transformers
Clean smoke
Gas cleaning
Microsilica
Furnace
Tapping
Granulation
Casting
Crushing/Screening
Bulk stock
Bulk
Paper bags
Drums
Pallet boxes
Big bags
Container
Packaging
Electricity: FeSi: 8,500kWh / SiMetal: 12,000kWh
Quartz: FeSi: 1,900 kg
SiMetal: 2,700 kg
1,000 kg SiMetal
1,000 kg FeSi 75 %
Iron: FeSi: 300 kg
Coal/coke: 1,300 kg / SiMetal: 2,800 kg

market/logistics

FESIL is a major supplier to the international markets for ferrosilicon and silicon metal. There are three principal market regions: EU, USA and Japan. FESIL participates in all three regions, but its main effort is in the EU market. More than 70 % of its FeSi output ends up here, and 90 % of its SiMetal. FESIL has major shares of the markets in the EU area.

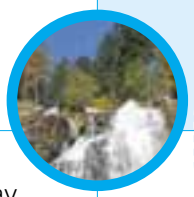
FESIL has six sales outlets in the EU and one in Japan. Most of the sales, including the group's trading, are made through these companies. Other markets are covered through agents, or on a direct basis.

An important element in FESIL's sales policy is to reduce the customer's risk in and around the product as much as possible. Considerable efforts have therefore been invested in developing a reliable scheduled transport and storage system. This includes 10 storage facilities throughout Europe and 5 in USA. "Just-in-time" deliveries are an integrated part of the "FESIL" brand.

We expect the same kind of accuracy from our suppliers of container transport to other destinations.

focus on:

- *environmental challenges regarding SO_2*
- **organisation structure**
- **management**
- **products**



focus on:
environmental challenges regarding SO_2

Acid rain – The most serious environmental problem in Norway

Although major parts of Europe are exposed to more acid rain than Norway, the consequences here are more serious. The reason for this is that large areas in Norway have soil with little lime and other rocks with high basisity that can neutralize and prevent the negative effects of acid rain.

Acid rain is in fact considered the most serious environmental problem in Norway. Pictures of fish killed by acid rain in rivers and lakes in the southern parts of Norway are well known. This is, perhaps, the most obvious effect, but also plants, animals and people are affected by acid rain. That acid rain was a major regional problem throughout Europe was first generally accepted in the seventies, although the problems had been obvious much earlier.

The first international break-through on this issue came in 1979 when the US, Canada and 30 European countries signed the UN convention: Long-Range Transboundary Pollution. The first sulphur protocol was signed in Helsinki in 1985. The countries here agreed to reduce the emissions with 30 % within 1993. Norway met this goal by a good margin.

New emission limits to be implemented by 2010 were agreed for 31 European countries in the 1999 revision. The energy and environment committee of the Norwegian parliament proposes to ratify this agreement that regulates emissions of sulphur dioxide (SO_2), nitrogen oxides (NO_x) and other species contributing to acid rain. Analysis carried out on behalf of the public authorities concludes that cleaning NOx is hardly an option for furnaces producing ferroalloys. Hence, the following text will address the possible implications for FESIL of the Norwegian commitments regarding SO_2.

Norwegian SO_2-commitments

Norway is committed to reducing the emission of SO_2 to a maximum of 22,000 tonnes by the year 2010. This is a 58 % reduction relative to the emission in 1990. The present emission of approximately 29,000 tonnes must therefore be reduced by another 7,000 tonnes over the next nine years. There seems to be no need for special measures to stay within the 34,000 tonnes limit that applies until 2010.

It is politically important for Norway to meet the commitments it has agreed to because approximately 95 % of the acid SO_2-rain comes from abroad.

Temporary SO_2-consequences for FESIL

The means Norway decides to use to meet its SO_2 commitments from 2010 are of basic importance for FESIL. Present reports show that the most cost effective solution in a nationwide perspective is to

clean the gas from some furnaces producing ferrosilicon and silicon metal. This makes the issue very important to FESIL.

From 1999 a SO_2 tax was implemented on coal and coke used as raw materials in the process industry. This added to the already existing SO_2 tax on the same materials used for heating purposes. The three FESIL plants emit a total of 2,500 tonnes of SO_2 per year. This amounts to approximately 8 % of the total Norwegian emission. FESIL paid 1.2 million USD in sulphur tax in year 2000. This is a type of tax that none of our competitors abroad are burdened with.

More than 90 % of the incoming sulphur is converted to SO_2 in FESIL's furnaces. It is impossible to bind more sulphur in our processes. The sulphur emission is therefore governed by the sulphur content of the raw materials, mostly the carbon materials. FESIL bought raw materials with as low as possible content of sulphur even before the tax was implemented. The environmental effect of the SO_2 tax has therefore been marginal as far as the FESIL plants are concerned.

Since the implementation of the sulphur tax, FESIL has worked actively to persuade the authorities to phase out the tax. Instead the companies should be required to set aside an equivalent amount of money in a common fund that should be used to finance the necessary measures within the industry to bring the emission goals for the process industry to an acceptable level by year 2010.

Then the authorities decided to double the SO_2 tax from July 1, 2000. This made the entire process industry support the idea of the fund, which will by far give the most cost-effective implementation for the process industry. Before presenting the status, it seems right to discuss whether a long-term approach like this is adequate from an environmental point of view.

SO_2 – an environmental or political problem?

The Norwegian Pollution Control Authority (SFT) considers actions against pollution based on the following criteria listed in order of priority:

- Emissions being injurious to health
- Emissions exceeding the capacity of the nature
- Emissions exceeding national or international commitments

The first two items clearly represent real environmental problems, while the last is more of a political nature. The first two items are here discussed in a perspective reaching to 2010.

Health impact and Norwegian SO_2-emission

Historically, some companies have been ordered to reduce their SO_2-emissions because of too high local concentrations. Measurements and simulations show that local problems like this will impact inside a circle of a few kilometres from the source. Provided that the regulations are complied with, the last of such local problems in Norway will be resolved within a few years, and long before 2010.

A reduction of SO_2 reaching Norway from abroad, presently amounting to 95 % of the total, will contribute positively to a situation that already poses only a minimal health risk.

It seems therefore obvious that Norway can choose the most cost effective solutions with few restrictions posed by local health requirements. None of the FESIL plants are located in areas where SO_2 is a local problem at present.

SO_2 and the capacity of the nature

Norway has for years spent considerable time and money to monitor the situation and evaluate how much the capacity of the nature is exceeded in areas where acid rain is a problem in that respect. The trend from 1950 to 1990 was alarming. Fish extinction was found in river after river and lake after lake in the southern parts of the country. In 1990, 35-40 % of Norway received more acid rain than the nature could tolerate.

The international convention on acid rain reduction, luckily, turned this trend. The nineties brought major improvements. Estimates from 1999 show that the remaining problem area will be reduced to about 7-8 % by 2010, most of which will be located in the Agder counties and a few small areas in Hordaland and Telemark. No counties in the mid or northern part of Norway, with the exception of an area close to the Russian border, will from year 2010 receive more acid rain than the nature can tolerate.

The distribution of Norwegian emissions has been examined several times. This is a very difficult task since 95 % of the total emissions are coming from abroad. However, specialists have estimated that a typical ferroalloy plant may contribute by about 2-4 % of the total SO_2-load within an area of 150x150 km around the plant. The highest percentage is typical where the total load is low. These results also confirm the importance to Norway of international agreements.

The intentions of the international agreements

It is internationally accepted that the cost of solving all environmental problems in the world would be astronomical. Only the 1999 Gothenburg protocol on acid rain will cost Europe around 70 billion USD/year, or around 100 USD/citizen. Fortunately, reduced health problems combined with increased welfare is estimated to give each European an average gain equivalent to 270 USD/year. These facts have made environmentalists with a realistic outlook to accept that a given improvement should be reached by means of the lowest overall cost for Europe as a unit. Based on this, it seems logical to continue by discussing the most cost effective alternatives in Europe.

Costs for reducing SO_2-emissions in Europe

In a typical European country, about 60 % of the SO_2-emissions come from coal-fired power plants while 20 % comes from process industries. In Norway about 60 % of the SO_2-emissions come from the process industry since we have no coal-based power plants. While other European countries can meet their commitments by cleaning big power plants, or switch from coal to natural gas, Norway has to clean other processes.

To reduce the SO_2-emissions from a ferrosilicon furnace differs very much from cleaning a coal-fired power plant:

- About ten times more gas must be processed to catch 1 kg SO_2.
- Accessible SO_2 for cleaning is less than 10 %.
- The cleaning plant becomes voluminous with low efficiency.
- *To clean a ferrosilicon furnace costs about the double.*

If Europe wants to realise its own environmental economical intentions, this example indicates where it should be most actual to build cleaning plants.

Consequence analysis of environmental projects

When Europe is going to spend 70 billions USD to reduce the problems with acid rain, it should be easy to accept that this huge amount of money must be spent in a way that solves the most important environmental problems.

Then it is important to evaluate each single enterprise to see if the result can justify the consumption of resources such as energy, materials and labour. Europe cannot afford to solve luxury problems for political reasons.

To wash SO_2-polluted gas with seawater is probably the most environmental efficient method. To feed SO_2 into the seawater creates no problems because seawater has a high natural content of sulphur compounds, but even the best cleaning processes consume energy.

The marginal European production of electricity will probably be coal-based during the next decades. This means that consumption of 1 kWh will create emission of 1 kg CO_2 that ought to be taken into the environment consideration.

Most other SO_2-cleaning technologies consume chemical compounds that during processing directly or indirectly lead to CO_2-emissions. Washing with seawater is a very positive exception, but in this process the SO_2 will replace CO_2 that is already dissolved in seawater, and that CO_2 is then released into the air. All SO_2 cleaning processes have to pay the price of creating direct or indirect emission of CO_2.

If a ferrosilicon plant, having neither local nor regional problems with SO_2, yearly wash 1,000 tonnes of SO_2 into the seawater, this will directly and indirectly emit 6,000 tonnes of CO_2 into the air. This is an actual situation when Norway shall fulfil its commitments. From an environmental point of view it seems logical to compensate this CO_2 emission by removing 2,000 cars from the roads.

Such considerations are both complicated and sensitive, but they are important in order to optimise the huge investments needed to improve the environment.

Distribution of the Norwegian SO_2-emissions

Norway emitted 30,000 tonnes SO_2 in 1998. Over many years it is developed advanced meteorological models showing following distribution:

One third hits the ground in Norway, one third hits the open sea and the final third hits Sweden and the rest of Europe.

Sources causing acid SO_2-rain in Norway

It is well known that most of the acid rain in Norway comes from other countries. The most up-to-date overview is for the year 1998. The results are based on measuring stations and advanced modelling. The total deposition is calculated to 200,000 tonnes of SO_2. Russia is forwarding 18 %, Great Britain 14 %, Germany 8 %, Poland 7 % and all the ships on the oceans are also charging Norway with 7 %. Norway's own emissions are responsible for 5 % of the deposition which means about 10,000 tonnes.

The meteorologists responsible for the modelling have found that 19 % of the deposition in Norway comes transboundary from outside Europe. Most of this SO_2 is expected to come from US and Canada, but there are also other sources.

Natural SO_2-depositions

Most people take it for granted that all SO_2 are a human created pollution, but this is not the whole truth. The statistics also include two natural sources.

Volcanoes are the most obvious natural source. In the year 1783 the volcano Laki on Iceland made a huge eruption. The geologists calculated this eruption to have emitted about 13 million tonnes of SO_2. Fortunately to Europe this size of eruptions does not happen every year, but the volcano-created SO_2-emissions in Europe add up to 1.6 million tonnes SO_2 annually. Most European volcanoes are located in the southern parts. Therefore the volcanoes are only responsible for 0.6 % of the total deposition in Norway. In Italy, however, 33 % of the SO_2-deposition is a result of volcanic eruptions.

Most people appreciate fresh sea air, but few of us know that sulphurous gases are important for the scent. The explanation is that sea water contains huge amounts of algal cultures characterised by their transforming of sulphurous compounds into gases (i.e. dimethylsulphide) being oxidized into SO_2. The amount is evaluated to 740,000 tonnes SO_2 yearly charged into the atmosphere. The algal cultures in the European ocean areas cause deposition of 4,800 tonnes acid SO_2-rain in Norway. This is 2.5 % of the total deposition in Norway, but the most exposed country in Europe is Iceland where the algal activities are causing 13 % of the total SO_2-deposition.

The models for transboundary pollution have calculated that huge amounts of SO_2 come into Europe with the wind. The meteorologists know that many of the sources are located in US and Canada, but it is obvious that volcanoes and algal activities play an important role as sources. It is calculated that such unidentified sources is charging Norway with 38,000 tonnes SO_2 corresponding to 19 % of the total deposition. If one presumes 20 % of this amount to be caused by volcanoes and algal activities, then the natural deposition will rise with 8,000 tonnes of SO_2 per year.

Some natural SO_2-deposition is quite normal. Natural deposited SO_2 in Norway can probably be added up to an amount exceeding the 10,000 tonnes SO_2-depositions caused by Norway's own emissions.

SO_2-taxes as an environmental tool

Norway is committed to reduce its emissions with 24 % or 7,000 tonnes before year 2010. The emissions are distributed between the following sectors:

Process industry	61 %
Stationary combustion	24 %
Mobile combustion	15 %

The Norwegian Parliament introduced a special SO_2-tax from January 1, 1999. The tax was 0.36 USD per kg SO_2. This tax was doubled from July 1, 2000. The process industry, the workers and all organizations/unions then responded with an organized information campaign. It was not difficult to show that this tax was mainly fiscal since the environmental effect, for reasons described earlier, was only marginal.

The Norwegian Parliament then halved the tax from January 1, 2001, as a result of the information campaign. The ideas tabled by the process industry were found interesting.

The solution to Norway's SO_2-commitments from year 2010

The process industry is willing to reduce its SO_2-emissions with 5,000 tonnes before the year 2010, and pay for it with its own money, if the state are willing to remove the SO_2-tax. Such a reduction will amount to 70 % of Norway's total commitments of 7,000 tonnes.

The plan is to pay an amount corresponding to a tax of 0.36 USD per kg SO_2 into a fund. This fund shall finance both development of technology and construction of a necessary number of cleaning plants to reduce the emissions with 5,000 tonnes. Since Norway will have no problems with its commitments before the year 2010, it should be possible to develop and establish the most environmental efficient methods.

If the supporters of taxes had been allowed to boost the taxes until the problem had been solved, this could probably have cost FESIL some 25 million USD before the year 2010.

The actual plan will cost FESIL 1 million USD per year. This will add up to 9 million USD by the year 2010. The process industry will work together to find the processes and locations where it will be most efficient to reduce the emissions. This way of thinking corresponds very well with the internationally agreed environmental policy.

More or less all parties in The Norwegian Parliament support the proposed plan. It is therefore to expect that the Government will very soon invite the process industry to negotiate an agreement that can solve Norway's commitments from the year 2010.

president and ceo

For FESIL, even though prices for our products were still low, the first year of the new millennium was an improvement over the previous year. There was a heavy demand, but unfortunately the supply was correspondingly high and the prices were kept under pressure. In Europe, the anti dumping efforts aimed at third world producers have had some effect, while the high USD exchange rate has made deliveries to the US and Asia interesting.

We also note that FESIL's strategy towards progressively more specialised products has, considering the tough market conditions, given positive results. All of FESIL's production of FeSi and most of the silicon metal are refined to a high degree. In Rana the tonnage is divided evenly between granulated and refined metal, while Lilleby delivers some of the world's highest purity qualities of FeSi. Holla is also equipped for both refining and granulation.

Our strategy remains firm: We will not produce standard FeSi.

During the year all plants were back in full operation, after a production stop resulting in lay-offs for parts of the workers in 1999. Technically, all plants are running well.

QS- and environmental certification

All plants are certified as conforming to ISO 9001. During the last year the plants were also certified to the ISO 14001 environmental standard. The certifications substantiate FESIL's profile as a quality supplier, and underlines that we take the environment seriously. Our plants are subject to the world's strictest cleansing requirements, which we meet.

In respect of recycling, we have come far. The dust that is cleaned from the furnace gas has become an important sales product, and the plants both at Rana and in Trondheim deliver waste heat for local heating purposes.

The metallurgical processing industry can never become 100 % free from effluents but I believe that over time the environmental side will become a competitive advantage. Our customers regularly ask questions about the environment; I am convinced that this trend will increase. The steel manufacturers will prefer suppliers who can prove they are conscious of quality and environmental issues.

External conditions

In the years to come, the work with long -term and predictable external conditions will pose a challenge – not only to FESIL, but also to the Norwegian processing industry as a whole.

Over the last years a number of measures have been proposed and to some extent adopted, measures that could lead to a distortion of competition in disfavour of Norwegian manufacturers. There is no need to go into detail; it is sufficient to

mention SO_2-duty, CO_2-duty, new power contracts, electricity-duty, state of the market-duty and increased grid costs. Investment-duty is almost unknown to our foreign competitors.

Global environmental policy

We agree with the target for reducing the global effluents from the processing industry. But this target will not be reachable by introducing distinctively Norwegian measures causing costs to Norwegian plants that our foreign competitors avoid. The outcome of such a policy could be quite the opposite, which is increased effluents … this will be the situation if we close the Norwegian plants and let the production be transferred to foreign plants with much higher pollution.

Norwegian authorities should therefore direct their efforts on behalf of the global environment to international agreements in respect of reduced effluents, thus all plants would have to adopt similar measures.

At home we have succeeded in changing the SO_2-duty from a purely fiscal duty into an investment fund earmarked for investments that give the most environmental improvement for the money.

Power

In Norway, the processing industry is located close to the power plants in order to reduce system loss and other transfer costs. Norwegian local districts have thereby been given the opportunity to refine their natural resources into useful products that the world needs.

Until now, this has also given the plants a competitive edge.

This policy has over a number of years been changed through the introduction of a common northern power market, while at the same time localisation advantages in respect of grid costs have been dramatically reduced. Our costs will increase further if the proposal of transferring a larger part of the grid costs from producer to customer is acted upon.

Predictable terms

In connection with debate about the new state budget last autumn, the processing industry instigated a campaign aimed at the politicians, pointing out the harmful effects of some of the proposed measures. We succeeded in convincing the politicians to remove the worst stumbling blocks in the budget.

This tells me that politicians are not always aware of the consequences of their acts.

The whole processing industry must now work together to avoid that proposals that are not thoroughly considered are tabled. Even if such proposals are removed after political discussions, the signals can very easily be interpreted as hostile to the industry. This can be detrimental to a processing industry that – together with oil and gas – for many years has been the main contributor of Norwegian export. It still is, and we must make sure that this is also the case when, in the future, the oil income is reduced.

Consolidating in 2001

2001 will be a year of consolidation for the FESIL Group – with focus on efficient operations.

Today's uncertain external conditions taken into consideration, it is difficult to carry out major investments. Some investments may wait until we have clarification in respect of Norwegian environmental and power politics.

Sigbjørn Brevik
President and CEO
FESIL ASA

FESIL ASA

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...the plants.

Rana Metall

Holla Metall

Lilleby Metall

FESIL-Brikettfabrikken

Rana Metall

This is FESIL's newest plant, established in 1989. Rana Metall produces ferro silicon (FeSi) on two furnaces, with a total production capacity of approx. 80,000 tonnes per year. The plant is equipped with facilities for granulation and for refining. These facilities have the capacity for handling the entire production of the plant, reducing the production of standard grades to a minimum. The plant is certified as conforming to ISO 9001 and to the environmental standard ISO 14001.

Holla Metall

Established in 1964. Holla Metall produces silicon metal (SiMetal) on four furnaces, with a total production capacity of approx. 49,000 tonnes per year. The plant is equipped with facilities for granulation and for refining. These facilities have the capacity of handling the entire production at the plant, reducing the production of standard grades to a minimum. The plant is certified as conforming to ISO 9001 and to the environmental standard ISO 14001.

Lilleby Metall

Established in 1927. Lilleby Metall produces ferro silicon (FeSi) on two furnaces and silicon metal (SiMetal) on one furnace, with a total production capacity of approx. 19,000 tonnes FeSi and 9,000 tonnes SiMetal per year. The plant is equipped with facilities for refining both FeSi and SiMetal. Lilleby Metall produces some of the world's purest FeSi, having an important share of the international market for High Purity FeSi. The plant has an energy recovering facility which supplies the city of Trondheim with heated water, equivalent to 33 % of the energy consumed at the plant. The plant is certified as conforming to ISO 9001 and to the environmental standard ISO 14001.

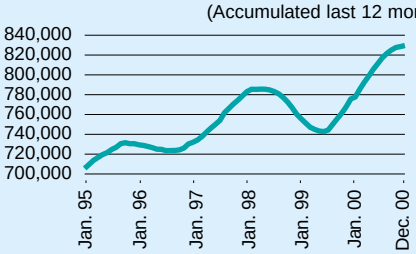
FESIL-Brikettfabrikken

Established in 1958. FESIL -Brikettfabrikken produces ferroalloy briquettes for the foundry industry using secondary material from FeSi/SiMetal and silicon carbide (SiC). The briquettes are made in a variety of shapes, sizes and chemical compositions. The customers are mainly foundries connected to the European automotive industry. FESIL -Brikettfabrikken has a production capacity of approx. 30,000 tonnes of briquettes per year. The plant is certified as conforming to ISO 9002 and to the environmental standard ISO 14001.

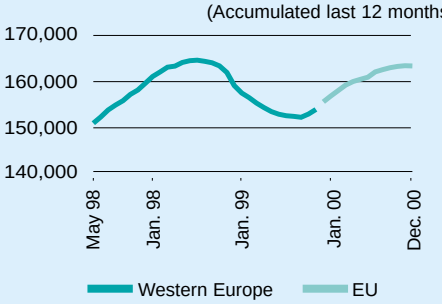
FESIL is among the world's principal producers of FeSi

It is said that: "Steel is the most used and the most useful of all materials". Steel is used in all countries and in practically all parts of the world. Probably no other material is used for so many purposes. Measured in value, the world consumption of steel is far beyond that of competing materials, such as plastics, aluminium, etc.

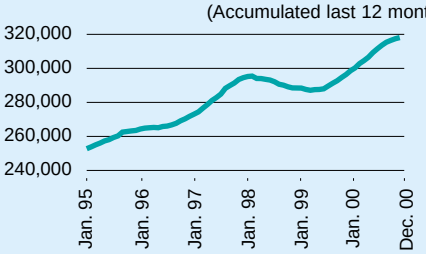
World crude steel production 1,000 tonnes
(Accumulated last 12 months)



EU crude steel production 1,000 tonnes
(Accumulated last 12 months)



Asia crude steel production 1,000 tonnes
(Accumulated last 12 months)



Steel

There was throughout the year a strong growth in steel production in all regions of the world. On a world basis the increase over 1999 was 7.4 %. In EU, the increase was 4.9 %, North America 4.6 % and Asia 6.9 %.

At the end of the summer, the production growth rate slowed down considerably, especially in USA, where there was a 12.4 % reduction in November 2000, compared with the same month in 1999. The accumulated twelve month steel production in North America was at the maximum in September.

Several steel manufacturers in the USA have financial problems, with some of them going into chapter 11. The situation has not improved during 1st quarter 2001.

In Asia, Japan's increase was 13 % year on year, and China's 1.7 %, which is a correction from the high figure of 8 % in 1999. The production in China was nearly 126 mill. mt, which is the highest figure for any steel producing country.

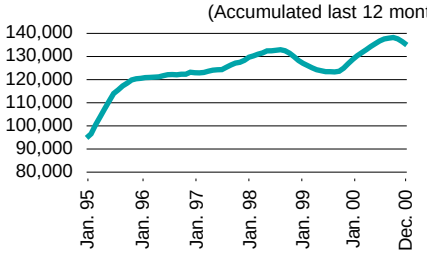
The average increase in Europe was 4.9 %. Germany had the highest increase with 10.2 %. In Great Britain there was a reduction of 9.1 %.

The maximum accumulated twelve month production in EU was in November; from then on the growth rate was slower than for the same month in 1999. The steel industry in UK had suffered strongly during the year, mainly due to a strong British pound that made exports difficult.

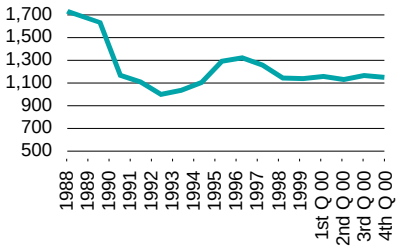
One result of this is that the Corus steel group is planning to shut down about 3 mill. mt of steel production capacity. The Scandinavian steel producers have also enjoyed a high production rate during the year, and the same level of production is expected throughout 2001. Due to a high portion of special steel qualities, the Scandinavian market is very important for FESIL.

FESIL's special ferrosilicon is an important ingredient in several steel products.

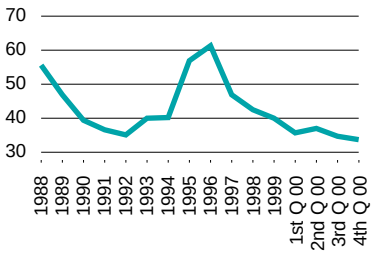
North America crude steel production 1,000 tonnes
(Accumulated last 12 months)



European spot price FeSi 75 % (DEM)



US import price FeSi 75 % (c/lb)



Ferrosilicon

The demand for ferrosilicon has been reasonably good, especially for granulated and semi high purity qualities.

Due to very high production rates of steel, the market became oversupplied in some steel qualities at the end of the year, resulting in a drop in steel prices.

Less demand of FeSi in certain markets at the end of the year also led to a drop in FeSi prices.

Special steels, among them stainless steel, is one of the most important market segments for FESIL. For several of the special grade steels, it is necessary to use refined or granulated ferrosilicon. Today, such grades make up nearly 100 % of FESIL's production of ferrosilicon. The granulated ferrosilicon is especially popular among stainless steel producers due to better recovery of chromium as well as silicon during steelmaking. We have seen an increased demand for granulated ferrosilicon during the year. Another benefit of being in this segment is that the specific consumption of ferrosilicon is several times higher than for normal grade steels.

The prices for standard FeSi have been influenced by the uncertainties surrounding the anti dumping duties that have been protecting the US and EEA producers against unfair competition in USA and EU. The duties were removed in the US in August 99, followed by a strong increase in the exports from particularly non-market economy countries and, hence, a steep fall in prices. The US FeSi producers are contesting the legal rights of their authorities to take such a step, and court cases are pending. In the EU there are strong speculations that the anti dumping measures will fall soon. The extremely low level of FeSi prices already in effect in Europe gives a reasonable hope that such a decision will not affect the prices negatively to any serious extent.

silicon metal
for the chemical and aluminium industries

2000 was a year characterised by many positive events for our silicon metal business. With all furnaces producing at full capacity, FESIL has during the year again cemented its position as one of the leading producers of SiMetal. Considerable investments have also been made during the year, resulting in an annual production capacity of approx. 60,000 tonnes. Over the same period, FESIL has increased its sales volume with in excess of 35 %, and does now supply more than 10 % of the total world market for chemical grade silicon metal.

Looking ahead to year 2001, the total market for silicon metal, to both the aluminium and chemical industries, seems to develop positively.

Silicon metal

Since we started producing silicon metal ten years ago, FESIL has focused on the chemical industry as its principal customer. The basis for FESIL's long-term engagement in this field is a continued belief in increased growth and a more stable market. As a major supplier to the industry, our constant focus on specialities and customised production, together with increased production capacity, will enable us to grow with the industry and to make us an even more interesting and important partner.

FESIL has always focused on customised production and has worked hard to become and remain a high quality supplier. This has ensured our customers an optimal product that fits their own specifications. About 95 % of FESIL's production of silicon metal is now specialised. The production of chemical quality silicon metal accounts for approximately 85 %. The remainder is refined material, mainly supplied to the aluminium industry.

A constant growth in the demand for customised qualities and supplies requires a close co-operation between producer and customer. This makes the selection of supplier very dependent on quality and flexibility, with consequent less focus on price. FESIL will continue to work hard to satisfy our customers' requirements, in order to be seen as their partner of choice.

Market

European producers in 2000 increased their production with more than 10 %. Over the same period there has been a decrease in the stock levels of European produced material of almost 20 %. Both these factors indicate a strong demand for silicon metal. No further conversions of furnaces to silicon metal have been seen during the period.

The total Western world production in 2000 is estimated to approx. 780,000 tonnes, with the European production accounting for approx. 320,000 tonnes. Norwegian production were in the same



Silicon metal is, among other things, used as a raw material for production of silicones. Different grades of silicon are used in a lot of products we use daily - e.g. cosmetics.

period about 170,000 tonnes. In US there was a slight production decrease to below 180,000 tonnes, while Brazil increased its output to 170,000 tonnes. Latest estimates of world production for year 2000, including China, are said to be approx. 1,100,000 tonnes.

The main increase in consumption of silicon metal seems to be in Europe, where there has been a substantial growth in the chemical as well as the metallurgical market. In the US market there has, however, been a decrease in consumption over the year for both industries. The Asian market is mainly supplied from China. While it is still rather difficult to get good figures for this trade, there are reasons to believe that the Asian market has seen an increase in consumption of approx. 3-4 %.

Looking at the total world market, there seems to have been an estimated growth of 4-5 % in year 2000.

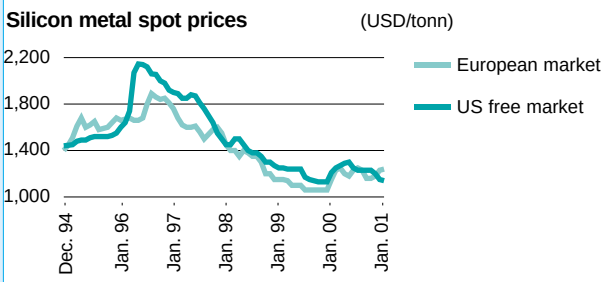
A continued steady growth is today the forecast for year 2001, though a little less than for the current year.

The chemical industry

For the chemical market a continued growth is expected in year 2001. Most of this will come in Europe and to some extent in Japan.

About 40 % of the total silicon metal production today is still used by the chemical industry, but we believe that the percentage will increase to approx. 50 % by 2005.

The main use of silicon metal in the chemical industry is for the production of silicones. The ability of silicones to withstand degradation and chemical influence, and their very stable thermal properties, make them useful in an increasing number of products. Principal uses are silicone oils, silicone rubber, lubricants, sealers, cosmetics and textiles. Considering the world's rapid population growth, especially in the Far East, together with a general increase in living standards, the demand for all these products will clearly increase.



Aluminium industry

Most manufacturers of aluminium experienced a comparatively good start in year 2000. The trend did, however, change at the end of the year, and at present the industry is experiencing fairly large geographical differences. What will happen in year 2001 depends largely how world car production develops. The first signs of reduced activity have already been observed in the US market.

Market analysis indicates that more than 50 % of the silicon metal production will still go to the aluminium industry. Here, the metal is used as an alloying element in many qualities supplied to the automotive industry. By adding different percentages of silicon metal, one can improve the casting properties and increase hardness as well as strength. Resistance to wear and corrosion will also be improved.

The additions are normally between 0,5-2,0 % for the primary aluminium alloys which are mainly used for sheets, profiles, wires etc. For the foundry alloys the additions of silicon will be in the range of 10-20 %. These alloys are mainly used in the automotive industry where we have seen a substantial increase the last years.

Prices

From the end of 1999 until the middle of 2000 we saw a steady increase in prices for all grades of metallurgical silicon metal in the European market. During the rest of the year prices seem to have stabilised, with the exception of the US market, where there has been a further reduction in price. The availability of spot material seems to have been rather limited in the same period.

Due to FESIL's many long-term contracts and low sales of spot material, our results were only to a small extent influenced by the higher price level for metallurgical grades silicon metal in the spot market. Even so, looking at the market in general, we might say that higher average price level has contributed to the positive development that has been experienced during the year.

Based on our increased production capacity of silicon metal and the latest development within the European industry, FESIL will continue to work hard to increase its market share to both the chemical and the aluminium industries.

Anti-dumping duties

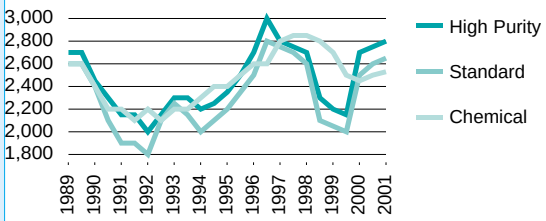
The markets in Europe and the United States are still affected by the anti dumping duties. Since the duties on Brazilian material into Europe were lifted at the beginning of 1998, there has been a continued increase in offers for this kind of material. The duties on Chinese material will still be in effect through year 2001. In US, ITC has decided to retain the anti dumping duty for silicon metal from Brazil and China.

Future

As mentioned above, a 3 % increase in consumption is expected in the silicon metal market for 2001. Taken the existing production capacity into consideration, there should be no need for further conversions in year 2001. There will still be an over-capacity in the market, but due to closure of furnaces both in the US and Europe, we think that the supply/demand situation will still be fairly tight. As has been seen through the year, a tighter supply situation might give higher spot prices and a general price increase in the market.

For 2001, especially in the aluminium industry, we will see higher contract prices compared with last year.

Silicon metal for chemical and aluminium industries price development



Silicon metal is a very important alloy element in aluminium qualities used by the car industry. Between 10-20 % silicon metal is used as an additive in aluminium alloys used in production of car engines.

Despite higher prices in general for silicon metal, new long-term contracts to the chemical industry were still affected by the low price levels that we saw at the end of 1998. An increasing amount of approved suppliers together with a good supply situation to the industry have also affected the prices on new contracts. Because of this, we will still see somewhat lower prices to the chemical industry compared with the short-term contracts to the aluminium industry.

With a continued advantage from the "devaluation" of the real, we believe that Brazil will continue to be our strongest competitor. High production capacity among European producers will also effect the supply situation. Due to the anti dumping duty, Chinese material will, however, only be offered in the Far East.

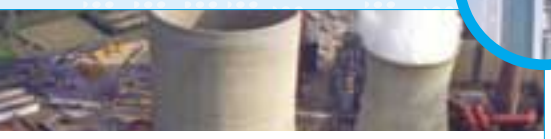
FESIL is now the world's fourth largest producer of silicon metal and thus a leading supplier. We aim to develop this position further in the years to come, and we are convinced that a closer co-operation with our customers will benefit all parties.

As a specialist on silicon metalalloys, FESIL is one of the world's leading producers of chemical silicon metal. We have worked hard to achieve this position, convinced that know-how will be the decisive competitive parameter.

Looking at the year as a whole, we are very pleased to see that FESIL is back in full operation with an increased tonnage. This has given us the possibility to grow with the market, while at the same time leading to higher profitability.

For 2001 there seems to be a fairly good balance between supply and demand, probably leading to a more stable market. The year might, however, show some more global differences both in respect of tonnage and prices. Based on all the indications mentioned above we are convinced that the market will develop positively.

In the long term we are convinced that FESIL's strong engagement in silicon metal will strengthen our company and contribute to our development.



FESIL Microsilica
from pollution to quality product

Microsilica is a by-product from the production of ferro silicon and silicon metal. Microsilica is a grey powder, which consists of very small spherical particles of a size equivalent to cigarette smoke. Microsilica is handled like cement and is delivered in powder form in bags, in big bags or in bulk as loose powder. Microsilica is also supplied as slurry, a mixture of 50 % microsilica and 50 % water.

Approximately 45,000 mt of microsilica is produced every year.

Ferro silicon and silicon metal have been produced since the beginning of this century. Until the 70'ies the furnace gases were not cleansed, and the discharge of microsilica polluted the environment.

The FESIL plant, Lilleby Metall in Trondheim, was in 1976 among the first in the world to install filters for cleansing of the furnace gases.

All FESIL microsilica is tested according to Norsk Standard NS 3045 – Silica fume for concrete. Definitions and requirements.

At first, microsilica was considered a waste product. Through modern cleansing technology and processing, microsilica has gradually been turned into a valuable raw material for high performance concrete, fibre cement sheets and refractory materials.

Microsilica in concrete

Concrete is one of the world's most used building materials. Concrete is made of cement, sand, gravel, water and some chemicals. The weight of 1 m^3 concrete is about 2,400 kg. The cement acts as glue between the sand and the gravel.

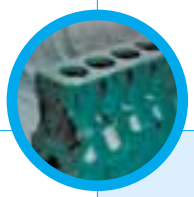
It is made of limestone, is cheap, and available all over the world.

When we mix cement, sand, gravel and water, the consistence varies from being like wet soil to flowing cream. When the hydration starts, the concrete will turn into a large "stone". Using concrete gives us an enormous possibility for all kind of constructions. When adding microsilica in the

cement, there will be a chemical reaction between the cement and the microsilica, as well as a filler effect. The fine microsilica particles will fill in all small openings in the concrete. This gives a stronger and denser concrete.

Microsilica is used in high quality concrete. In bridges, to achieve strength as well as density to protect against chlorides. In the chemical industry, like in fertilizing plants, to protect against chemical attacks. In high-rise buildings, to achieve high strength concrete, and so on.

FESIL Microsilica slurry is used in about 21,000 m³ concrete for a cooling tower in a coal fired power plant in Germany. The cooling tower was built during 1999-2000, and has a height of 200 m. Bottom diameter is 136 m, top diameter is 87 m. The cooling tower also works as chimney, where there is some sulphuric acid in the flue gases. The reason for using microsilica in the concrete was to achieve a high strenght concrete, resisting against acid attack. The microsilica slurry was delivered from FESIL's customer MC Bauchemie.



briquettes
fines and sculls

When producing ferrosilicon (FeSi), silicon metal (SiMetal) and silicon carbide (SiC), fines from the crushing and screening equipment, as well as flakes of hardened metal (sculls) from the ladles are generated. Fines are almost pure metal with a high content of Si. The sculls are contaminated by remains of slag and have therefore a lower Si-content. In the smelting technology “fines” and “sculls” is known under the generic term “off-grades”.

In the past, i.e. before 1958, it was impossible to utilise off-grades, which were therefore handled as scrap.

The idea behind the establishment of FESIL-Brikettfabrikken was to convert the off-grades material to a useable product. The technology for production of briquettes is taken from the concrete industry. From the weighing station, the exact quantity of raw materials, concrete and water goes into the mixing machine. The mixture is filled in a mould in the briquetting machine and pressed together under vibration and high compression. (The briquetting machine can, by use of different moulds, produce briquettes with varying sizes and shapes.) After the compression the trays of briquettes are put into the hardening chamber, and 24 hours later the briquettes have achieved sufficient strength for packing and transportation.

Because of the sculls and the addition of concrete, the briquettes can only be used in cupola furnaces. The FeSi- and SiC-briquettes are mainly exported to foundries associated with the European car industry. Both qualities are used as additives in cupola furnaces for the production of engine blocks, brake disks etc.

On the December 20, 2000, the quality system at FESIL-Brikettfabrikken AS was re-certified to NS-EN ISO 9002, 1994, and the environmental control system was certified according to NS-EN ISO 14001, 1996.

During the past year, the company has signed an agreement of co-operation with GfM, and the company GfM-FESIL has been establishing in Duisburg.

- *Sigbjørn Brevik, President and CEO*
- *Stein Anderssen, Senior Vice President and CFO*
- *Svein Johnsen, Senior Vice President Personnel, Health and Safety*
- *Tormod Haug, Senior Vice President Procurement*
- *Henrik Brekken, Senior Vice President Silicon Metal*
- *Sverre Sæther, Director Marketing and Sales Ferrosilicon*
- *Ragnar Vaksdal, Director Marketing and Sales Silicon Metal*
- *Petter Synnestvedt, Director Business Development*
- *Lars Nygaard, Technical Director*


Sigbjørn Brevik


Stein Anderssen


Svein Johnsen


Tormod Haug


Henrik Brekken


Sverre Sæther


Ragnar Vaksdal


Petter Synnestvedt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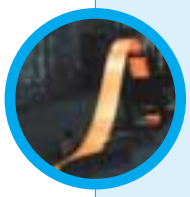
annual report 2000

FESIL



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«When I was faster,
I was always behind»
Neil Young