Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2017 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	911 382 008
Organisasjonsform:	Allmennaksjeselskap
Foretaksnavn:	ELKEM ASA
Forretningsadresse:	Drammensveien 169 0277 OSLO

Regnskapsår

Årsregnskapets periode:	01.01.2017 - 31.12.2017

Konsern

Morselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Monika Dyresen
Dato for fastsettelse av årsregnskapet:	09.03.2018

Grunnlag for avgivelse

År 2017: Årsregnskapet er elektronisk innlevert
År 2016: Tall er hentet fra elektronisk innlevert årsregnskap fra 2017

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 09.04.2023

Resultatregnskap

Beløp i: NOK	Note	2017	2016
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt		7 067 818 000	6 900 847 000
Annen driftsinntekt		108 731 000	110 132 000
Sum inntekter		**7 176 549 000**	**7 010 979 000**
Kostnader			
Varekostnad		3 852 686 000	3 962 601 000
Lønnskostnad		969 322 000	912 939 000
Avskrivning på varige driftsmidler og immaterielle eiendeler		329 235 000	318 435 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler		14 573 000	8 052 000
Other operating expences		1 624 430 000	1 480 646 000
Other gains/lossses related to operating activities		53 020 000	-221 465 000
Sum kostnader		**6 843 266 000**	**6 461 208 000**
Driftsresultat		**333 283 000**	**549 771 000**
Finansinntekter og finanskostnader			
Income from subsidiaries		303 958 000	115 893 000
Income from joint ventures and associates		-500 000	
Annen finansinntekt		46 534 000	55 782 000
Sum finansinntekter		**349 992 000**	**171 675 000**
Writedown on shares in subsidiaries			2 857 000
Finance expenses		86 964 000	89 961 000
Foreign exchange gains (losses)		239 774 000	-103 227 000
Sum finanskostnader		**326 738 000**	**-10 409 000**
Netto finans		**23 254 000**	**182 084 000**
Ordinært resultat før skattekostnad		**356 537 000**	**731 855 000**
Skattekostnad på ordinært resultat		46 612 000	146 920 000
Ordinært resultat etter skattekostnad		**309 925 000**	**584 935 000**
Årsresultat		**309 925 000**	**584 935 000**

Balanse

Beløp i: NOK	Note	2017	2016
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Intangible assets		338 069 000	430 394 000
Sum immaterielle eiendeler		**338 069 000**	**430 394 000**
Varige driftsmidler			
Tomter, bygninger og annen fast eiendom		469 232 000	482 928 000
Maskiner og anlegg		1 200 679 000	1 198 287 000
Driftsløsøre, inventar, verktøy, kontormaskiner og lignende		264 488 000	221 721 000
Sum varige driftsmidler		**1 934 399 000**	**1 902 936 000**
Finansielle anleggsmidler			
Investering i datterselskap		4 680 044 000	4 644 888 000
Investment in assoicates and other companies		13 968 000	12 669 000
Investments in joint ventures		19 028 000	
Derivates		25 325 000	36 028 000
Other non-currents assets		911 782 000	760 233 000
Sum finansielle anleggsmidler		**5 650 147 000**	**5 453 818 000**
Sum anleggsmidler		**7 922 615 000**	**7 787 148 000**
Omløpsmidler			
Varer			
Varer		1 137 148 000	1 182 337 000
Sum varer		**1 137 148 000**	**1 182 337 000**
Fordringer			
Kundefordringer		967 413 000	789 742 000
Other non-current assets		580 221 000	290 154 000
Sum fordringer		**1 547 634 000**	**1 079 896 000**
Investeringer			
Derivates		33 326 000	56 388 000
Sum investeringer		**33 326 000**	**56 388 000**

Balanse

Beløp i: NOK	Note	2017	2016
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende		846 796 000	292 468 000
Sum bankinnskudd, kontanter og lignende		**846 796 000**	**292 468 000**
Sum omløpsmidler		**3 564 904 000**	**2 611 089 000**
SUM EIENDELER		**11 487 519 000**	**10 398 237 000**

BALANSE - EGENKAPITAL OG GJELD

Egenkapital			
Innskutt egenkapital			
Selskapskapital		2 010 000 000	2 010 000 000
Overkurs		908 203 000	1 078 203 000
Sum innskutt egenkapital		**2 918 203 000**	**3 088 203 000**
Opptjent egenkapital			
Annen egenkapital		1 502 574 000	1 284 671 000
Sum opptjent egenkapital		**1 502 574 000**	**1 284 671 000**
Sum egenkapital		**4 420 777 000**	**4 372 874 000**
Gjeld			
Langsiktig gjeld			
Pensjonsforpliktelser		65 321 000	65 405 000
Utsatt skatt		47 692 000	127 967 000
Derivates		210 134 000	147 596 000
Provisions and other non-current liabilities		56 319 000	50 934 000
Sum avsetninger for forpliktelser		**379 466 000**	**391 902 000**
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner		2 633 985 000	2 895 032 000
Sum annen langsiktig gjeld		**2 633 985 000**	**2 895 032 000**
Sum langsiktig gjeld		**3 013 451 000**	**3 286 934 000**
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner		2 631 340 000	1 728 799 000

Balanse

Beløp i: NOK	Note	2017	2016
Leverandørgjeld		751 543 000	584 277 000
Betalbar skatt		88 866 000	30 956 000
Derivates		146 449 000	62 843 000
Other current liabilities		435 093 000	331 554 000
Sum kortsiktig gjeld		**4 053 291 000**	**2 738 429 000**
Sum gjeld		**7 066 742 000**	**6 025 363 000**
SUM EGENKAPITAL OG GJELD		**11 487 519 000**	**10 398 237 000**

Konsernets resultatregnskap

Beløp i: NOK	Note	2017	2016
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt		16 441 894 000	14 045 397 000
Annen driftsinntekt		215 988 000	180 772 000
Sum inntekter		**16 657 882 000**	**14 226 169 000**
Kostnader			
Varekostnad		8 125 907 000	6 899 039 000
Lønnskostnad		2 857 634 000	2 559 950 000
Avskrivning på varige driftsmidler og immaterielle eiendeler		776 023 000	717 781 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler		16 809 000	11 818 000
Other operating expenses		3 575 874 000	3 149 390 000
Other gains and losses		-49 313 000	-52 438 000
Sum kostnader		**15 302 934 000**	**13 285 540 000**
Driftsresultat		**1 354 948 000**	**940 629 000**
Finansinntekter og finanskostnader			
Inntekt på investering i datterselskap og tilknyttet selskap		34 144 000	22 130 000
Annen finansinntekt		19 219 000	22 617 000
Sum finansinntekter		**53 363 000**	**44 747 000**
Finance expenses		119 376 000	88 501 000
Foreign exchange gains (losses)		7 701 000	-49 662 000
Sum finanskostnader		**127 077 000**	**38 839 000**
Netto finans		**-73 714 000**	**5 908 000**
Ordinært resultat før skattekostnad		**1 281 234 000**	**946 537 000**
Skattekostnad på ordinært resultat		269 390 000	188 568 000
Ordinært resultat etter skattekostnad		**1 011 844 000**	**757 969 000**
Årsresultat		**1 011 844 000**	**757 969 000**
Minoritetsinteresser		38 682 000	36 119 000
Årsresultat etter minoritetsinteresser		**973 162 000**	**721 850 000**

Konsernets resultatregnskap

Beløp i: NOK	Note	2017	2016

Konsernets balanse

Beløp i: NOK	Note	2017	2016
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Other intangible assets		719 350 000	693 013 000
Utsatt skattefordel		89 584 000	67 348 000
Goodwill		326 323 000	342 645 000
Sum immaterielle eiendeler		**1 135 257 000**	**1 103 006 000**
Varige driftsmidler			
Tomter, bygninger og annen fast eiendom		1 569 914 000	1 545 154 000
Maskiner og anlegg		3 775 761 000	3 754 746 000
Equipment		178 690 000	182 526 000
Construction in progress		1 044 569 000	426 661 000
Sum varige driftsmidler		**6 568 934 000**	**5 909 087 000**
Finansielle anleggsmidler			
Investeringer i tilknyttet selskap		97 871 000	108 978 000
Investeringer i aksjer og andeler		111 967 000	100 516 000
Derivates		151 574 000	119 161 000
Other non-current assets		324 615 000	370 697 000
Sum finansielle anleggsmidler		**686 027 000**	**699 352 000**
Sum anleggsmidler		**8 390 218 000**	**7 711 445 000**
Omløpsmidler			
Varer			
Varer		3 561 007 000	3 339 415 000
Sum varer		**3 561 007 000**	**3 339 415 000**
Fordringer			
Kundefordringer		2 264 479 000	1 870 770 000
Other current assets		605 595 000	604 656 000
Sum fordringer		**2 870 074 000**	**2 475 426 000**
Investeringer			
Derivates		33 357 000	56 388 000

Konsernets balanse

Beløp i: NOK	Note	2017	2016
Sum investeringer		**33 357 000**	**56 388 000**
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende		1 493 279 000	1 230 668 000
Sum bankinnskudd, kontanter og lignende		**1 493 279 000**	**1 230 668 000**
Sum omløpsmidler		**7 957 717 000**	**7 101 897 000**
SUM EIENDELER		**16 347 935 000**	**14 813 342 000**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital		2 010 000 000	2 010 000 000
Overkurs		908 203 000	1 078 203 000
Sum innskutt egenkapital		**2 918 203 000**	**3 088 203 000**
Opptjent egenkapital			
Annen egenkapital		5 313 102 000	4 283 286 000
Sum opptjent egenkapital		**5 313 102 000**	**4 283 286 000**
Minoritetsinteresser		101 557 000	87 553 000
Sum egenkapital		**8 332 862 000**	**7 459 042 000**
Gjeld			
Langsiktig gjeld			
Pensjonsforpliktelser		444 807 000	425 488 000
Utsatt skatt		104 587 000	114 182 000
Derivates		378 955 000	561 131 000
Provisions and other non-current liabilities		389 859 000	463 560 000
Sum avsetninger for forpliktelser		**1 318 208 000**	**1 564 361 000**
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner		2 681 975 000	2 834 859 000
Sum annen langsiktig gjeld		**2 681 975 000**	**2 834 859 000**

Konsernets balanse

Beløp i: NOK	Note	2017	2016
Sum langsiktig gjeld		**4 000 183 000**	**4 399 220 000**
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner		661 189 000	277 970 000
Leverandørgjeld		1 836 888 000	1 527 587 000
Betalbar skatt		138 668 000	99 387 000
Derivates		246 683 000	128 001 000
Provisions and other current liabilities		1 131 462 000	922 135 000
Sum kortsiktig gjeld		**4 014 890 000**	**2 955 080 000**
Sum gjeld		**8 015 073 000**	**7 354 300 000**
SUM EGENKAPITAL OG GJELD		**16 347 935 000**	**14 813 342 000**

Vedlegg til innlevering av årsregnskap

Elkem AS er morselskap i konsern.

Årsregnskap, årsberetning og revisors beretning sendes Regnskapsregisteret i form av vår trykte «Annual report».

Fra innholdsfortegnelesen til Annual report:

1	Årsberetning Elkem AS (konsern og selskapsregnskap)	Side 24
2	Årsregnskap Elkem group med noter	Side 33
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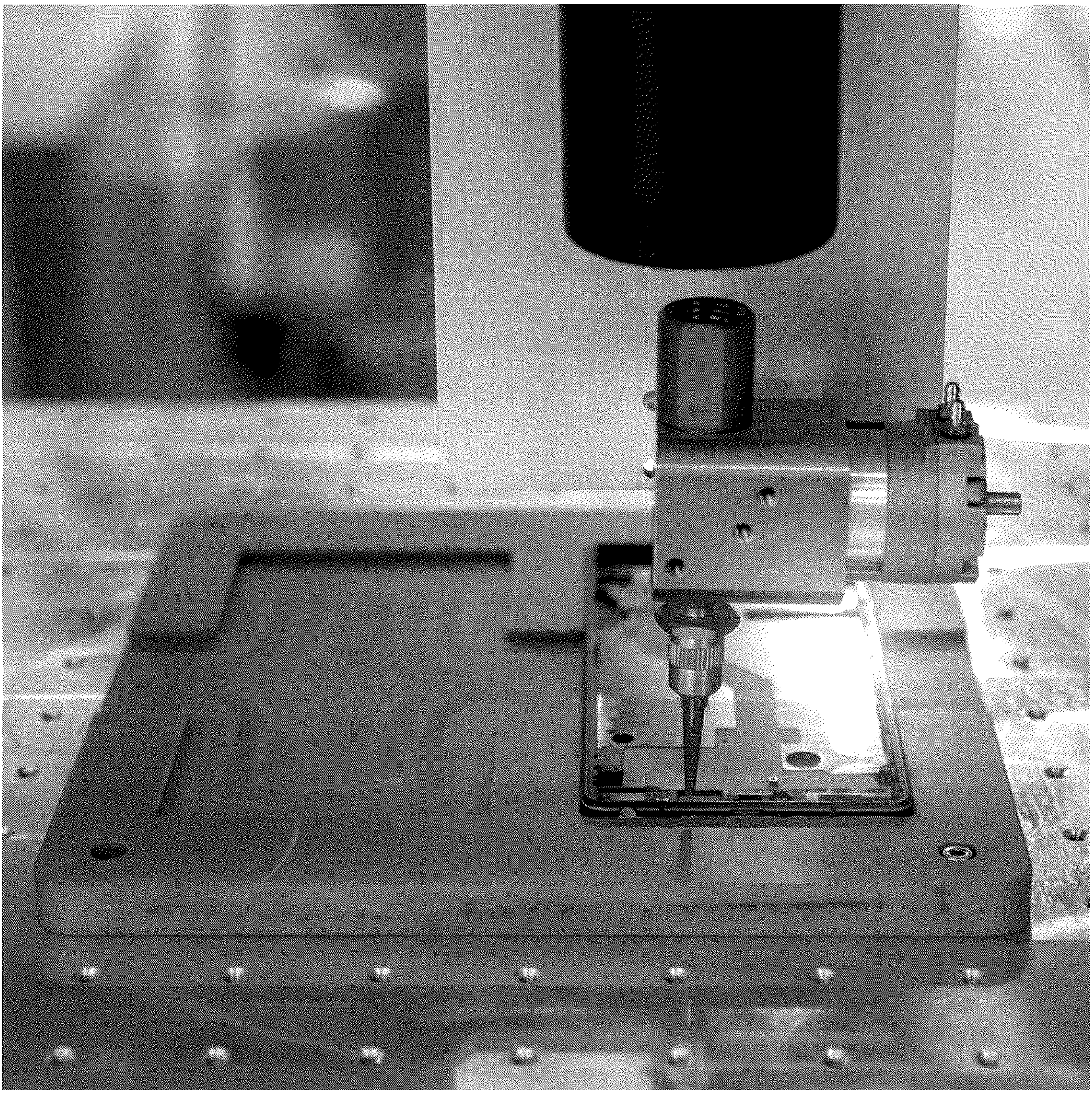
4	Revisors beretning (konsern og selskapsregnskap)	Side 128

Vedlagt innsendelsen følger også brev fra Finansdepartementet som viser at Elkem AS har anledning til å avlegge regnskapet på engelsk.

DELIVERING
YOUR POTENTIAL

Elkem
A Bluestar Company

Annual report **2017**



Elkem – an overview

About Elkem

Elkem is one of the world's leading companies in the environmentally responsible manufacture of metals and materials. Elkem is a fully-integrated producer with operations throughout the silicon value chain from quartz to silicon and downstream silicone specialities as well as speciality ferro-silicon alloys and carbon materials. In 2017 the turnover was NOK 16 658 million and the EBITDA NOK 2 098 million. Elkem is owned by Bluestar Elkem International Luxembourg, which is controlled by China National Bluestar.

As part of Elkem's growth strategy, Elkem resumed management responsibility for Jiangxi Bluestar Xinghuo Organix Silicone (Xinghuo) and Bluestar Silicone Material Co., Ltd. (Yongdeng) in June 2017. This move further develops Elkem's integrated silicon value chain. Elkem thereby gains access to high growth markets in China with significant upstream capacity, improved supply of full product range to specialty customers in China and increasing penetration of high value-added products in the specialty segment in China. Elkem now operates 27 manufacturing sites with about 6 100 employees, of which about 2 200 are employees of Xinghuo and Yongdeng. Including the Chinese plants, Elkem's revenue in 2017 was NOK 21 368 million and the EBITDA was NOK 3 154 million.

KEY FIGURES ELKEM

Financials	Unit	2017	2016	2015	2014*
Revenues	NOK million	16 658	14 226	14 541	12 694
EBITDA	NOK million	2 098	1 618	2 207	1 248
EBIT	NOK million	1 355	941	1 310	574
Profit for the year	NOK million	1 012	758	835	208
Total assets	NOK million	16 348	14 813	14 477	14 565
Net interest-bearing assets / (liabilities)	NOK million	(1 742)	(1 729)	(1 928)	(3 530)
Equity	NOK million	8 333	7 459	6 167	4 788
Equity ratio	Per cent	51	50	43	33
ROCE	Per cent	13	10	15	7
No. of employees	Full time equivalent	3 942	3 806	3 628	3 459

*Elkem Silicones was acquired in 2015 and is included in comparable figures. Elkem Solar was divested in 2015 and is excluded in comparable figures. Please refer to accounting principles in consolidated financial statement for Elkem AS group for more details.

KEY FIGURES ELKEM INCLUDING XINGHUO AND YONGDENG

Financials	Unit	2017
Revenues	NOK million	21 368
EBITDA	NOK million	3 154
EBIT	NOK million	1 936
Profit for the year	NOK million	1 249
Total assets	NOK million	25 507
No. of employees	Full time equivalent	6 022

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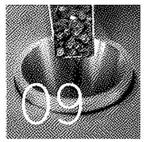
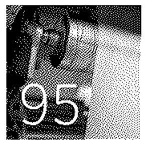
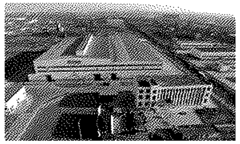




Highlights 2017




Foundry Products opens new plant in China

Elkem celebrated the opening of a new foundry plant in Shizuishan city, Gansu province.

Elkem Carbon opens energy recovery and sulphur treatment facility

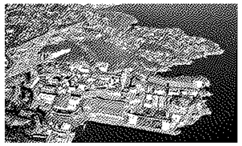
The new facilities at the Fiskaa plant will save energy equivalent to 800 households and cut sulphur emissions by 620 tonnes.

Renaming of the Silicones division

The Silicones division changed its name from Bluestar Silicones to Elkem Silicones.

Inauguration of Elkem South Asia's foundry alloy plant in Nagpur

After 30 years of presence in the Indian market, Elkem opens a new plant in Nagpur.



Celebrating 100 years at Fiskaa

Elkem marks the 100-year anniversary at the Fiskaa plant. In March the plant reached an all-time high in production.

10 years anniversary of Elkem Silicones

Elkem Silicones celebrated 10 years within the Chinese group Bluestar, and 60 years of producing silicones in the iconic plant of Saint Fons.

Elkem assumes full ownership of the Paraguay plant

Elkem purchased all the shares in the Paraguay plant and plans to commence production in March 2018.


50 year anniversary for Elkem Chicoutimi plant

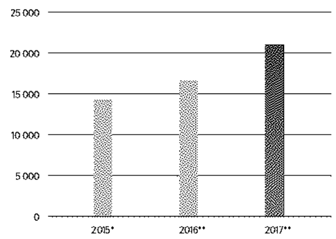
Elkem's Chicoutimi ferrosilicon plant celebrated 50 years of operation since its first casting on 1 July 1967.

Management responsibility for Xinghuo and Yongdeng

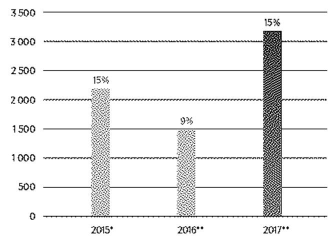
As part of Elkem's growth strategy Elkem assumed management responsibility and integrated Bluestar Xinghuo Silicones and Yongdeng Silicon Materials into the Elkem group. With this integration the Elkem group will grow to about 6 100 people, a truly global company with strong Chinese, French and Norwegian roots. The company will have high attention on values and social responsibility, taking care of employees, the environment and society.

CEO Helge Aasen with Mr. Dazhuang Wang at the time of including responsibility of Xinghuo and Yongdeng.

REVENUE (MNOK)



EBITDA (MNOK)
MARGIN (%)



* Elkem AS group. ** Elkem AS group including Xinghuo and Yongdeng

WORDS FROM THE CEO

Solid results and a bright outlook

2017 was a successful year for Elkem. We delivered very good financial results, supported by favourable market conditions in most of our business segments, and good operational performance. The result was in line with 2015, when Elkem recorded its best ever financial year.

All Elkem's business divisions contributed to solid financial results for 2017. Market demand for Silicones division is strong and the division continues to deliver on its specialisation strategy. Our Silicon Materials division performed well with good contribution from the new Rana plant. Foundry Products experienced a good year, driven by higher prices and increased sales of specialty products. The Carbon division delivered yet again a stable and satisfying result.

As part of Bluestar's and Elkem's growth strategy, we assumed the management responsibility for two plants in China in June of 2017: Xinghuo Silicones and Yongdeng Silicon Materials. I am pleased to report that the integration of both plants into the Elkem group has been highly successful. Particularly Xinghuo has seen tremendous improvements in profitability. Improved markets and higher prices have contributed to the positive results, and we are impressed with the significant improvement in productivity and cost efficiency. We expect continuous improvements in operational efficiency to support continued solid financial performance from our Chinese operations.

An important part of our business strategy is further specialisation in order to improve value creation and reduce exposure to commodity cycles. An important focus area will be to capture growth in the fast growing Chinese and Indian markets for silicones. The product portfolios in the Foundry Products and Silicones divisions already have a high share of specialty products, and our ambition is to accelerate this development further.

Global mega trends drive consumption of Silicon and provide attractive opportunities for our products in end markets that are growing at rates faster than GDP. Digitalisation is fuelling our growth, with steady increases in the use of electronics. Renewable energy derived from solar technologies and windmills is another major growth driver. Urbanisation in general is driving demand for our products within construction and infra-structure. In addition, the per capita consumption of silicones in developing countries continues to grow rapidly with improved standard of living, particularly in China.

Sustainability is important to Elkem. In our Elkem Business System we define it as "elimination of waste" when we continuously strive to minimise the negative environmental and social impact of our activities and our long term goal is zero-emissions. To remain competitive and continue to be an attractive employer, we must demonstrate responsibility towards the environment and an important initiative in 2017 was the completion of a sulphur-cleaning system at our carbon plant in Kristiansand. At our Salten plant in Northern Norway, we are about to complete the feasibility study on an energy recovery system, which will be one of the largest within the worldwide silicon industry.

> Global mega trends drive consumption of Silicon and provide attractive opportunities for our products in end markets that are growing at rates faster than GDP.

The most important focus of all is making sure that every one of our colleagues returns home safely from work, every day. A year without fatalities and an H1 rate of 1.1 (number of lost time injuries per 1 000 000 working hours) show that our systematic efforts are yielding results. With continuous daily focus we will continue our ongoing efforts towards our goal of zero injuries.

Elkem is an organisation of knowledge workers in all functions and at all levels of the organisation. We embrace our diversity in geography, cultures, individuals and functions, and believe that a key success factor to our strategy implementation is empowered people. Elkem Business System, our values and ethical standards, form a common foundation for all Elkem employees globally. Our target of motivating and enabling every employee in Elkem to work with continuous improvement every day is the most powerful driver for further development of the company.

In 2017, we have delivered on our business strategy of product specialisation, systematic efficiency improvements and growth. We expect to see continued good market conditions and improved financial performance for Elkem in 2018. I would like to thank all my Elkem colleagues for their hard work and valuable contributions.

Helge Aasen

HELGE AASEN CEO
Elkem AS

Corporate management

HELGE AASEN
Chief executive officer

MORTEN VIGA
Chief financial officer

KATJA LEHLAND
Senior vice president Human Resources

INGE GRUBBEN-STRØMNES
Senior vice president Business Development

HÅVARD I. MOE
Senior vice president Elkem Technology

TROND SÆTERSTAD
Senior vice president Silicon Materials

FRÉDÉRIC JACQUIN
Senior vice president Silicones

ASBJØRN SØVIK
Senior vice president Carbon

JEAN VILLENEUVE
Senior vice president Foundry Products

LOUIS VOVELLE
Senior vice president Innovation and R&D

Elkem business strategy

Elkem's strategy is based on making systematic cost improvements, further product specialisation and an ambition to strengthen the group's position across all business segments and markets. Elkem has strong positions in most regions, and has significantly increased its presence in the Asia-Pacific region, with management responsibility for Xinghuo Silicones and Yongdeng Silicon Materials.

Improve operational efficiency and value chain optimisation

Based on Elkem's significant experience and low-cost heritage, continuous improvements in operational efficiencies and finding synergies across the group will be a key pillar in the group's strategy going forward. The Elkem Business System, together with operational excellence, economies of scale, low-cost power, an integrated value chain from raw materials to end products, and advanced energy recovery systems will continue to be fundamental for making cost improvements. Additionally, continued investment in research and development should ensure technological improvements that reduce costs and improve production efficiencies, as well as the development of new products and applications.

Elkem will continue to pursue operational excellence by utilising its internal "cost roadmap" programmes to identify and support cost reduction projects in a standardised manner throughout the group. Elkem actively implements intra-plant benchmarking activities to transfer best practices, process expertise and technological competence across its operational footprint.

Elkem aims to continue value chain optimisation through upstream integration with the two siloxane plants in Europe and Asia and further optimisation of the value chain process from quartz to siloxane. Elkem continuously focuses on strategic sourcing of raw materials in order to remain a fully integrated low-cost producer, by further investing in high purity quartz mines to secure sufficient reserves.

Improving sales of speciality products

The group intends to pursue its specialty strategy to reduce cyclicality and increase sales of higher-margin specialty products across each division, by building on its long-term customer relationships and extensive product-focused research and development base. The focus on attractive specialty segments is particularly important for the Silicones and Foundry Products divisions and Elkem intends to focus on the most attractive end markets.

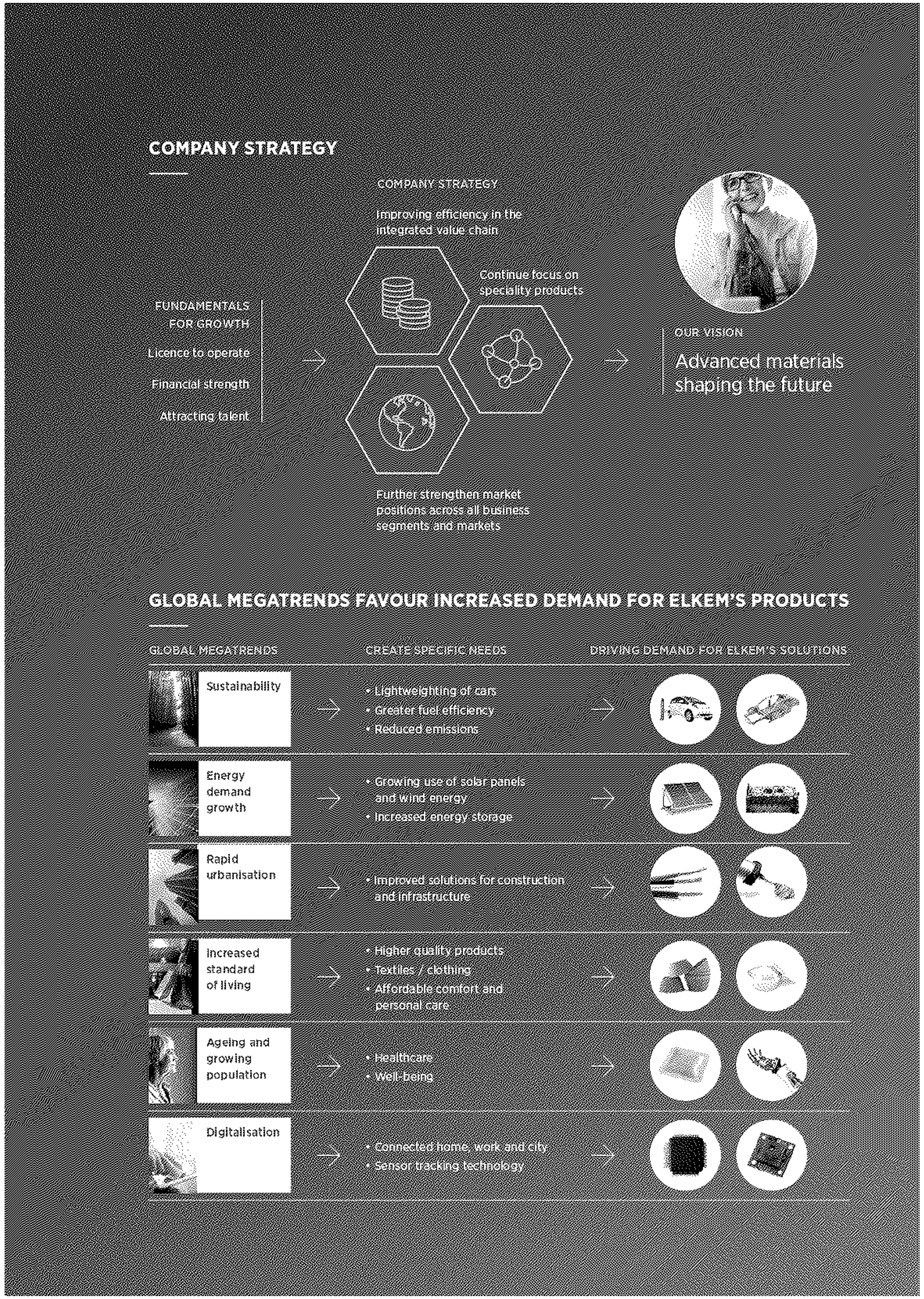
Elkem believes that there is substantial room for further increased penetration in the specialty products segment, especially in China. The group also intends to continue efforts to drive specialty volumes through investments, CRM tools, sales and marketing efforts, and addressing new market opportunities such as implants, 3D printing, robots and electric vehicles.

Focus on organic and acquisitive growth

Elkem continuously evaluates attractive options for growth, particularly through capacity expansion in underserved or growing regions, and will actively continue to pursue these opportunities. Capacity expansions are aimed at driving revenues and allow Elkem to capture a greater market share.

Elkem's goal is to increase its production capacity, either by capacity expansion at existing plants, new greenfield investments or through mergers and acquisitions. As part of this strategy, Elkem has concluded a number of projects over the past two years, including the acquisition of Fesil Rana Metall AS, the iron foundry business of Minex, the start-up of the greenfield carbon plant in Malaysia and the construction of a greenfield plant in Paraguay for production of ferrosilicon. In addition, Elkem has relocated and expanded its foundry alloy plant in China and its downstream silicones plant in Brazil.

In addition, Elkem intends to pursue selected bolt-on acquisitions, as it believes there are potential opportunities for capacity expansion and entrance into new product sub-segments. Elkem's size and geographic reach, combined with its broad base of skills and resources, render it well-positioned to capitalise on these growth opportunities.



Delivering in every aspect

Elkem delivered in every major aspect in 2017; operationally and strategically as well as within sustainability.

Health, safety and environment are the backbone of every metallurgical and chemical company, and have always been a strong focus for the Elkem management. I am pleased to report that Elkem finished the year without any major incidents and with a good safety performance. I think this speaks for the quality of Elkem as an employer, and of the company's consistant efforts on improving health, safety and environment.

Strategically, 2017 will be a milestone year in Elkem's history, with Elkem taking over management responsibility for Xinghuo and Yongdeng from June 2017. This change makes Elkem a different business today in terms of size and global footprint.

I have been impressed to see the pace at which this management integration gained traction over the course of 2017. Several factors contributed to this. Firstly, Chinese pragmatism and their willingness and ability to react quickly to new learnings. And secondly, the effects from Elkem Business System, which has led to a more systematic, process-driven approach to problem solving.

Operationally, 2017 was a very good year for Elkem and the Xinghuo and Yongdeng plants. We saw a clear increase, not only in revenue, but also in earnings. We were supported by some favourable market conditions, but also delivered on several important internal goals. We improved efficiency, developed better sales channels and increased our focus on profitable markets and further specialisation. These factors all contributed to our improved results.

The progress we are seeing in China clearly demonstrates that combining the strengths of different cultures makes us truly stronger. Valuable learning is exchanged in both directions, and I am confident that knowledge gained from our Chinese operations will improve Elkem's European operations as well.

Strategically, 2017 will be a milestone year in Elkem's history, with Elkem taking over management responsibility for Xinghuo and Yongdeng from June 2017. This change makes Elkem a different business today in terms of size and global footprint.

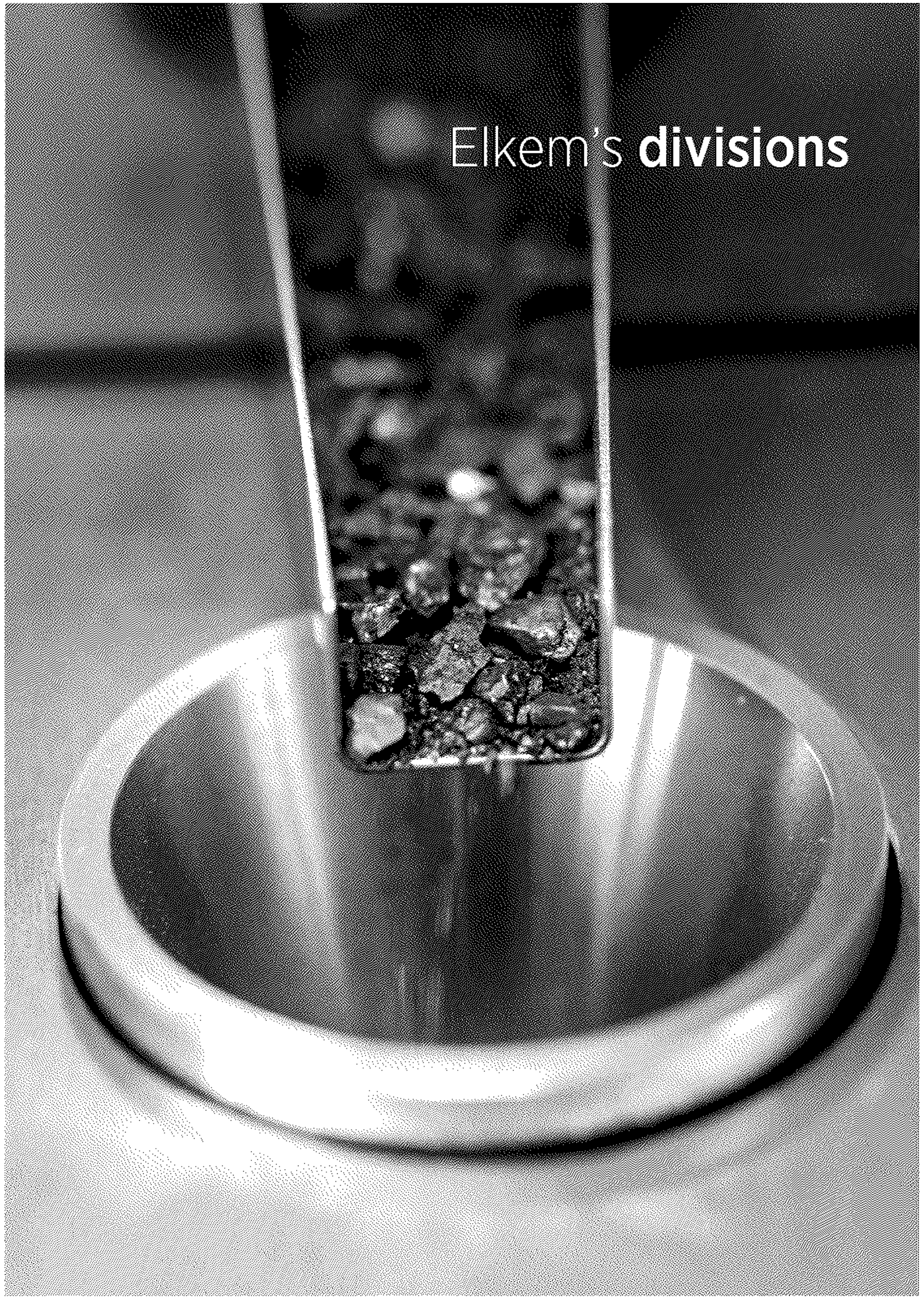
There were also a few smaller but very important strategic developments throughout the year. In December the new foundry alloy plant in India celebrated its opening, and by the end of the year the new foundry alloy plant in China was ready for production, marking an important contribution to future earning potential in the company. Also the progress with our new ferrosilicon plant in Paraguay shows that Elkem is making continuous progress in its strategic development as it becomes a larger and more profitable company.

Elkem shall continue to grow, organically as well as through selected acquisitions. From an M&A perspective, we will continue to monitor the market for new opportunities that could strengthen Elkem. Organically, I think the biggest potential is within silicones, and particularly in China. This is simply because the Chinese economy is growing strong, even a bit stronger than most people expected.

However, our main challenge is not about finding business opportunities, but finding the right ones. We will therefore continue to carefully identify, assess and pursue the business opportunities which are the most profitable and sustainable in the future. I would like to express my sincere thanks to all of Elkem's employees for their strong support and relentless efforts to develop the company further.

Michael Koenig

MICHAEL KOENIG
Chairman of the board



Silicones

The Silicones division produces siloxanes and a comprehensive range of silicones, which are a family of specialty, high performance products and materials, produced by reacting silicon with methyl chloride. Silicones are found in a large variety of products used in daily life. The Silicones division is one of the leading producers of airbag coating, paper coating and other specialty products such as defoamers and lubricants.

Products and applications
Silicones are polymers and can be manufactured into many forms including solids, liquids, semi-viscous pastes, greases, oils and rubber. They are flexible and can resist moisture, chemicals, heat, cold and ultraviolet radiation and can be encountered every day without noticing them, e.g. silicone rubber in cars to protect electronics, silicones in the gel on a wound dressing, and sealing and insulating materials in electrical equipment.

Due to its wide range of application areas, silicones are used in a large number of products and industries. As a result, trends in silicone demand generally tend to be driven by macro trends such as GDP growth, urbanisation and increased mobility. Some of the applications are used in a diverse range of industries including electrical and electronics, construction, transportation, health and personal care, chemicals and machinery, textiles and paper.

KEY NUMBERS*	Unit	2017	2016	Share of group 2017**
Revenue	NOK million	5 451	5 029	33%
No. of employees	Full-time equivalent	1 426	1 401	37%

*Excluding Xinghuo.

**The division's share of the group revenues is calculated including the division's intra group transactions.

PRODUCTS

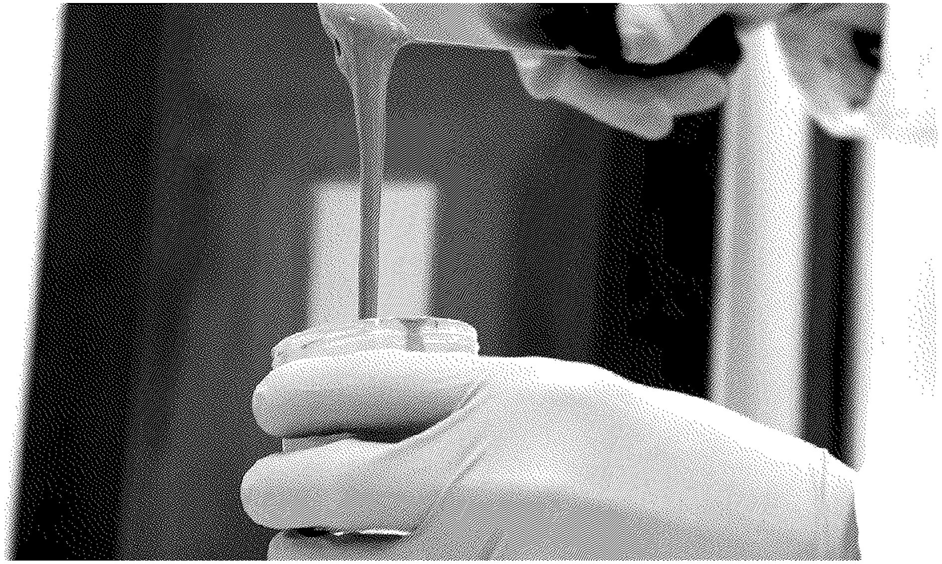
Silicones have thousands of applications and improve the performance and reliability of millions of modern products. Silicones produced by Elkem Silicones are found in products such as release coatings, rubber, textile coating, healthcare, personal care, mould making, speciality fluids, sealing and bonding and construction.

CAPACITY

Upstream capacity of more than 300 000 tonnes per year of siloxane (inluding Xinghuo) and more than 250 000 tonnes capacity per year of intermediates and silicones.

PLANTS

Roussillon and Saint-Fons, France; Lübeck, Germany; Caronno, Italy; Santa Perpetua, Spain; York, USA; Shanghai and Joinville, Brazil.
In addition, China and Elkem has management responsibility for Xinghuo Silicones, China.



Frédéric Jacquin has been the SVP of Silicones in Elkem since 2015. Mr. Jacquin has previously worked 11 years in Bluestar Silicones International. He held the position as Vice President of Marketing and Sales before he was appointed CEO of Bluestar Silicones in early 2015. He has a long experience with specialty chemicals and has thereby acquired a broad and international experience in specialty chemicals business development and industrial marketing.

INTERVIEW
with SVP Elkem Silicones, Frédéric Jacquin

Summing up 2017
It has been a good year for Elkem Silicones. We have enjoyed good and profitable growth and the integration of the Xinghuo plant has been according to plan. The division has enjoyed growth in specialities and excellent market conditions. The Elkem Silicones team and the Xinghuo team have united and are working towards delivering our true potential. Elkem Silicones has become a truly global team and has both the ambition and potential to play a leading role in this industry.

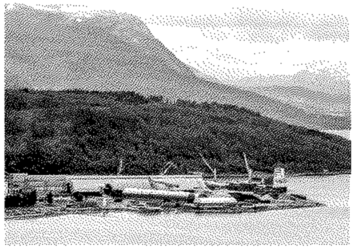
Milestones
The most important milestones for us have been the management integration with our Chinese business units and fully ramping up the Xinghuo site. We have also captured two new large customers due to our dedication to R&D and our superior customer service, which is essential for future growth in high-value and large-volume segments. We also celebrated our 10-year anniversary as Bluestar Silicones, and became Elkem Silicones.
The journey we have made as a company can be compared to growth from infancy to adulthood. As an infant, we were exposed to constant change and exposure in many different situations. As a teenager, we grew quickly with ideas, filled with energy and passion. Now we are slowly moving on to adulthood, with all the responsibilities and possibilities that come with it.

Elkem's business strategy
Our key focus has been further developments in specialities. This is our number one priority in order to become a sustainable industry leader. We have also significantly strengthened our market position, particularly in China through the integration with Xinghuo.

Silicon Materials

The Silicon Materials division manufactures and sells silicon and Elkem Microsilica™ for a large number of applications. The division delivers products to customers in the chemical, solar, electronics, aluminium, construction, refractory, oil and gas industries worldwide.

Products and applications
Silicon Materials comprise a wide range of versatile products including high purity silicon and microsilica. The common denominator for the product category is the element silicon (Si), which serves as the backbone for various individual products. Silicon production builds on quartz and quartzite, which consist of Si and oxygen (O2), "SiO2". Quartz is one of the most abundant minerals on the earth. The silicon production process consists of heating quartz and coal in a high temperature electric arc furnace together with woodchips and coal-based reductants leading to a carbothermal reduction of quarts.



Silicon has a number of favourable chemical and physical properties, including semi-conductivity, making it highly versatile for numerous industrial and electronic applications. As such, it has a wide array of applications predominantly as an alloy with aluminium and in the production of silicones and polysilicon, as set forth below.

Aluminium alloys: Silicon is used as an alloying agent in the aluminium industry due to its ability to increase the castability, corrosion resistance, hardness, tensile strength, wear-resistance and weldability of aluminium. The automotive industry commonly uses aluminium alloys to produce engine blocks, chassis, body sheets and wheel rims.

Silicones: Silicones are silicon-based polymers found in both speciality applications and numerous everyday industrial and consumer products such as lubricants, greases, resins and skin and hair care products. In recent years, silicones have become increasingly more relevant in various sectors such as healthcare due to their strong chemical and physical properties relative to other materials.

Polysilicon: Polysilicon is a high purity, polycrystalline form of silicon, used in the electronics industry, in semi-conductors and photovoltaic (PV) cells for the solar industry, and in optical fibre.

KEY NUMBERS*	Unit	2017	2016	Share of group 2017
Revenue	NOK million	5 534	4 540	33%
No. of emplyees	Full-time equivalent	902	899	23%

*Excluding Yongdeng.

PRODUCTS
Silicon produced in different purities and sizes according to customer needs.
Elkem Microsilica®, which is used in construction, refractory, oilfield and polymer industries, because of its many unique properties.

CAPACITY
215 000 tonnes of silicon and 300 000 tonnes of Microsilica® per year.

PLANTS
Salten, Thamshavn, Bremanger and Rana, all in Norway.

QUARTZ MINES
Tana and Mårnes, both in Norway, and Explotación de Rocas Industriales y Minerals SA (Erimsa), Spain.

Trond Sæterstad has been the SVP of Elkem Silicon Materials since 2012. Mr. Sæterstad has previously held the position as Senior Vice President of Elkem Solar AS and has been the former plant manager at Elkem plants both for silicon and ferroalloy before he was appointed SVP of Elkem Silicon Materials.

INTERVIEW
with SVP Elkem Silicon Materials, Trond Sæterstad

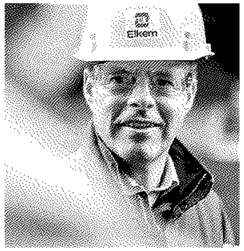
Summing up 2017
It has been a good year for the Silicon Materials division. A main focus this year has been the take-over and integration of the two new plants in our division. Elkem Rana, located in Mo Industrial Park, and Yongdeng plant located in Gansu province in China. Both plants have contributed to solid financial results. We are currently executing an upgrade programme at Elkem Rana investing about NOK 150 million. The investment programme will reduce fugitive emissions, improve safety and increase capacity by equipment upgrades. At Elkem Salten, we are executing main study to realise energy recovery system to recover 275 GWh electrical power. For the Yongdeng plant we have an ongoing upgrade programme to improve operations even more and to reduce emissions from the plant.

We have continued our work to improve our integrated value chain – from quartz to silicones. Joint technical teams from the plants, divisions and corporate R&D have achieved excellent results in improving productivity and cost reductions along the value chain.

Elkem business strategy
The significant size of our metallurgical operations brings many advantages such as access to high quality raw materials, economies of scale, process understanding and technology development and dominant position for development and sales of Elkem Microsilica®. In addition, our integrated value chain from quartz to silicones facilitate realization of significant synergies. Going forward, Elkem Silicon Materials has a growth strategy. The growth is targeted for selected speciality segments of the market where we have competitive advantages.

Foundry Products

The Foundry Products division provides metal treatment solutions to iron foundries and is a supplier of high quality speciality ferrosilicon to the steel industry. The automotive, engineering, pipe and steel industries are important markets for the division.



Products and applications
The market for foundry products can be divided into two segments, ferrosilicon and foundry alloys. Ferrosilicon used in the steel industry, notably in electrical and engineering steels and stainless steel. Foundry Alloys are used in the iron foundry industry.

Ferrosilicon is an alloy of iron and silicon, with silicon content ranging from 45% to 90%. It is produced in an electric arc furnace similar to silicon, where quartz or quartzite is reduced by carbon, normally in the form of coal and other reductants. In contrast to the production of silicon, scrap iron, millscale or other sources of iron are added into the furnace. Ferrosilicon is mainly used in the steel industry where it is generally used to remove oxygen from the steel and as an alloying element to enhance certain qualities of steel, including strength and elasticity, and lowers the electrical conductivity and magnetostriction. Specialty ferrosilicon, such as low aluminium, low carbon, and high purity ferrosilicon, are generally used in the production of specialty steels, which are used in a number of high-end applications like transformers/motors, ball bearings and stainless steel.

Foundry alloys are specialty alloys based on ferrosilicon with a specific addition of other active elements. These elements are most often added in the ladle after the smelting process to achieve the desired properties. Foundry alloys are mainly used in the production of iron castings to improve their properties such as tensile strength, ductility and impact properties, and to refine the homogeneity of the iron foundry structure.

KEY NUMBERS	Unit	2017	2016	Share of group 2017*
Revenue	NOK million	4 247	3 642	25%
No. of emplyees	Full-time equivalent	752	734	20%

* The division share of the group revenues is calculated including the division intra group transactions.

PRODUCTS

The division is a supplier of high quality speciality ferrosilicon and provides metal treatment solutions to iron foundries.

CAPACITY

The division has a total production capacity of approximately 307 000 tonnes per year, based on its current product mix of ferrosilicon-magnesium (nodularisers), inoculants and ferrosilicon.

PLANTS

Elkem Bremanger and Elkem Bjølvefossen, Norway; Elkem Iceland; Elkem Chicoutimi, Canada; Elkem Foundry China (EFC), Shizuishan, China; Nagpur, India. Paraguay under construction.

Jean Villeneuve has been the SVP of Foundry Products of Elkem since 2011. Mr. Villeneuve has worked in Elkem since 1979, as Plant Manager from 2006 to 2008 for Elkem Chicoutimi and as General Manager Americas from 2008 to 2011 before he was appointed SVP of Foundry Products.

INTERVIEW
with SVP Elkem Foundry Products, Jean Villeneuve

Summing up 2017
The year was very good for our division; we increased our sales of foundry alloys with 21%. We also completed the construction of a new plant in China, which will help us to realise our vision of becoming a true global leader in metal treatment solutions for the iron industry.

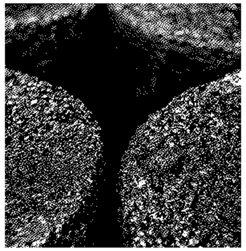
Milestones
A main highlight of 2017 was the construction and opening of our new foundry alloy plant in China in December. This is an important step in the journey that we started back in 2013, when we first set our vision of becoming a true global industry leader. At that point, we had a strong footprint in North America and Europe, and identified the need for local production in Asia. The construction of a new plant in China began shortly thereafter. This new plan will help us further realise our speciality strategy, delivering tailor-made solutions to customers that will both reduce costs and increase efficiency.

Elkem business strategy
We are constantly working on specialisation within our product portfolio, and have improved our market share of foundry products in 2017. We have also managed to keep our cost level down, remaining at a similar level to our 2016 results.

ELKEM'S DIVISIONS

Carbon

The Carbon division produces carbon materials. The main products are Søderberg electrode paste, lining materials, pre-baked electrodes and specialty carbon products for various metallurgical smelting processes and primary aluminium industries.



Products and applications
Carbon products, such as electrodes, are used in electric arc furnaces and by the aluminium and iron foundries industries. Søderberg electrode paste is the most common electrode system used in submerged arc furnaces to ensure that the raw material reaches the required process temperatures. It is used by producers of silicon, ferrosilicon, ferrochromium, ferronickel, ferromanganese, silicomanganese, calcium carbide and copper and platinum matte.

Recarburisers are carbon additives that are added to the furnace during smelting to allow for increased use of scrap in the raw materials mix, or to achieve certain required properties in final casting parts.

Cathode ramming paste and high-density cathode blocks are used in the aluminium industry and contribute to extended pot life and stable operation. Their main function is to ensure the tightness of the cathodic container to prevent any infiltration of bath and metal.

KEY NUMBERS	Unit	2017	2016	Share of group 2017*
Revenue	NOK million	1 577	1 375	9%
No. of employees	Full-time equivalent	421	420	11%

*The division share of the group revenues is calculated including the division intra group transactions.

PRODUCTS

Søderberg electrode paste, lining materials, pre-baked electrodes and specialty carbon products for various metallurgical smelting processes and primary aluminium industries.

CAPACITY

Carbon has an annual production capacity of approximately 260,000 tonnes of Søderberg electrode paste and approximately 105,000 tonnes of other carbon products, depending on the product mix.

PLANTS

Kristiansand, Norway; Shizuishan, China; Sarawak, Malaysia; Carboindustrial and Carboderivados, Vitoria, Brazil; Ferroveld JV, eMalahleni, South Africa

Asbjørn Søvik has been the SVP of Carbon in Elkem since 2007. Mr. Søvik has worked in Elkem since 1995 and was previously responsible for business development in Elkem corporate. He has an extensive international management experience from plants and divisions in the United States, Brazil and Norway. He has a broad knowledge of most of Elkem's different functions, such as raw materials, energy, operations and markets & sales.

INTERVIEW
with SVP Elkem Carbon, Asbjørn Søvik

Summing up 2017
In 2017, I was most pleased with the way we worked towards achieving our financial results, and that our attention on EHS resulted in no serious H1/H2 injuries. We were set back by increased raw materials cost towards the end of the year, but managed to offset the negative effect with productivity improvements. In the end, the results were in line with previous record numbers in 2016 and 2015, and at the Fiskaa plant we have reached an all-time high.

Milestones
We reached some major environmental milestones this year. Our sulphur cleaning installation at Fiskaa was completed on time, below budget and with good quality. This is an important sustainability measure and will provide energy savings equivalent to 800 households. It will also reduce sulphur emissions by 620 tonnes.

Elkem business strategy
This year we have focused on critical process management (CPM) activities in order to make our processes more efficient and increased our R&D work to become even more sustainable in the future. We expect to see results from this work in 2018, with "greener products" and lower emissions in our processes. We have strengthened our market position with the product Elgraph (recarburizer), and want to expand further in 2018.

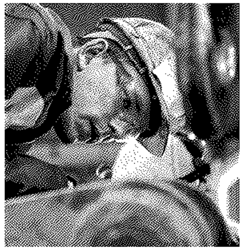
Risk and compliance

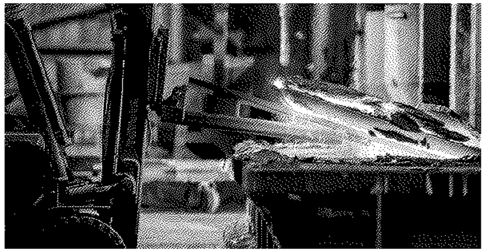
Elkem has established policies and procedures for risk management and internal control. The main corporate risks are reviewed annually by the board of directors. The group's risk exposure may change over time depending on market conditions, strategic initiatives and financial position. Elkem has grouped its risks into five main categories. Below is a summary of the review from 2017.

	RISK CATEGORY	DESCRIPTION	MITIGATION
1	**Strategic risks** A fundamental risk is that new innovations or change in customer preferences lead to strongly decling markets for the group's products. In addition, new investments or integration of acquired companies may not meet operational or financial expectations. Regulatory framework and political risk could also affect Elkem's business negatively.	Elkem is a market leader in the production of silicon-based advanced materials. The demand for Elkem's products will i.a. depend on the material's characteristic properties and price versus substitutable materials. Elkem's ambition is to strengthen its market positions across business segments and markets. This includes organic growth, as well as growth through mergers and acquisitions. Investments or acquisitions in current or new markets are based on long-term assumptions regarding prices and future operations. Such investments carry an inherent risk of change in market conditions and cost overruns. Elkem has production facilities, sales offices and raw material sourcing in many different jurisdictions. The group's operations may be affected by changes in trade and currency regulations and other frame conditions.	Elkem has a wide product portfolio and is not depenent on single markets or customers. Global megatrends such as sustainable energy sourcing, urbanisation, demographic changes and digitalisation are all expected to drive demand for Elkem's products. Elkem has a well establised framework for evaluation of investments and considerable efforts are made to verify relevant assumptions and future market potential. Cross functional project teams with experienced employees are established for all major projects. Projects are managed according to defined project plans and investments are closely monitored and followed up. Elkem seeks to balance its investments between developed and emerging markets. Developed markets generally provide stable and predictable regulations, however growth opportunities could be limited. Emerging markets generally have higher growth potential, but also higher risk. In addition, Elkem seeks investments with good and stable access and to raw materials and proximity to local markets. Elkem's goal is to avoid dependence on single markets for sales and raw material sourcing.
2	**Financial risks** Financial markets have historically been volatile. Financial crises may affect the group's access to financing and changes in currency and interest rates could negatively impact the group's financial position. Sales and financial transactions also include counterparty risk.	Elkem operates in a capital intensive industry. The group relies on access to external financing to cover new investments, working capital requirements and refinancing of maturing loans. Adverse and cyclical market conditions could affects the group's access to financing. Elkem has most of its sales in EUR and USD, while the location of its plants gives a cost base in other currencies, e.g. NOK, CAD, BRL and ISK. The group presents its accounts in NOK, but it has underlying assets and liabilities in various currencies. Currency rates may affect the group's result, cash flow and equity.	Elkem aims to keep a strong financial profile and seeks to reduce liquidity risk by keeping an adequate reserve of cash and available credit lines. Elkem intends to actively manage ts loan portfolio to handle upcoming maturites. Currency exposure and currency effects are monitored and managed centrally. Elkem has a predefined hedging policy to hedge 90% of net cash flows which is deemed to be near term and highly probable, and approximately 45% of forecasted (between 4 to 12 months in the future) cash flows. The hedging of forecasted cash flows may vary between 25% and 75%, depending on Elkem's overall risk assessment. The hedging policy will mitigate the short-term impact of currency movements. Longer term, especially a strong NOK could negatively affect the group's competitive position. Elkem has credit insurance policies in place to secure trade receivables and is monitoring the counterparty risk on financial counterparties.
3	**Raw materials risks** Elkem's production processes rely on stable supply of good quality raw materials. Favourable pricing of energy and other input factors are also of key importance to the group's competitiveness.	Elkem's production processes require significant use of electric energy, mainly for furnace operations. Stable access and favourable pricing of energy is of key importance to Elkem's competitiveness. Other key input factors include quartz, coal, biocarbon, methylcloride and other strategic raw materials.	Elkem focuses strongly on energy and raw material sourcing. Long-term energy contracts are in place to secure base volume and predictable prices. In order to secure operational flexibility some of the energy volume is covered through short-term contracts. Elkem's strategy on other raw materials is to secure stable and predictable prices and timely supply of good quality raw materials which meet the operational requirements. The group has long-term contracts in place for coal and other strategic raw materials. Quartz is mainly supplied from wholly owned mines. Methylcloride is purchased from external suppliers and the group is actively mitigating the supply risk.
4	**Production and process risks** Elkem's production processes require high level of precision and control. Unreliabilities and disruptions could result in serious injury to peronnell, lost production, damage to equipment and harm to the environment. Critical infrastructure and IT systems are key to maintain secure operations.	Elkem's plants are large industrial sites with complex, heavy processes and handling of molten metals, chemical substances and equipment carrying high voltage. This working environment contains risk of hazardous incidents which could have serious or fatal concequences for employees or contractors, or cause serious damage to plant and equipment or cause harm to the environment. Elkem's production processes involve opeation of large arc furnaces for production of highly specialised silicon materials and advanced chemical processes for production of silicones. The processes require high precision in order to secure stable production and consistent high quality to meet customer demands.	Elkem is committed to high environmental, health and safety standards and has closely integrated efforts in these areas with all other activities in the group. Through management commitment, systematic methods, targeted plans and strong organisational participation, Elkem has achieved significant improvements and operates with a low level of serious harm to both employees and the environment. Elkem uses considerable resources to identify hazards and implement appropriate measures to avoid incidents and to reduce risk to an acceptable level. Elkem seeks to manage and optimise its production processes through Elkem Business System (EBS). EBS forms the foundation for Elkem's corporate culture and is a set of fundamental principles describing how employees at all levels and in all positions shall work together to achieve common goals and continuous improvement. Extensive training is provided to operators and all processes are closely monitored. Elkem is promoting knowledge sharing and sharing of best practice across divisions and business units. Elkem's R&D capabilities play an active role in process improvement. Elkem has insurance policies in place to cover property damage and business interruption and environmental matters.
5	**Market and product risks** Sales volumes and prices will swing with global economic cycles and also be affected by supply and demand balances for the group's products. Quality issues or products which harm the environment may result in claims and loss of reputation.	Elkem's products mainly consist of silicones, silicon metal, ferrosilicon, foundry alloys and carbon related materials. Demand and prices will fluctuate with economic cycles while supply will depend on changes in global production capacity. Changes in prices and volumes could affect the group's result and cash flow significantly. Elkem's products are mainly used as input to other industrial processes and require stable quality and timely delivery. Studies have been conducted to evaluate the effects of silicones in the environment. Production of certain silicone-based products may be subject to regulations in the future.	The demand for silicon-based materials has increased over the past years and global megatrends are expected to drive continued demand growth. Elkem seeks to position itself by continuous development and product specialisation to meet customer demands. It is a clear strategic target to continue focus on specialty products rather than commodities to improve margins and reduce cyclicality. Elkem has strong technology and R&D capabilites, which are crucial for developing new products and production processes. Elkem also uses its R&D resources to provide technology support to its customers and these interactions enable Elkem to develop high value specialised products tailored to customer needs. In addition, Elkem aims to establish long-term customer relationships to stabilise volume and production. Elkem has strict analysis and quality controls before the products leave the plants. Elkem has a low volume of potentially hamful products, but products which are found harmful based on medical or envirmental research will be stopped.

Health and safety

Environment, health and safety (EHS) is at the backbone of Elkem's business and is always our first priority. We work systematically to maintain and improve a high standard on energy efficiency, efficient natural resource utilisation, and reduced emissions. Most important is the safety of our employees, and we have a zero-harm philosophy when it comes to health and safety.





Historically, Elkem has experienced the consequences of not fully controlling the EHS challenges through serious injuries, illnesses, fatalities, major fires and environmental effects. This is why the Elkem policy makes EHS its top priority. This is also why Elkem uses substantial resources every year to understand and evaluate risks, in order to prevent harm caused by Elkem activities.

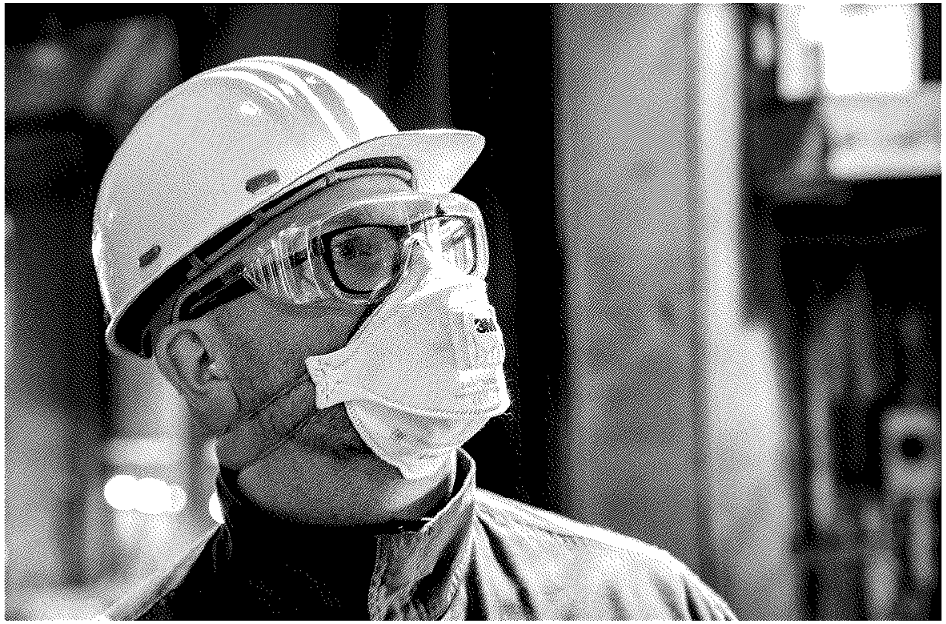
MAJOR CHALLENGES AND PRIORITISED IMPROVEMENT AREAS IN 2017

Safety
Main safety efforts for 2017 have focused on individual behaviour and the Silicones division's implementation of Elkem's EHS management system with tools and standards.

- Individual behaviour continues to be the main cause of almost all injuries in Elkem. Special behaviour-related programmes have been initiated and were implemented at many plants through 2016 and 2017.
- The total number of recordable injuries for 2017 including contractor injuries was 43. Only six of them were defined as medium to high severity injuries.
- One-day basic training was carried out in 2017 for all employees in the Silicones division to implement Elkem's EHS philosophy, tools and standards. The division is also now integrated in the Elkem EHS audit programme.
- There has also been special efforts to improve technical safety and process safety during 2017.

Health
Health performance is measured by employee sick leave, where the long-term trend is flat. Elkem is increasing its focus on measuring working environment exposures. Elkem is also looking at new tools and models to measure activities for improvement in this area:

- Dust in the work environment is a major concern for smelters. The DUSTEX project was initiated in Norway in 2017, after The Norwegian Labour Inspection Authority issued an order to reduce dust exposure in workplaces. Two of five Elkem plants have received final approval for compliance with the order. The other three plants are working to ensure compliance in cooperation with the authorities.
- Elkem has also participated as a pilot in the development of a tool for measuring efforts to reduce work environment exposure by the Federation of Norwegian Industries. This gives an exciting potential for more structured and goal-oriented efforts to improve the work environment.



EHS MANAGEMENT SYSTEM

"FOKUS" is Elkem's programme for environment, health and safety in the workplace. "FOKUS" is closely connected to the Elkem Business System (EBS) and emphasises many of the same principles and tools. FOKUS builds on five basic principles:

FOKUS

1 **Improvement has no limits.**

2 **Zero-harm philosophy:** All incidents and injuries are preventable.

3 **All incidents and/or injuries will always have one or more causes.** Causes will always be associated with unsafe conditions, unsafe actions, or a combination of both. Reporting and investigating all incidents and injuries allows us to identify root causes and eliminate them before they can cause more serious harm.

4 **Effective prevention of harm** requires hazard identification, risk analysis and the implementation of actions to reduce unacceptable risk to an acceptable level.

5 **Success depends on all employees being actively involved** in health and safety work and sharing the responsibly for a safe working environment.

Corporate governance

Good corporate governance is a prerequisite for value creation and trustworthiness. Elkem's governance documents set out our principles and guide the way we conduct business.

Elkem is a dedicated responsible partner aiming to help customers and other stakeholders delivering their potential. Our mission is to contribute to a sustainable future by providing advanced silicon and carbon solutions that create value for our stakeholders globally. Elkem operates its business under the Elkem Business System (EBS), which is dedicated to lean manufacturing and efficient operational processes. This system for continuous improvement is underpinned by Elkem's values: Involvement, Respect, Precision and Continuous Improvement, which form the foundation for how we work.

Elkem has a strong commitment to sustainable development and responsible business behaviour and is a signatory to the UN Global Compact. Elkem's corporate social responsibility policy (CSR) is according to the UN Global Compact's ten principles for human rights, labour rights, environment and anti-corruption. CSR forms an important part of Elkem's business culture. All employees are obliged to follow Elkem's policies and principles, to report discrepancies according to company guidelines, and to help investigate and correct discrepancies.

The group intends to follow the principles in the Norwegian Code of Practice for Corporate Governance, where applicable.

Business
Elkem was founded in 1904 and is a market leader in the production of silicon-based advanced materials. Elkem is a fully integrated producer with operations throughout the silicon value chain from quartz to silicon and downstream silicone specialities, as well as speciality ferrosilicon alloys and carbon materials.

Elkem's business scope is defined by our articles of association:

The object of the company is to develop and engage in industry, mining, trade and transportation as well as exploration and exploitation of natural resources. The company may also develop, acquire and exploit patents, inventions and technical knowhow. The company may participate directly or by other means in companies engaged in activities outlined above or activities that promote or support such objects.

Equity
As of 31 December 2017, the group's equity was NOK 8 333 million, which is equivalent to 51% of total assets. Elkem will focus on having an efficient capital allocation, taking into consideration capital expenditure plans, financing requirements and maintaining the appropriate strategic flexibility. The board considers the group's financial position to be strong.

Elkem's shares are 100% owned by Bluestar Elkem International Co. Ltd. S.A., which is controlled by China National Bluestar (Group) Co. Ltd. (Bluestar).

Board of directors
In 2017 Elkem's board of directors consisted of eight members. The owner Bluestar appoints six members of the board, and two members are elected by the employees.

Mr. Michael Koenig, the CEO of Bluestar, is chairman of the board. Elkem's CEO Helge Aasen is board member elected by the owners and also sits on Bluestar's board of directors. This is in line with Bluestar practice.

Please refer to note 5 of the consolidated financial statement for overview of remuneration of the board of directors and executive personnel.

The work of the board of directors
The board of directors shall ensure proper organisation of the company's activities, adopt plans and budgets, oversee the day-to-day management and the company's activities in general and ensure that the activities, accounting and administration of the assets are satisfactorily monitored.

The board has adopted instructions for its work and administrative procedures. These instructions are pursuant to the Public Limited Liability Companies Act. The board instructions also include separate instructions for the CEO.

Elkem's board meets regularly and the CEO shall each year, in consultation with the chairman, propose a meeting plan and a main agenda for the board meetings. The board normally schedules four meetings each year, with additional meetings held on an ad hoc basis.

No board member may participate in discussions or decisions, which have particular personal interest or significance to them or someone close to them.

The board receives monthly management reports, which contain an overview of financial performance, market development, update on main projects and status on environment, health and safety.

The board has currently not appointed any board committees.

Risk management and internal control
Elkem has established policies and procedures for risk management and internal control. Governing documents and other tools have been dedicated to the areas of sustainability and social responsibility to safeguard basic human rights, the employees' rights as workers, environmental concerns, a sustainable utilization of natural resources and business integrity. Elkem does not permit or tolerate engagement in any form of corruption and has implemented an anti-corruption policy that defines different forms of corruption and how it must be avoided.

Assessment of risks include all aspects of the operation and is delegated as a line responsibility. This includes strategic risks, financial risks, raw material risks, production and process risks and market and product risks. A review of the main risk areas is part of the annual review of the group's strategic plan. The board and corporate management are regularly updated on the group's performance and decisive measures are taken when needed.

The group's internal control function is exercised through monthly reviews of the business activities at the group management level. The monthly reviews are conducted according to stated agendas and checklists.

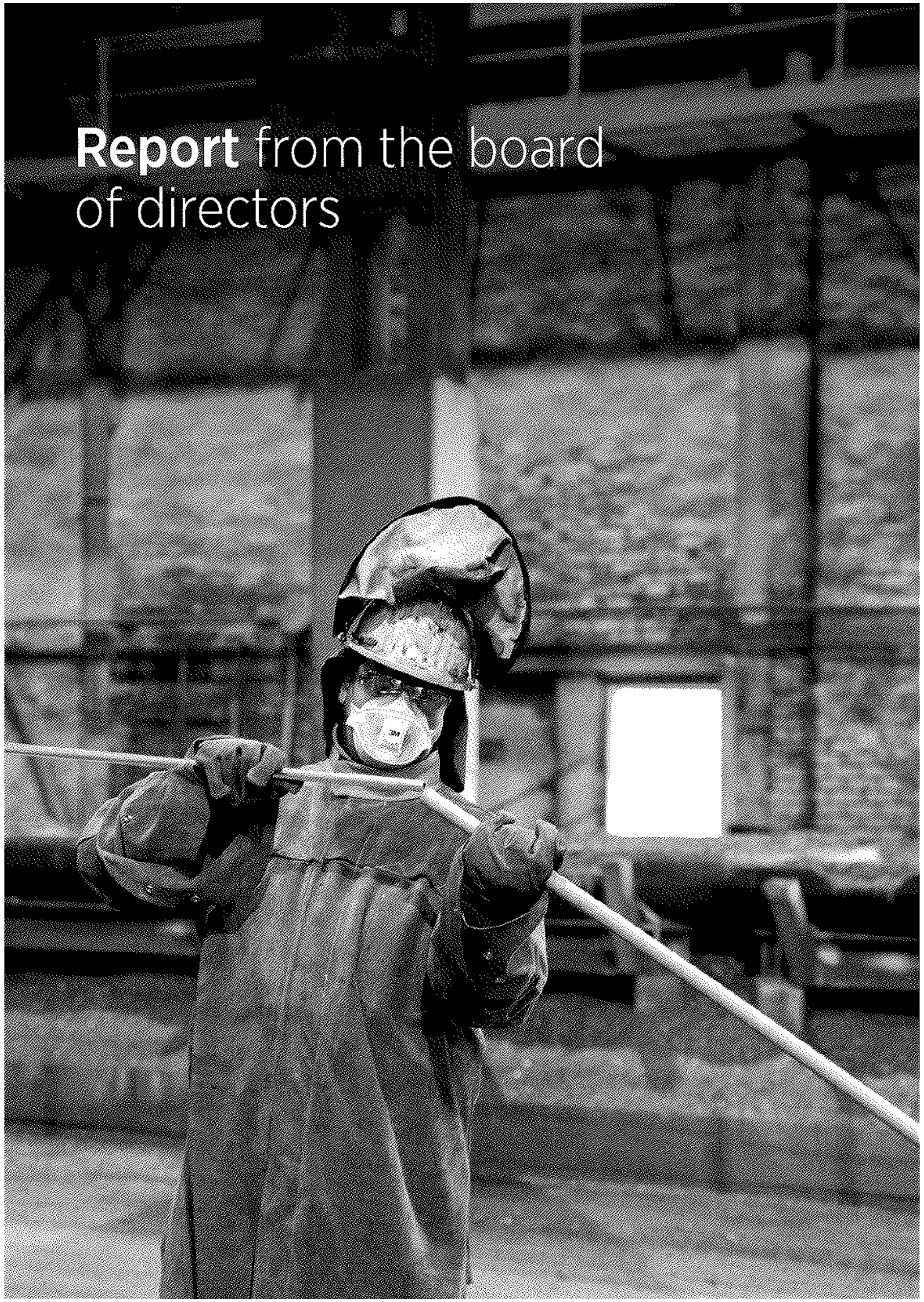
A detailed authority structure has been developed to determine who can make decisions at various levels in the organisation.

Elkem has a CSR steering committee, which is responsible for defining and obtaining necessary approvals from the corporate management and the board, and following up governing documents for corporate social responsibility. The committee is also responsible for Elkem's sustainability reporting, including progress on environmental, social and economic development within the Global Reporting Initiative (GRI).

Auditor
Elkem's auditor is appointed by Bluestar. KPMG is the group's auditor from 2016.

The auditor is present in at least one board meeting each year, normally to present the results of the interim audit. An annual meeting is held between the board and the auditor without the presence of the CEO or other members of the executive management.

Report from the board of directors



Strong results and business progress

ABOUT ELKEM
Elkem is one of the world's leading Groups for environmentally responsible production of materials. Its principal products are silicones, silicon, ferrosilicon, foundry alloys, carbon materials and microsilica. The Group has more than 3940 employees and reports four business areas: Silicones, Silicon Materials, Foundry Products and Carbon.

Elkem has production facilities in Europe, North and South America, Africa and Asia, as well as an extensive network of sales offices and agents covering the most important markets.

Elkem has centralised support functions and headquarters in Oslo, Norway.

As at 31.12.2017 Elkem AS is owned 100% by Bluestar Elkem International Co. Ltd. S.A., which is under the control of China National Bluestar Group Co. Ltd (Bluestar).

ELKEM'S PERFORMANCE IN 2017
Elkem delivered strong results in 2017 following improved market conditions and delivering on its strategic plan via cost- and efficiency improvement programs, increased speciality products sales and focus on organic and acquisitive growth. Safety performance was better in 2017 than 2016, but Elkem still has improvement potentials and a zero accident ambition. Financial results were strong, following a year of near finance crisis price levels in 2016. Elkem has spent substantial time and resources on integrating new assets into the Elkem Group, and Elkem is positioned for further growth in 2018.

Operating revenues improved by 17% year-on-year. Gross operating profit[1] margin ended at 12.6%, which is an improvement from 2016. Equity ratio[2] ended at 51%, which is strong and enables Elkem for step-change growth and acquisitions.

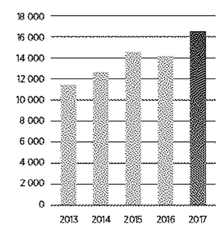
During 2017, Elkem carried out several initiatives that supports Elkem's ambition for growth:

- Elkem celebrated the opening of a new Foundry plant in Shizuishan City, Ningxia province on 12 December. The new plant strengthens Elkem's footprint in China, increasing its capacity of special ferro-alloy materials from 10 000 mt per year to 30 000 mt per year.
- Elkem Carbon completed its environment friendly energy recovery and Sulphur treatment facility in Kristiansand. The plant will save energy equivalent to 800 households and cut Suplhur emissions by 620 mt per year.
- On 30 September, Elkem increased the ownership from 50% to 100% of a new Ferrosilicon and foundry alloy plant being constructed in Paraguay. The plant will have 1 furnace with a capacity of 11 000 mt. Elkem plans to ramp-up the plant during 1st half of 2018.
- During the year, Bluestar Silicones (BSI) changed its name to Elkem Silicones, marking a stronger integration to Elkem post Elkem's acquisition of BSI in 2015.

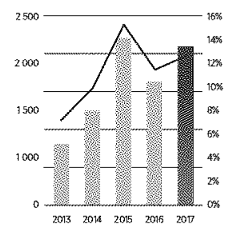
1 Gross operating profit: Gross operating profit (loss), excluding other gains and losses is also referred to as EBITDA (Earnings Before Interest Taxes Depreciation and Amortization) in Elkem.

2 Equity ratio: defined as Total equity / Total equity and liabilities.

OPERATING REVENUES (MNOK)

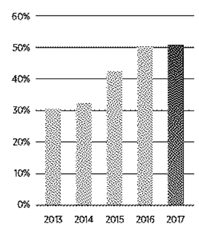


GROSS OPERATING PROFIT (MNOK)



▩ Gross operating profit
— Gross operating margin

EQUITY RATIO (%)



- As part of Elkem's growth strategy, Elkem resumed management responsibility for Jiangxi Bluestar Xinghuo Organix Silicone (Xinghuo) and Bluestar Silicone Material Co., Ltd. (Yongdeng) towards the end of June. These two companies were per 31.12.2017 owned by Bluestar. Yongdeng will be organised as part of the Silicon Materials, whereas Xinghuo Silicones will be organised as part of Silicones. On 30 January 2018, Elkem AS entered into an agreement with Bluestar Elkem Investment HK Ltd to purchase Xinghuo and Yongdeng. The share purchase agreement is subject to IPO of Elkem AS.

Elkem is persistent to strengthen its market position in the coming years and will target a sustainable improvement culture working along the principles of Elkem Business Systems (EBS) to achieve Environment, Health and Safety (EHS), quality, time and cost improvements.

Thanks to great work from our employees and in adherence to EBS principles, Elkem is well positioned to future growth complemented by a strong statement of financial position.

As part of Elkem's strategic direction, Elkem is planning an IPO during first quarter of 2018. Elkem was acquired by Bluestar in 2011, and has since then become a global integrated advanced material company with the acquisition of Bluestar Silicones in 2015 and the planned acquisition of Xinghuo and Yongdeng during first half of 2018. As part of the planned IPO and acquisition, Elkem is planning to refinance the debt and seek a healthy basis for further growth. Please see the section subsequent events for further details.

Financial results
Operating income for the Elkem group amounted to NOK 16,658 million compared to NOK 14,226 million in 2016. The operating income increased by 17%, due to higher sales prices, improved sales volumes and acquisitions. Silicones improved operating income mainly due to increased sales volume and improved sales prices. Silicon Materials operating income increased mainly due to acquisition of Rana, in addition to improved sales prices. Foundry Products operating income improved in 2017 helped by increased sales prices, improved sales volumes in particular for speciality products, and acquisition of Nagpur in India. Carbon increased operating income due to increased sales volumes.

Elkem's gross operating profit ended at strong NOK 2,098 million compared to NOK 1,618 million in 2016. The improvement in gross operating profit was supported by positive development in sales prices, in particular FeSi prices, favourable currency hedge effects, and positive sales volume improvements from all business areas. This was only partially countered by increased raw materials prices and other cost increases in 2017.

Silicones experienced 6% improved sales volume overall, whereof most of the growth came in the Surface business area. The sales volume in 2016 was negatively impacted by raw material availability issues following maintenance stops by certain suppliers. This was followed by a strong recovery in 2017 driven by an increase in specialties volumes split between the Surface and eXtensio business area. Sales prices also improved in the period helped by high demand in particular during the second half of 2017. The overall silicones market demand was strong in 2017 combined with tighter supply especially in Europe and China, which led to strong price increases.

Silicon Materials experienced positive contribution from the acquisition of Elkem Rana. This business was acquired in December 2016, whereby only 1 month was included into the 2016 financial statements compared to 12 months in 2017. In addition to positive contribution from Elkem Rana, sales prices contributed positively. On average, CRU[3] reference price for silicon increased by 19% during 2017 compared to 2016. In addition, Silicon Material's focus on cost roadmap helped to position the silicon smelters to the low end on CRU's competitive cost curve.

Foundry Products experienced a CRU reference ferrosilicon price increase of 38% on average during 2017 resulting in an improved gross operating profit compared to 2016. In addition, sales volume increased during the year, in particular sales of speciality products. The positive contribution from sales prices and sales volume was partially countered by increased raw materials prices.

Carbon delivered a satisfactory gross operating profit in 2017. Sales prices and raw material prices developed unfavourably during the year contributing negatively to the results, whereas sales volumes improved in the period countering the negative development.

Operating profit was NOK 1,355 million in 2017 compared to NOK 941 million in 2016. Impairment losses was NOK 17 million in 2017 compared to NOK 12 million in 2016. Other gains and losses was NOK 49 million in 2017 compared to NOK 52 million in 2016. Amortisations and depreciations was NOK 776 million in 2017 compared to NOK 718 million in 2016. The increase is partially explained by the acquisition of Elkem Rana and Elkem Nagpur.

3 CRU: CRU offers business intelligence on the global metals, mining and fertilizer industries through market analysis and price assessments.

Profit before income tax ended at NOK 1,281 million positive for the year. Net finance items recognized in profit or loss amounted to NOK 100 million negative while foreign exchange loss amounted to NOK 8 million. Income from associates and joint ventures amounted to NOK 34 million positive.

The consolidated profit for the year was NOK 1,012 million positive, including NOK 269 million tax expense for the year, giving an effective tax rate of 21%.

The main items recognized in the consolidated statement of other comprehensive income relates to cash flow hedges (foreign currency hedges and power price hedges). These items had a net positive effect of NOK 55 million for 2017, compared to a net positive effect of NOK 647 million in 2016. The positive effects in 2016 was largely related to positive cash flow hedges effects of NOK 930 million countered by tax effects on cash flow hedges of NOK 238 million and currency translation differences of NOK 65 million. In 2017 hedging of net investment in foreign operations amounted to NOK 209 million negative, countered by tax effects hedging of net investment in foreign operations of NOK 48 million and currency translation differences of NOK 226 million.

Cash flow and statement of financial position
Cash flow from operating activities was NOK 1,534 million positive for the year. Operating profit was NOK 1,355 million positive. Amortisation, depreciation and impairment changes amounted to NOK 793 million. Changes in net working capital and in other balance sheet items was NOK 255 million due to increased activity resulting in higher accounts receivables and inventory partially countered by increased accounts payables. Interest payments made amounted to NOK 92 million. Taxes paid amounted to NOK 198 million for the year.

Cash flow from investing activities amounted to outflow of NOK 927 million for the year. Elkem invested NOK 712 million into maintenance, EHS, and productivity improvement initiatives during the year. In addition, Elkem invested NOK 299 million into growth and step-change investments. The strategic investments in 2017 were primarily related to Silicones' specialisation volume development, energy recovery and Sulphur treatment at Carbon Fiskaa plant, capacity increases and relocation of Elkem Foundry China and technical and environmental upgrades at the Elkem Rana plant within the Silicon Materials.

Cash flow from financing activities was NOK 355 million negative. Dividends paid to the owner amounted to NOK 144 million, and repayment of interest-bearing loans and borrowings amounted to NOK 245 million.

Elkem's financial position continued to improve during the year. Elkem's equity was NOK 8,333 million at the end of the year, including non-controlling interest. The equity ratio improved from 50% in 2016 to 51% in 2017. The strong equity ratio constitutes a healthy basis for further expansion and growth.

Net interest-bearing debt[4] amounted to NOK 1,742 million per 31.12.2017. Cash and cash equivalents amounted to NOK 1,601 million, in addition to NOK 2,331 million in undrawn credit facilities.

The board of directors confirms that the company satisfies the going concern assumption, and that the 2017 financial statements have been prepared on this basis.

GOVERNANCE
Elkem considers good corporate governance to be a prerequisite for value creation and trustworthiness. The Norwegian Code of Practice for Corporate Governance (Code of Practice) is primarily intended for companies listed on regulated markets. However, the group intends to follow the principles in the Code of Practice.

The board of directors is responsible for managing the group and ensuring proper organisation and monitoring of the group's activities. Elkem has governance documents approved by the board, setting out the principles for how the group should conduct its business.

The board of directors consists of eight members, six of which are appointed by Bluestar and two which are elected by the employees. The board had four regular board meetings scheduled in 2017. In addition, the board had extraordinary meetings scheduled during the year. During the year, board member Dazhuang Wang was replaced by Zhigang Hao.

Elkem's executive management team was unchanged during 2017.

Risk Management
Elkem aims to manage risk in a systematic and professional manner. The group has policies and procedures in place to secure proper risk management and internal control. Assessment of risks is delegated as a line

4 Please refer to Note 22 Interest-bearing assets/liabilities

responsibility to ensure clear ownership for own activities and efficient processes. Corporate management and the board of directors are updated on the development and the overall risk picture for Elkem on a regular basis through internal business reviews and management reports as well as an annual risk review.

Elkem has a corporate social responsibility (CSR) steering committee. The steering committee defines, obtains approval and follows up CSR governing documents in Elkem. The purpose is to safeguard basic human rights, the employees' rights as workers, environmental concerns, sustainable utilisation of natural resources and business integrity. Elkem does not permit or tolerate engagement in any form of corruption and has implemented policies for anti-corruption, competition law compliance and whistle blowing.

The group is exposed to several risk factors, which could have considerable effect on its business performance. Elkem has grouped its main risks into five categories, strategic risk, financial risk, raw materials risk, production and process risk and market and product risk.

The most significant risk is related to prices and sales volumes for silicon related materials, as well as costs for key raw materials, energy and other consumables. The demand for silicon related materials has increased over the past years and the growth is expected to exceed the growth in global GDP. Demand and prices will however fluctuate based on economic cycles and competition, and significant price and volume changes can be observed depending on the overall business sentiment. The executive management and the board closely follow up Elkem's financial performance and the market development. Elkem's strategy is to focus on specialised products to meet customer demands and improve pricing stability. In addition, Elkem aims to keep a strong financial profile with adequate equity and liquidity reserves to handle and mitigate the effects of economic downturns.

Elkem's strategy on raw materials and energy is to secure timely supply, and stable and predictable prices to reduce net exposure through the cycles. The group has long-term contracts in place to secure volume of key input factors. Long-term energy contracts are in place to secure base volume and predictable prices. In order to secure operational flexibility some of the energy volume is covered through short-term contracts. Quartz is mainly sourced from own mines.

Elkem has sales revenues and operating costs in various currencies, mainly EUR and USD. The group aims to mitigate the currency risk by sourcing raw materials and other costs in the same currencies as the group's sales revenues. However, the location of Elkem's plants give rise to net cost base in certain currencies, e.g. Norwegian kroner, Canadian dollars, Brazilian real and Icelandic krone. Elkem has a predefined hedging programme to hedge 90% of the net exposure on a 0-3 month rolling basis, and approximately 45% of forecasted cash flows on a 4-12 month rolling basis, to even out effects of currency movements on result and cash flow. The hedging of forecasted cash flows may vary between 25% and 75%. In 2017, the Elkem board of directors approved a mandate to hedge up to 75% of net cash flows in EUR and USD for 2018. Forward contracts are mainly used as hedging instruments. The group's use of financial instruments and hedge accounting are disclosed in note 26.

Elkem is actively managing liquidity risk. The group has centralised its liquidity management and monitors the liquidity development through short- and long-term cash forecasts and daily reporting of the liquidity position. The policy is to have a liquidity buffer of minimum 10% of expected annual revenue. The liquidity buffer may consist of cash and undrawn credit facilities. An overview of the group's financing is included in note 22.

Counterparty risk is managed centrally and the main part of the accounts receivables is insured by a reputable credit insurance company. Elkem is monitoring the credit risk also for financial trading counterparties. Further information about the group's financial risk and capital management policies are disclosed in note 27.

Social responsibility
Elkem is a signatory to the UN Global Compact and has made a strong commitment to socially responsible and sustainable business practices. Our definition of corporate social responsibility is based on the Global Compact's ten principles for human rights, labour rights, environment and anti-corruption. All employees are obliged to follow Elkem's policies and principles and to report discrepancies according to company guidelines. Our sustainability report details our commitment and activities related to social responsibility, and is written within the framework of the Global Reporting Initiative.

The latest sustainability report can be found online at www.elkem.com/sustainability.

Health and safety
Elkem is committed to high environmental, health and safety standards and has closely integrated efforts in these areas with all other activities throughout the company. Elkem uses considerable resources to identify

hazards and implement appropriate measures to reduce risk to an acceptable level, so that all employees and contractors performing work at Elkem can leave their jobs just as healthy as they were when they arrived.

Absenteeism is the key performance indicator for health in Elkem. The average rate of absenteeism measured in percent of available working days for 2017 was 3.5%. This is lower than in 2016, but in line with normal variations the past 5 years. This also represents a normal level taking into account the combination of European and non-European plants. Ongoing activities to increase health and wellbeing at Elkem locations include working environment assessments and improvement efforts in the areas of ergonomics, chemical control and noise and dust reduction.

The employee Lost Work Time Injury Rate (H1 = number of lost time injuries per 1.000.000 working hours) for 2017 was 1.6 (2.4 in 2016) while the employee Total Recordable Rate (TRR = H1+H2 = total number of lost work time, medical treatment and restricted work injuries per 1.000.000 working hours) was 4.5 (5.3 in 2016). This represents a good improvement from 2016. Most plants continue to have very good results and two business areas (Foundry Products and Silicones) have shown great improvement in 2017.

None of the recordable injuries for own employees caused long term injury or loss of function.

Recordable contractor injuries are managed in the same manner as own employee injuries even though they are recorded in separate statistics. There were 12 incidents of contractor Lost Work Time injuries in 2017 compared to 20 in 2016.

Gender equality
Elkem is committed to provide equal opportunities for all our employees in an inclusive work culture. We appreciate and recognise that every individual is unique and valuable, and should be respected for his or her individual abilities. We do not accept any form of harassment or discrimination based on gender, religion, race, national or ethnic origin, cultural background, social group, disability, sexual orientation, marital status, age or political opinion. Elkem will provide equal employment opportunities and treat all our employees – and job seekers - fairly.

The company has a well-established policy and practice to ensure that there is no discrimination. The policy and established practises include code of conduct, recruitment, compensation and benefits, working conditions, possibilities for promotion, development and protection against harassment.

In 2017 the overall share of female employees in Elkem was 22%, which was the same as in 2016. Amongst managers the share was 28%, and amongst white collar workers 36%, slightly up from the previous year. Amongst operators the share of women was only 7%. 22% of the employees that left Elkem were women. Elkem monitors the rate of female employees per country to be able to take specific measures to improve the gender balance where appropriate.

Our recruitment policy states that we will encourage female applicants, both through recruitment advertisements and by actively encouraging suitable internal candidates to apply. In our trainee programme we actively prioritise young women applicants and the rate of female trainees was 66% in 2017.

Elkem's policy is equal pay and equal work hours for men and women. Flexible arrangements can be made for employees where appropriate. We are constantly working to improve the automation of our processes, reducing the amount of physically demanding tasks and thereby improving employee health and increasing the number of female operators.

In order to increase the focus on diversity and discrimination across Elkem, we have developed a specific training module about diversity in our leadership programmes. The goal is to teach our leaders the value of diversity, how to lead diverse teams and how they can increase the diversity in their teams, e.g. to avoid unconscious bias and unintended discrimination.

External environment
Elkem converts natural resources such as water, coal, ores and minerals into products that are essential in global economic growth for present and future generations. This conversion of natural resources causes emissions, discharges, and waste. All emissions, discharges and wastes are recorded and dealt with in compliance with public permits at our sites. Elkem is committed to environmentally responsible production and works continuously to reduce our impact on the external environment.

The main environmental focus during 2017 has been on reducing emissions of NOx, SO2 and some volatiles, and on reducing discharge of suspended substances and oxygen depleting substances to water. Special efforts include:

- From 2017 waste to landfill has been included as a main KPI in Elkem's monthly EHS reporting for selected plants to visualize and further increase the focus on waste reduction.

- Fiskaa Carbon finalized the installation of a scrubber capable of reducing their total So2 emissions by 50% (600 tons per year) with financial support from the Norwegian So2 fund in 2017.
- New projects for energy recovery, including recovery of 34 GWh at Fiskaa industrial park.

Our environmental efforts are further described and accounted for in our sustainability report.

STRATEGIC OVERVIEW

Foundation
The Elkem Business System (EBS) plays an important role in all of Elkem's operations. EBS is first and foremost about improving customer satisfaction. The aim is to secure excellence in EHS, delivery, quality and cost. EBS is designed and aligned to support the strategic direction and operational goals of Elkem and will drive the behaviour in the organisation to foster a culture of operational excellence, continuous improvement and deep learning.

EBS is built on four basic principles:
- **Make to use** puts the customer first, both internal and external.
- **Empowered people** is a conviction that the people who perform the tasks are the experts. Elkem ascribes 70% of its success to human input.
- **Eliminating waste** is to drive for perfection and sustainability. Waste includes all unnecessary costs and inefficient use of resources.
- **Processes in control** is about stable, predictable and consistent processes where unwanted variations are removed.

The Four Values of Elkem are closely linked to our Business System and are
- **Respect** for the law, the environment, our employees, colleagues, customers, suppliers, owners, the society, local communities and cultures.
- **Precision** in developing and following the highest quality standards for best practice and operational excellence so that we can measure and continuously improve them.
- **Continuous improvement** of the value chain by experimenting, implementing new solutions, and continuously eliminating waste using scientific methods.
- **Involvement** of everyone in the organization to identify problems and opportunities and to participate in implementing improvements.

Research and development
Elkem has almost 400 people involved in Research and Development (R&D) activities and devotes considerable effort and resources to R&D, in order to create and develop innovative products, develop environmentally friendly and energy efficient production technologies and to optimise the full value chains.

Throughout its more than 110-year history, Elkem has supplied and commissioned several hundred furnaces worldwide, and has extensive experience with silicon related processes and other metals and materials. Elkem Pilot Plant is a R&D centre with core competence in metallurgical high temperature processes. Projects and experiments carried out at Elkem Pilot Plant have been decisive for Elkem's development and progress.

Silicones has research centres worldwide, with the Lyon Research & Innovation Centre as the main hub. The aim is to constantly source innovation opportunities inside and outside the company to develop and commercialise new silicone technologies. In addition, there is strong cooperation with a broad range of partners: business and industrial partners, universities and research centres, competitive clusters, start-ups and many other institutions throughout the world. Relationships with outside experts allow us to quickly identify new technologies or to work on new developments in existing technologies.

In 2017 Elkem's R&D expenses related to processes, products and business development, including improvement projects and technical support to customers were NOK 413 million where of NOK 53 million was capitalised and NOK 360 million was expensed.

Strategic priorities
Elkem's strategy is based on systematic cost improvements, further product specialisation and an ambition to strengthen the group's position across all business segments. It is important to focus on cost and continuous improvement as Elkem operates in highly competitive and global markets. In addition, the focus on product specialisation and strengthening of the market position are important to enable the group to take advantage of global mega trends which are expected to impact societies, economies and businesses.

Improve operational efficiencies and value chain optimisation
The Elkem Business System together with operational excellence, economies of scale, low cost power, integrated value chain from raw materials to end-products and advanced energy recovery systems, will continue to be fundamental for cost improvements. In addition, Elkem will continue to invest in research and development to ensure technological improvements that reduce costs and improve production efficiencies as well as the development of new products and applications.

Elkem will pursue operational excellence by utilising its internal "cost roadmap" programme to identify and support cost reduction projects in a standardised manner and transfer best practices, process expertise and technological competence across the group. Elkem also focuses on strategic raw material sourcing to remain a fully integrated low-cost producer.

Improving sales of specialty products
Elkem intends to pursue its specialty strategy to increase sales of higher margin products and reduce cyclicality through building on its long-term customer relationships and extensive research and development base.

Elkem believes that there is substantial room for further increased specialty products sales and the group intends to continue efforts to drive specialty volumes through investments, sales and marketing efforts and addressing new market opportunities.

Focus on organic and acquisitive growth
Elkem continuously evaluates attractive options for growth, particularly through capacity expansion in underserved or growing regions. Elkem's goal is to increase its production capacity, either by capacity expansion at existing plants, new greenfield investments or through merger and acquisitions.

In addition, Elkem intends to pursue selected bolt-on acquisitions as it believes there are potential opportunities for capacity expansion and entrance into new product sub-segments.

Management responsibility for Chinese assets of the Bluestar Group
In order to strengthen the silicones value chain of Bluestar, Elkem assumed the management responsibility of Xinghuo and Yongdeng from end of June 2017. Elkem has also previously worked closely with Xinghuo and Yongdeng to support product development and operational excellence.

Xinghuo is located in Jiangxi province in China and produces organic silicone monomer and organic silicone-related downstream products. The facility has an annual production capacity of approximately 220,000 tonnes of siloxane and 120,000 tonnes downstream production capacity. The plant employed 1,649 employees as of 31 December 2017.

Yongdeng is located in Gansu province in China. The main product is silicon metal and the plant has a production capacity of approximately 55,000 tonnes of silicon and 25,000 tonnes of Microsilica. The plant employed 522 employees as of 31 December 2017.

The two Chinese entities were not legally or financially integrated in Elkem as of 31. December 2017, but Elkem management has full day-to-day management responsibilities. The management integration is expected to create significant synergies in the areas of technology, supply and distribution and production.

On 30 January 2018, Elkem AS group entered into an agreement with Bluestar Elkem Investment Co. Ltd. to purchase all the shares in Xinghuo and Yongdeng.

The management responsibility and legal integration of Xinghuo and Yongdeng strengthens Elkem's position in China which is the fastest growing consumer of the products in Elkem's portfolio.

FINANCIAL PROSPECTS
Forward-looking statements are normally subject to considerable uncertainty.

Elkem is sensitive to changes in the macro-economic development. World Economic Outlook, issued by International Monetary Fund in October 2017, expects global growth to increase from 3.6% in 2017 to 3.7% in 2018. The prices for silicon and ferrosilicon have shown an increasing trend from second half of 2017 and into 2018. Based on this the market conditions for Elkem's products seem relatively good.

However, raw material prices are also expected to increase, especially energy and coal. The Norwegian krone has remained weak compared to USD and EUR in particular during 2017 and a strengthening of the Norwegian krone will have negative effects on Elkem's results.

A key focus area for Elkem in 2018 is to further develop the Silicone value chain and continue the integration of acquired businesses and to continue to deliver on the strategic goals of cost and products specialisation.

ELKEM AS
Elkem AS is the parent company of the Elkem group. The company's accounts have been presented in accordance with the Norwegian Accounting Act and generally accepted accounting practices in Norway. The accounts are prepared on the basis of a going concern assumption.

For Elkem AS the operating income amounted to NOK 7,177 million compared to NOK 7,011 million in 2016. The operating income increased by 2%. Elkem AS operates in the silicon, ferrosilicon and foundry alloys market and experienced the same improvement in prices and sales volumes as the group during 2017. The operating profit ended at NOK 333 million compared to NOK 550 million previous year. The decrease is in large parts explained by other gains and losses related to operating activities, which was positive by NOK 221 million in 2016 and decreased to NOK 53 million negative in 2017. The change in other gains and losses compared to the previous year is explained by the effects of the forward contracts and the development of power prices affecting the valuation of power contracts, reference is made to note 9.

For Elkem AS the financial position weakened during the year. Elkem AS' equity was NOK 4,421 million at the end of the year. The equity ratio decreased from 42% in 2016 to 38% in 2017, mainly due to increase in interest-bearing liabilities. Profit for the year was NOK 310 million. The net interest-bearing debt amounted to NOK 3,324 million per 31.12.2017. Cash and cash equivalents amounted to NOK 847 million.

Allocation of the net profit for the parent company
The net profit for the year was NOK 309 925 thousands. The board of directors proposes the following allocation (in NOK thousands):

Transfer from other paid in capital:	-170 000
Additional dividend for 2016:	170 000
Transfer to retained earnings:	309 925
Allocated	309 925

Subsequent events
On 30 January 2018 Elkem AS group signed an agreement with Bluestar Elkem Investment Co. Ltd. to purchase all the shares in Bluestar Silicone Material Co., Ltd. (Yongdeng) and Jiangxi Bluestar Xinghuo Organix Silicone (Xinghuo) for a purchase price of RMB 3,274 million. The transaction is expected to be closed during first half of 2018. The transaction will be executed in parallel and is dependent on a successful IPO of Elkem AS.

In relation to the planned acquisition of Xinghuo and Yongdeng and the planned IPO of Elkem AS, Elkem signed a refinancing debt agreement with four banks on 12 February 2018. The financing consist of a revolving credit facility (RCF) of EUR 250 million, a term loan of EUR 400 million, and a bridge financing of EUR 500 million. The loan agreement allows for the refinancing of Elkem including Xinghuo and Yongdeng. The financing is underwritten by Nordea, DNB, Citibank and Natixis. The loan agreement is subject to successful IPO of Elkem AS.

Further details may be found in Note 33.

Oslo, 21 February 2018

Michael Koenig
Chairman of the board

Einar Støfringshaug

Marianne Færøyvik

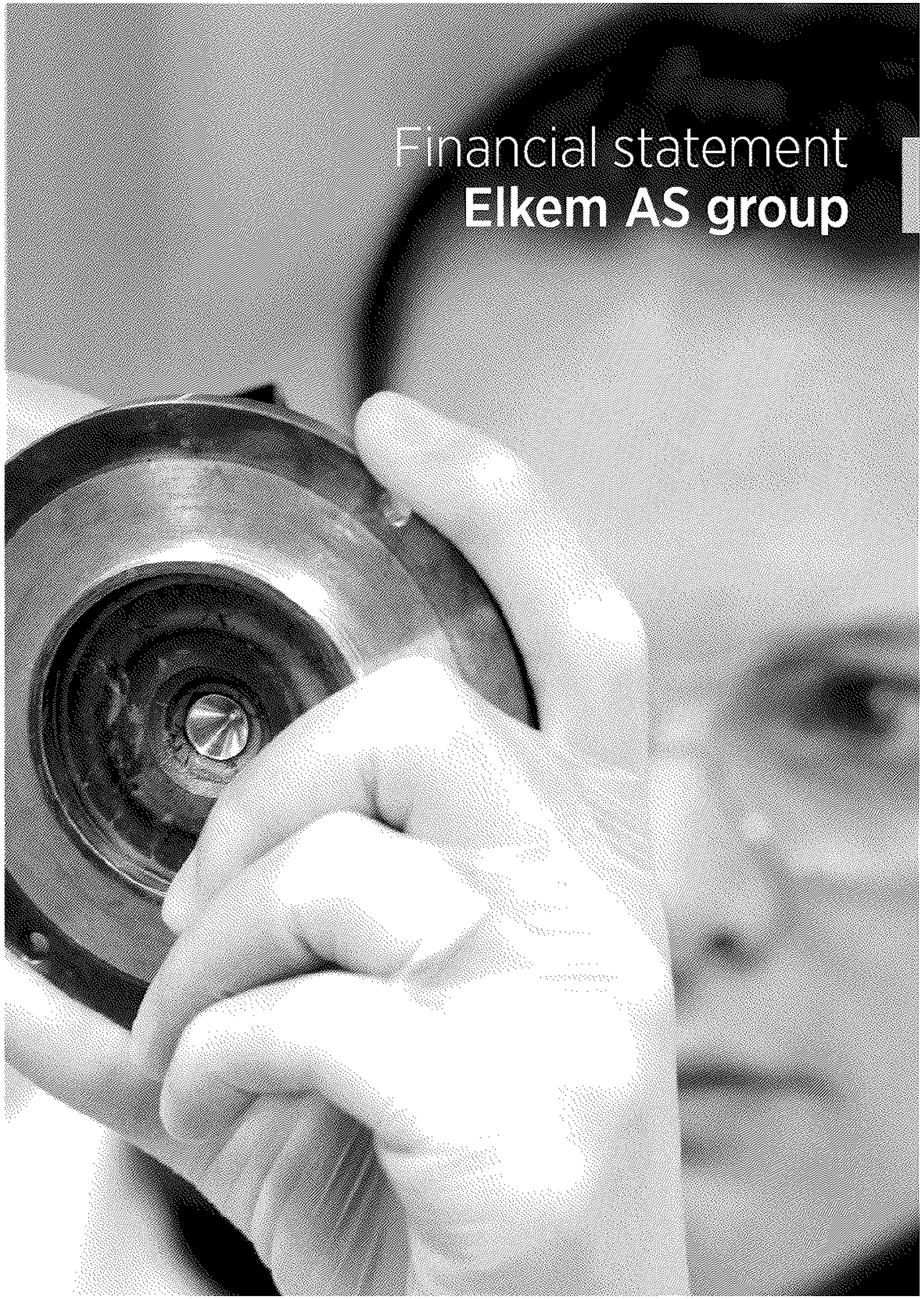
Yougen Ge

Olivier de Clermont-Tonnerre

Sverre S. Tysland

Helge Aasen
CEO

Zhigang Hao



Financial statement
Elkem AS group

AMOUNTS IN NOK 1000

Consolidated statement of income

1 January - 31 December	Note	2017	2016
Revenues		16 441 894	14 045 397
Other operating income		215 988	180 772
Total operating income	4	**16 657 882**	**14 226 169**
Raw materials and energy for smelting		(8 125 907)	(6 899 039)
Employee benefit expenses	5	(2 857 634)	(2 559 950)
Other operating expenses	7, 8	(3 575 874)	(3 149 390)
Gross operating profit (loss)		**2 098 467**	**1 617 790**
Amortisations and depreciations	12	(776 023)	(717 781)
Impairment losses	12	(16 809)	(11 818)
Other gains and losses	9	49 313	52 438
Operating profit (loss)		**1 354 948**	**940 629**
Income from associates and joint ventures	13, 14	34 144	22 130
Finance income	10	19 219	22 617
Foreign exchange gains (losses)	10	(7 701)	49 661
Finance expenses	10	(119 376)	(88 501)
Profit (loss) before income tax		**1 281 234**	**946 537**
Income tax (expense) benefit	11	(269 390)	(188 567)
Profit (loss) for the year		**1 011 844**	**757 969**
Attributable to:			
Non-controlling interest's share of profit (loss)		38 682	36 119
Owners of the parent's share of profit (loss)		973 162	721 850
Consolidated earnings per share (Basic / Diluted)			
Earnings per share (one share)		973 162	721 850

AMOUNTS IN NOK 1000

Consolidated statement of other comprehensive income

1 January - 31 December	Note	2017	2016
Profit (loss) for the year		**1 011 844**	**757 969**
Other comprehensive income: **Items that will not be reclassified to profit or loss**			
Remeasurements of post employment benefit obligation	6	971	(55 177)
Tax effects on remeasurements of post employment benefit obligation	11	2 264	13 587
Share of other comprehensive income from associates and joint ventures	13, 14	-	-
		3 235	**(41 590)**
Items that will be reclassified to profit or loss in subsequent periods			
Currency translation differences		225 938	(64 508)
Hedging of net investment in foreign operations		(208 865)	25 449
Tax effects hedging of net investment in foreign operations	11	48 039	(6 108)
Cash flow hedges	26	(5 973)	930 150
Tax effects on cash flow hedges	11	(4 444)	(238 356)
Share of other comprehensive income from associates and joint ventures	13, 14	(325)	(1 141)
Change in value of available-for-sale financial assets		492	1 718
		54 862	**647 204**
Other comprehensive income for the year, net of tax		**58 097**	**605 614**
Total comprehensive income for the year		**1 069 941**	**1 363 583**
Attributable to:			
Non-controlling interest's share of comprehensive income		40 125	32 019
Owners of the parent's share of comprehensive income		1 029 816	1 331 564
Total comprehensive income for the year		**1 069 941**	**1 363 583**

AMOUNTS IN NOK 1000

Consolidated statement of financial position

1 January - 31 December	Note	31.12.17	31.12.16
ASSETS			
Property, plant and equipment	12	6 568 934	5 909 087
Goodwill	12	326 323	342 645
Other intangible assets	12	719 350	693 013
Deferred tax assets	11	89 584	67 348
Investment in joint ventures	13	97 871	108 978
Interest in associates and other companies	14	111 967	100 516
Derivatives	26	151 574	119 161
Other non-current assets	16	324 615	370 697
Total non-current assets		**8 390 218**	**7 711 445**
Inventories	17	3 561 007	3 339 415
Accounts receivable	18	2 264 479	1 870 770
Derivatives	26	33 357	56 388
Other current assets	19	605 595	604 656
Cash and cash equivalents	22	1 493 279	1 230 668
Total current assets		**7 957 717**	**7 101 897**
TOTAL ASSETS		**16 347 935**	**14 813 342**
EQUITY AND LIABILITIES			
Paid-in capital	20	2 918 203	3 088 203
Retained earnings		5 313 102	4 283 286
Non-controlling interest		101 557	87 553
Total equity		**8 332 862**	**7 459 042**
Interest-bearing non-current liabilities	22	2 681 975	2 834 859
Deferred tax liabilities	11	104 587	114 182
Pension liabilities	6	444 807	425 488
Derivatives	26	378 955	561 131
Provisions and other non-current liabilities	24	389 859	463 560
Total non-current liabilities		**4 000 183**	**4 399 220**
Accounts payable		1 836 888	1 527 587
Income tax payables		138 668	99 387
Interest-bearing current liabilities	22	661 189	277 970
Derivatives	26	246 683	128 001
Provisions and other current liabilities	25	1 131 462	922 135
Total current liabilities		**4 014 890**	**2 955 080**
TOTAL EQUITY AND LIABILITIES		**16 347 935**	**14 813 342**

Oslo, 21 February 2018

Michael Koenig
Chairman of the board

Einar Støfringshaug

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Yougen Ge

Olivier de Clermont-Tonnerre

Sverre S. Tysland

Helge Aasen
CEO

Zhigang Hao

AMOUNTS IN NOK 1000

Consolidated statement of changes in equity

	Share capital	Other paid-in capital	Total paid-in capital	Foreign currency translation reserve	Cash flow hedge reserve	Other retained earnings	Total retained earnings	Total owners share	Non-controlling interest	Total
Balance 1 January 2017	2 010 000	1 078 203	**3 088 203**	399 667	(442 177)	4 325 796	**4 283 286**	**7 371 489**	87 553	**7 459 042**
Profit (loss) for the year	-	-	**-**	-	-	973 162	**973 162**	**973 162**	38 682	**1 011 844**
Other comprehensive income for the year	-	-	**-**	63 669	(10 417)	3 402	**56 654**	**56 654**	1 443	**58 097**
Total comprehensive income for the year	**-**	**-**	**-**	**63 669**	**(10 417)**	**976 564**	**1 029 816**	**1 029 816**	**40 125**	**1 069 941**
Dividends to equity holders [1]	-	(170 000)	**(170 000)**	-	-	-	-	**(170 000)**	(26 121)	**(196 121)**
Balance 31 December 2017	**2 010 000**	**908 203**	**2 918 203**	**463 336**	**(452 594)**	**5 302 360**	**5 313 102**	**8 231 305**	**101 557**	**8 332 862**

	Share capital	Other paid-in capital	Total paid-in capital	Foreign currency translation reserve	Cash flow hedge reserve	Other retained earnings	Total retained earnings	Total owners share	Non-controlling interest	Total
Balance 1 January 2016	2 010 000	1 078 203	**3 088 203**	440 734	(1 133 971)	3 648 862	**2 955 625**	**6 043 828**	123 219	**6 167 047**
Profit (loss) for the year	-	-	**-**	-	-	721 850	**721 850**	**721 850**	36 119	**757 969**
Other comprehensive income for the year	-	-	**-**	(41 067)	691 794	(41 013)	**609 714**	**609 714**	(4 100)	**605 614**
Total comprehensive income for the year	**-**	**-**	**-**	**(41 067)**	**691 794**	**680 837**	**1 331 564**	**1 331 564**	**32 019**	**1 363 583**
Dividends to equity holders	-	-	**-**	-	-	-	**-**	**-**	(40 364)	**(40 364)**
Changes in the composition of the group [2]	-	-	**-**	-	-	(3 903)	**(3 903)**	**(3 903)**	(27 321)	**(31 224)**
Balance 31 December 2016	**2 010 000**	**1 078 203**	**3 088 203**	**399 667**	**(442 177)**	**4 325 796**	**4 283 286**	**7 371 489**	**87 553**	**7 459 042**

1) Of the NOK 170 million in dividend paid, NOK 26 million was net settled against loans to shareholders.

2) See note 30 Changes in composition of the group.

AMOUNTS IN NOK 1000

Consolidated statement of cash flows

1 January - 31 December	Note	2017	2016
Operating profit (loss)		1 354 948	940 629
Changes in fair value commodity contracts		(79 093)	(77 598)
Amortisation, depreciation and impairment changes	12	792 832	729 599
Changes in working capital [1]		(139 377)	98 410
Changes in provisions, pension obligations and other		(116 049)	(123 900)
Interest payments received		12 412	13 919
Interest payments made		(91 693)	(77 151)
Other financial items		(1 034)	160
Income taxes paid		(198 456)	(200 104)
Cash flow from operating activities		**1 534 490**	**1 303 964**
Investments in property, plant and equipment and intangible assets	12	(930 344)	(755 281)
Sale of property, plant and equipment	12	5 814	3 860
Dividend received		25 037	26 190
Acquisition of subsidiaries, net of cash acquired	32	4 063	(439 788)
Acquisition of Joint ventures and other shares		(19 528)	-
Loan to associate and joint venture		(12 150)	(34 258)
Other investments / sales		(226)	277
Cash flow from investing activities		**(927 334)**	**(1 199 000)**
Dividends paid to non-controlling interests		(26 121)	(40 364)
Dividends paid to owner of the parent		(143 947)	-
Payments due to increase in ownership interest in subsidiaries	30	-	(31 224)
New interest-bearing loans and borrowings	22	60 175	110 115
Repayment of interest-bearing loans and borrowings	22	(245 005)	(204 603)
Cash flow from financing activities		**(354 898)**	**(166 076)**
Change in cash and cash equivalents		**252 258**	**(61 112)**
Currency exchange differences		10 353	(13 812)
Cash and cash equivalents opening balance		**1 230 668**	**1 305 592**
Cash and cash equivalents closing balance	22	**1 493 279**	**1 230 668**

1) See note 4 Operating segments for definition of working capital.

AMOUNTS IN NOK 1000

Notes to the consolidated financial statement

1 | General information and basis for presentation

The consolidated financial statements for Elkem AS (hereafter Elkem AS group/the group), including notes, for the year 2017 were approved by the Board of Directors of Elkem AS on 21 February 2018. Elkem AS is a limited liability company located in Norway. Elkem AS is fully owned by Bluestar Elkem International Co. Ltd S.A., Luxembourg, which is under control of China National Bluestar (group) Co. Ltd (Bluestar), a company registered and domiciled in China.

Elkem AS group is one of the world's leading companies in the environmentally friendly manufacture of metals and materials. The main activities are related to production and sale of silicon materials, silicones, ferrosilicon, speciality alloys for the foundry industry, carbon products and microsilica. Elkem AS group serves several global industries, such as construction, transport, engineering, packaging, aluminium, chemicals, release coatings, healthcare products and electronic markets, and has organised its business to handle market presence and customer focus. Elkem AS group has multiple production facilities located in Europe, North America, South America, Africa and Asia, and an extensive network of sales offices and agents covering most important markets. Core production processes are focused on converting high quality raw material to specialised metals and materials through high temperature melting processes and further processing. Thus, the business has a high consumption of electrical power, and is also capital intensive, due to the requirement for large and complex processing plants.

The presentation currency of Elkem AS group is NOK (Norwegian Krone). All financial information is presented in NOK thousand, unless otherwise stated. As a result of rounding adjustments, the figures in one or more columns included in the consolidated financial statements, may not add up to the total.

BASIS FOR PREPARATION
The consolidated financial statements include the financial statements of Elkem AS and entities controlled directly and indirectly by Elkem AS. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The consolidated financial statements are prepared and based on International Financial Reporting Standards as adopted by the EU (IFRS). All subsidiaries are using accounting policies consistent within the group, and all intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

The consolidated financial statements have been prepared on the basis of the going concern assumption.

2 | Significant accounting policies

The financial statements are prepared on a historical cost basis, with the exception of derivative financial instruments and financial assets available for sale, which are measured at fair value.

CHANGES IN ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS
Change in accounting policies and errors are recognised retrospectively by restating the comparative amounts for the prior period presented, including the opening balance of the prior year. Change in accounting estimate is recognised prospectively by including it in profit or loss in the period of the change and future periods, if the change affects both.

SEGMENTS
Elkem AS group's segments are based on the organisation of the group and correspond to the internal management reporting to the chief operating decision maker, defined as the CEO.

BUSINESS COMBINATIONS
Business combinations are generally accounted for using the acquisition method in accordance with IFRS 3. The consideration transferred in a business combination is measured at fair value, and goodwill is measured as the excess of the sum of consideration transferred, and net identifiable value of transferred assets and liabilities. Acquisition-related costs are expensed as incurred.

Business combinations involving entities under common control, are accounted for according to the "pooling of interest method", also called "the merger method". This method involves the following:
- Assets and liabilities of the combining entities are reflected at their carrying amounts
- No new goodwill is recognised as a result of the combination
- The statement of income reflects the result of the combining entities for the full year, irrespective of when the combination took place. Comparable figures are restated.

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners, and therefore, no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control, is based on a proportionate amount of the net assets of the subsidiary.

INVESTMENT IN ASSOCIATES
Associates are those entities in which the group has significant influence, but no control over the financial and operating policies. Significant influence is presumed to exist when the group holds between 20% and 50% of the voting power of another entity. Investment in associates are accounted for using the equity method. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss and other comprehensive income of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition.

Upon disposal of an associate that results in the group losing significant influence over that associate, any retained investment is measured at fair value at that date.

JOINT ARRANGEMENTS
"The group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor.

Joint ventures are accounted for using the equity method. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss, and other comprehensive income of the investee after the date of acquisition.

The group's interest in joint operations is recognised in relation to its interest in the joint operation:
- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

FOREIGN CURRENCIES

Separate financial statements
Each entity in the group determines its functional currency based on the economic environment in which it operates, and items included in the financial statements of each entity are measured using that functional currency. When preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency are recognised in the functional currency, using the transaction date's currency rate.

Monetary items denominated in foreign currencies are translated using the closing rate at the end of the reporting period, and any gains / losses are reported in the statement of income. Currency gains / losses related to operating activities, i.e. receivables, payables, bank accounts for operating purposes including short term intragroup balances, are classified as a part of other gains and losses. Currency effects included in finance income and expenses are only related to financing activities like loans, long term placements and dividends.

Foreign currency differences are recognised in other comprehensive income for the following items:
- loans to subsidiaries treated as a part of the net investment
- a financial asset or liability designated as a hedging instrument in a cash flow hedge, to the extent that the hedge is effective
- loans and currency in foreign currencies, designated as hedging instruments in a hedge of a net investment in a foreign operation

Financial statements
In consolidation of the statement of income and the statement of financial position for the separate group entities with other functional currency than the group's presentation currency, it is translated directly into the presentation currency as follows:
- Assets and liabilities are translated using the exchange rate on the balance sheet date
- Income and expenses are translated using an average exchange rate per month
- Equity transactions, except net profit or loss for the period, are translated using the transaction date rates

All resulting exchange differences are booked as a separate component in other comprehensive income (OCI).

Any goodwill arising on the acquisition of a foreign operation, and any fair value adjustment to the carrying amount of assets and liabilities arising on the acquisition, are treated as assets and liabilities of the foreign operation, and translated at the closing rate. On disposal of a foreign entity, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation, is recognised in the statement of income.

GOODWILL
Goodwill is initially measured as the excess of the cost of an acquisition over the group's share of the fair values of the acquired entity's net identifiable assets at the acquisition date. If the fair value of the group's interest in the net assets of the acquired subsidiary exceeds the cost of the acquisiton (negative goodwill), the differences are recognised directly in profit and loss. Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment annually, or more frequently when there is an indication of impairment. An impairment loss recognised for goodwill is not reversed in subsequent periods.

INTANGIBLE ASSETS
Intangible assets are stated in the financial statements at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired in business combinations are recognised at fair value at the acquisition date. Intangible assets with a finite useful life are amortised, using the straight-line method. The estimated useful lives and amortisation method are reviewed at the end of each reporting period.

An intangible asset is derecognised on disposal, or when the group expects no future economic benefits to be derived from its use. Gain or loss arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in profit or loss.

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An intangible asset arising from an internal development project is recognised in the statement of financial position if the group can demonstrate technically feasibility of completing the intangible asset, has the intention to complete it, ability to use it, can demonstrate that it will generate probable future economic benefits and the cost can be reliably measured.

PROPERTY, PLANT AND EQUIPMENT
Property, plant and equipment (PPE) are stated in the statement of financial position at cost less accumulated depreciation and accumulated impairment losses. Property, plant and equipment acquired in business combinations are recognised at fair value at the acquisition date. Properties in the course of construction are carried at cost less any recognised impairment loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for the intended use. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items.

Initial cost includes expenditures that are directly attributable to the acquisition of the asset, cost of materials, direct labour, any other costs directly attributable to bringing the assets to working condition for their intended use and estimated dismantling or removing charges.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, when future benefits are probable and the cost can be measured reliably. The carrying amount of the replaced part is derecognised. Major periodic maintenance that is carried out less frequently than every year, is capitalised and depreciated over the period until the next periodic maintenance is performed. All other repairs and maintenance are charged to the statement of income when incurred.

Depreciations are calculated based on estimated useful life and expected residual value for each recognised item of PPE, and are recognised in profit or loss using the straight-line method. The estimated useful lives, residual values (if any) and depreciation method is reviewed, and if necessary adjusted, at least annually. Depreciation commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an PPE, determined as the difference between the sales proceeds and the carrying amount of the asset, is recognised under other operating income or other operating expenses in the statement of income.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

At the end of each reporting period, the group's management reviews the carrying amounts of its tangible and intangible assets in order to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of fair value less the costs to sell, or its value in use. Value in use is the present value of the future cash flow expected to be derived from the asset or the cash generating unit to which it belongs, after taking into accounts all other relevant information.

The group's cash generating units are reflecting the company's business areas, which are the basis for the management review and monthly reports. The capitalised value of tangible and intangible assets within the cash generating units is measured against the value in use of tangible assets, intangible assets and working capital within these units.

LEASING

Leases are classified as financial leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets held under finance leases are initially recognised as assets of the group at the lower of fair value of the asset and the present value of the minimum lease payment. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Each lease payment is allocated between the liability and finance charges, so as to achieve a constant rate on the finance balance outstanding.

NON-DERIVATIVE FINANCIAL ASSETS NOT AT FAIR VALUE THROUGH PROFIT OR LOSS

Purchases and sales of financial assets are recognised at the date of transaction on which the group is committed to the purchase or the sale of the asset.

At initial recognition, the financial assets are carried in the statement of financial position at fair value plus any transaction costs directly attributable to the acquisition or issue of the asset. Financial assets are derecognised once the right to future cash flows have expired or been transferred to a third party, and once the group has transferred substantially all the risk and rewards of control of these assets.

Financial assets with a maturity exceeding one year are classified as non-current financial assets. Short-term investments that do not meet the definitions of a cash equivalent, and financial assets with a maturity of less than one year, are classified as current financial assets.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

These are financial assets classified as held for trading as the group has acquired the assets for the purpose of selling it in the near term. The assets are carried at fair value in the statement of financial position, with gains or losses recognised in the statement of income.

FINANCIAL ASSETS AVAILABLE FOR SALE

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. These assets are included in non-current assets in

the statement of financial position, unless the management intends to sell the investment within twelve months after the reporting period.

Included in this group are investments in equity instruments that do not have a quoted market price in an active market, which therefore are measured at cost. Such investments are subject to regularly review for impairment.

LOANS AND RECEIVABLES

This category includes accounts receivable, bills receivable, loans, restricted / guarantee deposits, and cash and cash equivalents.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in a regulated market. After initial recognition, they are recognised at amortised cost using the effective interest method. Gains and losses are recognised in the statement of income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Accounts, bills and other receivables are initially recognised at fair value, which in most cases corresponds to their nominal amount. The carrying amount is subsequently measured at amortised cost using the effective interest rate method, less any impairment provision. Short-term receivables with no stated interest rate are recognised at their nominal amount.

Cash and cash equivalents are held for the purpose of meeting short term fluctuations in liquidity, rather than for investment purposes. Bank overdrafts are shown within interest-bearing current liabilities on the statement of financial position. Restricted deposits are presented separately in the statement of financial position, and are not included the cash and cash equivalents presented in the statement of cash flows.

If there is objective evidence of impairment, or if there is a risk that the group may not recover the contractual amounts at the contractual maturity dates, an impairment loss is recognised in the statement of income. The provision is equal to the difference between the carrying amount and the estimated future recoverable cash flows.

NON-DERIVATIVE FINANCIAL LIABILITIES

Non-derivative financial liabilities include interest-bearing liabilities, bills payable and accounts payable. The liabilities are initially recognised at fair value of the amount required to settle the associated obligation, net of prepaid costs directly attributable to the liability. Subsequently and insofar, as they are not designated as liabilities at fair value through profit or loss, such liabilities are recognised at amortised cost using the effective interest rate method, and the difference between the cost and the amount of repayment being recognised in the statement of income over the term of the interest-bearing liabilities.

DERIVATIVE FINANCIAL INSTRUMENTS INCLUDING DERIVATIVE HEDGING INSTRUMENTS AND NON-FINANCIAL CONTRACTS WITH NET SETTLEMENTS THAT ARE TO BE TREATED AS FINANCIAL DERIVATIVES

Derivatives are initially recognised at fair value at the date when the derivative contracts are entered into. Transaction costs that are directly attributable to the acquisition of financial assets or liabilities at fair value through profit or loss, are recognised immediately in the statement of income. Subsequently the derivatives are remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in the statement of income immediately, unless the derivative is designated and is effective as a hedging instrument, in which case the change in fair value is recognised in profit or loss in the same period(s) as the hedged objects affects the profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished.

Hedge accounting

The group can designate certain derivatives as hedging instruments for fair value hedges and cash flow hedges. At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions.

i) Fair value hedges
Changes in the fair value of derivatives that are designated and qualify as fair value hedges, are recognised in the statement of income immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

ii) Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges, are recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the statement of income.

iii) Net investment hedges
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and included in foreign currency translation reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other gains and losses. Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in comprehensive income at that time remains in equity and is recognised in the statement of income when the forecast transaction is ultimately recognised in the statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss reported in equity, is immediately transferred to the statement of income.

Commodity contract within the scope of IAS 39
Non-financial commodity contracts where the relevant commodity is readily convertible to cash, and where the contracts are not for own use, fall within the scope of IAS 39 Financial instruments – recognition and measurement. Such contracts are treated as derivatives in accordance with IAS 39. The group currently has energy contracts in Norway that do not meet the own use criteria according to IAS 39.5, since the power under the contracts are delivered in another grid area than the plants are located. Transfer between different grid areas is assessed to be net settlement according to IFRS as this is considered to be two different transactions. The contracts must therefore be treated as derivatives and are booked at fair value through profit or loss. Commodity contracts within the scope of IAS 39 are classified as current assets or liabilities, unless they are expected to be realised more than 12 months after the reporting period. In that case, they are classified as non-current assets. See notes 9 Other gains and losses, 26 Financial instruments and 27 Financial risk and capital management.

INVENTORIES
Inventories are measured at the lower of cost and net realisable value. The cost of inventory is measured at the cost of raw materials, energy for smelting, direct labour, other direct costs and production overhead cost based on the higher of actual and normal capacity. Net realisable value represents the estimated selling price for inventories less estimated costs of completion and variable selling expenses.

Cost of goods sold is included in different lines in the statement of income based on nature; Raw materials and energy for smelting, Employee benefits and Other operating cost, for the remaining part.

Entities within the group sell goods to other group entities, consequently finished goods from one entity become raw materials or semi finished goods for an other group entity. The classification of goods in Elkem AS group's financial statements is based on the separate entity's classification.

TAXATION

Income taxes
Current tax assets and liabilities are measured at the amount expected to be recovered or paid to the tax authorities. Current tax payable includes any adjustment to tax payable in respect of previous years. Income tax is recognised in the statement of income except to the extent that it relates to items recognised directly in equity or in other comprehensive income. The group includes deductions for uncertain tax positions when it is probable that the tax position will be sustained in a tax review. The group records provisions relating to uncertain or disputed tax positions at the amount expected

to be paid. The provision is reversed if the disputed tax position is settled in favour of the group and can no longer be appealed.

Interest and penalties related to income taxes are classified as tax expense in the statement of income, and accrued interest and penalties are included in income tax payables in statement of financial position.

Deferred tax
Deferred tax assets and liabilities are calculated using the liability method with full allocation for all temporary differences between the tax base and the carrying amount of assets and liabilities in the consolidated financial statements, including tax losses carried forward. Deferred tax relating to items outside profit or loss are recognised in correlation with the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill. Deferred tax assets are recognised in the statement of financial position to the extent that it is more likely than not that the tax assets will be utilised against deferred tax liabilities or future taxable income. Deferred tax assets arising from tax losses are recognised when there is convincing evidence of recoverability. The tax rates substantively enacted at the end of the reporting period and undiscounted amounts are used. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realised simultaneously.

EMPLOYEE RETIREMENT BENEFITS

Defined contribution plans
Defined contribution plans comprise of arrangements whereby the company makes monthly contributions to the employees' pension plans, and where the future pensions are determined by the amount of the contributions and the return on the individual pension plan asset. The contributions are expensed as incurred, there are no further obligation related to the contribution plans. Prepaid contributions are recognised as an asset.

Long-term employee benefits are presented as a part of provisions.

Defined benefit plans
Defined benefit plans are recognised at present value of future liabilities considered retained at the end of the reporting period, calculated separately for each plan. Plan assets are recorded at fair value, and deducted in calculating the net pension liability. Past service cost arising due to amendments in the benefit plans are expensed as incurred. Accumulated effects of changes in estimates and financial and actuarial assumptions are recognised as other comprehensive income. Service costs are classified as part of employee benefit expenses and other employee remuneration and net interest on pension liabilities / assets are presented as a part of finance expenses.

Multi-employer defined benefit plans where available information is insufficient to be able to calculate each participant's obligation, are accounted for as contribution plans.

PROVISIONS
A provision is recognised when the group has a present obligation and it is probable that an outflow of resources is required to settle the obligation. The amount recognised is the best estimate of the consideration required to settle the obligation, taking into account the risks and uncertainties surrounding the obligation, known at the end of the reporting period. Provisions are measured at present value, unless the time value is assessed to be immaterial.

CONTINGENT LIABILITIES
Contingent liabilities are liabilities which are not recognised because they are possible obligations that have not yet been confirmed, or they are present obligations where an outflow of resources is not probable. Any significant contingent liabilities are disclosed in the notes.

CONTINGENT ASSETS
Contingent assets are not recognised, but disclosed in the notes if probable.

REVENUE RECOGNITION AND OTHER INCOME
Revenue is recognised when it is probable that a transaction will generate future economic benefits for the group and the revenue can be measured reliably. Revenue is measured at the fair value of the considerations received or receivable, net of any taxes, rebates and discounts. Revenue and expenses that relate to the same transaction are recognised simultaneously.

Revenue from sale of goods is recognised when the significant risk and reward of ownership of the goods are transferred to the buyer, according to the agreed delivery term for each sale. Delivery terms are based on Incoterms 2010 issued by International Chamber of Commerce, and the main terms are "F" terms, where the buyer arranges and pays for the main carriage. The risk and reward are transferred to buyer when the goods are handed to the carrier engaged by the buyer. "C" terms, where the group arranges and pays for the main carriage but without assuming the risk of the main carriage. The risk and reward are transferred buyer when the goods are handed over to the carrier engaged by the seller. "D" terms, where the group arranges and pays for the carriage and retain the risk and reward of the goods until delivery at agreed destination. The ownership is transferred to buyer upon arrival at agreed destination, usually the purchaser's warehouse.

Revenue from sale of services is recognised when the services have been provided, and are presented as other operating revenue. External sales of electric power are recognised in income on the basis of the price agreed with the customer upon delivery.

Income from insurance settlements are recognised when it is virtually certain that the group will receive the compensation, and presented as other operating income. Interest income is recognised on accrual basis. Dividends are recognised when shareholders' right to receive dividends is determined by the shareholder's meeting.

GRANTS
Grants are recognised when it is reasonable assured that the group will comply with the conditions attached to them, and the grants will be received. Grants relating to property, plant and equipment are deducted from the carrying amount of the asset. The grant is recognised as income over the lifetime of a depreciable asset by reducing the depreciation charge. Grants related to expenses are classified as other operating income.

CO2 emission quotas
CO2 emission quotas allocated from the government are classified as grants, measured at nominal value (zero). The CO2 quotas are meant to cover CO2 emissions from the group's plants in Norway. If actual emissions exceed the allocated emission quotas, additional quotas are purchased. Purchased CO2 quotas are recognised at cost as other operating expenses, and any sale of CO2 quotas are recognised as Revenue, according to transaction price.

CO2 compensation
The Norwegian government has, from 2013, established a CO2 compensation scheme to compensate for CO2 costs included in the power prices. The extent of the scheme may vary considerably from year to year depending on the future carbon price. This compensation scheme applies for the Norwegian plants, and is recognised as other operating income when there is reasonable assurance that the entity will comply with the conditions attached and the grants will be received.

STATEMENT OF CASH FLOWS
The statement of cash flows is prepared under the indirect method. Cash inflows and outflows are shown separately for investing and financing activities, while operating activities include both cash and non-cash effect items. Interest received and paid and other financial expenses, such as bank guarantee expenses, are reported as a part of operating activities. Net currency gains or losses related to financing activities are reported as part of financing activities. Dividend received from joint ventures and associates are included in investing activities.

EVENTS AFTER THE REPORTING PERIOD
Events after the reporting period related to the group's financial position at the end of the reporting period, are considered in the financial statement. Events after the reporting period that have no effect on the group's financial position at the end of the reporting period, but will have effect on future financial position, are disclosed if the future effect is material.

NEW INTERPRETATIONS AND CHANGES TO EXISTING STANDARDS NOT YET ADOPTED
IASB has published a number of new standards and amendments to standards and interpretations that are not effective for the annual period ending 31 December 2017. New and amended standards and interpretations expected to be relevant for the Elkem AS group's financial position, performance or disclosure are disclosed below. The standards that could entail material changes are the new IFRS 16 Leases, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments, all approved by EU.

Estimated effect of implementing the new IFRS 16 Leases is presented in note 8 Operating lease.

Elkem AS group has not identified any changes from the implementation of IFRS 15 Revenue from Contracts with Customers that is expected to have a material effect on the financial statements other than additional information in the notes. The standard is effective from 1 January 2018.

IFRS 9 Financial Instruments was finalised in 2014 and involves changes related to classification and measurement, hedge accounting and impairment of financial instruments. The standard will replace IAS 39 Financial Instruments: Recognition and Measurement. The standard shall be implemented retrospectively, with the exception for hedge accounting that shall mainly be implemented prospectively. Elkem AS group has chosen to continue to apply the hedge accounting according to the requirements of IAS 39 instead of IFRS 9. The new impairment model for financial instruments is based on expected credit losses, rather than on incurred credit losses. Elkem AS group is covered by credit insurance for its main customers. Elkem AS group has not identified changes from the implementation of the standard that is expected to have material effect on the financial statements. The standard is effective from 1 January 2018.

3 | Accounting estimates

The preparation of the consolidated financial statements according to IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions of reported estimates are recognised in the period in which the estimates are revised and in any future period affected.

The management makes estimates and assumptions concerning the future, the resulting accounting estimates will, by definition, seldom equal the actual outcome. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND GOODWILL
The valuation of assets in connection with business combinations and testing of property, plant and equipment, intangible assets and goodwill for impairment (see note 12 Property, plant and equipment, Intangible assets and goodwill), is to a large extent based on estimated future cash flows. These calculations require the use of estimates for cash flows and the choice of discount rate before tax for discounting the cash flows. Tangible and intangible assets including goodwill, are tested for impairment if there are indicators that an asset may be impaired. Indicators of impairment will typically be changes in technological development and changes in the competitive situation. Intangible assets that are not amortised and goodwill are, as a minimum, tested annually for impairment.

Estimated useful lives, residual values (if any) included in calculation of depreciation and amortisation are reviewed, and if necessary adjusted, at least annually.

DEFERRED TAX ASSETS
The group performs annual tests for impairment of deferred tax assets. Part of the basis for recognising deferred tax assets is based on applying the loss carried forward against future taxable income in the group, which requires use of estimates for calculating future taxable income.

FINANCIAL INSTRUMENTS
Fair value for financial instruments are based on observable prices and assumptions derived from observable prices for comparable instruments. Net booked value as of 31 December 2017 is in total negative NOK 389 million, see note 26 Financial instruments for further details and note 27 Financial risk and capital management for sensitivity.

PROVISIONS
Elkem AS group has several types of provisions due to its operations. The main types of provisions are related to commitments to restore the site of operations to its original conditions after use, environmental measurements and litigations. Such liabilities are normally uncertain in timing and amount, and recognised amounts are estimates based on the available information at the end of reporting period. The estimates are updated when new or updated information is available. See note 24 Provisions and other non-current liabilities.

4 | Reportable segments

Elkem AS group has four reportable segments; Silicones, Silicon materials, Foundry products and Carbon.

The Silicones division produces and sells a range of silicone based products across various sub-sectors including release coatings, engineering elastomers, healthcare products, specialty fluids, emulsions and resins. The Silicones division produces siloxanes and a comprehensive range of silicones, which are a family of specialty, high performance products and materials, as well as commoditized products produced by reacting silicon with methyl chloride through various chemical reactions and formulations.

The Silicon materials division produces and sells various grades of metallurgical silicon and microsilica for use in a wide range of end applications. The Silicon Materials division manufactures and sells silicon and microsilica for a large number of applications, including for the production of silicones.

The Foundry Products division provides metal treatment solutions to iron foundries and is a supplier of high quality speciality ferrosilicon to the steel industry.

The Carbon division produces carbon electrode materials, lining materials and speciality carbon products for metallurgical processes for the production of a range of metals. The Carbon division produces carbon materials used in the production of silicon and ferroalloys.

Other comprise Elkem AS group management and centralised functions within finance, sales, logistics, power purchase and technology. External sales of power are included in revenue from sale of goods is NOK 418,180 thousand in 2017 (NOK 349,855 thousand).

Eliminations comprise intersegment sales and profit. Transactions between operating segments are conducted on an arm's length basis in a manner similar to transactions with third parties.

Elkem AS group identifies its segments according to the organisation and reporting structure decided by group management. Operating segments are components of a business that are evaluated regularly by the chief operating decision maker, defined as the CEO, for the purpose of assessing performance and allocating resources. Elkem AS group operating segments represent separately managed business areas with unique products serving different markets. Segment performance is evaluated based on gross operating profit and operating profit (loss) before other gains and losses. Elkem AS group's financing and taxes are managed on a group basis and are not allocated to operating segments.

Elkem AS group has several smaller and larger external customers, no single customer amount to 10% or more of total operating income.

Revenue from sale of goods is affected by realised effects from the group's hedging program and is included in other, see note 26 Financial instruments (section hedge accounting).

2017	Silicones	Silicon materials	Foundry Products	Carbon	Other	Eliminations	Total
Revenue from sale of goods	5 315 918	4 836 448	3 986 532	1 310 248	564 739	-	16 013 885
Other revenue [1]	40 986	44 807	46 654	46 964	248 598	-	428 009
Other operating income	83 396	60 663	38 956	4 984	27 989	-	215 988
Total operating income from external customers	5 440 300	4 941 918	4 072 142	1 362 196	841 326	-	16 657 882
Revenue from other group segments	10 595	592 082	175 114	214 455	376 444	(1 368 690)	-
Total operating income	5 450 895	5 534 000	4 247 256	1 576 651	1 217 770	(1 368 690)	16 657 882
Operating expenses	(4 916 742)	(4 828 515)	(3 539 876)	(1 302 916)	(1 336 574)	1 365 208	(14 559 415)
Gross operating profit	**534 153**	**705 485**	**707 380**	**273 735**	**(118 804)**	**(3 482)**	**2 098 467**
Operating profit (loss) before other gains and losses	**274 692**	**480 644**	**492 277**	**208 888**	**(147 384)**	**(3 482)**	**1 305 635**
Cash flow from operations [2]	287 621	545 762	328 807	163 372	(81 362)	3 157	1 247 357
Working capital [3]	695 151	1 160 267	1 360 293	309 753	37 181	(33 354)	3 529 291
Capital employed [4]	3 131 156	2 863 892	3 280 388	830 796	171 595	(33 354)	10 244 473
Reinvestments [5]							(711 733)
Strategic investments [6]							(299 158)
Movement CAPEX payables							80 547
Cash flow from investments in property, plant and equipment and intangible assets							(930 344)

2016	Silicones	Silicon materials	Foundry Products	Carbon	Other	Eliminations	Total
Revenue from sale of goods	4 870 532	3 881 820	3 420 807	1 162 891	391 341	-	13 727 391
Other revenue [1]	95 764	73 002	47 104	9 917	92 219	-	318 006
Other operating income	60 728	64 939	31 147	6 178	17 780	-	180 772
Total operating income from external customers	5 027 024	4 019 761	3 499 058	1 178 986	501 340	-	14 226 169
Revenue from other group segments	2 198	520 390	142 963	196 089	273 245	(1 134 885)	-
Total operating income	5 029 222	4 540 151	3 642 021	1 375 075	774 585	(1 134 885)	14 226 169
Operating expenses	(4 616 236)	(3 867 261)	(3 139 405)	(1 099 814)	(1 028 173)	1 142 510	(12 608 379)
Gross operating profit (loss)	**412 986**	**672 890**	**502 616**	**275 261**	**(253 588)**	**7 625**	**1 617 790**
Operating profit (loss) before other gains and losses	**148 158**	**488 309**	**304 752**	**219 612**	**(280 265)**	**7 625**	**888 191**
Cash flow from operations [2]	248 557	621 132	309 200	214 407	(295 705)	1 764	1 099 355
Working capital [3]	803 346	1 174 133	1 152 619	279 420	100 510	(29 742)	3 480 286
Capital employed [4]	2 849 342	2 827 841	2 738 915	777 297	225 719	(29 742)	9 389 372
Reinvestments [5]							(616 845)
Strategic investments [6]							(179 470)
Movement CAPEX payables							41 034
Cash flow from investments in property, plant and equipment and intangible assets							(755 281)

1) Other revenue mainly consist of sale of services.

2) Elkem AS group definition of cash flow from operations is gross operating profit (loss) including changes in working capital and reinvestments.

3) Working capital consists of accounts receivable, inventory, accounts payable, other current assets, other current liabilities. The definition of accounts receivable and inventory correspond with the definition for the group. Other current assets does not include short term receivables to related parties, tax receivables, grants that are net settled against tax payables, restricted deposits and accrued interest, see note 19 Other current assets. Other current liabilities does not include short-term provision and liabilities to other related parties within China National Bluestar group, see note 25 Provision and other current liabilities. Accounts payable does not include accounts payable related to purchase of non-current assets, NOK 146 million as of 31 December 2017 (NOK 60 million).

4) Capital employed consists of working capital as defined above, and property, plant and equipment. The definition of property, plant and equipment corresponds with the definition for the group.

5) Reinvestments generally consist of maintenance capital expenditure to maintain existing activities or that involve investments designed to improve health, safety or the environment.

6) Strategic investments generally consist of investments which result in capacity increases at Elkem's existing plants or that involve an investment made to meet demand in a new geographic or product area.

Total operating income by geographic market (customer location)	2017	2016
Nordic countries	2 033 454	1 537 040
United Kingdom	838 614	663 971
Germany	2 153 125	2 110 424
France	574 089	584 478
Italy	679 086	586 826
Poland	354 052	318 919
Luxembourg	568 517	281 462
Other European countries	2 189 196	1 667 185
Europe	**9 390 133**	**7 750 304**
Africa	**165 142**	**112 217**
North America	2 173 373	2 106 207
South America	981 217	880 824
America	**3 154 590**	**2 987 031**
China	1 211 387	1 030 290
Japan	694 001	675 183
South Korea	522 327	437 043
Other Asian countries	1 457 782	1 168 473
Asia	**3 885 497**	**3 310 989**
Rest of the world	**62 520**	**65 628**
Total	**16 657 882**	**14 226 169**

Information about geographical areas. Non-current assets [1]	2017	2016
Norway	2 821 018	2 840 677
Other Nordic countries	537 440	555 013
United Kingdom	4 487	4 415
Germany	57 611	55 585
France	2 452 347	2 187 079
Italy	87 904	71 392
Other European countries	290 373	270 097
Europe	**6 251 179**	**5 984 258**
Africa	**74 689**	**72 249**
USA	381 418	343 304
Canada	414 843	431 365
Brazil	330 430	317 740
Other South American countries	292 871	42 516
America	**1 419 561**	**1 134 924**
China	212 488	141 424
Japan	3 501	3 696
Other Asian countries	187 641	188 384
Asia	**403 630**	**333 505**
Rest of the world	**-**	**-**
Total	**8 149 059**	**7 524 936**

1) The identification of non-current assets is based on location of operation. Excluded from non-current assets are financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts.

Details of other operating income	2017	2016
Sale of fixed assets	5 202	4 040
Insurance settlement	23 118	216
Grants[1]	186 350	175 777
Other	1 317	739
Total other operating income	**215 988**	**180 772**

1) See note 29 Grants.

5 | Employee benefit expenses

	2017	2016
Salaries and other benefits	(2 253 966)	(1 993 557)
Employer's national insurance contribution	(453 202)	(432 723)
Employee retirement benefits [1]	(95 787)	(79 347)
Other payments / benefits	(54 680)	(54 323)
Total employee benefit expenses	**(2 857 634)**	**(2 559 950)**
Number of full time equivalents in Elkem AS group	3 851	3 652

1) See note 6 Employee retirement benefits.

Salary, wages and other compensations above include the following compensations:

Compensation to members of the board	2017	2016
Payment to board members in total	(500)	(489)

Senior staff compensation
Helge Aasen is the CEO of Elkem AS.

Salary and other compensations to the CEO	2017	2016
Salary, including holiday pay	(5 417)	(5 111)
Bonus [1]	(4 932)	(3 148)
Free car	(130)	(130)
Other compensation	(31)	(28)
Pension cost	(693)	(640)

1) In addition to the performance bonus, a strategic project bonus of NOK 3,542 thousand was paid in 2017.
In 2016 an additional strategic bonus of NOK 407 thousand and ChemChina award of NOK 604 thousand was paid.

6 | Employee retirement benefits

The group has both defined contribution and defined benefit plans. For defined contribution plans the cost is equal to the group's contribution to the employee's pension savings during the period. For defined benefit plans the cost is calculated based on actuarial valuation methods, taking assumptions related to the employee's salary, turnover, mortality, discount rate, etc. into consideration.

Defined contribution plans
Defined contribution plans comprise arrangements whereby the company makes annual contributions to the employee's pension plan, and where the employee's future pension is determined by the amount of the contributions and the return on the pension plan asset. In addition a multi-employer plan where sufficient information to calculate each participant's pension obligation is not available should be accounted for as it is a defined contribution plan.

The group's Norwegian entities are participants in the early retirement scheme AFP. This is as a multi-employer plan accounted for as a defined contribution plan, in accordance with the Ministry of Finance's conclusion. The participants in the pension plan is jointly responsible for 2/3 of the plan's pension obligation, the government is responsible for the remaining part. The yearly pension premium paid by the participants in 2017 is 2.5% of the employees salary between 1 and 7.1 G, covering this year's pension payments and contribution to a security fund for future pension obligations. The premium in per cent of salary for 2018 is equal to 2017. Employees in the group's Norwegian entities are primarily covered by pension plans that are classified as contribution plans.

Defined benefit plans
Defined benefit plans are pension plans where the group is responsible for paying pensions at a certain level, based on employees' salaries when retiring. The group has funded and unfunded benefit plans in Norway, France, Germany, UK, Canada, Japan and South Africa, distributed as follows: Norway 16 per cent, France 45 per cent, other Europe 21 per cent, Canada 16 per cent, other countries 2 per cent, based on net pension obligation per 31 December 2017. In Norway most of the pension plans comprise pension on salaries above a certain level (12G, where G refers to the national insurance scheme's basic amount in Norway, amounting to NOK 93,634 for 2017) and closed individual retirement schemes, plans which are unfunded. In Canada provisions are made for medical insurance as well as pension benefit plans.

Net interest is calculated based on net pension liability at the start of the period, multiplied by the discount rate. Any difference between actual return on pension assets and the interest income calculated as a part of the net interest, will be recognised directly in OCI. Interest on net pension liabilities are presented as a part of Finance expenses.

Breakdown of net pension expenses	2017	2016
Current service expenses	(27 989)	(23 704)
Accrued employer's national insurance contribution	(345)	(290)
General administration expenses	(559)	(820)
Net pension expenses, defined benefit plans	(28 893)	(24 814)
Curtailment/settlement of pension plans	4 106	11 241
Defined contribution plans	(57 496)	(52 160)
Early retirement scheme AFP (Norway)	(13 504)	(13 614)
Pension contribution expenses	(66 894)	(54 533)
Net pension expenses total	**(95 787)**	**(79 347)**
In addition, interest expenses on net pension liabilities is recognised as a part of finance expenses	(8 758)	(9 640)

Net liabilities arising from defined benefit obligations	2017	2016
Present value of funded pension obligation	(422 642)	(434 716)
Fair value of plan assets	385 561	395 299
Net funded pension obligation	(37 081)	(39 417)
Present value of unfunded pension obligation	(407 325)	(383 122)
Net value of funded and unfunded obligations	(444 406)	(422 539)
Net pension liabilities	**(444 406)**	**(422 539)**
Net pension assets	401	2 949
Net pension liabilities	(444 807)	(425 488)
Net pension liabilities	**(444 406)**	**(422 539)**

Movement in the defined benefit obligations and plan assets

Movement in defined benefit obligations	2017	2016
Opening balance	(817 838)	(757 368)
Current service expenses and social contribution tax	(28 022)	(23 994)
Interest expenses	(22 865)	(23 938)
Actuarial gains / (losses)	8 234	(64 736)
Benefits paid	46 732	40 710
Business combinations and disposals	-	(27 288)
Curtailments/settlements	60 494	11 241
Other changes	(42 050)	(5 570)
Currency translation	(34 651)	33 104
Present value of pension obligation as at 31 December	(829 967)	(817 838)

Movement in fair value of plan assets	2017	2016
Opening balance	395 300	363 633
Interest income	14 107	14 298
Administration cost	(559)	(820)
Actuarial gains / (losses)	(7 263)	9 559
Contributions from employer	16 166	15 648
Benefits paid	(24 920)	(21 229)
Business combinations and disposals	-	26 509
Curtailments/settlements	(56 388)	-
Other changes	40 785	4 800
Currency translation	8 333	(17 099)
Fair value of plan assets as at 31 December	385 561	395 300

Breakdown of pension plan assets (fair value) as at 31 December	Distribution % 2017	Fair value of plan assets 2017	Distribution % 2016	Fair value of plan assets 2016
Cash, cash equivalents and money market investments	2 %	9 553	10 %	40 124
Bonds	45 %	172 080	40 %	156 610
Shares	52 %	199 336	49 %	194 518
Property	1 %	4 593	1 %	4 049
Total pension fund	100 %	**385 561**	100 %	**395 300**
	2017		2016	
Actual return on plan assets	4,8 %	**20 860**	6,1 %	**22 352**

In addition, some Norwegian entities have pension contribution funds, mainly based on excess pension assets from settlement of the defined benefit plans in 2010. The pension contribution funds are classified as long-term pension funds, except next year's expected contributions which are classified as short-term (see note 16 Other non-current assets).

Pension contribution funds	2017	2016
Current part of contribution fund	2 928	6 094
Long-term part of contribution fund	1 200	2 760
	4 128	**8 854**

Summary of pension liabilities and remeasurements

Net pension liabilities	2017	2016
Pension obligations	(829 967)	(817 838)
Pension plan assets	385 561	395 299
	(444 406)	(422 539)

Remeasurement effects recognised in other comprehensive income this period	2017	2016
Changes in actuarial gain / (loss) in pension obligation	8 234	(64 736)
Changes in actuarial gain / (loss) in pension assets	(7 263)	9 559
	971	(55 177)

The principal assumptions used for the actuarial valuations in 2017 and 2016	Norway	France	Canada	Germany	UK
Discount rate	2.2% (2.0%)	1.5% (1.0%)	3.5% (3.8%)	1.7% (1.8%)	2.4% (2.6%)
Expected rate of salary increase	2.3% (2.0%)	2.5% (2.5%)	3.5% (3.5%)	3.0% (3.0%)	3.3% (3.4%)
Annual regulation of pensions paid	1.0% (1.0%)	-	-	2.0% (2.0%)	-
Change in public pension base rate (G)	2.3% (2.0%)	-	-	-	-

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each country.

Sensitivity on pension liabilities based on changes in main actuarial assumptions
The defined benefit pension schemes exposes the group to actuarial risks such as investment risk, interest rate risk, salary growth risk, mortality risk and longevity risk. A decrease in corporate bond yields, a rise in inflation or an increase in life expectancy would result in an increase to plan liabilities.

The sensitivity analysis below shows estimated effects in the defined pension liabilities based on reasonable changes in the main assumptions. The calculations are based on a change in one assumption while holding all other assumptions constant. Negative amounts shows an expected decrease in the net pension liability.

Assumption	Discount rate		Life expectancy		Salary growth	
	0.5% increase	0.5% decrease	1 year increase	1 year decrease	0.5% increase	0.5% decrease
2017: Effect on the pension liability in NOK million	(51)	56	28	(29)	21	(20)
2016: Effect on the pension liability in NOK million	(53)	58	25	(25)	25	(23)

As the group's main pension plans are defined contribution plans, there are no group policies for funding of the defined benefit plans. This is managed locally, based on the terms and status for the individual plan.

Expected contribution for the pension plans next year and average duration for the main defined benefit plans	Norway	France	Canada	Germany	UK
Contribution to be paid to defined pension plans next year	4 809	38 116	16 031	1 569	4 058
Weighted average duration of the defined benefit obligation	8 years	10 years	18 years	15 years	15 years

7 | Other operating expenses

	2017	2016
Loss on disposal of fixed assets	(1 216)	(2 464)
Freight and commission expenses	(1 031 434)	(835 773)
Leasing expenses	(163 255)	(139 667)
External services [1]	(1 393 075)	(1 250 508)
Insurance expenses	(55 718)	(58 786)
Impairment losses receivables	(4 897)	(7 329)
Other operating expenses [2,3]	(926 279)	(854 865)
Total other operating expenses	**(3 575 874)**	**(3 149 390)**

1) Including services from auditor, see specification below.

2) Including change in direct costs on inventory.

3) Including capitalised salary on fixed asset projects of NOK 65,442 thousand (NOK 69,566 thousand).

During 2017, Elkem AS group expensed NOK 359,600 thousand (NOK 338,753 thousand) as research and development related to processes, products and business development, including improvement projects and technical customer support to customers. In addition, capitalised R&D expenses amounts to NOK 53,530 thousand (NOK 52,341 thousand).

Grants received relating to research and development amount to NOK 81,000 thousand (NOK 65,907 thousand) are included in other operating income.

KPMG is the group auditor of Elkem AS group. KPMG succeeded PwC as Elkem AS group auditor with effect from the fiscal year 2016. The following table shows fees to KPMG and fees to PwC and other audit firms.

Audit and other services	2017	2016
KPMG:		
- Audit fee	(12 296)	(8 348)
- Other assurance services	(187)	(1 268)
- Tax services	(287)	-
- Other services	(298)	-
PwC and other audit firms:		
- Audit fee	(1 579)	(4 858)
- Other assurance services	(1 002)	(680)
- Tax services	(5 188)	(5 568)
- Other services	(3 591)	(1 880)
Total	**(24 428)**	**(22 602)**

In addition to the above, services of NOK 21,969 thousand in other service from KPMG have been provided and invoiced through Elkem AS to Bluestar Elkem International Co., Ltd. S.A. with NOK 16,057 thousand in 2017 and NOK 5,912 thousand in 2016.

8 | Operating lease

	Machinery and plant	Land, buildings and other properties	Equipment, furniture, systems and vehicles	Total
Lease expenses 2017	(22 286)	(96 249)	(44 720)	**(163 255)**
Lease in accordance to contract due:				
- Within one year	(6 663)	(57 417)	(34 464)	**(98 544)**
- In the second to fifth year inclusive	(4 178)	(121 775)	(62 688)	**(188 641)**
- Over five years	(559)	(18 241)	(1 576)	**(20 376)**

	Machinery and plant	Land, buildings and other properties	Equipment, furniture, systems and vehicles	Total
Lease expenses 2016	(13 659)	(82 380)	(43 628)	**(139 667)**
Lease in accordance to contract due:				
- Within one year	(6 061)	(50 969)	(36 847)	**(93 877)**
- In the second to fifth year inclusive	(2 196)	(124 961)	(104 950)	**(232 106)**
- Over five years	-	(50 112)	(16 439)	**(66 551)**

New IFRS 16 Leases
The new standard, applicable in 2019, requires lessees to initially recognize a right-of-use asset and the associated lease liability for the lease term for all lease contracts (with an option to exclude leases with a lease term of 12 months or less and leases for which the underlying asset is of low value). The lease liability is measured at the present value of the lease payments over the lease term. Based on reported leases the effect of implementing the new standard is estimated to a capitalisation of more than NOK 250,000 thousand. The effect would reduce the group's equity ratio in 2017 from 51% to approximately 50%. Under the current IFRS, leases classified as operational leases are presented as operating expenses. Under the new IFRS 16 the capitalised leases will be depreciated over the lease term and presented as depreciation, and the interest effect from the discounted liability will be presented as a financial item in the statement of income. There will be limited effects in profit (loss) before income tax due to the changes.

9 | Other gains and losses

	2017	2016
Dividend from shares	4 361	2 344
Write-down / reversal of write down of interest in other companies	2 052	(1 838)
Gains / losses disposal of shares	10	-
Gains / losses disposal of subsidiaries	-	1 305
Change in fair value commodity contracts	26 071	58 563
Ineffectiveness on cash flow hedges	43 023	(4 584)
Net foreign exchange gains / losses - foreign exchange forward contracts	(3 180)	26 595
Operating foreign exchange gains / losses	(5 108)	(19 936)
Other expenses [1]	(17 916)	(10 011)
Total other gains and losses	**49 313**	**52 438**

1) Other expenses consist mainly of expenses related to business projects and business combinations.

See note 26 Financial instruments for details related to valuation and recognition of financial assets and liabilities.

10 | Finance income and expenses

	2017	2016
Interest income on loans and receivables	17 918	21 779
Interest income from Bluestar Elkem International Co. Ltd. S.A	308	-
Other financial income	993	838
Total finance income	19 219	22 617
Interest expenses on interest-bearing liabilities measured at amortised cost	(73 046)	(70 833)
Interest expenses from other financial liabilities measured at amortised cost	(25 373)	(10 881)
Unwinding of discounted liabilities	(10 259)	3 669
Interest on net pension liabilities	(8 758)	(9 640)
Other financial expenses	(1 940)	(816)
Total finance expenses	(119 376)	(88 501)
Net foreign currency translation expenses	(7 701)	49 661
Net finance income (expenses)	**(107 858)**	**(16 223)**

11 | Taxes

Income tax recognised in profit or loss	2017	2016
Profit (loss) before income tax	1 281 234	946 537
Current taxes	(259 305)	(158 281)
Deferred taxes	(10 086)	(30 286)
Total income tax (expense) benefit	**(269 390)**	**(188 567)**

Income taxes recognised in other comprehensive income (OCI)	2017	2016
Remeasurements of post employment benefit obligation	2 264	13 587
Hedging of net investment in foreign operations	48 039	(6 108)
Cash flow hedges	(4 444)	(238 356)
Total tax charged to OCI	**45 859**	**(230 877)**

Reconciliation of income tax (expense) benefit	2017	2016
Profit (loss) before income tax	**1 281 234**	**946 537**
Expected income taxes, 24% of profit before tax (25%)	(307 496)	(236 634)
Tax effects of:		
Difference in tax rates for each individual jurisdiction	(8 844)	(12 252)
Permanent differences		
Tax effect of income from Norwegian controlled foreign companies (NOKUS)	(6 907)	(6 619)
Tax effect share of profit (loss) associates and joint ventures	7 458	4 667
Tax effects other permanent differences	26 857	10 407
Other effects		
Tax effect of changes in not recognised deferred tax assets	14 306	65 500
Tax credits utilised	12 014	(1 199)
Tax effect change in tax rate [1]	11 177	6 190
Other current tax paid [2]	(24 065)	(33 258)
Previous year tax adjustment	6 110	14 631
Income tax (expense) benefit	**(269 390)**	**(188 567)**
Effective tax rate	21 %	20 %

1) The effect relates mainly to changes in tax rate from 24% to 23% in Norway and 38.6% to 21% in USA from 2018 and in 2016 changes in tax rate from 25% to 24% in Norway from 2017. The changes in tax rates were approved by the governments before year end the respective years.

2) Other current tax relates mainly to withholding tax on dividend from subsidiaries.

Deferred tax assets and deferred tax liabilities	31.12.17	31.12.16
Cash flow hedges recognised in other comprehensive income	135 191	139 635
Property, Plant, Equipment and Intangible assets	(449 146)	(446 245)
Pension fund	116 965	118 629
Other differences	(60 467)	(37 681)
Accounts receivable	3 377	(1 378)
Inventories	(11 168)	(51 759)
Provisions	100 538	95 745
Debt forgivenes [1]	376 139	448 547
Tax losses to carry forward	451 347	415 510
Deferred tax assets (liabilities)	**662 776**	**681 003**
Not recognised deferred tax asset to tax losses to carry forward	(300 666)	(279 290)
Not recognised deferred tax asset other items [1]	(377 113)	(448 547)
Net deferred tax assets (liabilities) recognised	**(15 003)**	**(46 834)**

1) See section other maters below.

Change in net deferred tax assets and deferred tax liabilities	2017	2016
1 January	(46 834)	199 493
Recognised in profit or loss for the year	(10 086)	(30 286)
Effect of business combination	(5 689)	12 303
Recognised in other comprehensive income	45 859	(230 877)
Foreign currency exchange differences	1 747	2 533
31 December	**(15 003)**	**(46 834)**

Deferred taxes	31.12.17	31.12.16
Deferred tax assets	89 584	67 348
Deferred tax liabilities	(104 587)	(114 182)
Net deferred tax assets (liabilities)	**(15 003)**	**(46 834)**

31.12.17 Tax losses to carryforward	Gross tax losses to carryforward	Net tax losses to carryforward	Not recognised tax loss carryforward	Recognised tax loss carryforward
France	1 067 494	355 648	(207 641)	148 007
Brazil	249 603	84 865	(84 865)	-
USA	3 963	1 530	-	1 530
UK	5 458	928	-	928
Malaysia	16 732	4 016	(3 812)	204
Paraguay	33 038	3 304	(3 304)	-
India	3 054	1 057	(1 045)	12
Total related to loss carryforward	**1 379 342**	**451 348**	**(300 667)**	**150 681**

31.12.16 Tax losses to carryforward	Gross tax losses to carryforward	Net tax losses to carryforward	Not recognised tax loss carryforward	Recognised tax loss carryforward
France	955 235	328 509	(199 721)	128 788
Brazil	234 689	79 794	(75 450)	4 344
USA	7 929	3 062	-	3 062
UK	3 686	737	(733)	4
Malaysia	14 108	3 386	(3 386)	-
Croatia	109	22	-	22
Total related to loss carryforward	**1 215 756**	**415 510**	**(279 290)**	**136 220**

The major part of the taxable loss can be carried forward for an unlimited period.

Deferred tax assets not recognised current year
When an entity has a history of recent losses, the deferred tax assets arising from unused tax losses is recognised only to the extent that there is convincing evidence that sufficient future taxable profit will be generated.

Other tax related matters
Elkem Silicones France SAS has four Elkem AS group internal debt-forgiveness agreements where internal loans were converted to equity and the converted amounts were treated as taxable income. Elkem Silicones France SAS can only utilise the agreements to the extent that the company has an accounting profit according to IFRS. All debt that is repaid under the agreements can be deducted against taxable income. Nominal value of the agreements as of 31 December 2017 are EUR 136 million (EUR 148 million). Elkem Silicones France SAS has repaid NOK 114,534 thousand (NOK 47,100 thousand) that gives a tax credit of NOK 38,186 thousand (NOK 15,703 thousand). The amount is included in tax effect of changes in not recognised deferred tax assets in the reconciliation of income tax (expense) benefit above.

Debt forgiveness in	2010	2012	2013	2014	Total
Gross value of debt forgiveness	835 036	196 896	157 517	268 438	1 457 887
Usage 2017	(114 534)	-	-	-	(114 534)
Total debt that can be reversed	**720 502**	**196 896**	**157 517**	**268 438**	**1 343 353**
Deferred tax asset not recognised [1]	**201 741**	**55 131**	**44 105**	**75 163**	**376 139**

1) Based on tax rate 28%, which is applicable in France from 2019, compared to 33,3% per today.

The respective agreements expire in	8 years	10 years	11 years	12 years

Debt forgiveness in	2010	2012	2013	2014	Total
Gross value of debt forgiveness	817 675	181 705	145 364	247 728	1 392 472
Usage 2016	(47 100)	-	-	-	(47 100)
Total debt that can be reversed	**770 575**	**181 705**	**145 364**	**247 728**	**1 345 372**
Deferred tax asset not recognised	**256 910**	**60 580**	**48 464**	**82 593**	**448 547**

The respective agreements expire in	9 years	11 years	12 years	13 years

Pending tax issues with the tax authorities

See note 24 Provisions and other non-current liabilities.

12 | Property, plant and equipment, intangible assets and goodwill

Property, plant and equipment

2017	Land and other property	Buildings	Machinery and plants	Equipment, furniture and transport-vehicles	Construction in progress	Total
Opening balance Net booked value 2017	**114 078**	**1 431 076**	**3 754 746**	**182 526**	**426 660**	**5 909 087**
Additions	646	2 895	9 030	4 863	912 447	**929 881**
Disposals	-	(16)	(1 536)	(279)	-	**(1 831)**
Business combination [1]	26 704	-	4 070	1 311	251 657	**283 742**
Reclassification	1 336	189	(4 378)	5 086	(479)	**1 754**
Transferred from CiP	28 764	41 616	472 542	23 348	(566 270)	**-**
Impairment losses	(255)	(772)	(14 527)	(1 255)	-	**(16 809)**
Depreciation expenses	(4 436)	(104 630)	(538 753)	(38 727)	-	**(686 546)**
Foreign currency exchange differences	7 438	25 281	94 567	1 817	20 554	**149 657**
Closing balance Net booked value 2017	**174 275**	**1 395 639**	**3 775 761**	**178 690**	**1 044 569**	**6 568 934**
Fixed assets under financial leasing						
Included in Net booked value	-	-	2 955	719	-	**3 674**
Historical cost	229 780	3 104 394	10 444 606	567 483	1 044 569	**15 390 832**
Accumulated depreciation	(44 198)	(1 696 745)	(6 570 795)	(388 157)	-	**(8 699 895)**
Accumulated impairment losses	(11 307)	(12 010)	(98 050)	(636)	-	**(122 003)**
Closing balance Net booked value 2017	**174 275**	**1 395 639**	**3 775 761**	**178 690**	**1 044 569**	**6 568 934**
Estimated useful life	0–50 years	5–50 years	3–50 years	3–20 years		
Depreciation plan	Straight-line	Straight-line	Straight-line	Straight-line		

1) See note 31 Business combinations.

Depreciations start when the asset is ready for its intended use. Land is not depreciated.

2016	Land and other property	Buildings	Machinery and plants	Equipment, furniture and transport-vehicles	Construction in progress	Total
Opening balance Net booked value 2016	**110 050**	**1 331 921**	**3 403 958**	**161 142**	**595 138**	**5 602 208**
Additions	856	554	22 442	6 496	663 362	**693 710**
Disposals	-	(50)	(1 683)	(527)	-	**(2 261)**
Business combination [1]	-	116 017	232 153	1 270	8 367	**357 808**
Reclassification [2]	(137)	(10 064)	(7 786)	427	-	**(17 560)**
Transferred from CiP	10 023	110 987	664 265	53 272	(838 548)	**-**
Impairment losses	-	(7 079)	(4 646)	(93)	-	**(11 818)**
Depreciation expenses	(2 369)	(93 463)	(501 569)	(37 464)	-	**(634 865)**
Foreign currency exchange differences	(4 345)	(17 747)	(52 387)	(1 998)	(1 659)	**(78 135)**
Closing balance Net booked value 2016	**114 078**	**1 431 076**	**3 754 746**	**182 526**	**426 660**	**5 909 087**
Fixed assets under financial leasing						
Included in Net booked value	21 193	-	10 408	1 378	-	**32 979**
Historical cost	160 860	3 022 230	9 812 611	531 801	426 660	**13 954 162**
Accumulated depreciation	(36 071)	(1 579 672)	(5 962 242)	(348 647)	-	**(7 926 630)**
Accumulated impairment losses	(10 711)	(11 482)	(95 624)	(628)	-	**(118 445)**
Closing balance Net booked value 2016	**114 078**	**1 431 076**	**3 754 746**	**182 526**	**426 660**	**5 909 087**
Estimated useful life	0–50 years	5–50 years	3–50 years	3–20 years		
Depreciation plan	Straight-line	Straight-line	Straight-line	Straight-line		

1) See note 31 Business combinations.

2) In 2014 when Elkem group purchased assets from MSCH Europe GmbH, the right to use the technology related to the production process was included. In 2016 the value of the technology, NOK 17,560 thousand, is reclassified from Machinery and plants to intangible assets. The estimated useful life is not changed, and the reclassification does not affect comparable figures in the statement of income.

Intangible assets and goodwill

2017	Goodwill	Other intangible assets	Technology and licences	New products	IT systems and programmes	Intangible assets under construction	Total other intangible assets
Opening balance Net booked value 2017	**342 645**	**105 479**	**153 976**	**162 385**	**118 539**	**152 635**	**693 013**
Additions	-	226	-	-	1 613	84 825	**86 664**
Business combination	(19 900)	(2 038)	-	-	336	-	**(1 702)**
Reclassification	-	672	(984)	-	(1 442)	-	**(1 754)**
Transferred from CiP	-	-	6 594	99 726	20 762	(127 082)	**-**
Amortisation	-	(6 214)	(20 022)	(38 325)	(24 916)	-	**(89 477)**
Foreign currency exchange differences	3 578	3 781	11 690	10 145	9	6 981	**32 605**
Closing balance Net booked value 2017	**326 323**	**101 906**	**151 254**	**233 931**	**114 900**	**117 359**	**719 350**
Historical cost	326 323	173 898	476 853	548 397	339 890	117 359	**1 656 397**
Accumulated amortisation	-	(71 135)	(325 599)	(314 466)	(224 990)	-	**(936 190)**
Accumulated write-downs	-	(857)	-	-	-	-	**(857)**
Closing balance Net booked value 2017	**326 323**	**101 906**	**151 254**	**233 931**	**114 900**	**117 359**	**719 350**
Estimated useful life	Indefinite	3–10 years	3–15 years	3–16 years	3–10 years		
Amortisation plan		Straight-line	Straight-line	Straight-line	Straight-line		

Additions in 2017 mainly consist of development projects of NOK 53,530 thousand.

2016	Goodwill	Other intangible assets	Technology and licences	New products	IT systems and programmes	Intangible assets under construction	Total other intangible assets
Opening balance Net booked value 2016	**244 088**	**63 681**	**168 533**	**189 076**	**120 805**	**101 398**	**643 493**
Additions	-	6 517	102	-	5 547	93 292	105 458
Disposals	(23)	-	-	-	-	-	-
Business combination	98 030	36 289	-	-	8	-	36 297
Reclassification	-	12 617	3 138	869	937	-	17 560
Transferred from CiP	-	-	5 720	16 722	14 237	(36 679)	-
Amortisation	-	(2 988)	(21 242)	(35 793)	(22 893)	-	(82 916)
Foreign currency exchange differences	550	(10 637)	(2 275)	(8 489)	(102)	(5 376)	(26 879)
Closing balance Net booked value 2016	**342 645**	**105 479**	**153 976**	**162 385**	**118 539**	**152 635**	**693 013**
Historical cost	342 645	166 153	436 128	416 141	318 256	152 635	1 489 314
Accumulated amortisation	-	(59 883)	(282 153)	(253 757)	(199 717)	-	(795 510)
Accumulated write-downs	-	(790)	-	-	-	-	(790)
Closing balance Net booked value 2016	**342 645**	**105 479**	**153 976**	**162 385**	**118 539**	**152 635**	**693 013**
Estimated useful life	Indefinite	3–10 years	3–15 years	3–16 years	3–10 years		
Amortisation plan		Straight-line	Straight-line	Straight-line	Straight-line		

Additions in 2016 mainly consist of development projects of NOK 52,926 thousand.

Goodwill
Impairment tests are performed by comparing the carrying amount for the asset or the Cash Generating Unit (CGU) including goodwill, with the recoverable amount. The recoverable amount is based on value in use, calculated using the discounted cash flow method. A CGU is the lowest level at which independent cash inflows can be measured.

Impairment test goodwill and intangible assets

Goodwill per entity/CGU 2017	Silicon materials	Silicones	Foundry products	Carbon	Total
Elkem Foundry Hingna Nagpur	-	-	40 418	-	**40 418**
Elkem Rana AS	39 965	-	-	-	**39 965**
Elkem Oilfield Chemical FZCO	19 139	-	-	-	**19 139**
Elkem Materials Process Services BV	142	-	-	-	**142**
Elkem Participacões Indústria e Comércio Limitada	-	-	-	10 325	**10 325**
Ferroveld JV	-	-	-	49 161	**49 161**
Elkem Carbon China Comp Ltd	-	-	-	1 000	**1 000**
NEH Inc.	21 479	-	55 663	14 259	**91 401**
Silicones	-	74 771	-	-	**74 771**
Total Goodwill	**80 725**	**74 771**	**96 081**	**74 745**	**326 323**

Goodwill per entity/CGU 2016	Silicon materials	Silicones	Foundry products	Carbon	Total
Elkem Foundry Hingna Nagpur	-	-	36 979	-	**36 979**
Elkem Rana AS	61 903	-	-	-	**61 903**
Elkem Oilfield Chemical FZCO	20 110	-	-	-	**20 110**
Elkem Materials Process Services BV	142	-	-	-	**142**
Elkem Participacões Indústria e Comércio Limitada	-	-	-	10 930	**10 930**
Ferroveld JV	-	-	-	46 559	**46 559**
Elkem Carbon China Comp Ltd	-	-	-	1 000	**1 000**
NEH Inc.	22 565	-	58 476	14 979	**96 020**
Silicones	-	69 003	-	-	**69 003**
Total Goodwill	**104 719**	**95 455**	**69 003**	**73 468**	**342 645**

Discounted cash flow models are applied to determine the value in use for the cash-generating units. Management in each CGU has projected cash flows based on forecast and strategy plans covering a four-year period. Currency rates and power prices are based on external official sources such as Reuters and Nasdaq. Beyond the explicit forecast period of four years, the cash flows are extrapolated using constant nominal growth rates.

Key assumptions
Key assumptions used in the calculation of value in use are growth rate, gross operating profit (loss) levels, capital expenditure and discount rates.

Growth rates: The expected growth rates for a cash-generating unit converge from its current level experienced over the last few years, to the long-term growth level in the market in which the entity operates. The growth rates used to extrapolate cash flow projections beyond the explicit forecast period, are based on management's past experience,assumptions in terms of market share and expectations for the market development in which the entity operates.

Gross operating profit (loss) levels: The gross operating profit (loss) level represents the operating margin before depreciation and amortisation, and it is estimated based on the current level and expected future market development, which also takes into consideration committed operational efficiency programs. Changes to the outcome of these initiatives may affect future estimated gross operating profit (loss) levels.

Capital expenditure ("Capex"): A normalised capex is assumed in the long run. Estimated capital expenditures do not include capital expenditures that significantly enhance the current performance, as such effects generally are not included in the cash flow projections.

Discount rates: The required rate of return was calculated by the WACC method. The cost of a company's equity and liabilities, weighted to reflect its capital structure of 50:50 respectively, derive from its weighted average cost of capital. The WACC rates used in discounting the future cash flows, are based on Norwegian 10 year risk-free interest rate for Foundry products, Silicon Materials and Carbon. For Silicones the interest rate is based on the European 10 year bond rate. The rates are adjusted for inflation differential and country risk premium. The discount rates also take into account the debt premium, market risk premium, corporate tax rate and asset beta.

The following post-tax discount rates (WACC) and sustained growth rate for year five and forward have been used for the impairment tests:

	WACC	Growth
Foundry products	7.8%	2.0 %
Silicon materials	7.8%	2.0 %
Carbon	8.9%	2.0 %
Silicones	8.7%	2.0 %

Impairment – test results and conclusion
Value in use for each CGU exceeds carrying amount. The impairment tests indicate no requirement for write-down.

Sensitivity of estimated cash flows
An increase of 1 percentage point in WACC will not result in an impairment for the Elkem AS group.
A change of 10 % in other key assumptions will not result in an impairment for the Elkem AS group.

13 | Joint arrangements

Elkem AS group has interests in the following jointly controlled arrangements:

Name of entity	Business office	Country	Principal activities
Elkem Ferroveld JV	Ferrobank Emalahleni	South Africa	Electrode paste production
Dehong Elkem Materials Co. Ltd	Dehong, Yunnan	China	Microsilica production
Elkania DA	Hauge i Dalane	Norway	Microfine weighting material
Elkem Uruguay SA (formerly Igazú Alloys S.A.)	Montevideo	Uruguay	Production of foundry products
North Sea Container Line AS	Haugesund	Norway	Shipping services
Klafi EHF	Gradating, Akranes	Iceland	Transportation/harbour services
Salten Energigjenvinning AS	Oslo	Norway	Energy production

Name of entity	% equity interest 2017	% equity interest 2016	2017 Classification [1]	2016 Classification [1]
Elkem Ferroveld JV	50 %	50 %	JO	JO
Dehong Elkem Materials Co. Ltd [2]	-	-	-	JO
Elkania DA	50 %	50 %	JO	JO
Elkem Uruguay SA [3]	-	50 %	-	JV
North Sea Container Line AS	50 %	50 %	JV	JV
Klafi EHF	50 %	50 %	JV	JV
Salten Energigjenvinning AS [4]	50 %	-	JV	JV

1) JO is equal to joint operations and JV is equal to joint ventures.

2) Liquidated during 2016.

3) The remaining shares in Elkem Uruguay SA (formerly Igazú Alloys S.A.) were purchased in September 2017, see note 31 business combination. The company's results are included as a joint venture up to the date its remaining shares were purchased. No gain or loss is recognised from remeasurement of previously held equity interests due to the transaction.

4) Incorporated 1 June 2017.

There is no quoted market price for the investments.

See note 28 Related party transactions for transactions with joint arrangements.
There are no contingent liabilities or commitments related to the joint ventures.

	2017	2016
Total interest in joint ventures 1 January	**108 978**	**52 935**
Acquired shares	19 528	60 272
Disposal of shares in Joint ventures	(28 519)	-
Dividend received	(12 000)	(15 000)
Share of profit (loss) for the year	17 682	1 408
Currency translation differences transferred to income on disposal	(4 835)	-
Currency translation differences	(2 963)	9 363
Total interest in joint ventures 31 December	**97 871**	**108 978**

Summary of financial information for joint ventures	2017
Current assets, including cash and cash equivalents NOK 105,683 thousand	211 124
Non-current assets	31 932
Current liabilities, including current financial liabilities NOK 0	42 607
Non-current liabilities, including non-current financial liabilities NOK 4,707 thousand	4 707
Net assets/equity	**195 742**
Group's carrying amount	97 871
Total revenue	489 772
Total expenses, including depreciation and amortisation NOK 2,768 thousand	(458 057)
Financial income, including interest income NOK 1,054 thousand	1 054
Financial expenses, including interest expenses NOK 146 thousand	2 981
Tax expense	(388)
Total profit for the year	35 363
Other comprehensive income	-
Total comprehensive income	**35 363**
Group's share of profit for the year	17 682
Group's share of other comprehensive income	-

Summary of financial information for joint ventures	2016
Current assets, including cash and cash equivalents NOK 91,851 thousand	171 551
Non-current assets	289 129
Current liabilities, including current financial liabilities NOK 5,373 thousand	41 464
Non-current liabilities, including non-current financial liabilities NOK 200,531 thousand	201 261
Net assets/equity	**217 955**
Group's carrying amount	108 978
Total revenue	423 875
Total expenses, including depreciation and amortisation NOK 2,197 thousand	(417 845)
Financial income, including interest income NOK 785 thousand	785
Financial expenses, including interest expenses NOK 298 thousand	(3 433)
Tax expense	(567)
Total profit for the year	2 815
Other comprehensive income	-
Total comprehensive income	**2 815**
Group's share of profit for the year	1 408
Group's share of other comprehensive income	-

14 | Interest in associates and other companies

	31.12.17	31.12.16
Interest in associates	60 644	54 543
Interest in other companies	51 323	45 973
Total interest in associates and other companies	**111 967**	**100 516**

	2017	2016
Total interest in associates at opening balance	54 543	47 788
Share of profit	16 462	20 722
Dividend received	(13 037)	(11 190)
Part of other comprehensive income	(325)	-
Other changes	3 001	(2 777)
Total interest in associates	60 644	54 543

As at 31 December 2017 Elkem AS group has interest in the following associates

Name of entity	Principal activities	Country of	Proportion shares/ votes (%)	Net assets	Total operating income	Group's share of profit	Carrying amount
Elkem Chartering AS	Deep sea charter services	Oslo, NO	25 %	91 528	91 418	7 638	22 882
Euro Nordic Agencies Belgium NV	Ship agencies services	Antwerp, BE	50 %	2 780	124 084	557	1 390
Euro Partnership BV	Ship management services	Moerdijk, NL	50 %	60 638	489	5 310	30 319
Combined Cargo Warehousing BV	Warehousing	Moerdijk, NL	33 %	18 342	23 463	2 957	6 053
Total interest in associates						**16 462**	**60 644**

As at 31 December 2016 Elkem AS group has interest in the following associates

Name of entity	Principal activities	Country of	Proportion shares/ votes (%)	Net assets	Total operating income	Group's share of profit	Carrying amount
Elkem Chartering AS	Deep sea charter services	Oslo, NO	25 %	62 276	93 877	7 740	15 569
Euro Nordic Agencies Belgium NV	Ship agencies services	Antwerp, BE	50 %	1 494	564	282	747
Euro Partnership BV	Ship management services	Moerdijk, NL	50 %	66 426	20 650	10 325	33 213
Combined Cargo Warehousing BV	Warehousing	Moerdijk, NL	33 %	15 194	28 790	2 375	5 014
Total interest in associates						**20 722**	**54 543**

15 | Group entities

Company	Functional currency	Country of incorporation	2017 Equity interest	2016 Equity interest	Owner
Aleaciones Yguazú S.A.[1)]	USD	Paraguay	100 %	50 %	Elkem Uruguay SA
Elkania DA	NOK	Norway	50 %	50 %	Elkem AS
Elkem Carbon (China) Comp Ltd	CNY	China	100 %	100 %	Elkem Carbon Singapore Pte. Ltd.
Elkem Carbon AS	NOK	Norway	100 %	100 %	Elkem AS
Elkem Carbon Malaysia Sdn. Bhd.	MYR	Malaysia	100 %	100 %	Elkem Carbon AS
Elkem Carbon Singapore Pte. Ltd.	SGD	Singapore	100 %	100 %	Elkem Carbon AS
Elkem Chartering Holding AS	NOK	Norway	80 %	80 %	Elkem AS
Elkem Distribution Center B.V.	EUR	Netherlands	100 %	100 %	Elkem AS
Elkem Egypt for Industry, Contracting & Trading S.A.E	USD	Egypt	100 %	100 %	Elkem International AS
Elkem Ferroveld JV	ZAR	South Africa	50 %	50 %	Elkem Carbon AS
Elkem Foundry (China) Co. Ltd	CNY	China	100 %	100 %	Elkem AS
Elkem Foundry Invest AS	NOK	Norway	100 %	100 %	Elkem AS
Elkem GmbH	EUR	Germany	100 %	100 %	Elkem AS
Elkem Iberia SLU	EUR	Spain	100 %	100 %	Elkem AS
Elkem International AS	NOK	Norway	100 %	100 %	Elkem AS
Elkem International Trade (Shanghai) Co. Ltd.	CNY	China	100 %	100 %	Elkem International AS
Elkem Island EhF	NOK	Iceland	100 %	100 %	Elkem AS
Elkem Japan K.K	JPY	Japan	100 %	100 %	Elkem AS
Elkem LTD	GBP	United Kingdom	100 %	100 %	Elkem AS
Elkem Madencilik Metalurji Sanayi Ve Ticaret Ltd STI	EUR	Turkey	100 %	100 %	Elkem International AS
Elkem Materials Delaware Inc.	USD	USA	100 %	100 %	Elkem Materials Inc
Elkem Materials Inc.	USD	USA	100 %	100 %	NEH LLC
Elkem Materials Processing (Tianjin) Co.,Ltd	CNY	China	100 %	100 %	Elkem AS
Elkem Materials Processing Services BV	EUR	Netherlands	100 %	100 %	Elkem AS
Elkem Materials South America Ltda	BRL	Brazil	100 %	100 %	Elkem Materials Inc
Elkem Metal Canada Inc	CAD	Canada	100 %	100 %	Elkem AS
Elkem Milling Services GmbH	EUR	Germany	100 %	100 %	Elkem AS
Elkem Nordic A.S.	DKK	Denmark	100 %	100 %	Elkem AS
Elkem Oilfield Chemicals FZCO	AED	Dubai	51 %	51 %	Elkem AS
Elkem Participacões Indústria e Comércio Limitada	BRL	Brazil	100 %	100 %	Elkem Carbon AS
Elkem Rana AS	NOK	Norway	100 %	100 %	Elkem AS
Elkem S.a.r.l.	EUR	France	100 %	100 %	Elkem AS
Elkem S.r.l.	EUR	Italy	100 %	100 %	Elkem AS
Elkem Siliconas España S.A.U	EUR	Spain	100 %	100 %	Elkem AS
Elkem Silicones (UK) Ltd	GBP	United Kingdom	100 %	100 %	Elkem AS
Elkem Silicones Brasil Ltda	BRL	Brazil	100 %	100 %	Elkem AS
Elkem Silicones Canada Corp.	CAD	Canada	100 %	100 %	Elkem AS
Elkem Silicones Czech Republic s.r.o	CZK	Czech Republic	100 %	100 %	Elkem AS
Elkem Silicones Finland OY	EUR	Finland	100 %	100 %	Elkem AS
Elkem Silicones France SAS	EUR	France	100 %	100 %	Elkem AS
Elkem Silicones Germany GmbH	EUR	Germany	100 %	100 %	Elkem AS
Elkem Silicones Hong Kong Co. Limited	HKD	Hong Kong	100 %	100 %	Elkem AS
Elkem Silicones Poland p. z o.o	PLN	Poland	100 %	100 %	Elkem AS
Elkem Silicones Scandinavia AS	NOK	Norway	100 %	100 %	Elkem AS
Elkem Silicones Services S.à.r.l	EUR	France	100 %	100 %	Elkem AS
Elkem Silicones Shanghai Co. Limited	CNY	China	100 %	100 %	Elkem AS
Elkem Silicones USA Corp.	USD	USA	100 %	100 %	Elkem AS
Elkem Siliconi Italia S.r.l	EUR	Italy	100 %	100 %	Elkem AS
Elkem Singapore Materials Pte. Ltd	SGD	Singapore	100 %	100 %	Elkem AS
Elkem South Asia Private Limited	INR	India	100 %	100 %	Elkem AS

Company	Functional currency	Country of incorporation	2017 Equity interest	2016 Equity interest	Owner
Elkem Uruguay SA [1]	USD	Uruguay	100 %	50 %	Elkem Foundry Invest AS
Euro Nordic Belgium BVBa [4]	EUR	Belgium	-	-	Euro Nordic Logistics BV
Euro Nordic Logistics BV	EUR	Netherlands	80 %	80 %	Elkem Chartering Holding AS
Euro Nordic Netherlands BV	EUR	Netherlands	80 %	80 %	Euro Nordic Logistics BV
Explotacion de Rocas Industriales y Minerales S.A.	EUR	Spain	100 %	100 %	Elkem AS
Dehong Elkem Materials Co. Ltd [4]	CNY	China	-	-	Elkem AS
Gimtrade Ltd. [2]	GBP	United Kingdom	100 %	100 %	Elkem LTD.
Iniconce, S.L	EUR	Spain	97 %	97 %	Explotacion de Rocas Industriale sy Minerales S.A.
Mill Street Ltd. [2]	GBP	United Kingdom	100 %	100 %	Elkem LTD.
NEH LLC	USD	USA	100 %	100 %	Elkem AS
NorenoComercial Importada e Exportadora Limitada	BRL	Brazil	100 %	100 %	Elkem Participacöes Indústria e Comércio Limitada
Nor-Kvarts AS [3]	NOK	Norway	-	100 %	Elkem AS
Norsil, S.A.	EUR	Spain	100 %	100 %	Iniconce, S.L
Tifwer Trade S.A. [1]	USD	Uruguay	100 %	50 %	Elkem Uruguay SA

1) In September 2017 Elkem Foundry Invest AS purchased the remaining 50% of the shares in Elkem Uruguay SA (formerly Iguazú Alloys S.A.). For more information see note 30 Changes in the composition of the group and note 31 Business combinations.

2) The companies are dormant and were liquidated in January 2018.

3) On 1 January 2017 Nor-Kvarts AS merged with Elkem AS.

4) The companies were liquidated during 2016.

16 | Other non-current assets

	31.12.17	31.12.16
Long-term pension contribution fund [1]	1 200	2 760
Defined benefit pension asset [1]	401	2 949
Long-term deposit pension guarantee [2]	18 775	17 905
Restricted deposits [3]	76 136	78 028
Other deposits	29 504	34 785
Prepaid lease	1 284	2 897
Grants receivable [5]	155 425	136 234
Loans to joint arrangements and associates [4]	8 921	52 682
Receivables from joint ventures [4]	-	14 269
Prepayments to supplier	28 023	9 776
Other long-term receivables	4 946	18 411
Total other non-current assets	**324 615**	**370 697**

1) See note 6 Employee retirement benefits.

2) Long-term deposit pension guarantee is related to unfunded pension liabilities for salaries above 12G.

3) The restricted deposits are related to tax litigation in Elkem AS group's business in Brazil, see note 24 Provisions and other long term liabilities.

4) See note 28 Related party transactions.

5) See note 29 Grants.

17 | Inventories

	31.12.17	31.12.16
Finished goods	2 238 276	2 111 814
Work in progress	231 964	251 356
Raw materials	713 843	652 333
Operating materials and spare parts	376 925	323 912
Total inventories	**3 561 007**	**3 339 415**

Provisions for write-down of inventories as at 31 December	46 690	64 605

18 | Accounts receivable

	31.12.17	31.12.16
Accounts receivable	2 157 318	1 819 355
Accounts receivable, related parties	59 422	33 304
Provision for doubtful accounts	(36 425)	(31 840)
Bills receivable [1]	84 165	49 951
Total accounts receivable	**2 264 479**	**1 870 770**

1) A bill receivable is a document where the customer formally agrees to pay for delivered goods or services at maturity date, and are normally guaranteed by a financial institution. A bill receivable is transferable and can be used to pay accounts payable. The bills receivable-document effectively replaces, for the specified amount, the open debt exchanged for the bill. Bills receivable are used by Elkem AS group's Chinese entities, and the duration is normally below six months.

Analysis of gross accounts receivable by age, presented based on the due date

	31.12.17	31.12.16
Not due	1 778 456	1 583 220
1-30 days	296 148	167 715
31-60 days	67 864	33 938
61-90 days	29 987	17 004
More than 90 days	44 285	50 782
Total accounts receivable	**2 216 740**	**1 852 659**

Elkem AS group applies for credit insurance for all customers. In cases where credit insurance coverage is refused, other methods of securing the sales income are used. Other methods used for securing the sales are, among others, prepayment, letter of credit, documentary credit, guarantee, etc.

Movement in allowance for doubtful accounts	31.12.17	31.12.16
Opening balance	(31 840)	(27 466)
Provisions / losses on doubtful accounts during the year	(8 697)	(10 577)
Reversed provisions	5 683	5 401
Foreign currency exchange differences	(1 571)	803
Closing balance	**(36 425)**	**(31 840)**

Analysis of current receivables that are past due date and impaired, by age

Overdue by	31.12.17	31.12.16
0-3 months	(5 319)	(6 231)
3-6 months	(4 130)	(3 650)
6-12 months	(840)	(1 241)
Over a year	(26 137)	(20 719)
Total impaired overdue receivables	**(36 425)**	**(31 840)**

19 | Other current assets

	31.12.17	31.12.16
Pension contribution fund, short-term part [1]	2 928	6 094
Restricted deposits	3 773	3 771
Prepayments	123 248	66 670
Grants receivable [2]	29 288	133 090
Grants receivable, settled net against taxes payable [2]	55 929	51 366
VAT receivables	316 722	265 656
Corporate income tax receivables	24 989	51 093
Other receivables	48 717	26 916
Total other current assets	**605 595**	**604 656**

1) See note 6 Employee retirement benefits.

2) See note 29 Grants.

20 | Shareholder information

Elkem AS is the parent company of Elkem AS group. As of 31 December 2017 Elkem AS is 100% owned by Bluestar Elkem International Co. Ltd S.A. Elkem AS has its registered company address: Drammensveien 169, 0277 Oslo, Norway.

Share Capital

Share capital as at 31 December 2017 in Elkem AS is NOK 2,010 million, divided in 1 share. There has been no changes in number of shares outstanding during the periods presented.

21 | Finance lease liabilities

Elkem AS group leases some of its manufacturing equipment under finance lease. Interest rates range from 3.06% to 6.99%.

The group has options to purchase the equipment for a nominal amount at the end of the lease term. The obligations under finance lease are secured by the lessors title to the leased assets.

Overview of finance lease	31.12.17	31.12.16
Within one year	1 059	4 394
Between 1 and 5 years	401	1 527
Over 5 years	-	-
Total lease payments	1 460	5 921
Less future finance charges	120	(91)
Present value of lease obligations	**1 580**	**5 830**
Less amount due for settlement within 12 months	1 179	4 333
Total non-current finance lease obligations	401	1 497

Leasing payments current year	4 311	35 787

See also note 22 Interest-bearing assets / liabilities.

22 | Interest-bearing assets / liabilities

	31.12.17	31.12.16
Non-current interest-bearing liabilities		
Loans from other related parties within China National Bluestar group	6 873	6 341
Financial leases [1]	401	1 497
Loans from external part, other than bank	79 521	-
Bank financing	2 595 180	2 827 021
Total non-current interest-bearing liabilities	**2 681 975**	**2 834 859**
Current interest-bearing liabilities		
Financial leases [1]	1 179	4 333
Bank financing	595 558	211 700
Loans from external part, other than bank	60 625	58 433
Accrued interest	3 827	3 504
Total current interest-bearing liabilities	**661 189**	**277 970**
Total interest-bearing liabilities	**3 343 164**	**3 112 829**
Interest-bearing assets		
Cash and bank balances	1 493 279	1 230 668
Restricted deposits	98 683	99 704
Loans to joint arrangements	8 921	52 682
Accrued interest income	215	1 010
Total interest-bearing assets	**1 601 098**	**1 384 064**
Net interest-bearing assets / (liabilities)	**(1 742 066)**	**(1 728 765)**

1) See note 21 Finance lease liabilities.

Interest-bearing liabilities by currency	Currency amount	NOK 31.12.17	Currency amount	NOK 31.12.16
EUR	317 115	3 121 933	326 453	2 965 922
USD	26 513	217 511	5 772	49 747
NOK	(6 086)	(6 086)	97 163	97 163
Other currencies	-	9 806	-	(3)
Total interest-bearing liabilities		**3 343 164**		**3 112 829**

Maturity of interest-bearing liabilities as at 31 December 2017	Loans from other related parties	Financial leases	Loans from external party, other than bank	Bank financing [1]	Accrued interest	Total
2018	-	1 179	60 625	595 558	3 827	661 189
2019	6 873	401	12 471	596 954	-	616 699
2020	-	-	12 644	1 786 706	-	1 799 350
2021	-	-	13 062	64 634	-	77 696
2022	-	-	13 494	67 628	-	81 122
2023 and later	-	-	27 850	87 679	-	115 528
Total	**6 873**	**1 580**	**140 146**	**3 199 159**	**3 827**	**3 351 585**
Prepaid loan fees	**-**	**-**	**-**	**(8 420)**	**-**	**(8 420)**
Total interest-bearing liabilities	**6 873**	**1 580**	**140 146**	**3 190 739**	**3 827**	**3 343 164**

1) The main part of interest-bearing liabilities are expected to be refinanced in March / April 2018, see note 33 Events after the reporting period.

Maturity of interest-bearing liabilities as at 31 December 2016	Loans from other related parties	Financial leases	Loans from external party, other than bank	Bank financing	Accrued interest	Total
2017	-	4 333	-	270 133	3 504	277 970
2018	6 341	1 452	-	550 479	-	558 272
2019	-	45	-	504 442	-	504 487
2020	-	-	-	1 639 614	-	1 639 614
2021	-	-	-	48 533	-	48 533
2022 and later	-	-	-	97 065	-	97 065
Total	**6 341**	**5 830**	**-**	**3 110 266**	**3 504**	**3 125 941**
Prepaid loan fees	**-**	**-**	**-**	**(13 112)**	**-**	**(13 112)**
Total interest bearing liabilities	**6 341**	**5 830**	**-**	**3 097 154**	**3 504**	**3 112 829**

Net investment hedge
Elkem AS has entered into a bank loan amounting to EUR 275 million that is included in the line item bank financing above. The spot rate of the loan has been designated as a hedge of the net investment in the group's subsidiaries with EUR as functional currency. The fair value and carrying amount of the borrowing at 31 December 2017 was NOK 2,498 million (NOK 2,707 million). The foreign exchange loss of NOK 208,865 thousand (a gain of NOK 25,449 thousand) on translation of the borrowing from EUR to NOK at the end of the reporting period is recognised in other comprehensive income and accumulated in the foreign currency translation reserve, in statement of changes in equity. There was no ineffectiveness to be recorded from net investments in foreign entity hedges.

Credit facilities
As of 31 December 2017 the group has undrawn total granted credit facilities of NOK 2,331 million. As of 31 December 2016 the group has drawn NOK 62 million of total granted credit facilities of NOK 2,167 million. The drawn amounts are classified as short term bank financing.

The main revolving credit facilities are granted to Elkem AS but the facilities can be utilised by Elkem AS and its subsidiaries. The main facilities amount to EUR 200 million (NOK 1,969 million) and NOK 250 million respectively. See note 27 Financial risk and capital management for more information, section liquidity risk.

Loan covenant
Elkem AS group has covenants related to its two main external interest bearing loan facilities. In addition to the covenants on these two loan facilities there are loan covenants related to the credit facilities in Elkem Metal Canada Inc of CAD 2 million. Elkem Metal Canada Inc. is not in breach with its covenants at the end of 2017 and 2016.

For the two main credit facilities and term loans in Elkem AS group, the loan covenants relates to the financial performance of Elkem AS group as specified in the table below.

Covenant Elkem AS group related to drawn loan of NOK 2,834 million (NOK 3,023 million) in Elkem AS		31.12.17	31.12.16	Loan covenant
Total Equity	NOK	8 332 862	7 459 042	
Total Assets	NOK	16 347 935	14 813 342	
Equity ratio		**51,0 %**	**50,4 %**	**> 30%**
Gross operating profit (loss)	NOK	2 098 467	1 617 790	
Net finance charges	NOK	66 747	61 639	
Interest cover ratio		**31,44**	**26,25**	**> 4.00**

Movement in interest-bearing liabilities	31.12.16	Cash flows	Non-cash changes				31.12.17
		Receipts/ Payments	Debt conversion	Re-classification	Business combination	Foreign exchange changes	
Loans from other related parties within China National Bluestar group	6 341	-	-	-	-	532	6 873
Financial leases	1 497	(4 311)	-	3 154	-	61	401
Loans from external part, other than bank	-	-	-	-	76 868	2 653	79 521
Bank financing	2 827 021	(55 883)	-	(496 216)	84 207	236 051	2 595 180
Total movement non-current interest-bearing liabilities	**2 834 859**	**(60 194)**	**-**	**(493 062)**	**161 075**	**239 297**	**2 681 975**
Financial leases	4 333	-	-	(3 154)	-	-	1 179
Bank financing	211 704	(116 080)	-	495 881	-	4 053	595 558
Loans from external part, other than bank	58 433	(8 556)	-	335	7 639	2 774	60 625
Total movement current interest-bearing liabilities	**274 470**	**(124 636)**	**-**	**493 062**	**7 639**	**6 827**	**657 362**
Total movement interest-bearing liabilities	**3 109 329**	**(184 830)**	**-**	**-**	**168 714**	**246 124**	**3 339 337**

23 | Pledge of assets and guarantees

Pledges
The main part of Elkem AS group's interest-bearing liabilities are neither pledged nor guaranteed. Details of liabilities that have pledged assets related to them are stated below:

Mortgaged liabilities	31.12.17	31.12.16
Mortgaged liabilities	117 664	67 847
Mortgaged provisions	-	55 596

Book value mortgaged assets	31.12.17	31.12.16
Building	380 461	163 029
Machinery and plant	45 028	843
Other assets	35 934	92 034

Elkem AS group makes limited use of guarantees, see specification below.

Guarantee commitments	31.12.17	31.12.16
Guarantee commitment KLIF (Climate and Pollution Agency)	31 274	4 618
Other guarantees	118	107

24 | Provisions and other non-current liabilities

	31.12.17	31.12.16
Total provisions	347 461	429 413
Deferred income	42 398	33 915
Other non-current liabilities	-	232
Total provisions and other non-current liabilities	**389 859**	**463 560**

Provisions include the following:	Litigations	Site restoration	Contracts obligation	Employee benefits	Other provisions	Total provisions
Balance 1 January 2017	**171 731**	**77 437**	**256 911**	**76 455**	**7 969**	**590 503**
Additional provisions recognised	28 669	24 480	-	7 063	2 648	62 860
Additions business combinations	-	-	(1 552)	-	-	(1 552)
Used during the year	(76 696)	(13 219)	(49 260)	(9 404)	(7 547)	(156 126)
Foreign currency exchange differences	(4 734)	3 023	-	3 989	(233)	2 045
Balance 31 December 2017	**118 970**	**91 721**	**206 099**	**78 103**	**2 837**	**497 730**
Hereof classified as provisions and other non-current liabilities	96 728	52 145	123 885	71 866	2 837	347 461
Hereof classified as provisions and other current liabilities	22 242	39 576	82 214	6 237	-	150 269
	118 970	**91 721**	**206 099**	**78 103**	**2 837**	**497 730**

Provisions include the following:	Litigations	Site restoration	Contracts obligation	Employee benefits	Other provisions	Total provisions
Balance 1 January 2016	**262 398**	**68 227**	**-**	**73 652**	**9 101**	**413 378**
Additional provisions recognised	26 633	11 830	2 590	13 347	7 390	61 790
Additions business combinations	-	-	254 321	-	-	254 321
Used during the year	(129 316)	(1 828)	-	(5 770)	(8 021)	(144 935)
Foreign currency exchange differences	12 016	(792)	-	(4 774)	(501)	5 949
Balance 31 December 2016	**171 731**	**77 437**	**256 911**	**76 455**	**7 969**	**590 503**
Hereof classified as provisions and other non-current liabilities	97 225	59 385	202 754	68 931	1 118	429 413
Hereof classified as provisions and other current liabilities	74 506	18 052	54 157	7 524	6 851	161 090
	171 731	**77 437**	**256 911**	**76 455**	**7 969**	**590 503**

Litigation
The provisions due to litigations are mainly related to tax cases in the Carbon division in Brazil. Opening balance also consists of provisions related to tax reassessments for value added tax and withholding tax in the Silicones division. The tax reassessment cases regarding withholding tax were concluded in 2016 and the tax reassessment cases regarding VAT were closed in 2017.

Tax cases in Brazil can take a substantial amount of time before resolution by the tax authorities, hence the time of settlement is uncertain. Provisions are made for each case based on the estimated amount expected to be paid, including interest and penalties. In accordance with Brazilian regulations, agreed amounts have been transferred to restricted bank accounts and are adjusted for interest. The restricted cash is included in other non-current assets, see note 16 Other non-current assets.

Site restoration
Elkem AS group has provisions for future remediation work related to the necessary site remediation work that it will have to undertake in respect of its quartz mines and for site remediation work on land areas where waste from the production is disposed of. Total provision NOK 33,399 thousand (NOK 26,930 thousand).

Elkem AS group has worldwide operations representing potential exposure towards environmental consequences. Elkem AS group has established clear procedures to minimise environmental emissions, well within public emission limits. Total provision of NOK 58,323 thousand (NOK 50,507 thousand) relates to estimated clean-up costs related to a closed production site and landfills.

Contracts obligation
The provisions regarding contracts obligation mainly relates to the purchase of Fesil Rana. The provision is calculated based on differences between contract price and market price at date of purchase, 1 December 2016 and subsequently measured at cost. The contracts lasts until 31 December 2020.

Employee benefits
Employee benefits consist of provisions related to jubilee and long-service benefits and post-employment benefits mainly in the silicones division. Estimated duration of the obligation is approximately 9 years.

Contingent liabilities
Elkem AS group has a potential future obligation for remediation work of the fjord nearby the Carbon plant in Kristiansand in Norway. A decision from Miljødirektoratet was received in 2017 requiring Elkem to submit a clean-up plan for specific pollution in the Kristiansandfjord within April 2018. No legal proceedings are running. The assessment of the potential future obligation is uncertain and no provision has been made at the end of reporting period.

25 | Provisions and other current liabilities

	31.12.17	31.12.16
Employee withholding taxes, social security, vacation pay, etc.	635 115	548 290
VAT payable	142 136	53 678
Deferred income	52 242	26 693
Provisions, short term part [1]	150 269	161 090
Liabilities to other related parties within China National Bluestar group	1 204	1 077
Accrued expenses	143 409	117 229
Other current liabilities	7 087	14 078
Provisions and other current liabilities	**1 131 462**	**922 135**

1) See note 24 Provisions and other non-current liabilities.

26 | Financial instruments

Financial assets and liabilities by category 31 December 2017

	Note	Assets at fair value through profit or loss	Derivatives used for hedging	Financial assets available for sale	Loans and receivables	Non-financial assets	Total
Interest in associated and other companies	14	-	-	51 323	-	60 644	**111 967**
Derivatives, non-current		126 249	25 325	-	-	-	**151 574**
Other non-current assets	16	-	-	-	269 803	54 812	**324 615**
Accounts receivable	18	-	-	-	2 264 479	-	**2 264 479**
Derivatives, current		625	32 733	-	-	-	**33 357**
Other current assets	19	-	-	-	92 763	512 832	**605 595**
Cash and cash equivalents	22	-	-	-	1 493 279	-	**1 493 279**
Total		**126 874**	**58 058**	**51 323**	**4 120 324**	**628 288**	

	Note	Liabilities at fair value through profit or loss	Derivatives used for hedging	Financial liabilities at amortised cost	Non-financial liabilities	Total
Interest-bearing liabilities, non-current [1]	22	-	21 908	2 660 067	-	**2 681 975**
Derivatives, non-current		17 968	360 988	-	-	**378 955**
Provisions and other non-current liabilities	24	-	-	-	389 859	**389 859**
Accounts payable		-	-	1 836 888	-	**1 836 888**
Interest-bearing liabilities, current [1]	22	-	4 382	656 807	-	**661 189**
Derivatives, current [2]		(18 072)	264 755	-	-	**246 683**
Provisions and other current liabilities	25	-	-	-	1 131 462	**1 131 462**
Total		**(104)**	**652 032**	**5 153 762**	**1 521 321**	

1) In addition to the hedging instruments specified below, currency effect of EUR loan is designated as a hedging instrument in a cash flow hedge of highly probable future sales. See note 22 Interest-bearing assets and liabilities.

2) The group applies hedge accounting for certain contracts and certain parts of power contracts. The negative value reported as 'Liabilities at fair value through profit and loss' is representing the value of parts of power contracts where hedge accounting is not applied.

Financial assets and liabilities by category 31 December 2016

	Note	Assets at fair value through profit or loss	Derivatives used for hedging	Financial assets available for sale	Loans and receivables	Non-financial assets	Total
Interest in associated and other companies	14	-	-	45 973	-	54 543	**100 516**
Derivatives, non-current		83 113	36 048	-	-	-	**119 161**
Other non-current assets	16	-	-	-	315 998	54 699	**370 697**
Accounts receivable	18	-	-	-	1 870 770	-	**1 870 770**
Derivatives, current		2 607	53 782	-	-	-	**56 388**
Other current assets	19	-	-	-	188 227	416 429	**604 656**
Cash and cash equivalents	22	-	-	-	1 230 668	-	**1 230 668**
Total		**85 720**	**89 829**	**45 973**	**3 605 662**	**525 671**	

	Note	Liabilities at fair value through profit or loss	Derivatives used for hedging	Financial liabilities at amortised cost	Non-financial liabilities	Total
Interest-bearing liabilities, non-current [1]	22	-	1 953	2 832 906	-	**2 834 859**
Derivatives, non-current		(7 998)	569 129	-	-	**561 131**
Provisions and other non-current liabilities	24	-	-	-	463 560	**463 560**
Accounts payable		-	-	1 527 587	-	**1 527 587**
Interest-bearing liabilities, current [1]	22	-	318	277 652	-	**277 970**
Derivatives, current [2]		(21 152)	149 153	-	-	**128 001**
Other current liabilities	25	-	-	-	922 135	**922 135**
Total		**(29 150)**	**720 553**	**4 638 145**	**1 385 695**	

1) In addition to the hedging instruments specified below, currency effect of EUR loan is designated as a hedging instrument in a cash flow hedge of highly probable future sales. See note 22 Interest-bearing assets and liabilities.

2) The group applies hedge accounting for certain contracts and certain parts of power contracts. The negative value reported as 'Liabilities at fair value through profit and loss' is representing the value of parts of power contracts where hedge accounting is not applied.

Fair value measurement
Financial instruments at fair value through profit or loss and financial assets available for sale are measured using different levels of input. There are no material differences between fair value and amortised cost for financial liabilities and financial assets at amortised cost.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs, other than quoted prices, included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

Elkem AS group's assets and liabilities measured at fair value as at 31 December 2017	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	-	625	126 249	**126 874**
Derivatives designated in a hedging relationship	-	58 058	-	**58 058**
Financial assets available for sale	11 166		40 157	**51 323**
Total assets	**11 166**	**58 682**	**166 406**	**236 254**
Financial liabilities at fair value through profit or loss	-	88 520	(88 624)	**(104)**
Derivatives designated in a hedging relationship	26 290	208 421	417 322	**652 032**
Total liabilities	**26 290**	**296 940**	**328 698**	**651 928**

Elkem AS group's assets and liabilities measured at fair value as at 31 December 2016	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	-	2 607	83 113	**85 720**
Derivatives designated in a hedging relationship	-	89 829	-	**89 829**
Financial assets available for sale	9 262	-	36 711	**45 973**
Total assets	**9 262**	**92 436**	**119 824**	**221 522**
Financial liabilities at fair value through profit or loss	-	91 650	(120 800)	**(29 150)**
Derivatives designated in a hedging relationship	2 271	49 514	668 769	**720 553**
Total liabilities	**2 271**	**141 164**	**547 968**	**691 403**

LEVEL 1:
Financial assets measured at level 1 apply to external noted shares. The noted shares are measured based on the listed price. Dividends from the external shares are classified as other gains and losses.

LEVEL 2:
Financial assets and liabilities measured at level 2 applies to forward foreign exchange contracts, commodity contracts and embedded foreign currency derivatives. The contracts are measured at fair value by estimating the future cash flows.

LEVEL 3:
The financial assets and liabilities at fair value through profit or loss measured at level 3 consist of power contracts with Statkraft (one contract bought from Norske Skog in 2010 and swap contracts) and a contract called "30-øringen" based on how the power price in the contract is determined. The usage of power from the contract bought from Norske Skog is restricted to industrial purposes, and the power from the 30-øring contract are restricted to be used at Elkem AS plants. The contracts are assessed to be settled net in cash and are therefore within the scope of IAS 39 and recognised as financial instruments.

When valuing these contracts observable data is used, such as power price, currency rates, CPI and CfD, when available. The power prices for long-term electricity contracts in Norway are not directly observable in the market for the whole contract length. Power prices are observable until 2026, CfD to 2021 and the currency rates are observable until 2022. Valuation of the contracts for the remaining periods are based on the latest observable data adjusted for CPI, if relevant.

See note 27 Financial risk and capital management for sensitivity analysis.

Assessment of fair value of contracts with Statkraft

The Elkem AS group pays fixed power prices to Statkraft, specified for each contract / year in the contracts.

Assumptions for valuation of the contracts

- Discount rate: 1.68% (1.68%) p.a. based on the estimated risk of the contract, including credit risk.
- Power prices: Market prices at 31 December for the duration of the contract.
- CfD's: Four year average historic CfD prices based on Nord Pool Spot prices.
- Currency rate EUR: Market prices tradable for the group as of 31 December for the duration of the contract.

As of 1 January 2013, the Statkraft contract bought from Norske Skog has been designated as a hedging instrument in a cash flow hedge of highly probable future purchases. Changes in fair value for the power contract are therefore from the same date booked against OCI. Realised effects from the fair value as at 31 December 2012 are booked through profit or loss. Swap contracts with Statkraft and embedded derivatives EUR are booked according to hedge accounting principles from 1 January 2016.

Assessment of fair value of 30-øring contract

The 30-øre power contracts last until 31 December 2030. For the years 2018 - 2020 the price under the contract is fixed except if the spot price at the relevant grid points exceed a certain threshold, in which case the price equals the spot price. For the last 10 years of the contract the price is fixed based on the average spot price the preceding four years, adjusted for inflation. The fixed price and the threshold price are based on a start date and adjusted with inflation annually thereafter.

Assumptions for valuation of the contract

- Discount rate: 3.6% (3.6%) p.a. based on the estimated risk of the contract including credit risk.
- Inflation: 2.0% p.a., (2,0% p.a.)
- Power prices: Market prices per 31 December 2017 until 2027, thereafter prices are based on 2027, adjusted with inflation rate.
- CfD's: Four year average historic CfD prices based on Nord Pool Spot prices.
- Currency rate EUR: Market prices tradable for the group as of 31 December 2017 until 2022, thereafter prices equal to 2022 rates.

Changes in fair value for the "30-øringen" contract are presented as a part of other gains and losses.

In addition, level 3 includes shares in unlisted external companies. These shares are booked at cost and written down if the value of the company is assessed to be lower than cost.

Specification of movements in measurement on level 3	2017	2016
Opening balance 01.01	(428 144)	(813 530)
Transfer to / from other levels	-	(4 829)
Change in fair value recognised in OCI, cash flow hedges	136 421	236 481
Settlement	56 310	99 652
Disposal	(141)	(261)
Acquisition	29	75
Other changes in fair value through profit or loss	70 320	56 060
Translation effects	2 913	(1 793)
Closing balance 31.12	**(162 292)**	**(428 144)**

Details of financial instruments

Details of foreign exchange contracts as at 31 December 2017

Purchase currency	Purchase ccy 1000	Sale currency	Sale ccy 1000	Type of instrument	Currency deal rate	Due	Fair value NOK thousand	Notional amount 1) NOK thousand
USD	1 269	JPY	142 510	Fwd	0,0089	2018	32	10 388
NOK	9 355	AUD	1 500	Fwd	6,2366	2018	(257)	9 618
CAD	28 035	EUR	18 800	Fwd	1,4912	2018	(3 341)	185 082
NOK	2 504 556	EUR	261 875	Fwd	9,5639	2018	(87 625)	2 578 107
CAD	1 869	NOK	12 075	Fwd	0,1548	2018	44	12 230
NOK	90 837	GBP	8 500	Fwd	10,6867	2018	(3 511)	94 294
NOK	115 004	JPY	1 406 000	Fwd	0,0818	2018	12 063	102 491
NOK	741 675	USD	91 200	Fwd	8,1324	2018	(2 181)	748 205
NOK	110 393	JPY	1 316 000	Fwd	0,0839	2019	12 603	95 930
NOK	107 766	JPY	1 268 000	Fwd	0,0850	2020	11 969	92 431
NOK	4 059 624	EUR	396 375	Embedded 2)	10,2419	2018-2034	(183 669)	3 902 236
Total fair value currency exchange contracts 3)							**(243 875)**	

1) Notional value of the contracts, based on currency rates 31.12.

2) Embedded derivatives EUR in commodity contracts.

3) The spot element of currency forward contracts with duration more than 3 months are designated as hedging instruments is a cash flow hedge of highly probable future sales, hence this part is classified as 'Derivatives used for hedging' in the table 'Financial assets and liabilities classified by category'. The interest element of these contracts and contracts of duration < 3 months are classified as 'Assets/liabilities at fair value through profit and loss'.

Details of foreign exchange contracts as at 31 December 2016

Purchase currency	Purchase ccy 1000	Sale currency	Sale ccy 1000	Type of instrument	Currency deal rate	Due	Fair value NOK thousand	Notional amount 1) NOK thousand
CAD	7 517	EUR	5 200	Fwd	1,4455	2017	449	47 244
NOK	1 227 584	EUR	132 050	Fwd	9,2964	2017	17 788	1 199 713
CAD	1 499	GBP	800	Fwd	1,8743	2017	1 092	8 499
NOK	46 356	GBP	4 200	Fwd	11,0372	2017	1 592	44 618
NOK	146 124	JPY	1 980 000	Fwd	0,0738	2017	(740)	145 810
NOK	536 836	USD	65 800	Fwd	8,1586	2017	(29 286)	567 104
CAD	3 951	USD	3 000	Fwd	1,3171	2017	(463)	25 856
NOK	524 796	EUR	58 000	Fwd	9,0482	2018	(12 850)	526 947
NOK	88 663	JPY	1 036 000	Fwd	0,0856	2018	10 352	76 292
NOK	101 569	USD	13 000	Fwd	7,8130	2018	(9 884)	112 042
NOK	89 917	JPY	1 036 000	Fwd	0,0868	2019	10 128	76 292
NOK	87 003	JPY	988 000	Fwd	0,0881	2020	9 351	72 758
NOK	1 889 767	EUR	199 408	Embedded 2)	9,4769	2017-2027	(62 384)	1 811 685
Total fair value currency exchange contracts 3)							**(64 855)**	

1) Notional value of the contracts, based on currency rates 31.12.

2) Embedded derivatives EUR in commodity contracts.

3) The spot element of currency forward contracts with duration more than 3 months are designated as hedging instruments is a cash flow hedge of highly probable future sales, hence this part is classified as 'Derivatives used for hedging' in the table 'Financial assets and liabilities classified by category'. The interest element of these contracts and contracts of duration < 3 months are classified as 'Assets/liabilities at fair value through profit and loss'.

Details of power contracts and other commodity contracts within the scope of IAS 39 as at 31 December 2017

	Volume GWh / Oz	Due	Fair value	Notional amount [1]
Forward contracts financial institutions	299	2018	5 678	74 263
Commodity contract "30-øringen"	501	2018	(20 146)	146 653
Commodity contract "30-øringen"	6 016	2019-2030	126 249	1 692 993
Commodity contracts Statkraft	1 498	2018	(78 671)	446 722
Commodity contracts Statkraft	3 000	2019-2020	(170 177)	925 792
Commodity contract Statkraft, swap	201	2018	(15 521)	65 218
Commodity contract Statkraft, swap	605	2019-2034	(44 183)	195 834
Commodity contracts Platinum	900	2018	11	4 085
Commodity contracts Platinum	980	2019	(73)	7 752
Fair value contracts within scope of IAS 39 [2]			**(196 832)**	

1) Notional value of underlying asset at the end of reporting period, calculated as volume * price * currency rate at 31.12 (if other currencies than NOK).

2) Certain power contracts and part of power contract Statkraft are designated as hedging instruments, the remaining contracts/parts of contracts are classified as 'Assets/liabilities at fair value through profit and loss'.

Details of power contracts and other commodity contracts within the scope of IAS 39 as at 31 December 2016

	Volume GWh / Oz	Due	Fair value	Notional amount [1]
Forward contracts financial institutions	307	2017	16 161	71 858
Forward contracts financial institutions	140	2018	6 216	26 113
Forward contracts other	(26)	2017	(1 165)	(5 611)
Commodity contract "30-øringen"	501	2017	(10 713)	141 589
Commodity contract "30-øringen"	6 517	2018 - 2030	83 113	1 688 680
Commodity contracts Statkraft	1 498	2017	(47 231)	436 685
Commodity contracts Statkraft	4 498	2018-2020	(415 054)	1 372 513
Commodity contract Statkraft, swap	201	2017	(8 250)	60 187
Commodity contract Statkraft, swap	806	2018-2027	(66 721)	240 913
Commodity contracts Platinum	4 560	2017	(5 085)	38 514
Fair value contracts within scope of IAS 39 [2]			**(448 728)**	

1) Notional value of underlying asset at the end of reporting period, calculated as volume * price * currency rate at 31.12 (if other currencies than NOK).

2) Certain power contracts and part of power contract Statkraft are designated as hedging instruments, the remaining contracts/parts of contracts are classified as 'Assets/liabilities at fair value through profit and loss'.

Hedge Accounting

Elkem group is applying hedge accounting for parts of the foreign exchange forward contracts, for embedded EUR derivatives in power contracts and for certain power contracts. The currency exchange contracts are designated in a cash flow hedge to hedge currency fluctuations in highly probable future sales, mainly in USD and EUR. Realised effects from these contracts, a loss of NOK 41,393 thousand (loss NOK 175,569 thousand), is therefore booked as an adjustment of the sales revenue. Also embedded EUR derivatives in power contracts are designed as hedging instruments to hedge currency fluctuations in highly probable future sales. Realised effects from these contracts are a loss of NOK 1,215 thousand (no realisation in 2016). Effects from other currency forward contracts, both unrealised and realised, are booked directly to other gains and losses. Certain commodity contracts power are designated as hedging instruments in a cash flow hedge of price fluctuations for highly probable future purchases. Hence, the effective part of change in fair value is booked against OCI, and booked as an adjustment of the power cost (part of COGS) when realised. The realised effect for these contracts was in 2017 a loss of NOK 60,003 thousand (loss of NOK 157,371 thousand). An ineffectiveness gain of NOK 43,023 thousand (loss of NOK 4,6 thousand) is booked as other gains / losses.

The table below shows fair value for the derivative financial instruments, classified by type of hedging

Derivative financial instruments	2017 Assets fair value	2017 Liabilities fair value	2016 Assets fair value	2016 Liabilities fair value
Forward foreign exchange contracts – cash flow hedges	52 380	126 300	68 617	94 030
Forward power contract Statkraft – cash flow hedges	-	435 530	-	692 336
Forward power contract Statkraft swap – cash flow hedges	-	(18 208)	-	(23 567)
Forward power contracts embedded derivatives – cash flow hedges	-	82 120	-	(44 517)
Forward power contracts financial institutions – cash flow hedges	5 678	-	21 212	-
Currency effect loan EUR – cash flow hedge [1]	-	26 290	-	2 271
Total derivative instruments	**58 058**	**652 032**	**89 829**	**720 553**
Less non-current portion:				
Forward foreign exchange contracts – cash flow hedges	25 325	-	29 832	22 734
Forward power contract Statkraft – cash flow hedges	-	300 773	-	596 837
Forward power contract Statkraft swap – cash flow hedges	-	(12 195)	-	(9 932)
Forward power contracts embedded derivatives – cash flow hedges	-	72 409	-	(40 510)
Forward power contracts financial institutions – cash flow hedges	-	-	6 216	-
Currency effect loan EUR – cash flow hedge [1]	-	21 908	-	1 953
Current portion of derivative instruments	**32 733**	**269 136**	**53 781**	**149 471**

1) See note 22 Net interest-bearing assets / liabilities.

The table below shows the movements in OCI related to hedging instruments

Derivative financial instruments recognised against OCI	Opening balance 2017	Net change in fair value	Reclassified to P&L	Closing balance 2017
Change in fair value from derivatives designated as a hedge of future sales	(25 413)	(89 900)	41 393	(73 920)
Change in fair value from derivatives designated as a hedge of future need for power (Financial institutions) [1]	21 213	(3 170)	(12 365)	5 678
Change in fair value from derivatives designated as a hedging of future need for power (Statkraft) [2]	(643 424)	133 137	80 946	(429 342)
Change in fair value from derivatives designated as a hedging of future need for power (Statkraft swap) [3]	23 567	3 284	(8 643)	18 208
Change in fair value from embedded derivatives designated as a hedge of future sales [4]	44 517	(127 852)	1 215	(82 120)
Change in fair value from derivatives designated as a hedge of future sales [5]	(2 271)	(26 161)	2 143	(26 290)
Total gains / losses (before tax) in OCI 31.12.	**(581 812)**	**(110 663)**	**104 689**	**(587 785)**

1) Contracts with other financial institutions.

2) Contract with Statkraft. As of 1 January 2013, the Statkraft contract has been designated as a hedging instrument in a cash flow hedge of highly probable future purchases. Changes in fair value for the power contract are therefore from the same date booked against OCI. Changes in fair value up to 31 December 2012 were booked in the statement of income, classified as other gains and losses. Reversal of unrealised effects from these contracts will be offset by realised effects, only the interest element will affect the statement of income.

3) Power contracts swap, with Statkraft. Hedge accounting applied from 2016.

4) Embedded derivatives EUR power contracts. Hedge accounting applied from 2016.

5) Currency effects loan EUR.

The table below shows the movements in OCI related to hedging instruments

Derivative financial instruments recognised against OCI	Opening balance 2016	Net change in fair value	Reclassified to P&L	Closing balance 2016
Change in fair value from derivatives designated as a hedge of future sales	(445 545)	244 562	175 569	(25 413)
Change in fair value from derivatives designated as a hedge of future need for power (Financial institutions) [1]	(95 518)	72 131	44 599	21 213
Change in fair value from derivatives designated as a hedging of future need for power (Statkraft) [2]	(970 899)	214 752	112 723	(643 424)
Change in fair value from derivatives designated as a hedging of future need for power (Statkraft swap) [3]	-	23 567	-	23 567
Change in fair value from embedded derivatives designated as a hedge of future sales [4]	-	44 517	-	44 517
Change in fair value from derivatives designated as a hedge of future sales [5]	-	(2 271)	-	(2 271)
Total gains / losses (before tax) in OCI 31.12.	**(1 511 961)**	**597 258**	**332 891**	**(581 812)**

1) Contracts with Nasdaq and other financial institutions.

2) Contract with Statkraft. As of 1 January 2013, the Statkraft contract has been designated as a hedging instrument in a cash flow hedge of highly probable future purchases. Changes in fair value for the power contract are therefore from the same date booked against OCI. Changes in fair value up to 31 December 2012 were booked in the statement of income, classified as other gains and losses. Reversal of unrealised effects from these contracts will be offset by realised effects, only the interest element will affect the statement of income.

3) Power contracts swap, with Statkraft. Hedge accounting applied from 2016.

4) Embedded derivatives EUR power contracts. Hedge accounting applied from 2016.

5) Currency effects loan EUR.

Accumulated gains / losses from cash flow hedges recognised in OCI are expected to be recycled to profit or loss in the period of 2018–2034, see further details in the tables above specifying financial instruments by duration.

Offsetting financial assets and liabilities

Financial assets subject to offsetting

2017	Gross amount of financial assets	Gross amount of financial liabilities set off in the statement of financial position	Net amounts of financial assets recognised / presented	Financial instruments not set off in the statement of financial position	Cash collateral pledged	Net amount
Commodity contracts, embedded derivatives	2 028	(2 028)	-	-	-	-
Commodity contracts NASDAQ and other financial institutions	6 846	(1 168)	5 678	-	-	5 678
Foreign exchange forward contracts	52 973	-	52 973	(26 895)	-	26 078
Total	**61 847**	**(3 196)**	**58 651**	**(26 895)**	**-**	**31 756**

Financial liabilities subject to offsetting

2017	Gross amount of recognised financial liabilities	Gross amount of financial liabilities set off in the statement of financial position	Net amounts of financial assets recognised / presented	Financial instruments not set off in the statement of financial position	Cash collateral pledged	Net amount
Commodity contracts, embedded derivatives	185 697	(2 028)	183 669	-	-	183 669
Commodity contracts NASDAQ and other financial institutions	1 168	(1 168)	-	-	-	-
Foreign exchange forward contracts	113 210	-	113 210	(26 895)	-	86 315
Total	**300 075**	**(3 196)**	**296 879**	**(26 895)**	**-**	**269 984**

The following financial assets are subject to offsetting

2016	Gross amount of financial assets	Gross amount of financial liabilities set off in the statement of financial position	Net amounts of financial assets recognised / presented	Financial instruments not set off in the statement of financial position	Cash collateral pledged	Net amount
Commodity contracts, embedded derivatives	6 457	(6 457)	-	-	-	-
Commodity contracts NASDAQ and other financial institutions	22 804	(1 592)	21 212	-	-	21 212
Foreign exchange forward contracts	70 059	-	70 059	(7 714)	-	62 345
Total	**99 320**	**(8 049)**	**91 271**	**(7 714)**	**-**	**83 557**

The following financial liabilities are subject to offsetting

2016	Gross amount of recognised financial liabilities	Gross amount of financial liabilities set off in the statement of financial position	Net amounts of financial assets recognised / presented	Financial instruments not set off in the statement of financial position	Cash collateral pledged	Net amount
Commodity contracts, embedded derivatives	68 842	(6 457)	62 384	-	-	62 384
Commodity contracts NASDAQ and other financial institutions	1 592	(1 592)	-	-	-	-
Foreign exchange forward contracts	72 529	-	72 529	(7 714)	-	64 815
Total	**142 963**	**(8 049)**	**134 914**	**(7 714)**	**-**	**127 200**

27 | Financial risk and capital management

Introduction
Elkem AS group operates in an international and cyclical industry which expose the business to a variety of financial risks such as currency risk, liquidity risk, interest rate risk, credit risk and risks relating to prices of finished goods and raw materials. The financial risks affect the group's income and/or the value of financial instruments held. Financial risks related to its operations are monitored and handled centrally at Elkem AS group level. Elkem AS group has financial risk policies in place, approved by its board of directors.

FINANCIAL RISK FACTORS

(a) Market risk

(i) Currency risk

Transaction risk – cash flow hedge
Elkem AS group has sales revenue and operating costs in various currencies. The prices of finished goods are to a large extent determined in international markets, primarily in US Dollar and Euro. This is partly offset by purchase of raw materials denominated in the same currencies. Elkem AS group has net positive cash flows in most currencies, mainly US dollar and Euro, but has a net cost position in certain other currencies, mainly Norwegian krone but also in Canadian dollars, Brazilian real and Icelandic krona.

Elkem AS group's policy is to hedge foreign exchange risk against functional currency to even out fluctuations in result and cash flow. The target is to hedge net cash flow for 0–3 months on a 90% hedging ratio. Net cash flow for 4–12 months should be hedged on a rolling basis based on a 45% hedging ratio. The hedging ratio for 4-12 months may vary between 25% and 75%. Elkem AS group decided to increase the hedging ratio for EUR and USD to 75% for 2018. Elkem AS group also has a hedge in JPY until 2020 related to a long-term customer contract. Elkem AS group uses hedge accounting for all cash flow hedges over 3 months.

In 2017, Elkem AS group realised a loss of NOK 41 million from this hedging program (loss of NOK 175 million).

Foreign exchange – sensitivity analysis on financial instruments
Elkem AS group is presenting its accounts in Norwegian krone, but it has underlying assets and liabilities in various currencies. These effects are monitored and managed centrally.

The table bellow shows currency effect by lines in the financial statement:

Currency effect included in financial statement	2017	2016
Net foreign exchange gains / losses - foreign exchange forward contracts - included in other gains and losses	(3 180)	26 595
Operating foreign exchange gains / losses - included in Other gains and losses	(5 108)	(19 936)
Net foreign currency exchange gain/loss on financing activities	(7 701)	49 661
Currency translation differences - included in comprehensive income	225 938	(64 508)

Sensitivity on profit and loss from financial instruments: The sensitivity related to financial instruments on Elkem AS group's profit or loss, is based on a strengthening / weakening of all currencies by 10% against the Norwegian krone, which is the presentation currency for Elkem AS group. If the Norwegian krone is strengthened by 10% against all other currencies, the isolated effect on financial instruments would have been a reduced profit before tax of approximately NOK 205 million (NOK 273 million).

Sensitivity on statement of financial position from financial instruments: The sensitivity related to financial instruments on Elkem AS group's statement of financial position, is based on a weakening / strengthening of all currencies by 10% against the Norwegian krone, which is the presentation currency for Elkem AS group. If the Norwegian krone is strengthened by 10% against all other currencies, the isolated effect on financial instruments would have given an reduced equity of NOK 49 million (NOK 92 million). This effect does not include the effects from the sensitivity on profit or loss as calculated above.

(ii) Price risk

Elkem AS group is exposed to fluctuations in market prices both in the investment portfolio and in the operating business related to individual contracts. The main part of short-term price risk is hedged.

The investment portfolio is limited, see note 14 Interest in other companies.

Commodity prices
The business is exposed to changes in market prices for raw materials and finished goods. The group seeks to minimise the exposure by entering into sales and purchase contracts with similar duration and volume.

Elkem AS group's main production capacity is focused towards specialised products. These products require special types of raw materials that have fixed customer specifications. Elkem AS group has acquired several raw material sources and / or enters into medium to long-term contracts with raw material suppliers.

Power
Elkem AS group purchases power contracts to minimise the future exposure to changes in power prices. These contracts are either financial instruments, physical commodity contracts that both meet and do not meet the criteria for own use according to IFRS.

Changes in fair value of commodity contracts, defined as financial instruments, reflect unrealised gains or losses and are calculated as the difference between market price and contract price, discounted to present value. Valuation techniques are used for available market information as much as possible.Techniques that reflect how the market could be expected to price instruments, are used in non-observable markets.

Elkem AS group's portfolio of commodity contracts consists mostly of physical energy contracts. Electric power is a key input factor for Elkem AS group. Elkem AS group's estimated future power exposure is partly hedged by long-term power contracts in addition to several contracts in the medium-term. Optimisation of 24-hour-, seasonal- and capacity utilisation variations are solved through utilising financial and physical contracts that are traded bilaterally, or at Nasdaq OMX. The purpose of the hedging activities is to reduce volatility in the power cost and increase the predictability of the cost base. Fair value of commodity contracts is especially sensitive for future changes in energy prices.

Valuation of the power contracts
The valuation technique used for valuing the power contracts is described in note 26 Financial instruments.

Sensitivity analysis - power contracts
Sensitivity on the Statkraft and the "30-øringen" contracts is as follows (figures in NOK million):

"30-øringen" contract		Fair value 31.12.2017	Adjusted NPV
Discount rate (used 3,6%)	change to 0%	106,1	158,3
Discount rate (used 3,6%)	change to 5%	106,1	90,5
CPI (used 2%)	change to 1%	106,1	158,5
CPI (used 2%)	change to 3%	106,1	49,6
Power price	decrease -10%	106,1	18,3
Power price	increase + 10%	106,1	187,7

Statkraft contract (NSG)		Fair value 31.12.2017	Adjusted NPV
Power price	decrease -10%	(248,80)	(357,60)
Power price	increase + 10%	(248,80)	(140,00)
Discount rate (used 1,68%)	change to 0%	(248,80)	(255,20)
Discount rate (used 1,68%)	change to 5%	(248,80)	(237,00)

(iii) Interest rate risks

Elkem AS group's interest rate risk arises from interest-bearing liabilities from external financial institutions. Elkem AS group's liabilities are mainly drawn in EUR.

Elkem AS group has a floating interest rate policy and is hence exposed to fluctuating interest rates. Industry conditions are cyclical and prices and sales volumes for Elkem AS group's products tend to correlate with general economic conditions. During an economic downturn sales prices and volumes are expected to go down, while prices and volumes tend to go up during an economic upturn. A floating interest rate policy is seen as appropriate from a financial risk perspective. Interest-rates have stayed low for a number of years due to a low-rate economic environment. However, many central banks have inflation targets and intend to adjust interest rates to control the general rise in the price level. With floating interest rates the group will normally be in a position to benefit from lower interest rates in an economic downturn, but a floating rate policy will also leave the group exposed to increased future interest rates.

As at 31 December 2017 Elkem AS group has the following interest-bearing assets and liabilities

	Floating	Fixed	Total
Interest-bearing liabilities	3 343 164	-	3 343 164
Interest-bearing assets	1 601 098	-	1 601 098
Net exposure	**1 742 066**	**-**	**1 742 066**

Sensitivity

The interest rate sensitivity is based on a parallel shift in the interest rates that Elkem AS group is exposed to. If interest rates had been 50 basis points higher for a full year, based on net debt as at 31 December 2017, with all other variables held constant, the profit after tax would have been NOK 6.3 million lower (NOK 6.3 million). An overview of Elkem's debt portfolio is presented in note 22 Interest-bearing assets / liabilities.

(b) Counterparty credit risk

Credit risk is the risk of financial losses to the group if a customer or counterparty fails to meet contractual obligations. For Elkem AS group this arises mainly to accounts receivable and financial trading counterparties.

Accounts receivable are generally secured by credit insurance from a reputable credit insurance company. Credit limits for each customer and overdue receivables are monitored at Elkem AS group level. For customers where credit insurance cannot be obtained, other methods are generally used to secure the sales proceeds, such as prepayment, letter of credit, documentary credit or guarantees. In particular, when sales are made in countries with a high political risk, or to remote customers, trade finance products are used to reduce the credit risk. Approximately 85 - 90% of Elkem AS group's revenue is covered by credit insurance, trade finance or prepayments. Elkem AS group realised credit losses of NOK 4.9 million in 2017 (NOK 7.3 million). The maximum exposure to credit risk for the group is NOK 2,273 million per 31 December 2017 (NOK 1,937 million). Please also refer to note 18 accounts receivable.

Evaluation of financial counterparties is based on external credit ratings from Moody's and / or Standard and Poor's. The general policy is that financial counterparties should have a rating equal to, or higher than, A- (or the equivalent) from the rating agencies, but exceptions may be made on a case-by-case basis, mainly for local banks in emerging markets.

Elkem AS group has not had any losses in 2017 or 2016 related to financial counterparties.

(c) Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting the obligations associated with its financial liabilities. Elkem AS group is exposed to liquidity risk related to its operations and financing.

Elkem AS group's cash flow will fluctuate due to economic conditions and financial performance. In order to assess its future operational liquidity risk, short-term and long-term cash flow forecasts are provided. The short-term forecast is updated each week, and the long-term cash flow projection is updated each quarter. In order to mitigate the operational liquidity risk, Elkem AS group has cash and revolving credit facilities

with banks. As at 31 December 2017 Elkem AS group has unrestricted cash of NOK 1,493 million (NOK 1,231 million). In addition, revolving credit facilities amount to NOK 2,330 million (NOK 2,105 million), of which NOK 2,330 million is undrawn (NOK 2,105 million).

The external loan agreements contains two financial covenants. The ratio of gross operating profit (loss) to consolidated net interest payable, as defined herein, for each measurement period, where the period is calculated as the 12 months ending on the last day of a financial quarter, must exceed 4. Additionally, the ratio of total equity to total assets must be more than 30% at all times. Elkem comply with these covenants as of 31 December 2017 and complied with the covenants as of 31 December 2016.

The policy is to have cash and available credit facilities to cover known capital needs and generally not less than 10% of annual revenue. In addition, the policy is to ensure that the main credit facilities have a remaining maturity of at least 12 months. The maturity profile of the credit facilities per 31 December 2017 for Elkem AS group is shown in the table below.

Year / maturity	2018	2020	Total
Total amount of credit facilities	361	1 969	2 330

The table below analyses the group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of reporting period to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows, and the amounts are without interest payments.

At 31 December 2017	Less than 6 months	6 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Interest-bearing liabilities	331 919	328 091	616 299	1 958 167	115 529
Financial lease	589	589	401	-	-
Accounts payable	1 836 888	-	-	-	-

At 31 December 2016	Less than 6 months	6 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Interest-bearing liabilities	138 571	135 067	556 820	2 192 589	97 065
Financial lease	2 167	2 167	1 452	45	-
Accounts payable	1 527 587	-	-	-	-

A total overview of Elkem AS group's debt portfolio and instalment profile is presented in note 22 Interest-bearing assets / liabilities.

CAPITAL MANAGEMENT

As of 31 December 2017, Elkem AS group's equity was NOK 8,332 million, including minority interests of NOK 102 million. The equity ratio was 51%.

Generally, the Elkem AS group aims to have a leverage ratio in the level of 1.5 - 2.0x. Leverage ration is defined as Net interest bearing debt as defined in note 22 Interest-bearing liabilities and assets divided by gross operating profit.

Elkem AS group will focus on having an effective capital allocation and intends to pay dividends reflecting the underlying earnings and cash flow. When deciding the dividend level, Elkem will take into consideration capital expenditure plans, financing requirement and maintaining the appropriate strategic flexibility. Elkem AS group is managing its financing and liquidity position to reduce liquidity risk and to ensure that the company can meet its financial obligations at all times. See note 33 Events after the reporting period for information about new loan agreements.

28 | Related party transactions

100% of the shares in Elkem AS group are held by Bluestar Elkem International Co. Ltd S.A., see note 20 Shareholder information. Balances and transactions between Elkem AS and subsidiaries have been eliminated in the consolidated financial statements and are not disclosed in this note. Details of transactions between the group and other related parties are disclosed below.

2017	Trade sales	Trade purchases	Sale of services	Purchase of services	Interest income	Interest expenses
Bluestar Elkem International Co. Ltd S.A.	-	-	11 547	-	305	-
Joint arrangements and associates	-	-	59 426	(144 146)	2 384	-
Other related parties within China National Bluestar group	166 456	(343 454)	85 374	(1 839)	-	-
Total	**166 456**	**(343 454)**	**156 347**	**(145 985)**	**2 689**	**-**

2016	Trade sales	Trade purchases	Sale of services	Purchase of services	Interest income	Interest expenses
Bluestar Elkem International Co. Ltd S.A.	-	-	324	-	-	-
Joint arrangements and associates	121 245	(41 917)	103 160	(177 850)	2 556	-
Other related parties within China National Bluestar group	32 875	(295 574)	21 980	(1 035)	-	-
Total	**154 120**	**(337 491)**	**125 464**	**(178 885)**	**2 556**	**-**

Loans from / to related parties	31.12.17	31.12.16
Loans to joint arrangements	8 920	52 682
Receivables to joint arrangements	-	14 269
Loans from other related parties within China National Bluestar group	(6 873)	(7 416)
Accrued interest on loans from other related parties within China National Bluestar group	-	-
Receivables from Bluestar Elkem International Co. Ltd S.A	-	324
Payables to joint arrangements and associates	(10 039)	(12 656)
Receivables from joint arrangements and associates	5 387	2 227
Payables to other related parties within China National Bluestar group	(79 474)	(24 918)
Receivables from other related parties within China National Bluestar group	59 421	32 980

Information about transactions between related parties outside Elkem AS group

The main transactions between Elkem AS group and parties outside Elkem AS group are:
- Sale of management and technology services to Elkem Solar AS
- Power supply and sale of raw materials to Elkem Solar AS
- Purchase of short and deep sea transport from North Sea Containerline AS and Elkem Chartering AS
- Purchase of warehousing from Combined Cargo Warehousing BV
- Sale of silicone to companies within China National Bluestar group
- Purchase of raw materials from companies within China National Bluestar group, mainly from Jiangxi Bluestar Xinghuo Silicones Co Ltd

Elkem AS group also has loans from other related parties within China National Bluestar group. The main loans are given from:
- Bluestar Silicones Investment Co. Ltd

The sale and purchase from related parties outside Elkem AS group are made on terms equivalent to those that prevail in arm's length transactions. Prices are set upon negotiations between the parties.

Outstanding balances at year-end are unsecured, and the short-term receivables and payables are interest free, with an exception of the short-term loans. The long-term loans are interest-bearing, and the interest is calculated based on interbank rates (for example LIBOR and EURIBOR) plus a margin.

Transactions with key management personnel
Information on transactions with key management personnel is included in note 5 Employee benefit expenses.

Information about eliminated transactions between related parties within Elkem AS group
Elkem AS group follows internationally accepted principles for transactions between related parties within the group. In general, Elkem AS group seeks to use transaction based methods (comparable uncontrolled price, transactional net margin method, cost plus and resale price method) in order to set the price for the transaction. Elkem AS group's set-up for sales is based both on an agent structure and as a distribution network.

The related party transactions in Elkem AS group can be divided as follows:

1. Buy-sell of products
   a. Supply of raw materials to manufacturers (sales from sourcing companies)
   b. Sale/supply of finished goods from one Elkem manufacturer to another Elkem manufacturer (as in-bound to further production)
   c. Distribution of manufactured goods (directly from the plant or indirectly for resale by distributors)
   d. Flow-through (products are sold to and from Elkem AS due to treatment of indirect taxes)
2. Services
   a. Sales agent/commissionaire services
   b. Order handling services performed for a large part of the companies by one service company (EDC)
   c. General services (cost plus)
      i. Sourcing services
      ii. Technical support services (assistance from one company to another)
      iii. Management services / Divisional management services / Cash management services
   d. Toll manufacturing services (milling services)
3. Financial services
   a. Cash pool
   b. Group loans

29 | Grants

Elkem AS group has received the following government grants	2017	2016
Funding from the Norwegian government R&D	33 407	25 813
Funding from the French government R&D	44 276	40 094
Funding from other R&D	3 317	-
CO2 Compensation from the Norwegian Environment Agency [1]	76 955	86 333
Funding related to energy recovery	25 767	28 666
Other grants	25 895	23 701
Total government grants received	**209 617**	**204 607**

1) The current Co2 compensation programme will end in 2020.

Elkem AS group has received the following grants from other than government	2017	2016
Norwegian NOx fund for reduced emission of NOx [1]	6 150	48 777
Norwegian emission fund for reduced emission of So2 [1]	12 165	32 222
Other grants received from other than government	-	250
Total other grants received	**18 315**	**81 249**

1) The industry in Norway pays a fee for their emission of NOx and So2 to two different foundations. The two foundations are self-financed by the fee and their purpose is to support projects that reduces So2 and NOx emission from the industry in Norway.

Grants received is included in the financial statement as follows:

Other operating income	186 350	175 777
Deduction of carrying amount of fixed assets	41 582	110 079
Total	227 932	285 856
Receivables related to grants	240 642	320 690
Deferred income related to grants	(3 007)	(6 252)

30 | Changes in the composition of the group

Elkem AS group has in 2017 invested NOK 84,304 thousand related to increase its ownership in Iguazú Alloys S.A from 50% to 100% and purchase of convertible shareholder loans. In 2016 Elkem AS group invested NOK 471,012 thousand related to acquisition of subsidiaries and business (business combination). See note 31 Business combination for more information.

In December 2016 Elkem AS group has nvested NOK 31,224 thousand related to increase of the ownership in Nor-Kvarts from 66.7% to 100%.

Changes in ownership interests in subsidiaries are accounted for as equity transactions. The effect on the equity attributable to owners of the parent is presented in the table below.

Effect of changes in composition of the group	2016
Net consideration received (paid)	(31 224)
Adjustment to non-controlling interest	27 321
Adjustment to equity attributable to owners of the parent	(3 903)

31 | Business combinations

Business combinations 2017
In September 2017 Elkem AS group invested NOK 84,304 thousand related to increase its ownership in Igazú Alloys S.A from 50% to 100% and purchase of convertible shareholder loans. The amount comprises of loans from former shareholder reduced by cash and cash equivalents of the acquiree. The loan will be settled by annual payments over a seven years period. Iguazú Alloys owns a ferrosilicon plant in Paraguay that are under construction. The plant is expected to open in March 2018.

This transaction is considered a business combination according to IFRS 3. Acquisition method is applied by netting the fair value of consideration given to the transferee (the "acquisition cost"), excluding cost related to the acquisition, with the fair value of the acquired assets, liabilities and contingent liabilities assumed at the acquisition date. The acquisition cost of a purchase is equal to the fair value of the assets transferred, the equity instruments issued and the liabilities incurred or assumed at the acquisition date. The fair values of assets and liabilities under contingent consideration agreements are likewise included.

Elkem AS group's management was required to allocate values in excess/deficit of the carrying amount of equity to assets acquired and liabilities assumed.

Acquisition-related costs of NOK 2.1 million is recognised in profit or loss in the line item other gains and losses. The tables below summarises the consideration transferred and the amounts recognised for assets acquired and liabilities assumed after the business combination.

Consideration	Iguazú alloys
Loans from former shareholder	84 507
Contingent consideration	-
Consideration transferred	**84 507**
Fair value of previously held equity interest including convertible shareholder loans [1]	84 507
Total	**169 014**

1) The purchase price is equal to the book value of the equity interest at the acquisition-date, hence no gain or loss is recognised as a result of remeasuring of the previously held equity interest.

Amounts for assets and liabilities recognised	Iguazú alloys
Property, plant and equipment	283 742
Other intangible assets	336
Inventories	2 141
Other current assets	11 847
Cash and cash equivalents	203
Provisions and other non-current liabilities	(122 012)
Accounts payable	(6 336)
Provisions and other current liabilities	(907)
Total	**169 014**
Goodwill	-
Total	**169 014**

For the period from purchase to 31 December 2017 Iguazú Alloys has contributed NOK 0.0 million to operating revenue and contributed negatively NOK 4.2 million to profit (loss) for the year. If the acquisition date of business combination was of 1 January 2017, the operating revenue of Elkem AS group would have increased by NOK 0.0 million and profit would have decreased by NOK 6.2 million.

The net assets recognised are based on provisional assessment of their fair value, as the business combinations were performed close to year-end and the valuation has not been completed.

Adjustments recognised related to business combinations in 2016
In 2017 Elkem AS group has adjusted the initial amounts for assets and liabilities recognised related to the purchases of Fesil Rana and Minex, see more information below. The following items are affected and adjustments recognised during 2017.

Amounts for assets and liabilities recognised	Total fair value recognised in 2016	Adjustments	Adjusted fair value recognised
Goodwill	98 030	(19 900)	78 130
Other intangible assets	36 297	(2 038)	34 259
Other non-current assets (including deferred tax assets)	13 404	(5 709)	7 695
Inventories	223 938	25 339	249 277
Provisions and other non-current liabilities	(204 041)	(1 552)	(205 593)
Adjustment of purchase price (cash received)		**(3 860)**	

Business combinations 2016
Elkem AS group has in 2016 invested NOK 439,788 thousand related to acquisition of new subsidiaries and business (business combination). The amount comprises cash consideration transferred reduced by cash and cash equivalents of the acquiree.

1 December 2016 Elkem AS group acquired 100% of the shares in Fesil Rana Metall AS, a producer of standard and speciality ferrosilicon and microsilica from Fesil AS.

9 December 2016 Elkem AS group acquired, through purchase of assets, the iron foundry business of the Indian Company Minex Metallurgical Co.Ltd, a leading provider of speciality alloys.

These transactions are considered a business combination according to IFRS 3. Acquisition method is applied by netting the fair value of consideration given to the transferee (the "acquisition cost"), excluding cost related to the acquisition, with the fair value of the acquired assets, liabilities and contingent liabilities assumed at the acquisition date. The acquisition cost of a purchase is equal to the fair value of the assets transferred, the equity instruments issued and the liabilities incurred or assumed at the acquisition date. The fair values of assets and liabilities under contingent consideration agreements are likewise included.

Elkem AS group's management was required to allocate values in excess / deficit of the carrying amount of equity to assets acquired and liabilities assumed.

Acquisition-related costs of NOK 9.9 million is recognised in profit or loss in the line item other gains and losses. The tables below summarises the consideration transferred and the amounts recognised for assets acquired and liabilities assumed after the business combination.

Consideration	Fesil Rana	Minex	Total
Cash	349 844	109 594	459 438
Contingent consideration	-	-	-
Non-controlling ownership interest in subsidiary	-	-	-
Consideration transferred	**349 844**	**109 594**	**459 438**
Fair value of previously held equity interest	-	-	-
Total	**349 844**	**109 594**	**459 438**

Amounts for assets and liabilities recognised	Fesil Rana	Minex	Total
Property, plant and equipment	336 506	21 302	357 808
Other intangible assets	23 041	13 256	36 297
Investment in joint ventures	-	-	-
Interest in associated and other companies	75	-	75
Other non-current assets (including deferred tax assets)	13 404	-	13 404
Inventories	205 471	18 467	223 938
Accounts receivable	30 062	18 708	48 770
Derivatives, current asset	641	-	641
Other current assets	27 555	5 764	33 319
Cash and cash equivalents	19 650	-	19 650
Provisions and other non-current liabilities	(204 041)	-	(204 041)
Accounts payable	(85 950)	(2 273)	(88 223)
Income tax payables	-	-	-
Provisions and other current liabilities	(78 472)	(1 758)	(80 230)
Total	**287 942**	**73 466**	**361 408**
Non-controlling interests	-	-	-
Goodwill	61 902	36 128	98 030
Total	**349 844**	**109 594**	**459 438**

The goodwill of NOK 98 million recognised is attributable to the assembled workforce of the companies and synergies. The business combination is carried out as a part of Elkem AS group's growth strategy.

The fair value of acquired receivables NOK 49 million is equal to the gross contractual amount of receivables. At acquisition date and finalisation of purchase price allocation, management deems the contractual cash flows are expected to be collectible. The companies have credit insurance for the main part of its accounts receivables.

For the period from purchase to 31 December 2016 Fesil Rana have contributed NOK 76 million to operating revenue and contributed positively NOK 3 million to consolidated profit. If the acquisition date of business combination was of 1 January 2016, the operating revenue of Elkem group would have increased by NOK 740 million and profit would have decreased by NOK 31 million. The figures do not include business combinations completed through purchase of assets (Minex) for which no separate financial statements exists and intra-group transactions.

32 | Supplemental information to the consolidated statement of cash flows

The liquidity effect of acquisitions consist of	2017	2016
Purchase price for new subsidiaries	-	459 438
Adjustments in purchase price prior periods	3 860	-
Cash and cash equivalents of the acquire	203	19 650
Acquisition of subsidiaries net of cash acquired	**(4 063)**	**439 788**

33 | Events after reporting period

Elkem AS will be the issuer in the planned initial public offering (IPO) on the Oslo Stock exchange, and expect to be listed on or about March 2018. In connection with the IPO, there will be a restructuring where Elkem AS will acquire 100% of the shares in Jiangxi Bluestar Xinghuo Silicones Co. Ltd. (hereafter Xinghuo) and 100% of the shares in Bluestar Silicon Material Co. Ltd. (hereafter Yongdeng) from Bluestar Elkem Investment Co. Ltd., a subsidiary of China National Bluestar (group) Co. Ltd for a purchase price of RMB 3,274 million. Completion of the restructuring is conditional upon a completed IPO. The publicly listed entity will comprise Elkem AS and its controlled subsidiaries including the acquired entities Xinghuo and Yongdeng. Business combinations involving entities under common control, are accounted for according to the 'pooling of interest method' and comparable figures will be restated. Below an overview of the effects of the purchases. There is no acquisition related costs related to the transaction. Xinghuo has a receivable to their shareholder of NOK 1,222 million that will be settled in connection with the purchase.

Consideration	Xinghuo and Yongdeng
Cash	4 126 104
Contingent consideration	-
Non-controlling ownership interest in subsidiary	-
Consideration transferred	**4 126 104**
Fair value of previously held equity interest	-
Total	**4 126 104**

Amounts for assets and liabilities recognised	Xinghuo and Yongdeng
Property, plant and equipment	5 381 484
Other intangible assets	191 671
Other non-current assets	31 259
Inventories	543 430
Accounts receivable	322 446
Other current assets	1 489 127
Restricted deposits	1 016 018
Cash and cash equivalents	257 652
Non-current interest-bearing liabilities	(1 902 999)
Provisions	(36 356)
Accounts payable	(882 001)
Income tax payables	(248)
Interest-bearing current liabilities	(2 986 109)
Bills payable	(2 649 760)
Other current liabilities	(538 349)
Total	**237 265**
Non-controlling interests	-
Goodwill	-
Continuity differences recognised against equity	**(3 888 839)**

New loan agreements

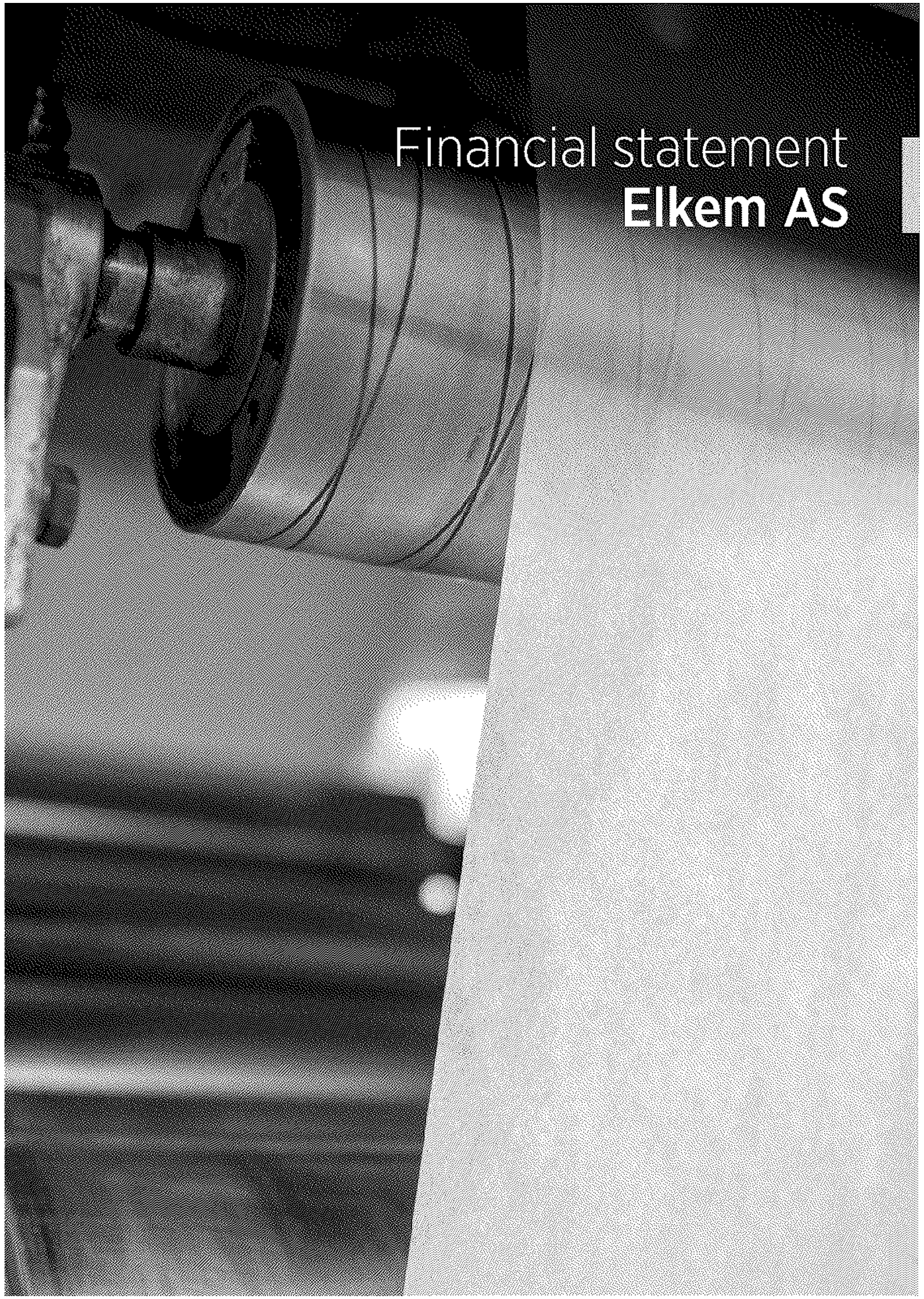
In connection with the Listing, Elkem plans to enter into several loan facilities agreements in an aggregate principal amount of approximately EUR 1,150 million (collectively, the "New Loan Facilities Agreements"), to refinance the facilities under the Syndicated Loan Facilities Agreement as well as certain additional outstanding indebtedness, including indebtedness assumed in connection with the acquisitions of Xinghuo Silicones and Yongdeng Silicon Materials as well as to finance general corporate purposes and working capital needs. Any such refinancing of indebtedness in China will be subject to compliance with Chinese law and regulations relating to exchange controls.

The assumed debt obligations of Xinghuo and Yongdeng consist of short-term and long-term bank loans, including bank bills. Certain local loan facilities in China will be maintained in order to have RMB (Renminbi, Chinese currency) denominated debt and to facilitate the use of local cash flows to service local debt. Elkem has, however, ensured through the New Loan Facilities Agreements that it has capacity to complete a full refinancing of the Chinese debt if needed. The New Loan Facilities Agreements covers the Group's total anticipated debt financing needs.

The New Loan Facilities Agreement will consist of three facilities: (i) a single currency loan facility in an aggregate amount of EUR 400 million (the "Facility A Loan"), (ii) a multicurrency revolving loan facility in an aggregate amount of EUR 250 million (the "Facility B Loan") and (iii) a multicurrency term loan facility in an aggregate amount of EUR 500 million (the "Facility C Loan"). The Facility A Loan, Facility B Loan and Facility C Loan, respectively, under the New Loan Facilities Agreements are unsecured. The interest rate for borrowings under the New Loan Facilities Agreements will be an interest rate per annum equal to EURIBOR, LIBOR or NIBOR (depending on currency drawn under the facility) plus a margin of 1.50%. for the Facility A Loan, 1.20% for the Facility B Loan and for the Facility C Loan the margin will be 0.90% per annum from the date of the New Loan Facilities Agreements and increase by 0.10% per annum on each date which falls at three-monthly intervals after the date of the New Loan Facilities Agreements.

The New Loan Facilities Agreement will contain two financial covenants. The ratio of Gross operating profit to Consolidated Net Interest Payable, as defined in note 22 interest-bearing liabilities and assets, for each measurement period, which period is calculated as the 12 months ending on the last day of a financial quarter, must not be less than 4.0:1.0. Additionally, the ratio of total equity to total assets must be more than 30% at all times.

The New Loan Facilities Agreement will contain a mandatory prepayment clause upon change of control. Change of control is defined as China National Bluestar Co. Ltd. ceasing, directly or indirectly, to have the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to cast, or control the casting of, more than 50% of the maximum number of votes that might be cast at a general meeting of the Company, or hold beneficially more than 50% of the issued share capital and/or the economic interest of the Company, or after the Listing has occurred, the shares in the Company cease to be listed on the Oslo Stock Exchange or on the principle stock exchange in any of Copenhagen, Frankfurt, London, Paris or Stockholm.



AMOUNTS IN NOK 1000

Income statement – Elkem AS

1 January - 31 December	Note	2017	2016
Revenues	4	7 067 818	6 900 847
Other operating income	4	108 731	110 132
Total operating income		**7 176 549**	**7 010 979**
Raw materials and energy for smelting		(3 852 686)	(3 962 601)
Employee benefit expenses	5, 6	(969 322)	(912 939)
Amortisation and depreciation	12	(329 235)	(318 435)
Impairment losses	12	(14 573)	(8 052)
Other gains/losses related to operating activities	9	(53 020)	221 465
Other operating expenses	7, 8	(1 624 430)	(1 480 646)
Total operating expenses		**(6 843 266)**	**(6 461 208)**
Operating profit (loss)		**333 283**	**549 771**
Income from subsidiaries	13	303 958	115 893
Income from joint ventures and associates	14	(500)	-
Write down on shares in subsidiaries	13	-	(2 857)
Net gain (loss) from investments		303 458	113 036
Finance income	10	46 534	55 782
Foreign exchange gains (losses)	10	(239 774)	103 227
Finance expenses	10	(86 964)	(89 961)
Profit (loss) before income tax		**356 537**	**731 855**
Tax (expenses) / income	11	(46 612)	(146 920)
Profit (loss) for the year		**309 925**	**584 935**

AMOUNTS IN NOK 1000

Balance sheet – Elkem AS

	Note	31.12.17	31.12.16
ASSETS			
Property, plant and equipment	12	1 934 399	1 902 936
Intangible assets	12	338 069	430 394
Deferred tax assets	11	-	-
Investments in subsidiaries	13	4 680 044	4 644 888
Investments in joint ventures	14	19 028	-
Investments in associates and other companies	15	13 968	12 669
Derivatives	27	25 325	36 028
Other non-current assets	16	911 782	760 233
Total non-current assets		**7 922 615**	**7 787 148**
Inventories	17	1 137 148	1 182 337
Accounts receivable	18	967 413	789 742
Derivatives	27	33 326	56 388
Other current assets	19	580 221	290 154
Cash and cash equivalents	20	846 796	292 468
Total current assets		**3 564 904**	**2 611 089**
TOTAL ASSETS		**11 487 519**	**10 398 237**
EQUITY AND LIABILITIES			
Paid-in capital	21	2 918 203	3 088 203
Retained earnings	21	1 502 574	1 284 671
Total equity		**4 420 777**	**4 372 874**
Non-current interest-bearing liabilities	23	2 633 985	2 895 032
Deferred tax liabilities	11	47 692	127 967
Pension liabilities	6	65 321	65 405
Derivatives	27	210 134	147 596
Provisions and other non-current liabilities	25	56 319	50 934
Total non-current liabilities		**3 013 451**	**3 286 934**
Accounts payable		751 543	584 277
Income tax payables	11	88 866	30 956
Current interest-bearing liabilities	23	2 631 340	1 728 799
Derivatives	27	146 449	62 843
Other current liabilities	26	435 093	331 554
Total current liabilities		**4 053 291**	**2 738 429**
TOTAL EQUITY AND LIABILITIES		**11 487 519**	**10 398 237**

Oslo, 21 February 2018

Michael Koenig
Chairman of the board

Einar Støfringshaug

Marianne Færøyvik

Yougen Ge

Olivier de Clermont-Tonnerre

Sverre S. Tysland

Helge Aasen
CEO

Zhigang Hao

AMOUNTS IN NOK 1000

Cash flow statement – Elkem AS

1 January - 31 December	Note	2017	2016
Operating profit		333 283	549 771
Changes fair value financial instruments		4 179	(385 935)
Amortisation, depreciation and impairment changes	12	343 808	326 487
Changes in working capital [1]		136 341	(6 418)
Changes in provisions, pension obligations and other		(108 625)	(136 792)
Interest payments received		43 426	5 441
Interest payments made		(78 491)	(59 723)
Income taxes paid		(35 541)	(14 461)
Cash flow from operating activities		**638 380**	**278 370**
Investments in property, plant and equipment and intangible assets	12	(290 723)	(208 210)
Sale of property, plant and equipment	12	10	2 425
Cash effect from merged companies		-	62 974
Acquisition of subsidiaries		(30 314)	(451 673)
Acquisition of joint ventures		(19 528)	150
Increase / decrease in loans to joint ventures		-	-
Increase / decrease in loans to subsidiaries		280 883	(245 864)
Dividend		181 010	169 093
Other investments /sales		(111)	150
Cash flow from investing activities		**121 227**	**(671 105)**
Dividend	21	(143 947)	0
New loans raised		50 302	59 560
Repayment of loans		(111 683)	(97 810)
Cash flow from financing activities		**(205 328)**	**(38 250)**
Change in cash and cash equivalents		**554 279**	**(430 985)**
Currency exchange differences		49	(116)
Net change in cash and cash equivalents		**554 328**	**(431 101)**
Cash and cash equivalents Opening balance	**20**	**292 468**	**723 569**
Cash and cash equivalents Closing balance	**20**	**846 796**	**292 468**

1) Working capital consists of accounts receivable, inventory, accounts payable, other current assets and other current liabilities. The definition of accounts receivable and inventory correspond with the definition for the group. Other current assets does not include short-term receivables to related parties, tax receivables, grants receivable, settled net against taxes payable and accrued interest, see note 19 Other current assets. Other current liabilities does not include short-term provision and liabilities to other related parties within China National Bluestar group, see note 25 Provision and other current liabilities.

AMOUNTS IN NOK 1000

Notes to the financial statement – Elkem AS

1 | General information

Elkem AS is a company located in Norway, producing silicon, ferrosilicon and microsilica. The company is fully owned by Bluestar Elkem International Co. Ltd. S.A., Luxembourg.

2 | Significant accounting policies

The financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway. The accounts are prepared on the basis of a going concern assumption.

CHANGES IN ACCOUNTING POLICIES AND CLASSIFICATION
Changes in accounting policies are recognised directly in the equity, and the opening balance is adjusted as if the new accounting policy had always been applied. Last year's figures are changed correspondingly, for comparative purposes.

ACCOUNTING ESTIMATES
In the event of uncertainty, the best estimate is applied, based on the information available when the annual accounts are prepared. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. See note 3 Accounting estimates.

FOREIGN CURRENCY TRANSLATION
Elkem AS's functional currency is Norwegian Kroner (NOK). Transactions in currencies other than the entity's functional currency are translated using the transaction date's currency rate. If the currency exposure of a transaction is designated as a part of a hedging relationship, realised effects from the associated hedging instrument is classified in the same line in the financial statements as the hedged transaction. Monetary items in foreign currencies are presented at the exchange rate applicable on the balance sheet date. Currency gains / losses related to operating activities, i.e. receivables, payables, bank accounts for operating purposes, are classified as a part of other gains / losses related to operating activities. As a result of this, currency effects included in finance income and expenses are only related to loans and dividends.

REVENUE RECOGNITION
Revenue is recognised when it is probable that transactions will generate future economic benefits for the company and the revenue can be measured reliably. Revenue is measured at the fair value of the considerations received or receivable, net of any taxes, rebates and discounts. Revenue and expenses that relate to the same transaction are recognised simultaneously. When products are sold with warranties, the expected warranty amounts are recognised as expenses at the time of the sale, and are subsequently adjusted for any changes in estimates or actual outcome.

Revenue from sale of goods is recognised when the significant risk and reward of the ownership of the goods have passed to the buyer, according to the agreed delivery term for each sale. Delivery terms are based on Incoterms 2010 issued by International Chamber of Commerce, and the main terms are "F" terms, where the buyer arranges and pays for the main carriage. The risk and reward are passed to the buyer when the goods are handed over to the carrier engaged by the buyer. "C" terms, where the group arranges and pays for the main carriage but without assuming the risk of the main carriage. The risk and reward are passed to the buyer when the goods are handed over to the carrier engaged by the seller. "D" terms, where the group arranges and pays for the carriage and retain the risk and reward of the goods until delivery at agreed destination. The risk is transferred to the buyer upon arrival at agreed destination, usually the purchaser's warehouse.

Revenue from sale of services is recognised when the services have been provided. External sales of electric power are recognised in income on the basis of the price agreed with the customer upon delivery.

Income from insurance settlements are recognised when it is virtually certain that the group will receive the compensation, and presented as other operating income. Interest income is recognised on accrual basis. Dividends are recognised when shareholders' right to receive dividends is determined by the shareholder's meeting. Sales revenues are presented net of VAT and discounts.

INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES
Subsidiaries are companies in which Elkem AS has controlling interests, normally obtained when Elkem AS owns more than 50% of the shares.

Associates are those entities in which Elkem AS has significant influence, but no control, over the financial and operating policies. Significant influence is presumed to exist when Elkem AS holds between 20% and 50% of the voting power of another entity. Jointly controlled entities are those entities over whose activities Elkem AS has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Subsidiaries
Interests in subsidiaries are recognised at cost less any write-down for impairment. An impairment loss is recognised if the impairment is considered not to be temporary.

Associates
Investments in associates are valued at cost and impairment loss is recognised if the carrying amount exceeds the recoverable amount. The impairment is reversed if the basis for the write-down is no longer present. Dividend received from associated companies are included in the income statement.

Joint ventures
Elkem AS's interests in jointly controlled entities, which operates within Elkem AS' main business areas (silicon materials and foundry products), are accounted for by proportionate consolidation. Elkem AS combines its share of the Joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the financial statements. Elkem AS's interests in joint controlled entities, which do not operate within Elkem AS' business areas, are accounted for using the equity method. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

INTANGIBLE ASSETS
Intangible assets are stated in the financial statement at cost less subsequent accumulated amortisation and subsequent accumulated impairment losses. Intangible assets with a finite useful life are amortised, using the straight-line method. The estimated useful life and amortisation method are reviewed at the end of each reporting period.

An intangible asset is derecognised on disposal, or when no future economic benefits from its use are expected to be derived. Gain or loss arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in the income statement.

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An intangible asset arising from an internal development project is recognised if the company can demonstrate technical feasibility in completing the intangible asset, has intention to complete it, ability to use it, can demonstrate that it will generate probable future economic benefits and the cost can be reliably measured.

PROPERTY, PLANT AND EQUIPMENT
Property, plant and equipment are presented at cost, less accumulated depreciations and any accumulated impairment losses. Construction in progress are carried at cost, less any recognised impairment loss. Such assets are classified to the appropriate class of property, plant and equipment when completed and ready for its intended use. Significant parts of an item of property, plant and equipment which have different useful life, are accounted for as separate items. Depreciation commences when the assets are ready for their intended use.

Initial cost includes expenditures that are directly attributable to the acquisition of the asset, cost of materials, direct labour, any other costs directly attributable to bringing the assets to working condition for their intended use and estimated dismantling or removing charges, and capitalised borrowing costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, when future benefits are probable and the cost can be measured reliably. The carrying amount of the replaced part is derecognised. Major periodic maintenance that is carried out less frequently than every year, is capitalised and depreciated over the period until the next periodic maintenance is performed. All other repairs and maintenance are charged to the income statement when incurred.

Depreciation is recognised using the straight-line method. The estimated useful life, residual values and depreciation method are reviewed at the end of each reporting period.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement is determined as the difference between the sales proceeds and the carrying amount of the asset, and is recognised in the income statement.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS
At the end of each reporting period, the carrying amounts of tangible and intangible assets are reviewed to determine whether there is any indication of impairment. If any such indications exist, the recoverable amount of the individual asset is estimated in order to determine the extent of the impairment loss/ write-down. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the lowest possible cash generating unit, to which the asset belongs, is estimated. The recoverable amount is the higher of fair value less costs to sell, or its value in use. Value in use is the present value of the future cash flows expected to be derived from use of the cash generating unit, after taking into account all other relevant information. If an impairment loss for assets other than goodwill is recognised in a previous period, the entity assesses whether there are indications that the impairment may have decreased or no longer exists. If so, the impairment loss/write-down is reversed, based on an updated estimate of the recoverable amount, but not exceeding the carrying amount that would have been determined had no impairment loss been recognised for the asset.

LEASING
Leases are classified as financial leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets at the present value of the minimum lease payment. The corresponding liability to the lessor is included in the financial statements as a finance lease obligation. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the obligation.

NON-DERIVATIVE FINANCIAL ASSETS AND LIABILITIES
Purchases and sales of financial assets are recognised at the date of transaction on which Elkem AS is committed to the purchase or sale of the asset.

At initial recognition, the financial assets are carried in the balance sheet at fair value plus any transaction costs directly attributable to the acquisition or issue of the asset. Financial assets are derecognised once the right to future cash flows have expired or when substantially all risks and rewards related to control of the assets are transferred to a third party.

Financial assets with a maturity exceeding one year are classified as non-current financial assets. Short-term investments that do not meet the definitions of a cash equivalent and financial assets with a maturity of less than one year are classified as current financial assets. Non-current financial assets are recognised and subsequently measured at cost less any impairment loss, if the impairment is assessed not to be temporary.

Financial assets classified as held for trading are assets that have been acquired for the purpose of selling in the near term. These assets are carried in the balance sheet at fair value with gains or losses recognised in the income statement.

LOANS AND RECEIVABLES
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in a regulated market. They are recognised at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process. An impairment loss is recognised when the carrying amount exceeds the estimated recoverable amount.

The category includes operating receivables, deposits, guarantees and loans. These assets are classified in the balance sheet as other non-current assets or other current assets, if the repayment schedule is less than one year.

TRADE AND OTHER RECEIVABLES
Trade and other receivables are recognised at nominal value less provisions for doubtful accounts.

CASH AND CASH EQUIVALENTS
Cash and cash equivalents are held for the purpose of meeting short term fluctuations in liquidity, rather than for investment purposes. Cash and cash equivalents comprise cash fund and short term deposits. Bank overdrafts are shown within current interest bearing liabilities in the balance sheet. Elkem AS' deposits and drawings within the Group Bank Accounts are netted by offsetting deposits against withdrawals. The subsidiaries' deposits and drawings are classified as current assets / liabilities.

DERIVATIVE FINANCIAL INSTRUMENTS
Derivatives are initially recognised at fair value on the date the derivative contracts are entered into, and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in the income statement immediately, unless when the derivative is designated and is effective as a hedging instrument. If the derivative is designated as a hedging instrument, timing of recognition in the income statement depends on the nature of the hedging relationship.

Commodity contracts that do not qualify as hedging instruments are booked at the lower of cost and fair value.

Embedded derivatives are separated from the host contract and booked at fair value, as an independent derivative.

Contracts for the entity's own use are contracts which are entered into and continue to be held for the purpose of the receipt of a non-financial item according to the company's usage requirements. This applies to power purchase contracts intended for use in the plant's production processes. Such contracts are booked in the balance sheet at cost and in the income statement on realisation.

HEDGE ACCOUNTING
Elkem AS may designate certain derivatives as hedging instruments for fair value hedges and cash flow hedges. At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions.

Fair value hedges
Changes in the fair value of derivatives that are designated and qualify as fair value hedges, are recognised in profit or loss immediately together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges, are recognised in the equity and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains / losses recognised in the equity are reclassified into the income statement in the same period(s) as the hedged assets / liabilities.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

INVENTORIES
Inventories are recognised at the lowest of cost and net realisable value. The cost of inventory comprises of the costs incurred in bringing the goods to their current condition and location, such as raw materials, energy for smelting, direct labour, other direct costs and production overhead costs based on normal capacity. Net realisable value represents the estimated selling price for inventories less estimated costs of completion and variable selling expenses.

Cost of goods sold is included in different lines in the income statement based on nature; raw materials and energy for smelting, employee benefits and other operating cost, for the remaining part.

TAXATION

Income taxes
Current tax assets and liabilities are measured at the amount expected to be recovered or paid to the tax authorities. Current tax payable includes any adjustment to tax payable in respect of previous years. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity. Income tax relating to items recognised directly in equity is recognised in equity, not in the income statement.

Uncertain tax positions are included when it is probable that the tax position will be sustained in a tax review, and provisions are made relating to uncertain or disputed tax positions at the amount expected to be paid. The provision is reversed when the disputed tax position is settled in favour of the entity and can no longer be appealed.

Deferred tax
Deferred tax assets and liabilities are calculated using the liability method with full allocation for all temporary differences between the tax base and the carrying amount of assets and liabilities in the financial statements, including tax losses carried forward. Deferred tax relating to items outside profit or loss is recognised outside profit and loss. Deferred tax items are recognised in correlation to the underlying transaction either in other profit and loss or directly in equity. If the temporary difference arises from the initial recognition of goodwill, the deferred tax assets and liabilities are not recognised.

Deferred tax assets are recognised in the balance sheet to the extent it is more likely than not that the tax assets will be utilised. The enacted tax rate at the end of the reporting period and undiscounted amounts are used. Deferred tax assets arising from tax losses are recognised when there is convincing evidence of recoverability. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets.

EMPLOYEE BENEFITS

Defined contribution plans
Defined contribution plans comprise arrangements whereby the company makes monthly contributions to the employees' pension plans, and where the future pensions are determined by the amount of the contributions and the return on the individual pension plan asset. Payments related to the contribution plans are expensed as incurred, as a part of employee benefit expenses.

Defined benefit plans
Defined benefit plans are recognised at present value of future liabilities considered retained at the end of the reporting period. Plan assets are recorded at fair value. Changes in benefit liabilities due to changes in benefit plans, are distributed over average remaining contribution time. Actuarial gains / losses due to changes in financial and actuarial assumptions are recognised directly in equity. Net pension benefit costs are classified as part of employee benefit expenses. Net interest on pension liabilities/assets are presented as a part of finance expenses.

PROVISIONS
A provision is recognised when a present obligation exists and it is probable that an outflow of resources is required to settle the obligation. The amount recognised is the best estimate of the consideration

required to settle the obligation, taking into account the risks and uncertainties surrounding the obligation, known at the end of the reporting period. Provisions are measured at present value, unless the time value is assessed to be immaterial.

GRANTS
Grants are recognised when there is reasonable assurance that Elkem AS will comply with the conditions attaching them, and that the grants will be received. Grants are recognised in the income statement over the periods necessary to match them with the cost they are intended to compensate.

CONTINGENT ASSETS AND LIABILITIES
Contingent assets are not recognised, but presented in the notes if probable. Contingent liabilities are liabilities that are not recognised because they are possible obligations that have not yet been confirmed, or they are present obligations where an outflow of resources are not probable. Any significant contingent liabilities are disclosed in the notes.

EVENTS AFTER THE REPORTING PERIOD
Events after the reporting period related to Elkem AS's financial position at the end of the reporting period, are considered in the financial statement. Events after the reporting period that have no effect on the Company's financial position at the end of the reporting period, but will have effect on future financial position, are disclosed if the future effect is material.

3 | Accounting estimates

In the event of uncertainty, the best estimate is applied, based on the information available when the annual accounts are prepared.

PROPERTY PLANT AND EQUIPMENT
The estimated useful lives, residual values (if any) and depreciation method is reviewed, and if necessary adjusted, at least annually.

DEFERRED TAX ASSETS
Elkem AS performs annual tests for impairment of deferred tax assets. Part of the basis for recognising deferred tax assets is based on applying the loss carried forward against future taxable income for the company. This requires the use of estimates when calculating future taxable income.

FINANCIAL INSTRUMENTS
Elkem AS holds financial instruments such as forward exchange contracts and commodity contracts which are booked at fair value. For commodity contracts nominated in EUR, the embedded EUR derivative is separated from the host contract and booked at fair value. Hedge accounting is applied for these contracts. Commodity contracts that do not qualify as hedging instruments are booked at the lower of cost and fair value. Fair value for the contracts are based on observable prices and assumptions derived from observable prices for comparable instruments.

Net booked value of contracts booked at fair value as at 31 December 2017 is in total negative NOK 298 million, see note 27 Financial instruments for more information.

4 | Operating income

By type	2017	2016
Revenue from sale of goods [1]	5 557 908	5 384 881
Revenue from sale of goods - group	1 139 938	1 232 236
Other operating revenue	175 609	211 730
Other operating revenue - group	194 363	72 000
Total revenue	**7 067 818**	**6 900 847**
Other operating income	108 731	110 132
Total operating income	**7 176 549**	**7 010 979**

1) Included in Revenue from sale of goods is sale of power NOK 444,754 thousand in 2017 and 385,294 thousand in 2016.

Operating income by geographic market	2017	2016
Nordic countries	1 197 441	1 375 392
United Kingdom	470 116	354 075
Germany	1 342 774	1 343 490
France	539 555	610 055
Italy	358 847	334 463
Poland	179 855	158 394
Luxembourg	601 685	286 893
Switzerland	13 125	12 379
Netherlands	64 788	41 010
Other European countries	966 643	606 087
Europe	**5 734 828**	**5 122 238**
Africa	**17 394**	**16 988**
North America	225 965	541 691
South America	21 261	31 463
America	**247 226**	**573 154**
China	86 292	108 462
Japan	298 879	447 553
South Korea	300 367	437 838
Other Asian countries	478 745	291 179
Asia	**1 164 283**	**1 285 032**
The rest of the world	**12 819**	**13 567**
Total operating income	**7 176 549**	**7 010 979**

Details of other operating income:	2017	2016
Sale of fixed assets	10	2 364
Insurance settlement	14 890	249
Grants [1]	93 831	107 520
Total other operating income	**108 731**	**110 132**

1) See note 29 Grants.

5 | Employee benefit expenses

	2017	2016
Salaries and other benefits	(803 187)	(764 226)
Employer's national insurance contribution	(96 958)	(96 613)
Employee retirement benefits [1]	(55 742)	(44 008)
Other payments / benefits	(13 435)	(8 091)
Total employee benefit expenses	**(969 322)**	**(912 939)**

1) See note 6 Retirement benefits.

Number of full time equivalents in Elkem AS	1 044	1 038

Salary, wages and other compensations above include the following compensations

Compensation to members of the board	2017	2016
Payment to board members in total	(500)	(489)

Senior staff compensation
Helge Aasen is the CEO of Elkem AS.

Salary and other compensations to the CEO	2017	2016
Salary, including holiday pay	(5 417)	(5 111)
Bonus [1]	(4 932)	(3 148)
Free car	(130)	(130)
Other compensation	(31)	(28)
Pension cost	(693)	(640)

1) In addition to the performance bonus, a strategic project bonus of NOK 3,542 thousand were paid in 2017. In 2016 an additional strategic bonus of NOK 407 thousand and ChemChina award of NOK 604 thousand were paid.

Retirement age for the CEO is 65-70 years. Pension from the age of 70 and other pensions regarding spouse, children and disability are paid in accordance with the general pension policy of the company. In addition to the general pension policy of the company, CEO is entitled to an annual early retirement pension, from the age of 65, of 60% of pensionable salary.

The CEO is also entitled to a performance bonus equivalent to maximum 100% of the base salary, based on the company performance.

The following applies for the CEO upon termination by the company: Termination payment equal to 12 months' salary is to be paid on the last working day, severance payment equivalent to 18 months' salary.

Loans and guarantees to employees
There are no loans or guarantees to board members or the CEO.

6 | Retirement benefits

Defined contribution plans
Pension for employees in Elkem AS are mainly covered by pension plans that are classified as contribution plans.

Defined contribution plans comprise arrangements whereby the company makes annual contributions to the employee's pension plan, and where the employee's future pension is determined by the amount of the contributions and the return on the pension plan asset. In addition a multi-employer plan where sufficient information to calculate each participant's pension obligation is not available should be accounted for as it is a defined contribution plan.

Elkem AS' contributions to the employees individual pension plan assets constitutes 5% of base salary up to 7.1G and 15% between 7.1 and 12G. G refers to the national insurance scheme's basic amount in Norway, amounting to NOK 93,634 for 2017. A separate plan for pension on salary above 12 G is established, and accounted for under defined benefit plans.

Elkem AS participates in the early retirement scheme AFP. This is as a multi-employer plan accounted for as a defined contribution plan, in accordance with the Ministry of Finance's conclusion. The participants in the pension plan is jointly responsible for 2/3 of the plan's pension obligation, the government is responsible for the remaining part. The yearly pension premium paid by the participants in 2017 is 2.5% of the employee's salary between 1 and 7.1 G, covering this years pension payments and contribution to a security fund for future pension obligations. The premium in per cent of salary for 2018 is equal to 2017.

Defined benefit plans
All defined benefit plans are unfunded and relate to closed retirement schemes, closed individual and retirement schemes and a separate plan for pension on salary above 12G.

Net interest is calculated based on pension liability at the start of the period multiplied by the discount rate and is presented as a part of financial expenses. Remeasurements of the defined benefit plans are recognized directly in equity.

The company's retirement schemes meet the minimum requirement in the Norwegian Act of Mandatory Occupational Pension.

Breakdown of net pension expenses	2017	2016
Current service expenses	(2 605)	(1 692)
Accrued employer's national insurance contribution	(254)	(203)
Net pension expenses, defined benefit plan	**(2 859)**	**(1 895)**
Defined contribution plan	(41 293)	(30 355)
Early retirement scheme (AFP)	(11 590)	(11 758)
Total pension cost	**(55 742)**	**(44 008)**

	2017	2016
Present value of pension obligation (PBO)	(65 321)	(65 405)
Fair value of plan assets	-	-
Net unfunded pension obligation	**(65 321)**	**(65 405)**

Active participants in pension scheme for salary above 12G	56	52
Retired participants	67	77

Summary of pension obligation and remeasurements	2017	2016
Pension obligations	(65 321)	(65 405)
Effects from remeasurement of pension liabilities recognised in Equity / Deferred tax	(339)	(1 765)
Total effects from remeasurement of pension liabilities recognised in Equity / Deferred tax as of 31.12	**(13 563)**	**(13 224)**

Economical assumptions	2017	2016
Discount rate [1]	2.2%	2.0%
Change in public pension rate (G)	2.25%	2.0%
Annual regulation of pensions paid	1.0 %	1.0%

1) The discount rate is based on high quality corporate bonds reflecting the timing of the benefit payments.

The company's chosen assumptions are in line with "Guide to Pension Assumptions" published by The Norwegian Accounting Standard Board, September 2017.

7 | Other operating expenses

	2017	2016
Travel expenses	(45 126)	(42 109)
Machinery, tools, fixtures and fittings	(270 512)	(250 210)
Repair, maintenance and other operating expenses	(132 689)	(117 246)
Other external expenses (fees, transport, IT services, etc.)	(261 737)	(228 845)
Loss on accounts receivables	(4 725)	(6 388)
Other energy and fuel expenses	(75 667)	(81 287)
Commission expenses	(82 390)	(83 918)
External distribution expenses	(459 308)	(415 343)
Rental/leasing expenses [1]	(53 094)	(47 369)
Miscellaneous manufacturing, administration and selling expenses	(239 182)	(207 931)
Total other operating costs	**(1 624 430)**	**(1 480 646)**

1) See note 8 Operating lease.

During 2017, Elkem AS expensed NOK 118,789 thousand (NOK 116,640 thousand) as research and development related to processes, products and business development, including technical customer support and improvement projects.

Grants received relating to research and development amount to NOK 30,444 thousand (NOK 20,364 thousand) are included in other operating income.

Audit and other services	2017	2016
KPMG:		
- Audit fee	(3 703)	(1 939)
- Other assurance services	(167)	(1 268)
- Tax services	-	-
- Other services	(152)	-
PwC and other audit firms:		
- Audit fee	(272)	(1 442)
- Other assurance services	(407)	(258)
- Tax services	-	(626)
- Other services	(15)	(79)
Total audit fees	**(4 716)**	**(5 611)**

In addition to the above, services of NOK 21,969 thousand in other service from KPMG have been provided and invoiced through Elkem AS to Bluestar Elkem International Co., Ltd. S.A. with NOK 16,057 thousand in 2017 and NOK 5,912 thousand in 2016.

Fees to auditors are reported exclusive of VAT.

8 | Operating lease

2017	Machinery and plant	Land, buildings and other properties	Equipment, furniture, systems and vehicles	Total
Lease expenses current year	(13 266)	(37 455)	(2 373)	**(53 094)**
Lease in accordance with contract due:				
Within one year	(183)	(14 182)	-	**(14 365)**
In the second to fifth year inclusive	-	(40 704)	-	**(40 704)**
Over five years	-	-	-	**0**

2016	Machinery and plant	Land, buildings and other properties	Equipment, furniture, systems and vehicles	Total
Lease expenses current year	(9 532)	(36 137)	(1 700)	**(47 369)**
Lease in accordance with contract due:				
Within one year	(474)	(15 427)	(758)	**(16 660)**
In the second to fifth year inclusive	(277)	(46 171)	(1 955)	**(48 403)**
Over five years	-	(28 821)	-	**(28 821)**

9 | Other gains / losses related to operating activities

	2017	2016
Realised currency gains / (losses) from forward contracts	(40 001)	(149 081)
Unrealised currency gains / (losses) from forward contracts	(58 376)	412 099
Other currency gains / (losses) operational	58 584	(23 480)
Realised effects other financial instruments [1]	(9 028)	(26 506)
Unrealised effects other financial instruments	(4 199)	8 091
Ineffectiveness on cash flow hedges power	-	342
Other gains / losses related to operating activities	**(53 020)**	**221 465**

1) Other financial instruments consist of power contracts and embedded derivatives EUR. See note 27 for more information.

10 | Finance income and expenses

	2017	2016
Interest income	1 643	3 371
Interest income - group	41 930	50 509
Dividend	1 290	1 550
Other financial income	1 671	352
Total finance income	46 534	55 782
Interest expenses	(65 472)	(63 941)
Interest expenses - group	(18 044)	(21 157)
Interest expenses net pension liabilities	(2 103)	(2 310)
Other financial expenses	(1 345)	(2 553)
Total finance expenses	(86 964)	(89 961)
Net foreign currency exchange gain / loss [1]	(239 774)	103 227
Net Finance income / (expenses)	**(280 204)**	**69 048**

1) Foreign exchange gain / loss in 2017 and 2016 is mainly related to the bank loans in EUR.

11 | Taxes

Income tax recognised in profit or loss	2017	2016
Current tax expenses	(90 959)	(34 019)
Previous year tax adjustment	(848)	(2 453)
Deferred tax	46 847	(114 786)
Other taxes	(1 652)	4 338
Total tax expenses recognised in profit	**(46 612)**	**(146 920)**

The table below shows the reconciliation of accounting profit and tax expense (-). Accounting profit is multiplied by the applicable tax rate

	2017	2016
Profit before tax	356 537	731 855
Applicable tax rate Norway	24 %	25 %
Tax expense at applicable tax rate	(85 569)	(182 964)
Permanent differences		
Tax effect of income from Norwegian controlled foreign companies (NOKUS)	(6 907)	(6 619)
Dividend within the Tax exemption method	14 502	16 886
Debt forgiveness [1]	27 454	11 775
Tax effect merger	-	8 729
Impairment of shares / reversal of impairment	-	(981)
Tax effects other permanent differences	(1 017)	(1 390)
Other effects		
Previous year tax adjustment	(848)	(2 453)
Tax effect change in corporate tax rate [2]	7 425	5 759
Other current tax paid	(1 652)	4 338
Income tax for the year	**(46 612)**	**(146 920)**
Effective tax rate	13 %	20 %

1) Elkem AS has four debt forgiveness agreements with Elkem Silicones France SAS. Nominal value of the agreements as of 31 December are NOK 1,343 million (EUR 136 million), book value NOK 0,-. Elkem Silicones France SAS has repaid NOK 115 million under this agreement in 2017, the gain is classified as income from subsidiaries. The effect of repayment is tax exempted.

2) The effect relates mainly to changes in tax rate from 24 per cent to 23 per cent in Norway from 2018. The changes in tax rates were approved by the governments before year end the respective years.

Deferred tax assets and deferred tax liabilities	31.12.17	31.12.16
Cash flow hedges charged to equity	13 395	(21 431)
Property, plant, equipment and intangible asset	(115 015)	(133 197)
Pension liabilities	15 024	15 492
Other differences	56 433	57 128
Accounts receivable	1 909	258
Inventory	(25 342)	(42 417)
Provisions	5 905	(3 800)
Deferred tax assets (liabilities)	**(47 692)**	**(127 967)**

Deferred tax	31.12.17	31.12.16
Opening balance - net deferred tax assets (liabilities)	(127 967)	33 452
Charged to Profit and Loss	46 847	(114 786)
Changes in deferred tax hedges charged to equity	34 826	(45 310)
Change in actuary gains/losses charged to equity	(54)	309
Other items charged to equity	-	(1 615)
Changes in group contributions to subsidiaries	(1 348)	-
Foreign currency exchange differences	4	(17)
Net deferred tax assets (liabilities)	**(47 692)**	**(127 967)**

12 | Property, plant and equipment, intangible assets and goodwill

Property, plant and equipment

2017	Land and other property	Buildings	Machinery and plants	Equipment, furniture and transport-vehicles	Construction in progress	Total
Opening balance Net booked value 2017	**24 136**	**458 793**	**1 198 287**	**40 188**	**181 532**	**1 902 936**
Additions	-	-	882	27	277 388	278 297
Disposals	-	-	-	-	-	-
Transferred from CiP	25 533	12 868	186 239	6 276	(230 916)	-
Impairment losses	(255)	(780)	(13 491)	(47)	-	(14 573)
Depreciation expenses	(3 300)	(47 763)	(171 238)	(9 962)	-	(232 263)
Foreign currency exchange differences	-	-	-	2	-	2
Closing balance Net booked value 2017	**46 114**	**423 118**	**1 200 679**	**36 484**	**228 004**	**1 934 399**
Fixed assets under financial leasing						
included in Net booked value	-	-	-	719	-	719
Historical cost	90 386	1 213 772	3 630 462	122 966	228 004	5 285 590
Accumulated depreciation	(43 332)	(779 667)	(2 366 955)	(86 339)	-	(3 276 293)
Accumulated impairment losses	(940)	(10 987)	(62 828)	(143)	-	(74 898)
Closing balance Net booked value 2017	**46 114**	**423 118**	**1 200 679**	**36 484**	**228 004**	**1 934 399**
Estimated useful life	0-50 years	5-40 years	3-30 years	3-20 years		
Depreciation plan	Straight-line	Straight-line	Straight-line	Straight-line		

2016	Land and other property	Buildings	Machinery and plants	Equipment, furniture and transport-vehicles	Construction in progress	Total
Opening balance Net booked value 2016	**23 120**	**444 587**	**1 079 677**	**43 344**	**277 056**	**1 867 784**
Additions	-	-	45	8	264 530	264 583
Disposals	-	(50)	0	(11)	-	(61)
Transferred from CiP	3 390	65 263	284 452	6 949	(360 054)	-
Impairment losses	-	(6 897)	(1 118)	(37)	-	(8 052)
Depreciation expenses	(2 374)	(44 111)	(164 759)	(10 064)	-	(221 307)
Foreign currency exchange differences	-	-	(10)	(1)	-	(11)
Closing balance Net booked value 2016	**24 136**	**458 793**	**1 198 287**	**40 188**	**181 532**	**1 902 936**
Fixed assets under financial leasing						
included in Net booked value	21 193	-	-	1 378	-	22 571
Historical cost	61 350	1 201 761	3 513 783	117 499	181 532	5 075 926
Accumulated depreciation	(36 071)	(732 474)	(2 255 437)	(77 177)	-	(3 101 159)
Accumulated impairment losses	(1 144)	(10 494)	(60 059)	(134)	-	(71 831)
Closing balance Net booked value 2016	**24 136**	**458 793**	**1 198 287**	**40 188**	**181 532**	**1 902 936**
Estimated useful life	0-50 years	5-40 years	3-30 years	3-20 years		
Depreciation plan	Straight-line	Straight-line	Straight-line	Straight-line		

Intangible assets

2017	Other intangible assets	IT systems and programmes	Intangible assets under construction	Total intangible assets
Opening balance Net booked value 2017	**321 778**	**97 943**	**10 673**	**430 394**
Additions	-	1 138	3 509	4 647
Reclassification / Transferred from CiP	(794)	4 619	(3 825)	-
Reversal of impairment losses	-	-	-	-
Amortisation	(80 171)	(16 801)	-	(96 972)
Closing balance Net booked value 2017	**240 813**	**86 899**	**10 357**	**338 069**
Historical cost	803 601	216 501	10 357	1 030 459
Accumulated amortisation	(562 788)	(129 602)	-	(692 390)
Closing balance Net booked value 2017	**240 813**	**86 899**	**10 357**	**338 069**
Estimated useful life	3-10 years	3-10 years		
Amortisation plan	Straight-line	Straight-line		

The book value of a power contract against Statkraft of 1.5 TWh. as of 31 December 2017 is NOK 240 million and included in other intangible assets. The notional amount of the underlying asset at the end of reporting period, volume * price, is NOK 1,373 million.

2016	Other intangible assets	IT systems and programmes	Intangible assets under construction	Total intangible assets
Opening balance Net booked value 2016	**402 224**	**110 650**	**10 824**	**523 698**
Additions	-	1 338	2 486	3 824
Reclassification / Transferred from CiP	-	2 637	(2 637)	-
Reversal of impairment losses	-	-	-	-
Amortisation	(80 447)	(16 682)	-	(97 128)
Closing balance Net booked value 2016	**321 778**	**97 943**	**10 673**	**430 394**
Historical cost	805 339	210 162	10 673	1 026 174
Accumulated amortisation	(483 561)	(112 219)	-	(595 780)
Closing balance Net booked value 2016	**321 778**	**97 943**	**10 673**	**430 394**
Estimated useful life	3-10 years	3-10 years		
Amortisation plan	Straight-line	Straight-line		

The book value of a power contract against Statkraft of 1.5 TWh. as of 31 December 2016 is NOK 320 million and included in other intangible assets. The notional amount of the underlying asset at the end of reporting period, volume * price, is NOK 1,810 million.

13 | Investments in subsidiaries

2016	Country	Other share Vote rights (%)	Equity 31.12.17	Profit 31.12.17	Book value 31.12.17
Elkem Carbon AS	Norway	100 %	820 748	148 056	112 915
Elkem Chartering Holding AS	Norway	80 %	14 900	13 219	747
Elkem Distribution Center B.V.	Netherlands	100 %	20 910	1 168	186
Elkem Foundry (China) Co. Ltd.	China	100 %	64 183	(2 705)	66 242
Elkem Foundry Invest AS	Norway	100 %	71 275	(1 224)	70 119
Elkem GmbH	Germany	100 %	15 781	1 681	1 309
Elkem Iberia SLU	Spain	100 %	7 580	1 853	476
Elkem Island EHF	Iceland	100 %	1 597 540	46 506	783 790
Elkem International AS	Norway	100 %	70 347	(54)	5 427
Elkem International Trade (Shanghai) Co. Ltd.[1]	China	11 %	149 214	7 867	558
Elkem Japan K.K	Japan	100 %	86 344	5 306	15
Elkem LTD.	United Kingdom	100 %	5 025	438	18 983
Elkem Madencilik Metalurji Sanayi Ve Ticaret Ltd STI[1]	Turkey	1 %	5 365	730	77
Elkem Materials Processing (Tianjin) Co.,Ltd	China	100 %	2 653	(151)	793
Elkem Materials Processing Services BV	Netherlands	100 %	5 365	730	962
Elkem Metal Canada Inc	Canada	100 %	909 000	61 272	5 870
Elkem Milling Services GmbH	Germany	100 %	32 598	6 568	12 486
Elkem Nordic A.S.	Denmark	100 %	10 560	4 353	5 139
Elkem Oilfield Chemicals FZCO	Arabic Emirates	51 %	80 439	58 419	12 546
Elkem Rana AS	Norway	100 %	342 027	70 363	351 233
Elkem S.a.r.l.	France	100 %	14 226	610	0
Elkem S.r.l.	Italy	100 %	26 620	5 170	6 397
Elkem Siliconas España S.A.U	Spain	100 %	126 231	2 800	125 444
Elkem Silicones (UK) Ltd	United Kingdom	100 %	55 523	4 656	60 227
Elkem Silicones Brasil Ltda	Brasil	100 %	(22 341)	(42 514)	23 009
Elkem Silicones Canada Corp.	Canada	100 %	13 381	2 008	5 824
Elkem Silicones Czech Republic s.r.o	Czech Republic	100 %	5 295	2 606	2 226
Elkem Silicones Finland OY	Finland	100 %	6 932	1 379	5 438

1) Elkem AS and subsidiary owns 100% of Elkem Madencilik Metalurji Sanayi Ve Ticaret Ltd and Elkem International Trade (Shanghai) Co. Ltd.

2016	Country	Other share Vote rights (%)	Equity 31.12.17	Profit 31.12.17	Book value 31.12.17
Elkem Silicones France SAS	France	100 %	2 295 176	130 192	2 147 832
Elkem Silicones Germany GmbH	Germany	100 %	163 966	15 745	129 657
Elkem Silicones Hong Kong Co. Limited	Hong Kong	100 %	105 506	11 907	101 968
Elkem Silicones Poland p. z o.o	Poland	100 %	8 917	2 278	3 712
Elkem Silicones Scandinavia AS	Norway	100 %	20 646	3 123	15 188
Elkem Silicones Services S.à.r.l	France	100 %	(27 307)	(1 833)	0
Elkem Silicones Shanghai Co. Limited	China	100 %	118 647	9 348	107 382
Elkem Silicones USA Corp.	USA	100 %	273 019	31 468	260 294
Elkem Siliconi Italia S.r.l	Italy	100 %	39 122	3 678	23 998
Elkem Singapore Materials Pte. Ltd	Singapore	100 %	29 897	160	46
Elkem South Asia Private Limited	India	100 %	129 688	8 456	33 563
Explotacion de Rocas Industriales y Minerales S.A.[2]	Spain	100 %	103 991	11 853	80 460
NEH LLC	USA	100 %	297 957	6 831	97 506
Total subsidiaries					**4 680 044**

2) Elkem AS acquired 100% of the shares following the merger of Nor-Kvarts AS on 1st January 2017.

Income on investments in subsidiaries	2017	2016
Dividend from subsidiaries	60 424	67 543
Repayment of debt forgiveness[1]	114 534	47 100
Income on disposal[2]	-	1 250
Group contribution received	129 000	-
Total income	**303 958**	**115 893**

1) See note 11 taxes for more information.

2) In January 2016 Dehong Ltd was liquidated resulting in a gain of NOK 1,250 thousand.

Write-down / reversal of write-down on investments in subsidiaries	2017	2016
Write-down subsidiaries	-	(2 857)
Total write-down	**-**	**(2 857)**
Net gain/loss from investments in subsidiaries	**303 958**	**113 036**

14 | Investments in joint ventures

	Company address	Country	Owner share Voting rights 2017	Owner share Voting rights 2016	Accounting method
Elkania DA	Hauge i Dalane	Norway	50 %	50 %	Proportionate
Salten Energigjenvinning AS[1]	Oslo	Norway	50 %	0 %	Equity

1) Shares in the company were acquired in June 2017.

	2017	2016
Total interest in joint ventures 1 January	**-**	**-**
Acquired shares in Joint ventures/change of ownership	19 528	-
Share of profit / (loss)	(500)	-
Total interest in joint ventures 31 December	19 028	-

Main figures for the investments accounted for by proportionate consolidation.
The figures are Elkem AS portion.

	Elkania DA	Total 2017
Current assets	15 451	15 451
Non-current assets	4 427	4 427
Current liabilities	17 101	17 101
Non-current liabilities	7 506	7 506
Net assets	(4 729)	(4 729)
Total revenue	2 825	2 825
Total expenses	(3 863)	(3 863)
Financial items	(148)	(148)
Tax	208	208
Total profit / (loss) for the year	(978)	(978)

	Elkania DA	Total 2016
Current assets	14 199	14 199
Non-current assets	5 028	5 028
Current liabilities	15 412	15 412
Non-current liabilities	7 566	7 566
Net assets	(3 751)	(3 751)
Total revenue	5 390	5 390
Total expenses	(5 172)	(5 172)
Financial items	(155)	(155)
Tax	(98)	(98)
Total profit for the year	(35)	(35)

15 | Investments in associates and other companies

	Owner share (%)	Book value 31.12.17	Book value 31.12.16
Elkem Chartering AS	25,0 %	8 529	8 529
Other companies		5 440	4 140
Total investments in associates and other companies		**13 968**	**12 669**

16 | Other non-current assets

	31.12.17	31.12.16
Long-term deposit pension guarantee	18 775	17 905
Pension Contribution Fund, long-term	1 200	2 760
Loans to joint arrangements	7 246	7 098
Loan to subsidiaries[1]	883 257	717 922
Other non-current assets	1 304	14 548
Total other non-current assets	**911 782**	**760 233**

1) See note 28 Related party transactions.

17 | Inventories

	31.12.17	31.12.16
Finished goods	583 436	661 925
Work in progress	176 612	197 566
Raw materials	219 323	171 828
Operating materials and spare parts	157 776	151 018
Total inventories	**1 137 148**	**1 182 337**

As of 31 December 2017 inventories were written down by NOK 1,042 thousand.
As of 31 December 2016 inventories were written down by NOK 14,356 thousand.

18 | Accounts receivable

	31.12.17	31.12.16
Accounts receivables	668 805	551 309
Accounts receivables - related parties	306 948	244 800
Provision for doubtful accounts	(8 340)	(6 367)
Total accounts receivables	**967 413**	**789 742**

The following is an analysis of gross accounts receivables by age, presented based on the due date:

	31.12.17	31.12.16
Not due	514 417	463 752
1 - 30 days	117 235	60 573
31 - 60 days	20 975	3 524
61 - 90 days	4 770	7 308
More than 90 days	11 408	16 151
Total accounts receivables	**668 805**	**551 309**

Elkem applies for credit insurance for all customers when this can be obtained. In cases where credit insurance coverage is refused, other methods of securing the sales income are used. Other methods used for securing the sales are, among others, prepayment, letter of credit, documentary credit, guarantee etc.

Movement in allowance for doubtful debts	31.12.17	31.12.16
Opening balance	(6 367)	(700)
Impairment losses recognised on receivables	(5 108)	(5 680)
Reversed impairment losses	3 135	13
Balance as of 31 December	**(8 340)**	**(6 367)**

The following is an analysis of current receivables that are past due date and written-down, by age

Overdue by	31.12.17	31.12.16
less than 90 days	(1 304)	(3 292)
61 - 90 days	(2 965)	(2 203)
more than 90 days	(4 071)	(872)
Total receivables written-down	**(8 340)**	**(6 367)**

19 | Other current assets

	31.12.17	31.12.16
Pension contribution fund, short term part [1]	2 182	5 214
Grants receivable [2]	66 756	113 677
Grants receivable, settled net against taxes payable [2]	7 779	-
VAT receivables	125 336	79 543
Prepayments	14 940	14 875
Receivable group entities related to Group Bank Accounts	214 102	68 744
Receivable group contribution	129 000	-
Other current assets	20 127	8 100
Total other current assets	**580 221**	**290 154**

1) See note 6 Retirement benefits.
2) See note 29 Grants.

20 | Cash and cash equivalents

	31.12.17	31.12.16
Cash and bank balances	846 796	292 468
Cash and cash equivalents	**846 796**	**292 468**

21 | Equity

Changes in equity

	Share capital	Other paid in capital	Total paid in capital	Retained earnings	Total equity
Equity 31.12.16	**2 010 000**	**1 078 203**	**3 088 203**	**1 284 671**	**4 372 874**
Hedging	-	-	-	(112 706)	**(112 706)**
Actuarial gain / loss	-	-	-	(394)	**(394)**
Currency translation	-	-	-	72	**72**
Merger [1]	-	-	-	21 006	**21 006**
Dividend		(170 000)	(170 000)	-	**(170 000)**
Profit for the year	-	-	-	309 925	**309 925**
Equity 31.12.17	**2 010 000**	**908 203**	**2 918 203**	**1 502 574**	**4 420 777**

1) See note 30 Merger Elkem AS and subsidiaries.

Shareholders
Elkem AS is the parent company of Elkem AS group. As of 31 December 2017 Elkem AS was 100% owned by Bluestar Elkem International Co. Ltd S.A. Elkem AS has its registered company address: Drammensveien 169, 0277 Oslo, Norway.

Share capital
Share capital as of 31 December 2017 in Elkem AS is NOK 2,010,000 thousand, divided in 1 share.

Changes in equity

	Share capital	Other paid in capital	Total paid in capital	Fund	Other equity	Total retained earnings	Total equity
Equity 01.01.16	**2 010 000**	**1 078 203**	**3 088 203**	**2 311**	**552 324**	**554 635**	**3 642 838**
Hedging	-	-	-	-	144 347	**144 347**	**144 347**
Actuarial gain / loss	-	-	-	-	(1 458)	**(1 458)**	**(1 458)**
Currency translation Joint ventures	-	-	-	(2 311)	927	**(1 384)**	**(1 384)**
Merger	-	-	-	-	3 596	**3 596**	**3 596**
Profit for the year	-	-	-	-	584 935	**584 935**	**584 935**
Equity 31.12.16	**2 010 000**	**1 078 203**	**3 088 203**	**-**	**1 284 671**	**1 284 671**	**4 372 874**

Fund
Fund is valuation variances in conjunction with Dehong who is consolidated by proportionate consolidation. The company was liquidated in 2016.

22 | Finance lease liabilities

Elkem AS leases some of its manufacturing equipment under a finance lease. Interest rates range from 3.50% to 6.99%. Elkem AS's obligations under a finance lease are secured by the lessor's title to the leased assets. Elkem AS has the right to prolong some leasing agreements, and the right to keep the leased equipment after the closed leasing period for some leasing agreements.

Overview of finance lease	31.12.17	31.12.16
Within one year	196	2 582
Between 1 and 5 years	17	258
Over 5 years	-	-
Total lease payments	213	2 840
Less future finance charges	120	(32)
Present value of lease obligations	**333**	**2 808**
Less amount due for settlement within 12 months	316	2 560
Total non-current finance lease obligations	**17**	**248**
Leasing cost current year	591	2 565

23 | Interest-bearing assets / liabilities

	31.12.17	31.12.16
Non-current interest-bearing liabilities		
Financing from subsidiaries	164 358	118 243
Financial leases [1]	17	248
Bank financing and other liabilities	2 469 610	2 776 541
Total non-current interest-bearing liabilities	**2 633 985**	**2 895 032**
Current interest-bearing liabilities		
Financing from subsidiaries	2 030 323	1 616 239
Financial leases [1]	316	2 560
Bank financing	544 830	48 532
Loans from external part, other than bank	52 652	58 433
Accrued interest	3 219	3 035
Total current interest-bearing liabilities	**2 631 340**	**1 728 799**
Total interest-bearing liabilities	**5 265 325**	**4 623 831**
Interest-bearing assets		
Cash and bank balances	846 796	292 468
Restricted deposits	18 847	17 905
Non-current loans to subsidiaries	883 258	717 922
Non-current loans to joint arrangements	7 246	7 098
Current loans to subsidiaries	185 586	40 258
Total interest-bearing assets	**1 941 733**	**1 075 651**
Net interest-bearing assets / (liabilities)	**(3 323 592)**	**(3 548 180)**

1) See note 22 Finance lease liabilities.

Interest-bearing liabilities by currency	Currency amount	NOK 31.12.17	Currency amount	NOK 31.12.16
EUR	355 615	3 500 957	328 227	2 982 036
USD	71 418	585 914	24 742	213 243
NOK	585 943	585 943	755 392	755 392
Other currencies	-	592 511	-	673 160
Total interest-bearing liabilities		**5 265 325**		**4 623 831**

Maturity of interest-bearing liabilities at 31.12.2017	Group financing	Financial leases	Loans from external part, other than bank	Bank financing	Accrued interest	Total
2018	2 030 323	316	52 652	544 830	3 219	2 631 340
2019	-	17	-	544 830	-	544 847
2020	-	-	-	1 775 430	-	1 775 430
2021	-	-	-	52 590	-	52 590
2022	-	-	-	52 590	-	52 590
2023 and later	164 358	-	-	52 590	-	216 948
Total	**2 194 681**	**333**	**52 652**	**3 022 860**	**3 219**	**5 273 745**
Prepaid loan fees	-	-	-	(8 420)	-	(8 420)
Total interest bearing liabilities	**2 194 681**	**333**	**52 652**	**3 014 440**	**3 219**	**5 265 325**

Maturity of interest-bearing liabilities at 31.12.2016	Group financing	Financial leases	Loans from external part, other than bank	Bank financing	Accrued interest	Total
2017	1 616 239	2 560	-	106 965	3 035	1 728 799
2018	-	248	-	502 798	-	503 046
2019	-	-	-	502 798	-	502 798
2020	-	-	-	1 638 460	-	1 638 460
2021	-	-	-	48 533	-	48 533
2022 and later	118 243	-	-	97 065	-	215 308
Total	**1 734 482**	**2 808**	**-**	**2 896 619**	**3 035**	**4 636 944**
Prepaid loan fees	-	-	-	(13 113)	-	(13 113)
Total interest bearing liabilities	**1 734 482**	**2 808**	**-**	**2 883 506**	**3 035**	**4 623 831**

Elkem AS is granted credit facilities of EUR 200,000 thousand (NOK 1,968,960 thousand) and NOK 250,000 thousand, a total of NOK 2,218,930 thousand in granted credit facilities. Both facilities remained undrawn at 31 December 2017 and 31 December 2016.

The credit facilities and the term loans in Elkem AS contain financial covenants. The financial covenants and the calculations for the drawn loan of NOK 3,022,860 thousand (2,838,187 thousand) is described below:

Covenant Elkem AS group		31.12.17	31.12.16	Loan covenant
Total Equity	NOK	8 332 862	7 459 042	
Total Assets	NOK	16 347 935	14 813 342	
Equity ratio		**51 %**	**50 %**	**> 30%**
EBITDA	NOK	2 098 467	1 617 790	
Net finance charges	NOK	66 747	61 639	
Interest cover ratio		**31,44**	**26,25**	**> 4.00**

24 | Guarantees

Guarantee commitments	31.12.17	31.12.16
Guarantees given on behalf of subsidiaries regarding environmental obligations	31 274	4 618
Guarantees given on behalf of subsidiaries regarding financing	133 953	70 359

25 | Provisions and other non-current liabilities

	31.12.17	31.12.16
Warranties	2 570	-
Employee benefits	266	273
Site restoration	26 460	23 638
Obligation to finance subsidiary	27 023	27 023
Provisions	**56 319**	**50 934**

Warranties
Elkem AS has provisions related to warranties when selling parts used for building of furnaces.

Employee benefits
Employee benefits consist of provisions for long-service benefits.

Site restoration
Elkem AS has provisions for future remediation work related to the necessary site remediation work that it will have to undertake in respect of its quartz mines. In addition Elkem AS has provisions for future remediation work related to necessary site remediation work that will have to undertake on sites used for waste disposal.

Obligation to finance
Elkem AS purchased Elkem Silicones in 2015. The subsidiary Elkem Silicones Services S.à.r.l has a negative equity when Elkem AS purchased Elkem Silicones and Elkem AS has a obligation to fund the company's continued operations.

26 | Other current liabilities

	31.12.17	31.12.16
Social securities tax and withholding tax employees	59 213	55 734
Value added tax	82 420	18 738
Payroll payables	153 538	135 911
Payables to subsidiaries	24 246	19 711
Provisions	3 201	-
Group contribution	-	12 392
Other short-term liabilities	112 475	89 068
Total other current liabilities	**435 093**	**331 554**

27 | Financial instruments

Derivatives are initially recognised at fair value at the date on which a derivative contract is entered, and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the hedging.

Foreign exchange forward contracts
Elkem AS's Treasury department enters into foreign forward contracts to meet Elkem Groups foreign currency exposure. Hedge accounting is not applied for these contracts, they are classified as held for trading and booked at fair value through profit and loss.

Elkem AS's Treasury department also offers internal currency hedging for major purchase/sale-contracts entered into by the subsidiaries. Such contracts (Fxt) can not be designated in a hedging relationship, changes in fair value are recognised through profit and loss. At 31 December 2017 there are no currency contracts against subsidiaries in the balance sheet.

Embedded EUR derivatives in power contracts are designated as a hedging instrument in a cash flow hedge to hedge currency fluctuations in highly probable future sales, from 1 January 2016. Unrealised effects from that time are booked against equity and later reclassified to revenues when realised. Realised effects from such derivatives in 2017 are NOK 8,109 thousand (zero in 2016).

See note 9 Other gains / losses related to operating activities for information of contracts classified as held for trading.

Details of foreign exchange contracts as of 31 December 2017

Purchase Currency	Purchase ccy 1000	Sale Currency	Sale ccy 1000	Type of instrument	Currency rate	Due	Fair value[1]	Notional value[2]
NOK	9 355	AUD	1 500	Fwd	6,2366	2018	0	9 618
CAD	28 035	EUR	18 800	Fwd	1,4912	2018	(3 341)	185 082
NOK	2 504 556	EUR	261 875	Fwd	9,5639	2018	(87 625)	2 578 107
CAD	1 869	NOK	12 075	Fwd	0,1548	2018	44	12 230
NOK	90 837	GBP	8 500	Fwd	10,6867	2018	(3 511)	94 294
NOK	115 004	JPY	1 406 000	Fwd	0,0818	2018	12 063	102 491
NOK	741 675	USD	91 200	Fwd	8,1324	2018	(2 181)	748 205
NOK	110 393	JPY	1 316 000	Fwd	0,0839	2019	12 603	95 930
NOK	107 766	JPY	1 268 000	Fwd	0,0850	2020	11 969	92 431
NOK	4 059 624	EUR	396 375	Embedded[3]	10,2419	2018-2034	(183 669)	3 902 236
Total fair value currency forward contracts						**(243 906)**		

1) The forward currency contracts are measured at fair value based on the observed forward exchange rate for contracts with a corresponding maturity term, on the balance sheet date.

2) Notional value of underlying asset, based on forward currency rates at 31.12.

3) Embedded EUR derivatives in power contracts (Statkraft swap).

Details of foreign exchange contracts as of 31 December 2016

Purchase Currency	Purchase ccy 1000	Sale Currency	Sale ccy 1000	Type of instrument	Currency rate	Due	Fair value[1]	Notional value[2]
CAD	7 517	EUR	5 200	Fwd	1,4455	2017	449	47 244
NOK	1 227 584	EUR	132 050	Fwd	9,2964	2017	17 788	1 199 713
CAD	1 499	GBP	800	Fwd	1,8743	2017	1 092	8 499
NOK	46 356	GBP	4 200	Fwd	11,0372	2017	1 592	44 618
NOK	146 124	JPY	1 980 000	Fwd	0,0738	2017	(740)	145 810
NOK	536 836	USD	65 800	Fwd	8,1586	2017	(29 286)	567 104
CAD	3 951	USD	3 000	Fwd	1,3171	2017	(463)	25 856
NOK	524 796	EUR	58 000	Fwd	9,0482	2018	(12 850)	526 947
NOK	88 663	JPY	1 036 000	Fwd	0,0856	2018	10 352	76 292
NOK	101 569	USD	13 000	Fwd	7,8130	2018	(9 884)	112 042
NOK	89 917	JPY	1 036 000	Fwd	0,0868	2019	10 128	76 292
NOK	87 003	JPY	988 000	Fwd	0,0881	2020	9 351	72 758
USD	20 000	CAD	26 680	Fxt	0,7496	2017	611	171 722
NOK	1 889 767	EUR	199 408	Embedded[3]	9,4769	2017-2027	(62 384)	1 811 685
Total fair value currency forward contracts							**(64 244)**	

1) The forward currency contracts are measured at fair value based on the observed forward exchange rate for contracts with a corresponding maturity term, on the balance sheet date.

2) Notional value of underlying asset, based on forward currency rates at 31.12.

3) Embedded EUR derivatives in power contracts (Statkraft swap).

Energy contracts booked at fair value
Elkem AS enters into forward power contracts to meet its need for power at the plants. Certain contracts are designated as hedging instruments in a cash flow hedge to mitigate price fluctuations in highly probable future need for power. In addition Elkem AS holds energy contracts booked at the lower of cost and fair value. The fair value of these contracts is based on observable nominal values for similar contracts, adjusted for interest effects.

The effective part of change in fair value of the contracts designated in hedging relationships is booked temporarily in equity. Realised effects are booked as a part of the energy cost under cost of raw materials and other input factors. The ineffective part is booked as a part of other gains / losses related to operating activities.

See note 9 Other gains / losses related to operating activities for information of contracts classified as held for trading. In addition, realised effects in 2017 from hedging of future need for power is a loss of NOK 21,008 thousand (loss of NOK 44,599 thousand).

Details of energy contracts booked at fair value as of 31. December 2017	Volume GWh	Due	Fair value	Notional amount[1]
Forward contracts financial institutions	299	2018	5 678	74 263
Commodity contracts "30-øringen"[2]	501	2018	-	146 653
Commodity contracts "30-øringen"	6 016	2019-2030	-	1 692 993
Commodity contract Statkraft, swap	201	2018	(15 521)	65 218
Commodity contract Statkraft, swap	605	2019-2034	(44 183)	195 834
Fair value energy contracts at fair value			**(54 026)**	

1) Notional value based on currency rates at 31.12.

2) The contract does not qualify as a hedging instrument, hence it is booked at the lower of cost and fair value.

Details of energy contracts booked at fair value as of 31. December 2016	Volume GWh	Due	Fair value	Notional amount[1]
Forward contracts NASDAQ financial institutions	307	2017	16 142	71 858
Forward contracts NASDAQ financial institutions	140	2018	6 216	26 113
Commodity contract related party	(26)	2017	(1 165)	(5 611)
Commodity contracts "30-øringen"[2]	501	2017	-	141 589
Commodity contracts "30-øringen"	6 517	2018 - 2030	-	1 688 680
Commodity contracts swap Statkraft	201	2017	(8 250)	60 187
Commodity contracts swap Statkraft	806	2018-2021	(66 721)	240 913
Fair value energy contracts at fair value			**(53 778)**	

1) Notional value based on currency rates at 31.12.

2) The contract does not qualify as a hedging instrument, hence it is booked at the lower of cost and fair value.

28 | Related party transaction

100% of the shares in Elkem AS is held by Bluestar Elkem International Co., Ltd S.A. Details of transactions between Elkem AS and other related parties are disclosed below.

2017	Trade sales	Trade purchases	Services sales	Services purchases	Interest income	Interest expenses
Bluestar Elkem International Co., Ltd. S.A.	-	-	11 547	-	308	-
Other related parties within China National Bluestar group	-	-	325	-	-	-
Subsidiaries	1 137 788	(1 772 414)	252 513	(168 152)	41 177	(19 921)
Joint arrangements and associates	-	-	-	(133 862)	148	-
Total	**1 137 788**	**(1 772 414)**	**264 385**	**(302 015)**	**41 633**	**(19 921)**

2016	Trade sales	Trade purchases	Services sales	Services purchases	Interest income	Interest expenses
Bluestar Elkem International Co., Ltd. S.A.	-	-	718	-	-	-
Other related parties within China National Bluestar group	73 495	(10 695)	61 919	(12 332)	-	-
Subsidiaries	1 232 237	(1 474 347)	118 860	(156 470)	50 509	(21 158)
Joint arrangements and associates	-	-	-	(113 649)	155	-
Total	**1 305 731**	**(1 485 042)**	**181 498**	**(282 452)**	**50 664**	**(21 158)**

Loans from/to related parties	31.12.17	31.12.16
Non-current loans from Other related parties within China National Bluestar group	(6 869)	(6 339)
Non-current loans from subsidiaries	(157 489)	(111 904)
Current loans from subsidiaries	(2 030 323)	(1 616 239)
Non-current deposit subsidiaries	883 258	717 922
Other receivables from subsidiaries	214 102	68 744
Non-current loans to joint arrangements and associates	7 246	7 098
Current loans to joint arrangements and associates	-	-
Accounts receivables Bluestar Elkem International Co., Ltd. S.A.	621	354
Accounts receivables other related parties within China National Bluestar group	201	189
Accounts receivables subsidiaries	306 127	244 669
Accounts receivables joint arrangements and associates	-	-
Accounts payables from other related parties within China National Bluestar group	(1 077)	(1 077)
Accounts payables from subsidiaries	(365 963)	(176 007)
Accounts payables from joint arrangements and associates	(10 039)	(12 656)

Information about transactions between related parties
Elkem follows internationally accepted principles for transactions between related parties. In general, Elkem seeks to use transaction based methods (comparable uncontrolled price, cost plus and resale price method) in order to set the price for the transaction. The majority of the transactions between related parties relate to products involving:

- Raw materials (quartz) from quarries to plants
- Electrode paste from Carbon plants to FeSi and Silicon plants
- Surplus raw materials between plants
- Ad-hoc supplies of finished goods to Elkem's internal distributors
- Purchase of short and deep sea transport
- Sale of management and technology services
- Sale of power supply
- Rent of plant facilities and related services

Elkem's set-up for sales is based on an agent structure, rather than a distribution network. Elkem has also sourced companies that purchase key raw materials and other supplies from selected suppliers world-wide. In both activities above, the transaction between the related parties is a delivered service, either sales-service or sourcing-service. Additionally, Elkem has internal help chains that are established to serve several operating units more efficiently.

Elkem AS also have both long-term receivables and long-term payables to related parties. The group loans are normally interest-bearing and interest is calculated based on interbank rates (for example NIBOR) and a margin.

Commitments with related parties
Elkem AS have no commitments to related parties.

Transactions with key management personnel
Information on transactions with key management personnel is included in note 5 Employee benefit expenses.

29 | Grants

Elkem has received the following government grants	2017	2016
Funding from the Norwegian government R&D	30 444	20 364
CO2 Compensation from the Norwegian Environment Agency	60 495	84 418
Funding related to energy recovery	14 188	27 741
Other government grants	393	86
Total government grants received	**105 520**	**132 609**

Elkem has received the following grants from other	2017	2016
Norwegian NOx fund for reduced emission of NOx [1]	6 150	48 777
Other grants received other than government	2 500	250
Total other grants received	**8 650**	**49 027**

1) The industry in Norway pays a fee for their emission of NOx to the Norwegian NOx fund. The fund is self-financed by the fee and their purpose is to support projects that reduces the NOx emission from the industry in Norway.

Grants received is included in the financial statement as follows:

Other operating income	93 831	107 520
Deduction of carrying amount of fixed assets	20 339	74 116
Total	114 170	181 636
Receivables related to grants	74 535	113 677
Deferred income related to grants	(3 007)	(6 252)

The current CO2 compensation programme will end in 2020.

30 | Merger Elkem AS and subsidiaries

In 2017, Elkem AS has merged with the subsidiary Nor-Kvarts AS. Nor-Kvarts AS owns 100% of the shares in Erimsa, a company which operates five quartz mines in Spain.

The merged subsidiary was 100% fully owned by Elkem AS and the merger was effective from 18 November 2017 with Elkem AS as the surviving entity. The merged entity is included in Elkem AS based on group book value and the continuity accounting method. For accounting and tax purposes the merged entity was included in Elkem AS retrospectively as of 1 January 2017.

Details on the merged balance is outlined below:

Net assets	Note	Total
Investments in subsidiaries	13	20 650
Other non-current assets	19	616
Other current assets	16	2
Total Assets		21 268
Current interest-bearing liabilities	23	87
Income tax payables	25	175
Total liabilities		262
Net assets / Equity contributed in the merger		**21 006**

31 | Events after the reporting period

Elkem AS will be the issuer in the planned initial public offering (IPO) on the Oslo Stock exchange, and expect to be listed on or about March 2018. In connection with the IPO, there will be a restructuring where Elkem AS will acquire 100% of the shares in Jiangxi Bluestar Xinghuo Silicones Co. Ltd. (hereafter Xinghuo) and 100% of the shares in Bluestar Silicon Material Co. Ltd. (hereafter Yongdeng) from Bluestar Elkem Investment Co. Ltd., a subsidiary of China National Bluestar (group) Co. Ltd for a purchase price of RMB 3,274 million. Completion of the restructuring is conditional upon a completed IPO. There is no acquisition related costs related to the transaction.

New loan agreements
In connection with the Listing, Elkem plans to enter into several loan facilities agreements in an aggregate principal amount of approximately EUR 1,150 million (collectively, the "New Loan Facilities Agreements"), to refinance the facilities under the Syndicated Loan Facilities Agreement as well as certain additional outstanding indebtedness, including indebtedness assumed in connection with the acquisitions of Xinghuo Silicones and Yongdeng Silicon Materials as well as to finance general corporate purposes and working capital needs. Any such refinancing of indebtedness in China will be subject to compliance with Chinese law and regulations relating to exchange controls.

The assumed debt obligations of Xinghuo and Yongdeng consist of short-term and long-term bank loans, including bank bills. Certain local loan facilities in China will be maintained in order to have RMB (Renminbi, Chinese currency) denominated debt and to facilitate the use of local cash flows to service local debt. Elkem has, however, ensured through the New Loan Facilities Agreements that it has capacity to complete a full refinancing of the Chinese debt if needed. The New Loan Facilities Agreements covers the Group's total anticipated debt financing needs

The New Loan Facilities Agreement will consist of three facilities: (i) a single currency loan facility in an aggregate amount of EUR 400 million (the "Facility A Loan"), (ii) a multicurrency revolving loan facility in an aggregate amount of EUR 250 million (the "Facility B Loan") and (iii) a multicurrency term loan facility in an aggregate amount of EUR 500 million (the "Facility C Loan"). The Facility A Loan, Facility B Loan and Facility C Loan, respectively, under the New Loan Facilities Agreements are unsecured. The interest rate for borrowings under the New Loan Facilities Agreements will be an interest rate per annum equal to EURIBOR, LIBOR or NIBOR (depending on currency drawn under the facility) plus a margin.

The New Loan Facilities Agreement will contain two financial covenants. The ratio of Gross operating profit to Consolidated Net Interest Payable, as defined in note 22 interest-bearing liabilities and assets, for each measurement period, which period is calculated as the 12 months ending on the last day of a financial quarter, must not be less than 4.0:1.0. Additionally, the ratio of total equity to total assets must be more than 30% at all times.

The New Loan Facilities Agreement will contain a mandatory prepayment clause upon change of control. Change of control is defined as China National Bluestar Co. Ltd. ceasing, directly or indirectly, to have the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to cast, or control the casting of, more than 50% of the maximum number of votes that might be cast at a general meeting of the Company, or hold beneficially more than 50% of the issued share capital and/or the economic interest of the Company, or after the Listing has occurred, the shares in the Company cease to be listed on the Oslo Stock Exchange or on the principle stock exchange in any of Copenhagen, Frankfurt, London, Paris or Stockholm.

KPMG

To the Annual Shareholder's Meeting of Elkem AS

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Elkem AS. The financial statements comprise:

- The financial statements of the parent company Elkem AS (the "Company"), which comprise the balance sheet as at 31 December 2017, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (the "parent company financial statements"), and
- The consolidated financial statements of Elkem AS and its subsidiaries (the "Group"), which comprise the statement of financial position as at 31 December 2017 and the statement of income, statement of other comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (the "consolidated financial statements") (together the "financial statements").

In our opinion:

- The financial statements are prepared in accordance with the law and regulations in Norway
- The accompanying parent company financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations in Norway, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report and information in the annual report, but does not include the financial statements and our auditor's report thereon. We obtained the Board of Directors' report prior to the date of the auditors' report but the other information in the annual report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon with the exception of our Report on Other Legal and Regulatory Requirements below.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director ("management") are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

KPMG

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Elkem AS

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

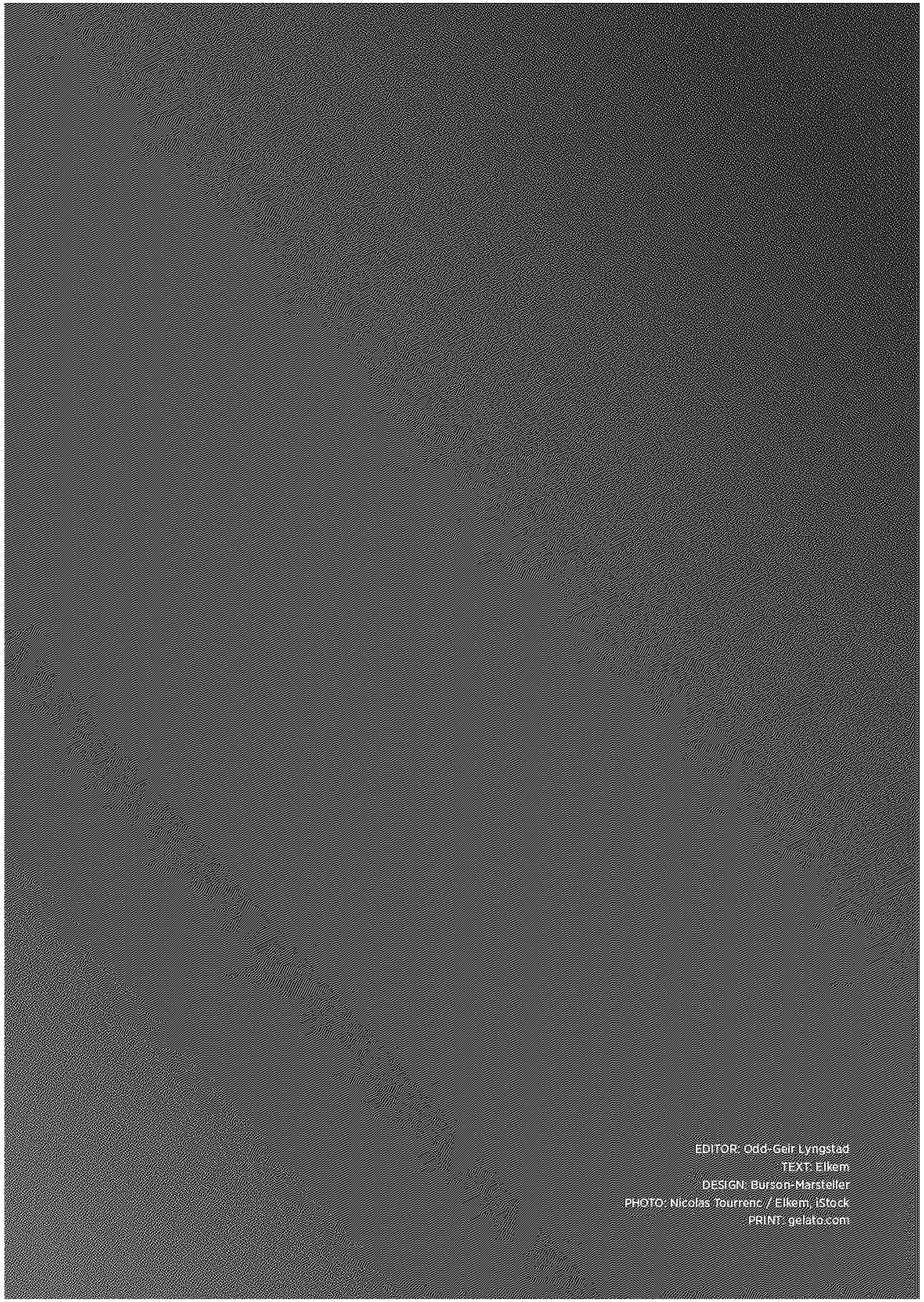
Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 21 February 2018
KPMG AS

Øyvind Skorgevik

Øyvind Skorgevik
State Authorised Public Accountant



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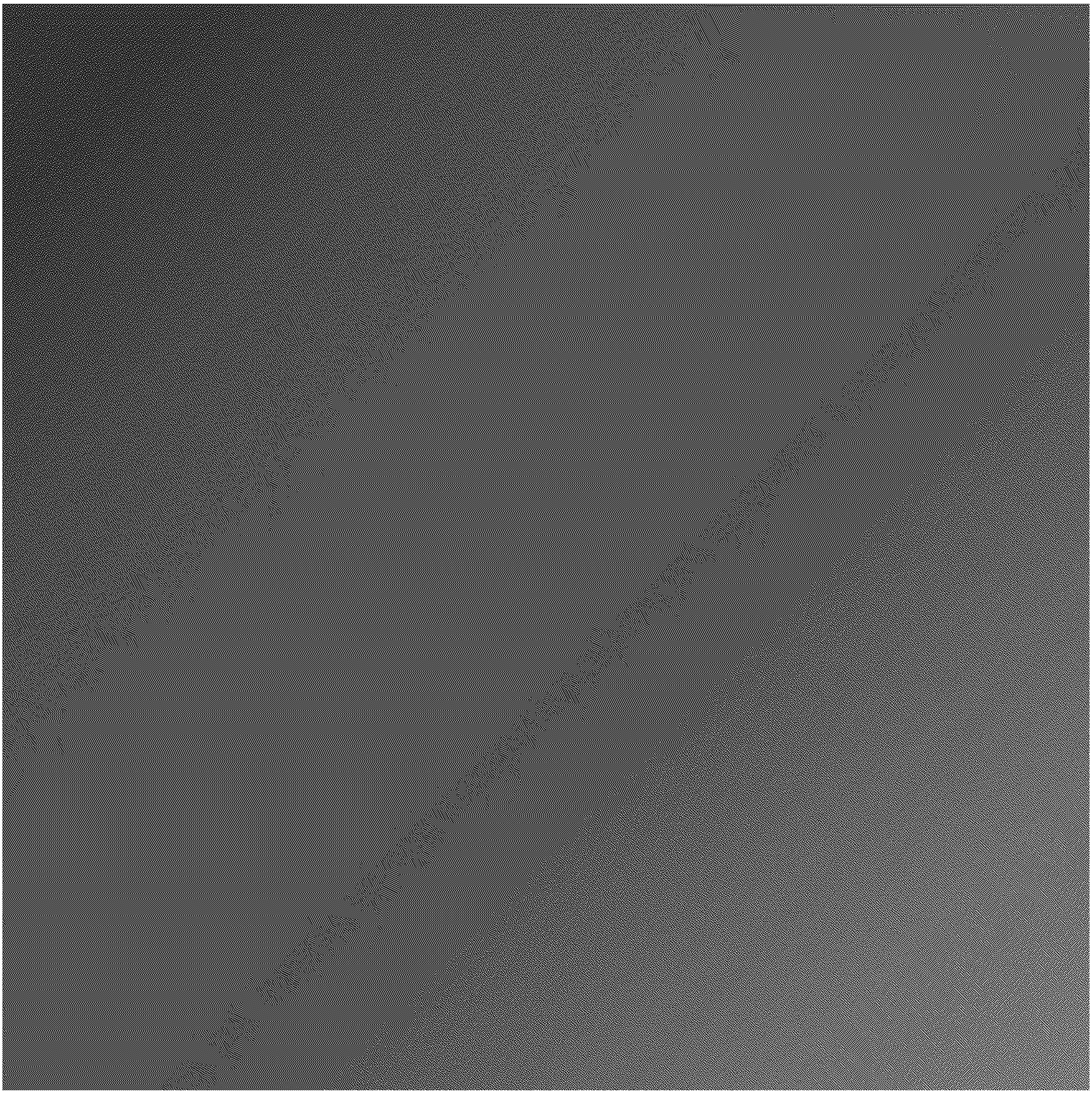

Skattedirektoratet

Saksbehandler	Deres dato	Vår dato
Torstein Kinden Helleland	09.12.2011	20.12.2011
Telefon	Deres referanse	Vår referanse
22078139	Irene Cortardo	2011/1192296

ELKEM AS
Postboks 5211 Majorstua
0303 OSLO

Dispensasjon fra kravet om utarbeidelse av årsregnskap og årsberetning på norsk språk for Elkem AS, org. nr. 911 382 008

Det vises til deres brev av 9. desember 2011 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for Elkem AS.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering Elkem AS dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd.

Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Bakgrunn
Elkem er eid av utenlandske morselskap, der ultimate mor er China National Bluestar Co. ltd. som har hovedsetet i Beijing, Kina. Elkem er en av verdens fremste produsenter av materialer innenfor produktområdene solcellesilisium, silisium, ferrosilisium og karbon. Majoriteten av produksjonen innenfor disse produktområdene eksporteres til utlandet. Elkems drift er således i stor grad rettet mot engelskspråklige markeder. Kommunikasjon, økonomisk rapportering og avtaler med forretningspartnere og -forbindelser skjer på engelsk. Engelsk språk brukes også som internt arbeidsspråk. Styreleder samt to styremedlemmer er fra henholdsvis Kina og Frankrike. Den norske versjonen av årsregnskapet utarbeides kun for å tilfredsstille regnskapsloven.

Skattedirektoratets vurdering
Etter regnskapsloven § 3-4 tredje ledd skal "*årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk.*"

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:
"*Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det*

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vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon."

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til *"informative regnskaper for ulike grupper av regnskapsbrukere"*. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Som nevnt ovenfor er det særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt vekt på at selskapet har utenlandske eiere. Virksomheten er i en internasjonal bransje der arbeidsspråket er engelsk. Alle sentrale aktører antas å måtte beherske og benytte engelsk språk. Videre er det vektlagt at styreleder og styremedlemmer er utenlandske.

Vennligst oppgi vår referanse ved henvendelser i anledning saken.

Med hilsen

Rune Tystad

Rune Tystad
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland