Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2013 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode:	01.01.2013 - 31.12.2013

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:	Øistein Olsen
Dato for fastsettelse av årsregnskapet:	19.06.2014

Grunnlag for avgivelse

År 2013: Årsregnskapet er elektronisk innlevert

År 2012: Tall er hentet fra elektronisk innlevert årsregnskap fra 2013

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	2013	2012
Inntekter			
Salgsinntekt		5 243 523 000	5 587 322 000
Annen driftsinntekt		49 411 000	11 880 000
Sum inntekter		**5 292 934 000**	**5 599 202 000**
Kostnader			
Varekostnad		3 290 473 000	4 227 105 000
Lønnskostnad		810 497 000	551 182 000
Avskrivning på varige driftsmidler og immaterielle eiendeler		192 920 000	115 596 000
Currency gains/losses ralated to operating activities		135 504 000	2 455 000
Other operating expenses		1 165 436 000	828 524 000
Sum kostnader		**5 594 830 000**	**5 724 862 000**
Driftsresultat		**-301 896 000**	**-125 660 000**
Finansinntekter og finanskostnader			
Inntekt på investering i datterselskap og tilknyttet selskap		83 887 000	131 244 000
Renteinntekt fra foretak i samme konsern		125 807 000	147 257 000
Annen renteinntekt		1 845 000	11 893 000
Annen finansinntekt		611 000	424 891 000
Sum finansinntekter		**212 150 000**	**715 285 000**
Nedskrivning av finansielle eiendeler		952 539 000	383 259 000
Rentekostnad til foretak i samme konsern		161 865 000	270 204 000
Annen rentekostnad		27 917 000	12 792 000
Annen finanskostnad		396 622 000	7 790 000
Sum finanskostnader		**1 538 943 000**	**674 045 000**
Netto finans		**-1 326 793 000**	**41 240 000**
Ordinært resultat før skattekostnad		**-1 628 689 000**	**-84 420 000**
Skattekostnad på ordinært resultat		-181 950 000	32 721 000
Ordinært resultat etter skattekostnad		**-1 446 739 000**	**-117 141 000**
Årsresultat		**-1 446 739 000**	**-117 141 000**
Overføringer og disponeringer			

Resultatregnskap

Beløp i: NOK	Note	2013	2012
Overføring til/fra fond		-1 446 739 000	
Overføringer til/fra annen egenkapital			-117 141 000
Sum overføringer og disponeringer		**-1 446 739 000**	**-117 141 000**

Balanse

Beløp i: NOK	Note	2013	2012
EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Konsesjoner, patenter, lisenser, varemerker og lignende rettigheter		94 426 000	57 591 000
Utsatt skattefordel		125 840 000	3 252 000
Sum immaterielle eiendeler		**220 266 000**	**60 843 000**
Varige driftsmidler			
Tomter, bygninger og annen fast eiendom		474 437 000	259 613 000
Maskiner og anlegg		1 045 226 000	511 150 000
Driftsløsøre, inventar, verktøy, kontormaskiner og lignende		200 712 000	179 134 000
Sum varige driftsmidler		**1 720 375 000**	**949 897 000**
Finansielle anleggsmidler			
Investering i datterselskap		2 592 069 000	3 838 737 000
Investering i annet foretak i samme konsern		3 504 000	3 259 000
Lån til foretak i samme konsern		1 632 117 000	3 431 545 000
Andre fordringer		32 942 000	15 890 000
Sum finansielle anleggsmidler		**4 260 632 000**	**7 289 431 000**
Sum anleggsmidler		**6 201 273 000**	**8 300 171 000**
Omløpsmidler			
Varer			
Varer		988 080 000	646 465 000
Sum varer		**988 080 000**	**646 465 000**
Fordringer			
Kundefordringer		790 681 000	642 720 000
Andre fordringer		301 253 000	361 060 000
Sum fordringer		**1 091 934 000**	**1 003 780 000**
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende		92 867 000	37 627 000
Sum bankinnskudd, kontanter og lignende		**92 867 000**	**37 627 000**

Balanse

Beløp i: NOK	Note	2013	2012
Sum omløpsmidler		**2 172 881 000**	**1 687 872 000**
SUM EIENDELER		**8 374 154 000**	**9 988 043 000**
EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital		2 000 000 000	1 500 000 000
Overkursfond		3 503 413 000	1 094 315 000
Sum innskutt egenkapital		**5 503 413 000**	**2 594 315 000**
Opptjent egenkapital			
Fond		1 418 000	1 260 000
Udekket tap		14 527 000	161 004 000
Sum opptjent egenkapital		**-13 109 000**	**-159 744 000**
Sum egenkapital		**5 490 304 000**	**2 434 571 000**
Langsiktig gjeld			
Pensjonsforpliktelser		67 850 000	70 598 000
Andre avsetninger for forpliktelser		10 616 000	13 360 000
Sum avsetninger for forpliktelser		**78 466 000**	**83 958 000**
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner		6 459 000	6 459 000
Langsiktig konserngjeld		37 385 000	5 487 303 000
Øvrig langsiktig gjeld		12 677 000	14 543 000
Sum annen langsiktig gjeld		**56 521 000**	**5 508 305 000**
Sum langsiktig gjeld		**134 987 000**	**5 592 263 000**
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner		554 225 000	534 554 000
Leverandørgjeld		664 887 000	510 302 000
Kortsiktig konserngjeld		1 110 224 000	529 417 000
Annen kortsiktig gjeld		419 527 000	262 337 000

Balanse

Beløp i: NOK	Note	2013	2012
Sum kortsiktig gjeld		**2 748 863 000**	**1 836 610 000**
Sum gjeld		**2 883 850 000**	**7 428 873 000**
SUM EGENKAPITAL OG GJELD		**8 374 154 000**	**9 863 444 000**

Konsernets resultatregnskap

Beløp i: NOK	Note	2013	2012
Inntekter			
Salgsinntekt		7 776 534 000	7 964 666 000
Annen driftsinntekt		153 442 000	128 788 000
Sum inntekter		**7 929 976 000**	**8 093 454 000**
Kostnader			
Varekostnad		3 995 819 000	4 092 249 000
Lønnskostnad		1 287 475 000	1 225 959 000
Avskrivning på varige driftsmidler og immaterielle eiendeler		355 270 000	341 123 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler		14 977 000	5 813 000
Other operating expenses		1 988 327 000	2 005 166 000
Other gains and losses		-145 429 000	549 804 000
Sum kostnader		**7 496 439 000**	**8 220 114 000**
Driftsresultat		**433 537 000**	**-126 660 000**
Finansinntekter og finanskostnader			
Inntekt på investering i datterselskap og tilknyttet selskap		4 241 000	2 969 000
Annen renteinntekt		31 636 000	37 704 000
Annen finansinntekt		2 020 000	429 251 000
Sum finansinntekter		**37 897 000**	**469 924 000**
Annen rentekostnad		175 308 000	276 210 000
Annen finanskostnad		427 729 000	22 774 000
Sum finanskostnader		**603 037 000**	**298 984 000**
Netto finans		**-565 140 000**	**170 940 000**
Ordinært resultat før skattekostnad		**-131 603 000**	**44 280 000**
Skattekostnad på ordinært resultat		18 792 000	-8 851 000
Ordinært resultat etter skattekostnad		**-150 395 000**	**53 131 000**
Profit for the year from discontinued operations		-477 545 000	-510 480 000
Årsresultat		**-627 940 000**	**-457 349 000**
Minoritetsinteresser		19 801 000	17 598 000
Årsresultat etter minoritetsinteresser		**-647 741 000**	**-474 947 000**

Konsernets resultatregnskap

Beløp i: NOK	Note	2013	2012

Konsernets balanse

Beløp i: NOK	Note	2013	2012
EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Forskning og utvikling		9 123 000	86 982 000
Konsesjoner, patenter, lisenser, varemerker og lignende rettigheter		112 680 000	93 974 000
Utsatt skattefordel		338 046 000	34 685 000
Goodwill		136 137 000	135 836 000
Sum immaterielle eiendeler		**595 986 000**	**351 477 000**
Varige driftsmidler			
Tomter, bygninger og annen fast eiendom		896 437 000	2 869 052 000
Maskiner og anlegg		1 840 663 000	3 462 417 000
Driftsløsøre, inventar, verktøy, kontormaskiner og lignende		364 663 000	580 936 000
Sum varige driftsmidler		**3 101 763 000**	**6 912 405 000**
Finansielle anleggsmidler			
Investeringer i tilknyttet selskap		17 752 000	15 318 000
Investeringer i aksjer og andeler		10 498 000	9 898 000
Andre fordringer		94 111 000	315 021 000
Sum finansielle anleggsmidler		**122 361 000**	**340 237 000**
Sum anleggsmidler		**3 820 110 000**	**7 604 119 000**
Omløpsmidler			
Varer			
Varer		1 715 245 000	1 989 926 000
Sum varer		**1 715 245 000**	**1 989 926 000**
Fordringer			
Kundefordringer		1 080 535 000	915 115 000
Andre fordringer		293 699 000	424 105 000
Sum fordringer		**1 374 234 000**	**1 339 220 000**
Investeringer			
Asset held for sale		4 041 697 000	

Konsernets balanse

Beløp i: NOK	Note	2013	2012
Sum investeringer		**4 041 697 000**	
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende		728 703 000	673 726 000
Sum bankinnskudd, kontanter og lignende		**728 703 000**	**673 726 000**
Sum omløpsmidler		**7 859 879 000**	**4 002 872 000**
SUM EIENDELER		**11 679 989 000**	**11 606 991 000**
EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital		2 000 000 000	1 500 000 000
Overkursfond		3 503 413 000	1 149 780 000
Sum innskutt egenkapital		**5 503 413 000**	**2 649 780 000**
Opptjent egenkapital			
Annen Egenkapital		2 101 621 000	1 571 077 000
Minoritetsinteresser		92 365 000	84 008 000
Sum opptjent egenkapital		**2 193 986 000**	**1 655 085 000**
Sum egenkapital		**7 697 399 000**	**4 304 865 000**
Langsiktig gjeld			
Pensjonsforpliktelser		167 940 000	217 575 000
Utsatt skatt		35 073 000	39 076 000
Andre avsetninger for forpliktelser		276 304 000	207 237 000
Sum avsetninger for forpliktelser		**479 317 000**	**463 888 000**
Annen langsiktig gjeld			
Øvrig langsiktig gjeld		19 930 000	5 473 764 000
Sum annen langsiktig gjeld		**19 930 000**	**5 473 764 000**
Sum langsiktig gjeld		**499 247 000**	**5 937 652 000**
Kortsiktig gjeld			

Konsernets balanse

Beløp i: NOK	Note	2013	2012
Gjeld til kredittinstitusjoner		570 130 000	
Leverandørgjeld		678 185 000	596 679 000
Betalbar skatt		38 590 000	6 104 000
Other curent liabilities		669 280 000	761 691 000
Liability held for sale		1 527 158 000	
Sum kortsiktig gjeld		**3 483 343 000**	**1 364 474 000**
Sum gjeld		**3 982 590 000**	**7 302 126 000**
SUM EGENKAPITAL OG GJELD		**11 679 989 000**	**11 606 991 000**

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

Postadresse	Besøksadresse	Sentralbord
Postboks 9200 Grønland	Se www.skatteetaten.no	800 80 000
0134 Oslo	Org. nr: 996250318	Telefaks
For elektronisk henvendelse se www.skatteetaten.no		22 17 08 60

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

Elkem annual report 2013

Elkem
A Bluestar Company

Content

Cover photo is from Elkem Thamshavn, Norway

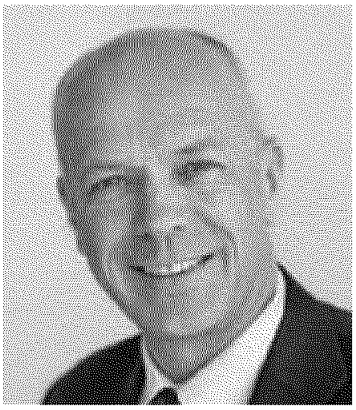
Key figures

	Unit	2013*		2012*		2011	
Financial situation							
Revenues	NOK million	7,930		8,093		9,548	
EBITDA	NOK million	658		770		1,389	
EBIT	NOK million	434		-127		616	
Profit for the year	NOK million	-628		-457		-93	
Total assets	NOK million	11,680		11,607		12,971	
Net interest-bearing assets/(debt)	NOK million	181		-5,093		-5,005	
Equity	NOK million	7,697		4,305		4,993	
Equity ratio	Per cent	66%		37%		38%	
Health and safety							
No. of employees		2,092		2,096		2,349	
Sick leave rate	Per cent	3.7%		3.9%		4.0%	
No. of lost time injuries per million work hours	H1	0.8		1.8		1.0	
Energy and external environment		Norway	Group	Norway	Group	Norway	Group
Energy recovered	GWh	370	450	158	340	340	340
CO_2 emissions	Thousand tonnes	831	1,335	870	1,300	739	1,200
NO_x emissions	Tonnes	5,100	5,602	5,125	8,500	6,189	8,500
SO_2 emissions	Tonnes	3,200	7,256	3,233	7,000	3,425	7,700

*Elkem Solar is presented as discontinued operations in 2012 and 2013. As a consequence Elkem Solar is not included in revenues, EBITDA, EBIT and net interest-bearing asset/(debt). Please refer to accounting principles under consolidated financial statement Elkem AS group for more details.

THE CEO

Equipped for new, sustainable growth



Many people are surprised when they discover the degree to which the smelting industry is driven by innovation. They associate the plants with pollution, strenuous jobs and the production of simple raw materials. The fact that, for example, Elkem's plant in Bremanger produces a special silicon quality that is found in almost all Apple and Samsung mobile phones comes as a surprise to most people. However, the fact remains that ever since Elkem was established by Sam Eyde in 1904, we have been pursuing new products and new production methods, with hydropower and competence as our mainstays.

Our goals are ambitious. Elkem wants to contribute to a sustainable future by developing advanced silicon and carbon-based solutions that create value for all our stakeholders. This means that we have to run our production processes in a safe and environmentally friendly manner, with the lowest possible energy consumption and lowest possible emissions.

It is true that, historically, the industry had a very poor safety record. Helge Førde, who is celebrating 50 years as an employee at the plant in Bremanger, Norway, describes how work-related accidents used to be a part of the everyday work at the plants. This is no longer the case. 2013 was the second year in a row without work-related incidents that resulted in permanent injury anywhere in the Elkem Group. We are constantly trying to improve our employees' working environment. One example of this is Elkem Carbon's zero dust vision. Dust is bad for health and the environment, but it also represents a waste of resources and time due to increased maintenance.

The Elkem Business System forms the core of our corporate culture and routines. It provides a basis for training and involves the entire organisation in problem solving, continuous improvement and innovation.

In 2013, Elkem achieved many important results. We started up a large new furnace in Salten with the goal to produce a tailored silicon product, Si99, for silicone, and at the same time reduce NO_x emissions. In advance, we had carried out studies and measurements that showed NO_x emissions greater than previously estimated by both the authorities and Elkem. Our extensive research managed to explain the reasons for the discrepancy. Based on this knowledge, we have developed a new technology and modified the design of the new furnace such that NO_x emissions have been reduced by 40%. This could mean a lot with regards to how smelting furnaces the world over are operated in the future.

As the opportunities for producing electricity based on solar and wind power improves, the world will become less dependent on fossil energy sources. As a silicon producer, Elkem is working on the frontier for the development of a new generation of batteries. Silicon can be used as the anode in lithium batteries, dramatically increasing battery capacities and revolutionising their use. For example, this could make it possible to store electricity from solar and wind power, enabling properties to run their own independent power plants.

Several of our plants have established, or are in the process of establishing, energy recovery plants, and we are always on the lookout for any form of energy waste. Elkem Solar's method for producing super pure silicon for the solar cell industry is our most widely known recent innovation. Our method cuts energy consumption by 75% compared with conventional technology, which is important when the aim is to make solar energy the biggest source of electricity in large parts of the world.

We made two important investments in 2013. Elkem entered into a 50/50 joint venture with Argentinian investors, Grupo Andreani and Grupo Araújo, to build a new ferrosilicon plant near Paraguay's capital, Asunción. This will be a world-class plant, strategically placed in a rapidly growing market with access to hydro power, charcoal (CO_2 neutral reducing agent) and other raw materials.

In Sarawak, Malaysia, construction has commenced of an electrode paste plant, which will be ready for production in 2015. This plant will also use hydropower as its energy source.

2013 was a demanding year for Elkem from a financial perspective, primarily due to overcapacity within polysilicon for the solar industry. The profit for the year 2013 amounted to NOK -628 million. Elkem Solar experienced a production stoppage in 2013 and had a total loss of NOK 478 million.

In June 2013, the board of Elkem decided to strengthen the company's balance sheet by a converting a NOK 4.4 billion shareholder loan into equity.

In March 2014, Elkem Solar's capital base was strengthened through a share issuance of USD 200 million to a Hong Kong based financial investor, Guangyu International Investment Company, which now owns a 50% stake in Elkem Solar.

Both the Elkem Group and Elkem Solar have a sound financial base and are well equipped for growth based on materials that are required for sustainable global development.

Helge Aasen

Helge Aasen
CEO

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ELKEM IN BRIEF

Elkem at a glance

Elkem is a world-leading producer of silicon, solar grade silicon, special alloys for the foundry industry, carbon and microsilica. The 2013 turnover was NOK 7.9 billion. Elkem has approximately 2,100 employees. Elkem is owned by China National Bluestar.

Elkem Foundry Products is the world's leading producer of ferrosilicon and ferrosilicon-based special alloys. Ferrosilicon improves the characteristics of steel and is incorporated into windmills, trains, cars and most other mechanical devices. Elkem's special alloys are added to foundry products and contribute to increased productivity and reduced energy use for the customers.

Elkem Silicon Materials is one of the world's leading suppliers of silicon and microsilica. Silicon has a large number of varied applications. Silicon improves the characteristics of aluminium, acts as conductor in electronic products, and chemical processing turns it into silicone. Microsilica is an extremely fine-grained silicon dust that is used as an additive in concrete, as lining in oil wells, as an asbestos substitute, in refractory materials, in fertilizers and in plastics. The use of Elkem's silicon-related products contributes to reduced needs for materials and increased strength in the customer's materials.

Elkem Carbon is the world's largest producer of electrical calcined anthracite and electrode paste, which are necessary in the manufacturing process for steel, aluminium, silicon and other metals.

Elkem Technology contributes to research and development projects related to all parts of Elkem's value chain. The research strategy is built on a close connection between the operational organisation and the researchers.

Elkem Solar produces super-pure silicon to the solar industry, using a method that requires a quarter of the energy of its competitors' manufacturing processes. Elkem Solar is owned 50% by Elkem and 50% by Guangyu International Investment Company.

Head office
Oslo, Norway

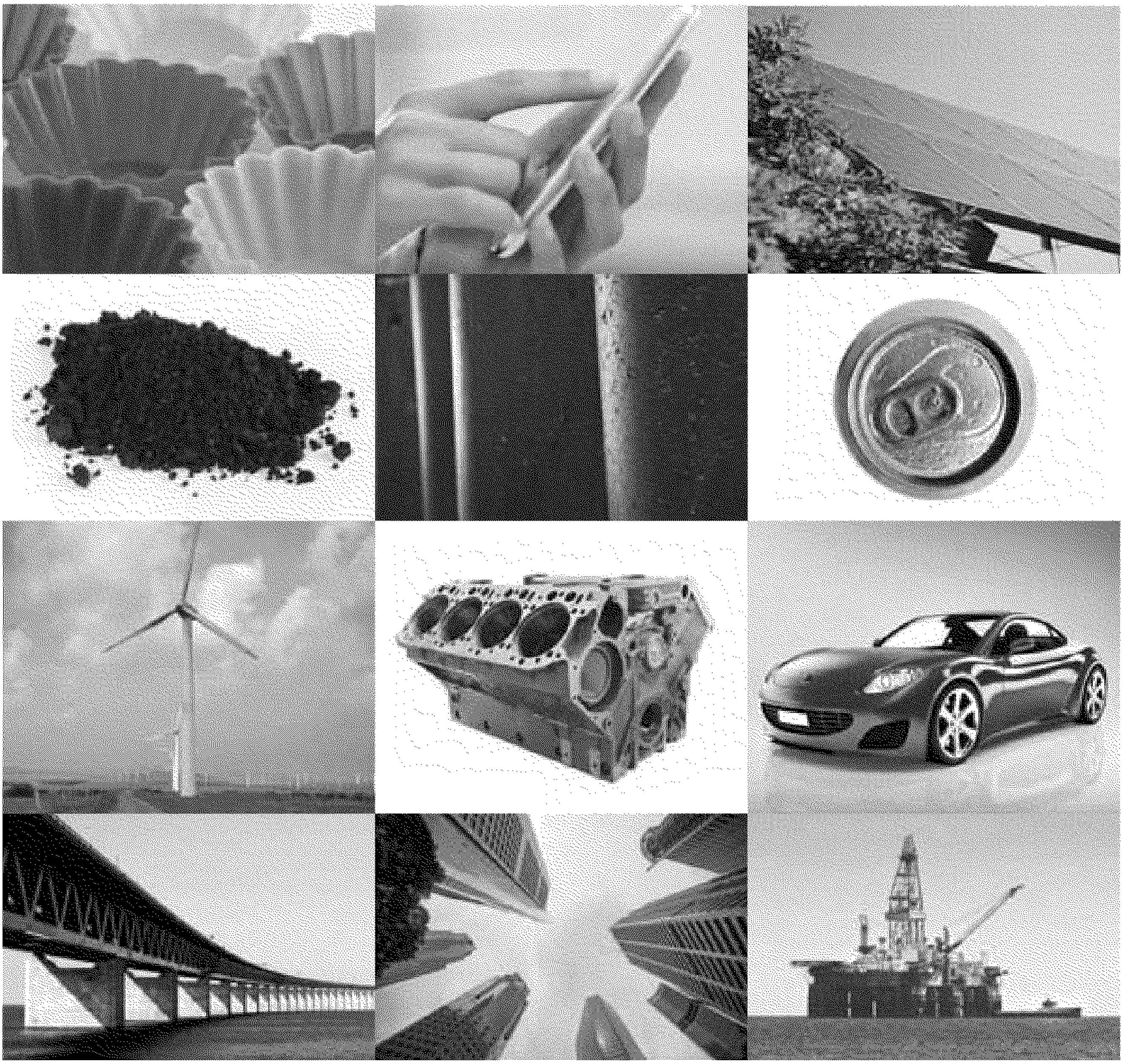
Plants/production
Kristiansand, Norway
Bremanger, Norway
Thamshavn, Norway
Salten, Norway
Bjølvefossen, Norway
Tana, Norway
Grundartangi, Iceland
Chicoutimi, Canada
Shizuishan, China
Carboindustrial, Brazil
Carboderivados, Brazil
Ferroveld, South Africa
Asunción, Paraguay
Sarawak, Malaysia

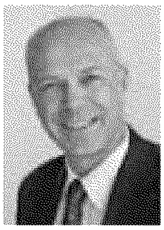
Sales offices
Ontario, Canada
Shanghai, China
Tianjin, China
Dehong, China
Zagreb, Croatia
Praha, Czech Republic
Vedbæk, Denmark
Sheffield, England
Paris, France
Düsseldorf, Germany
Navi Mumbai, India
Milano, Italy
Tokyo, Japan
Moscow, Russia
Singapore, Singapore
Las Arenas-Vizcaya and Barcelona, Spain
Dubai, United Arab Emirates
Pittsburgh, USA
Ho Chi Minh, Vietnam
Sao Paulo, Brazil
Istanbul, Turkey
Rotterdam, Netherlands
Seoul, South Korea

PRODUCTS

Our products

Our products are based on two of the most common elements on earth – silicon in the form of quartz, and carbon. Elkem's carbon products are necessary in the production process of steel, aluminum, silicon and other metals. Our silicon products refines other materials such as aluminum and concrete, and are used in everything from everyday products such as kitchen utensils to smart phones and windmills and solar panels. Chemically treated silicon forms silicone, widely used in products where silicone's heat resistant and waterproof properties are helpful, such as cosmetics, medical supplies and paints.





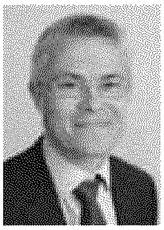
Helge Aasen
CEO

THE ORGANISATION

Corporate management

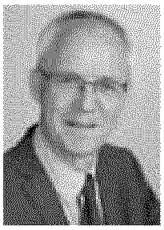
Morten Viga
CFO

Katja Lehland
SVP Human Resources

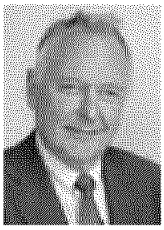


Inge Grubben-Strømnes
SVP Business Development and Solar

Håvard I. Moe
SVP Elkem Technology



Trond Sæterstad
SVP Elkem Silicon Materials

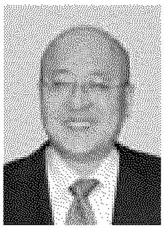


Kjell Ramsdal
SVP Corporate Development

Jean Villeneuve
SVP Elkem Foundry Products

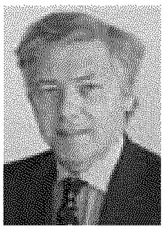
Asbjørn Søvik
SVP
Elkem Carbon

Liu He
SVP Elkem China

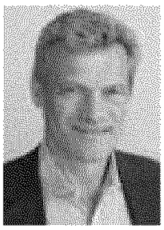


Robert Lu
Chairman
CEO Bluestar

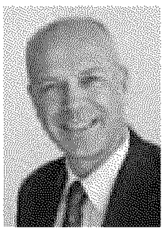
Board of directors



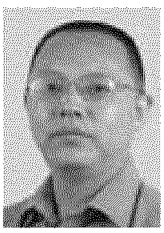
Olivier de Clermont-Tonnerre
Board member
Bluestar Silicones



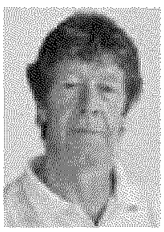
Sverre T. Tysland
Board member
Selmer DA



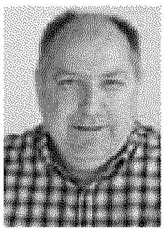
Helge Aasen
Board member
Elkem AS



Yougen Ge
Board member
Bluestar



Einar Støfringshaug
Board member
Union representative



Espen Sortevik
Board member
Union representative

CORPORATE GOVERNANCE

Corporate governance

Elkem AS is owned by China National Bluestar Co Ltd (Bluestar). China National Chemical Corporation is the majority shareholder in Bluestar. Elkem's CEO, Helge Aasen, is a member of the board as a representative elected by the owners. Aasen also sits on Bluestar's board.

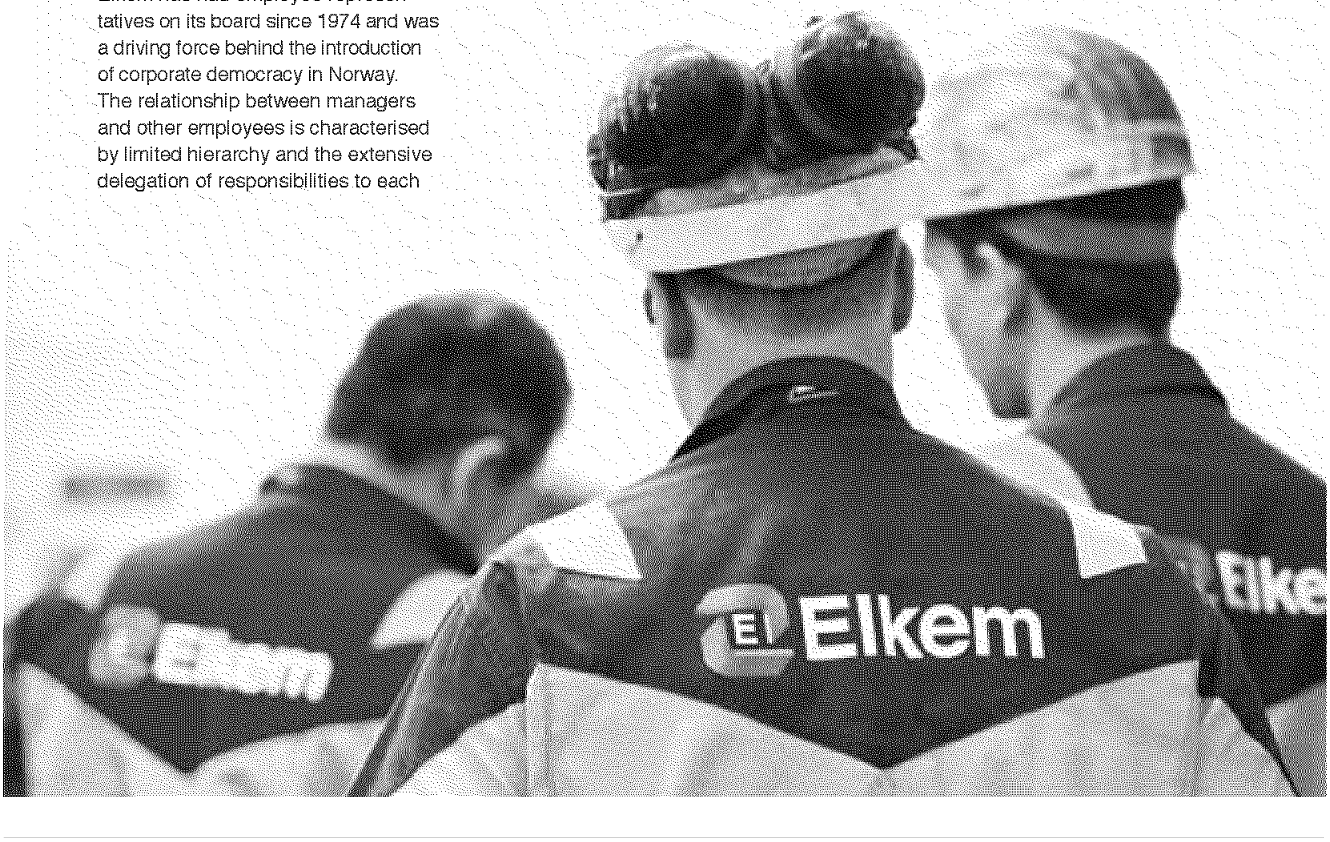
Elkem is governed by its owners through decisions adopted at the annual general meeting and by the company's board of directors. The board consists of seven members, five of whom are elected by the owners and two by the employees.

Elkem's board meets three to four times a year. Instructions have been adopted for the board's work. These are based on the provisions of the Norwegian Companies Act. The instructions govern the board's responsibilities and the CEO's relationship with the board. The board must ensure the sound organisation of the company's activities, adopt plans and budgets, supervise its general management, and ensure that the company's activities, accounts and asset management are subject to proper scrutiny.

Limited hierarchy
Elkem has had employee representatives on its board since 1974 and was a driving force behind the introduction of corporate democracy in Norway. The relationship between managers and other employees is characterised by limited hierarchy and the extensive delegation of responsibilities to each employee. These are important principles of the Elkem business system (EBS). EBS represents Elkem's corporate philosophy and is a tool for achieving goals and ensuring continuous improvement in all areas of the group, both at a management level and at an operational level.

Detailed structure of authority
Business activities are reviewed monthly at the group management level. A template has been developed for what must be reviewed and discussed during the monthly reviews. A detailed structure of authority has been developed that regulates who can make which decisions at various levels of the organisation. This includes specific rules for when decisions must be sent up the line, with the board being the uppermost level for business-related decisions.

Updated risk picture
Risk assessments cover all aspects of the activities and are conducted at all levels: by the board, group management and each business unit. This includes financial risk, market risk (price and volumes) and operational risk. The risk picture is updated regularly and measures are decided on and implemented as soon as possible and at the level where responsibility lies. Policies and procedures have been prepared for all business areas. The company has its own risk manager who is responsible for monitoring risk management in the company. The board and management are regularly briefed on the risk picture.



Mission and values

Elkem's mission is to contribute to a sustainable future by providing advanced silicon and carbon solutions, creating value for our stakeholders globally. We believe that safe and eco-efficient production is the only way forward and that together we can develop solutions to many of the world's challenges.

Our solutions shape the future
In Elkem we believe that silicon and carbon are essential elements for the production of current and future materials, that safe and eco-efficient production is the way forward and that together our employees, customers, suppliers, and other partners we can develop solutions to many of the challenges facing our society.

Elkem's products are based on two of the most common elements on earth, silicon and carbon.
Elkem's carbon solutions are required in the production of steel, aluminium, silicon and other metals. Silicon is used to enhance the properties of materials such as aluminium or concrete, and Elkem's solutions are essential components in a vast array of products, from computers and smart phones, kitchen utensils and medical equipment to wind mills and solar cells. Read more on page 15.

Elkem is at the forefront when it comes to understanding the complexities of the silicon process. Our research contributes to ever safer and more efficient production. This reduces energy consumption, emissions (e.g. CO_2 and NO_x), increases yields and allows for the efficient usage of more and more by-products. Elkem is working to implement energy management and energy recovery at all plants. Our ultimate aim is to remove all waste in the production processes by turning all by-products and side streams into useful and valuable products.

The demand for Elkem's products is expected to increase in the coming years, and in Elkem we believe that our technology, know-how and R&D will continue to form the basis for the development of new solutions towards a sustainable future for our planet. Elkem business system and our values are tools that we in Elkem use to reach our goals.

Our values
Our values create the foundation for the way we do business in Elkem. Our dedicated employees base their work on Involvement, Respect, Precision and Continuous improvement.

Involvement commits people. We know that only humans can identify problems and opportunities and find solutions. By involving colleagues, customers and other stakeholders, and being open and committed to teamwork, we increase our ability to learn and develop new solutions.

We respect the law, the environment, our employees, colleagues, customers, suppliers, owners, the society, local communities and cultures. Respect is about being fair, open and honest, trusting your colleagues and partners and appreciating diversity.

Our commitment to precision shows in our work to develop and follow standards of best practice and safe and stable production. By establishing work and safety standards, we can measure and, therefore continuously improve our performance.

We know that the value chain can always be improved. We do this through experimenting, using new technology and looking for ways to eliminating waste. Continuous improvement means that we are always looking for improvement potential, keeping an open mind and being ready to learn and share our knowledge.

CAPITAL STRUCTURE AND FINANCING

Capital structure and financing

Being part of China National Bluestar, Elkem is mainly financed by equity and loans from its shareholder. During 2013 shareholder loans of NOK 4,356 million has been converted to equity in order to strengthen Elkem's balance sheet.

As of 31.12.2013 Elkem's equity was NOK 7,697 million giving an equity ratio of 66%.

In addition, Elkem has credit facilities with banks to secure sufficient liquidity reserves to cover working capital fluctuations and other short-term financing needs.

As at 31.12.2013 Elkem had credit facilities of NOK 1,426 million, of which NOK 551 million was drawn. The facilities mature in 2014 and 2015.

The external loan agreements contain one financial covenant; that the equity ratio is to exceed 30% at all times. Elkem operates in a cyclical industry and aims to balance operating market risks by having a good financial profile with strong equity and liquidity reserves.

The policy is to have equity ratio of more than 40% and available liquidity reserves of more than 10% of annual revenue.

The chart below shows the maturity profile on Elkem's credit facilities as of year-end.

Financial risk management
Elkem is operating in international markets. Most of the group's sales are in US dollars (USD) and euro (EUR). The location of Elkem's plants however, gives a large natural cost base in other currencies, such as Norwegian krone (NOK) and Canadian dollars (CAD).

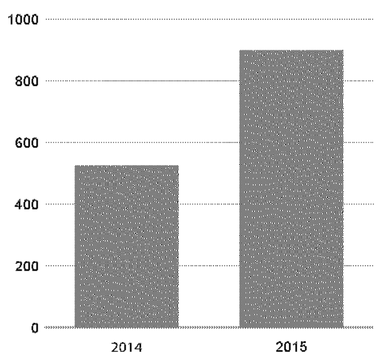
This currency mismatch between revenue and costs represents an exposure to Elkem's result and cash flow.

Elkem's result will improve when the main cost currencies, i.e. NOK and CAD, weaken against USD and EUR. The group has implemented policies to hedge the currency risk.

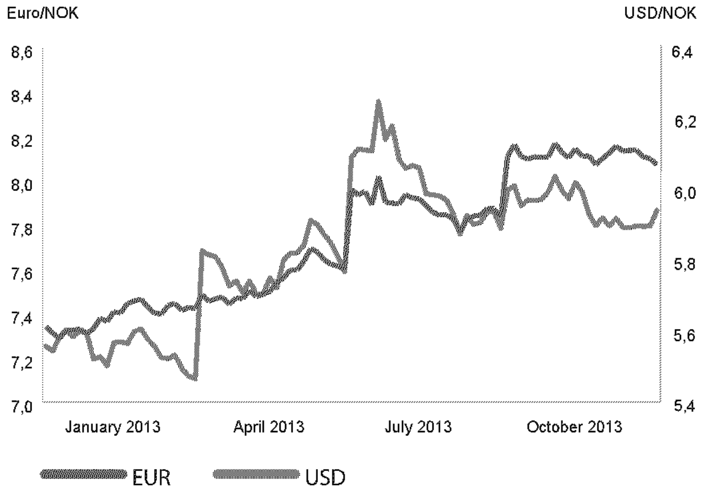
Net cash flows that are near term and highly probably, are hedged 90%. Forecasted cash flows for the next 4-12 months are generally hedged 45%.

Hedge accounting is implemented to mitigate effects from unrealized gains and losses on the hedging portfolio. During 2013, the NOK depreciated 10% against USD and 14% against EUR, as shown in the chart below. This had a positive effect on Elkem's result, but was partly countered by a net realized loss of NOK 73 million on the hedging programme.

Maturity profile credit facilities (Mill NOK)



EUR USD



10

ECONOMIC RESULTS

Strong capital base, new plants

Elkem has improved its basis for growth: the equity has been strengthended for both Elkem AS and Elkem Solar, and new plants are being established in Paraguay, Malaysia and Norway.

The Elkem Group's revenues in 2013 amounted to NOK 7,930 million, compared with NOK 8,093 million in 2012. The operating profit (EBIT) was NOK 434 million, which is NOK 561 million better than in 2012, adjusted for the deconsolidation of Elkem Solar. The EBIT for 2012 was negatively affected by an adjustment of the value of energy contracts amounting to minus NOK 552 million in 2012. The profit for the year in 2013 was minus NOK 628 million, NOK 477 million of which came from Elkem Solar, which is classified as discontinued operation.

Strengthened balance sheet
2013 was a demanding year for Elkem in which the production stoppage in Elkem Solar represented the heaviest financial burden. General demand was affected by the poor economic growth in Europe. The over-establishment of super pure silicon (polysilicon) production capacity resulted in pressure on prices for both solar grade silicon and for other uses of pure silicon.

In June 2013, the board of Elkem decided to strengthen the company's balance sheet by a converting a NOK 4.4 billion shareholder loan into equity. Equity at year-end 2013 amounted to NOK 7,697 million, which represents an equity ratio of 66%.

The divisions
Elkem Silicon Materials experienced lower prices and less demand for pure silicon and special products. Production was also lower due to the construction of a new furnace at the smelting plant in Salten.

Elkem Foundry experienced pressure on prices in Europe, while the American markets remained good and the division experienced a total increase in sales of 9% compared with 2012. Elkem Carbon's results were stable and its production on a par with 2012.

Elkem Solar becomes JV
In March 2014, Guangyu International Investment Company, a Hong Kong based investment company, injected USD 200 million and thus owns 50% of the share capital. Elkem Solar is now a joint venture and has been deconsolidated from the Elkem Group's financial statements. This means Elkem Solar now has a good platform for further growth and the ambition is to find a downstream partner to grow with.

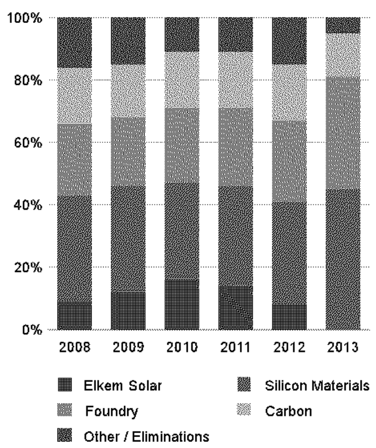
Establishing new production units
NOK 611 million has been invested: NOK 273 million of which qualifies as strategic investments and NOK 338 million as re-investments. The largest strategic investment in 2013 provided for converting a furnace at Elkem Salten to producing Si99.

In 2013, Elkem decided to build a plant that will produce electrode paste in Malaysia in order to meet the strong demand in the region. The plant will be built in two phases, and production will start in 2015.

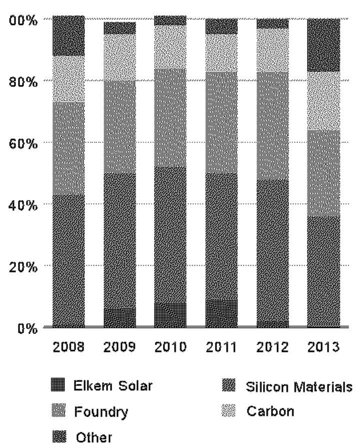
In February 2014, Elkem announced that it will build a new ferrosilicon plant in Paraguay near the capital, Asunción. The plant is a 50/50 joint venture with Argentinian investors, Grupo Andreani and Grupo Araújo. Construction of the plant has started and it is expected to become operational in the second quarter of 2015.

Elkem has established a 50/50 joint venture with Titania AS. The joint venture has been named Elkania DA, and will produce and market Microdense®, a new weighing material for the drilling industry. Production started in the fourth quarter of 2013.

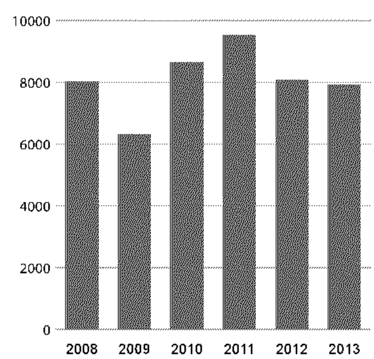
Revenues by business area



Employees by business area



Group revenues, mill NOK



Report from the board of directors 2013

Elkem – general information

The Elkem group is one of the world's leading companies in environmentally-friendly production of silicon related materials. Its main products are silicon, ferrosilicon, specialty alloys for the foundry industry, carbon products and microsilica. Elkem has production facilities in Europe, North and South America, Africa and Asia, as well as an extensive network of sales offices and agents cover ng the most important markets.

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

As at 31.12.2013 Elkem AS is owned 100% by China National Bluestar Group Co, Ltd (Bluestar). On 24 January 2014 a capital increase of preferred shares in Elkem's holding company Bluestar Elkem International SARL took place. The preferred shares are owned by Credia Holdings.Co. Ltd

Highlights in 2013

Elkem's financial statement reflects a substantially improved financial position by year-end 2013 due to conversion of shareholder loans to equity.

Elkem's balance sheet has been strengthened during 2013, as Bluestar decided to convert 4.4 BNOK of shareholder loans to equity. The equity ratio has improved to 66% at year-end 2013, compared to 37% as of year-end 2012. A financial deconsolidation of Elkem Solar from 2014 will further improve the equity ratio. In addition, Elkem's equity was further improved with effect from January 2014 through a capital increase. Credia Holding injected new share capital into Bluestar Elkem International SARL, which used the proceeds to strengthen the equity of Elkem AS by USD 90 million.

Elkem Solar has experienced challenging market conditions over the past two years and generated negative cash flow, which had to be covered by Elkem's other operations. In order to secure continued growth and development of the solar-business, Elkem made a private placement of new shares to Guangyu International on 7 March 2014. Guangyu International, which is a Hong Kong-based investment company, has injected 200 MUSD into Elkem Solar and holds 50% ownership. The cash injection is sufficient to fund Elkem Solar's operations going forward. From 2014 Elkem Solar will be financially deconsolidated from the Elkem Group, and presented as Joint Ventures.

The market situation for Elkem's products continued to be weak in 2013, primarily driven by low economic growth in Europe, which is Elkem's main market. In turn this has generated moderate demand and low prices for Elkem's products.

Despite a challenging economic environment, Elkem Group has worked to position the company for further growth:

- Elkem has invested more than 200 MNOK at the silicon plant in Salten to convert one of the furnaces to Si99 quality. The project is a step towards an integrated silicon value chain with Bluestar. As part of this project the furnace was also redesigned to minimize NO_x emissions.
- Elkem has carried out investments to increase energy recovery, reduce NO_x emissions and improve operational efficiency at plants both in Norway and internationally.

The near-term market outlook is still uncertain, but in the longer term perspective Elkem's business units are well positioned in markets with attractive growth rates.

Results in 2013

In the financial statement for 2013 Elkem Solar has been presented as discontinued operations. This means that Elkem Solar has been removed from all line items in the income statement and that the result is presented after tax as Profit for the year from discontinued operations. In the balance sheet all assets related to Elkem solar is presented as Assets held for sale. Debt related to Elkem Solar is presented as Liabilities held for sale. Elkem's equity is not affected by the classification.

Operating income for Elkem group amounted to 7,930 MNOK compared to 8,093 MNOK in 2012. The operating income decreased by 2%, mainly due to weaker prices. The price decline has partially been compensated by higher sales volume of ferrosilicon products.

The operating profit (EBIT) for the Group in 2013 was 434 MNOK positive. Operating profit has been influenced by lower prices, which have been partly countered by higher sales volume and lower prices on power and raw materials. The operating profit for 2013 was 560 MNOK better than 2012, however the result for 2012 was negatively affected by fair value adjustments of 552 MNOK for the power contracts.

In 2013, the Silicon division has experienced weaker sales prices and reduced demand for high purity silicon, and lower production volume related to the Salten furnace conversion project. The sale of microsilica and powder was good with strong positions in the well-drilling, concrete and refractory segments.

The Foundry division has experienced price pressure in Europe, whereas North and South American markets have shown good demand and stable price levels. Despite price pressure in Europe, the division's sales volume increased by 9% year-on-year. All production facilities had stable and good operation throughout 2013.

The Carbon division's result for 2013 has been stable and the total sales volume was nearly unchanged compared to the 2012.

In 2013, sales prices for Si99 and FeSi75 in Europe fell by approximately 3% on average year-on-year. Specialised products sales prices fell even more and ranged between a decline of 6% and 17%.

Profit before income tax was 132 MNOK negative for the year. Net financial items was 569 MNOK negative and consist of finance income of 34 MNOK and finance expenses of 603 MNOK. Finance expenses consist of interest expenses and other financial expenses of 192 MNOK, whereas total loss related to foreign exchange amounted to 411 MNOK, largely related to Elkem's previous intercompany loans from China National Bluestar Group provided in USD. In 2012 unrealized currency gain on these USD loans was approximately 420 MNOK.

As mentioned, the result from discontinued operations is related to Elkem Solar and is 478 MNOK negative. Elkem Solar experienced another challenging year in 2013 and the production of Solar Grade silicon was halted throughout the year. The market conditions have however improved towards the end of the year on the back of continuous growth for solar power, and production was resumed in February of 2014.

Profit for the year was 628 MNOK negative, including negative profit from discontinued operations.

Financial situation

Cash flow from operating activities before investments including Elkem Solar was 535 MNOK positive for the year. Operating profit was 52 MNOK negative. Amortisation, depreciation and impairment changes amounted to 683 MNOK. In addition, working capital reductions gave a positive cash contribution of 132 MNOK. Net interest and taxes paid amounted to 179 MNOK negative for the year.

The group's liquidity position is considered to be good. Elkem has no large financial obligations falling due over the next 12 months and the group has adequate credit facilities to support its operations.

Capital expenditures was 611 MNOK for the year, of which 273 MNOK was categorised as strategic investments and 338 MNOK as reinvestments.

Strategic investments were mainly related to the energy recovery project at Elkem Chicoutimi in Canada, the furnace conversion at Elkem Salten, and investments to improve production and reduce costs at Elkem Bremanger Foundry and Carbon Fiskaa.

Risk management
Elkem is exposed to several business risks related to market development and production. It is not possible to eliminate all business risks, but the group aims to manage these risks in a systematic and professional manner. Policies and procedures are in place for all main areas. The risk management activities are managed centrally, or by the divisions, and monitored by a risk manager. Corporate management and the Board of Directors are updated on the overall risk picture for Elkem on a regular basis.

In addition to internal policies and procedures to promote Health & Safety in the workplace and to prevent accidents, Elkem has a well established Global Insurance Program for property and business interruption, in order to mitigate Elkem's exposure to large unforeseen incidents that might occur at Elkem's plants. Elkem also has a general third party liability insurance in place.

Price and volume risk
Elkem's main risk exposure is related to prices and sales volumes of silicon related materials as well as costs for key raw material, energy and other consumables.

The demand for silicon related materials has increased over the past years and the long-term outlook is positive. Demand and prices will however fluctuate with economic cycles, and significant price and volume changes can be observed depending on the overall business sentiment. The overcapacity within solar-grade silicon has spilled over to some of Elkem's other product areas and led to downward price pressure.

Elkem seeks to establish long-term customer relationships through continuous development and specialization of the product mix in order to meet the customers' demands. The length of the contracts varies within different markets, with a tendency towards short-term contracts or long-term volume contracts subject to quarterly or semi-annually price adjustments.

Elkem has over many years developed a strong competence on raw material sourcing. Elkem's strategy on raw materials and energy is to secure stable and predictable prices and timely supply of good quality raw materials that meets the operating requirements. The group has long-term contracts in place to secure volume of key input factors, in addition to sourcing from captive sources. 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.

Financial risk
Elkem is exposed to financial risks such as currency risk, interest rate risk, liquidity risk and counterparty risk.

Elkem has sales and costs in various currencies. The group aims to mitigate the currency risk by sourcing raw materials and other costs in the same currencies as the group's sales revenue. However, Elkem has a substantial part of its production in Norway, which gives a relatively large net cost base in NOK, and positive net cash flows in other currencies, mainly EUR and USD. The policy is to hedge 90% of the net exposure on a 0-3 month rolling basis, and 45% of expected cash flows on a 4-12 month rolling basis, in order to even out the effect of currency movements on P&L and cash flow. On 4-12 months basis the hedging ratio may vary between 25 and 75%. Due to the weakening of the NOK against EUR during 2013, Elkem has increased the hedging ratio for EUR to 75% for 2014.

Elkem's interest bearing debt has been substantially reduced in 2013, but the policy is to have debt in USD and EUR. From a cash flow perspective this creates a good hedge, because sales are mainly denominated in the same currencies. However, the debt in foreign currencies could make the group's balance sheet and equity exposed to short-term currency fluctuations. When the balance sheet is sensitive to currency fluctuations, the currency effects on debt and equity are closely monitored.

Elkem is actively managing liquidity risk. The group has centralized its liquidity management and monitors the liquidity development through short- and long-term cash forecasts and daily reporting of the liquidity position. Elkem has established group cash pooling structures, which include most of the business units. For jurisdictions where cash pooling is restricted, Elkem has implemented other solutions to repatriate cash. In addition, the group has undrawn credit facilities with its main banks to back up its liquidity position. The policy is to have a liquidity buffer of 10-20% of expected annual revenue. The target is that these credit facilities should have an average maturity of 12-24 months to mitigate any short-term refinancing risk. Elkem Group must maintain an equity ratio of minimum 30% to meet financial covenants related to credit facilities.

Counterparty risk is managed centrally and the main part of the accounts receivables is insured by a reputable credit insurance company. For customers not covered by credit insurance Elkem seeks to mitigate risk through advance payments or trade finance instruments. Elkem is monitoring the credit risk also for financial trading counterparties. Financial counterparties must have a credit rating of minimum A- or the equivalent from the main rating agencies. In addition, Elkem monitors other financial measures, such as the spread for the respective banks' Credit Default Swaps (CDS).

Capital structure
As at 31.12.2013 Elkem's equity was 7,697 MNOK. Including minority interests of 92 MNOK the equity ratio was 66%.

The capital structure for the Elkem Group has improved substantially during 2013, as Bluestar converted 4,356 MNOK of shareholder loan into equity. The conversion was made in June 2013 to strengthen Elkem's equity and financial position.

Going concern
The board confirms that the company satisfies the going concern assumption, and that the 2013 annual financial statements have been prepared on this basis.

Research and development (R&D)

Elkem devotes considerable effort and resources to research and development (R&D), in order to create and develop innovative products and in the development of environmentally friendly and energy efficient production technologies.

Elkem's direct R&D expenses in 2013 were 65 MNOK. The main R&D activities included:

- Fundamental improvements and increased understanding of the silicon and ferrosilicon furnace processes through the Si 2020 programme, which is an internal programme to improve furnace operations R&D on environmental challenges, with particular focus on Elkem's NO_x and dust emissions
- Product development within the powder products segment
- Silicone value chain, integration between Elkem's silicon and BSI's silicone production processes
- Development of green binders for ramming paste and electrode production

Elkem had three first filings of new patents in 2013:
- Method for preheating blast furnace gas
- Viscosifier for oil well fluids
- P-doped silicon electrode for battery

Other R&D and improvement projects including optimization of work processes, improvement and standardization of furnace equipment, and development of industrial computer systems for improved furnace operations have also been executed.

In addition to the above, Elkem AS has delivered R&D services to Elkem Solar AS of 18 MNOK.

Elkem Group has received 13 MNOK in support from The Research Council of Norway and Innovation Norway.

Environment, 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. Operating heavy industry worldwide involves major challenges, both in terms of incident prevention and environmental protection. Through management commitment, systematic methods, targeted plans and strong organizational participation, Elkem has achieved great improvements and operates with a low level of serious harm to employees and the environment. 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 and whole as they were when they arrived.

Health
Absenteeism is the key performance indicator for health in Elkem. The average rate of absenteeism measured in percent of available working days for 2013 was 3.7%. This is slightly lower than 2012 and represents a normal level taking into account the combination the balance between Norwegian and non-Norwegian plants. Studies of absenteeism throughout Elkem show no indication that the overall rate of illness is related to working conditions, but coincides with the general health conditions in countries where Elkem operates.

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.

Safety
The average Lost Time Injury Rate (H1 = number of lost time injuries per 1.000.000 working hours) for 2013 was 0.8 at year-end (1.8 in 2012), while the Total Recordable Rate (H2 = total number of lost work time, medical treatment and restricted work injuries per 1.000.000 working hours) was 6.0 (6.3 in 2012). While these values have been relatively flat during the last 5 years this is the lowest H1 value ever achieved in Elkem and the second best H2 result.

In addition to recordable rates, incident severity is also measured as a key performance indicator. Of a total of 22 recordable injuries (own employees), none were defined as high severity (fatality or serious permanent damage), 2 were defined as medium severity (serious injury without permanent damage) and 20 defined as low severity (cuts, bruises, sprains, etc. without further consequences). For contractors there were no injuries with high severity, 1 with medium severity and 8 with low severity.

There was 1 serious fire in 2013. A combined workshop, office and storage facility at the Elkem Tana quarry was totally destroyed. There were no injuries or customer effects from the fire.

Environmental impact
Elkem is committed to environmentally responsible production and continuous improvement. Using highly developed production technology, Elkem creates products needed for current and future generations with efficient raw material and energy utilization.

Converting significant natural resources such as water, coal, ores and minerals into important products for present and future generations also involves resource consumption, emissions, discharges, transportation and waste. Emissions and discharges are recorded and dealt with in compliance with public permits at each site. During 2013 a number of the Norwegian plants have received permit renewals and were audited by the Norwegian environmental authorities. All identified discrepancies and observations have been managed in a timely manner in cooperation with the authorities. Both the Salten and the Bremanger plants have had issues with their landfills. These have also been resolved in cooperation with the environmental authorities. All environmental incidents are recorded, investigated and followed up according to procedures.

One of Elkem's most important environmental initiatives is energy conservation including the efficient use of energy and energy recovery. By the end of 2013, five of Elkem's production facilities had energy recovery systems connected to their furnaces recovering a total of 150 GWh electricity and 300 GWh steam and hot water. A major upgrade of the existing energy recovery system at the Thamshavn plant and the ramp-up of the new steam production facility at the Chicoutimi plant gave an annual run rate of 600 GWh recovered energy from the second half of 2013. We have reason to believe that both Chicoutimi and Thamshavn are now the world's most energy efficient smelters within their respective product segments. To further follow-up and intensify energy conservation initiatives, Elkem has also established an energy management function at corporate level and is implementing energy management systems at all locations.

Elkem has received 54 MNOK in support from the NO_x fund during 2013.

During the past few years there has also been increased focus on the emission of nitrogen oxides (NO_x) from furnaces producing silicon and ferrosilicon. Based on in house research and testing, Elkem has been able to reduce NO_x emissions by modifications of furnace hoods and charging systems. NO_x reduction measures where successfully carried out at Elkem Salten in 2013 with the rebuilding of furnace 2. The project was partially financed with support from the Norwegian Business Sector's NO_x Fund, and has given a substantial reduction in NO_x emissions from the furnace using breakthrough technology improvements. Total emissions of nitrogen oxides (NO_x), sulfur dioxides (SO_2) and carbon dioxides (CO_2) from Elkem's Norwegian plants were 5,100, 3,200 and 870,000 tons respectively.

Equality and diversity

To achieve Elkem's strategic targets of safe operations, profitability and global growth, the company is dependent on attracting and retaining competent people and developing a corporate culture based on a broad range of experience and expertise in line with our values; Respect, Involvement, Precision and Continuous Development. The company disapproves of and is actively working to prevent any discrimination based on gender, disability, ethnicity, nationality, race, religion or beliefs. The activities include recruitment, compensation and benefits, working conditions, possibilities for promotion, development and protection against harassment.

Elkem Business System (EBS) is based on people as the driving force for continuous improvement. Empowered people in Elkem exhibit the right competencies, behaviour, appreciation and total acceptance of diversity regardless of the position or geographical location of the people. Our values embrace diversity of all kinds among all Elkem employees and towards our external stakeholders. Elkem believes that diversity enhances the quality of decisions, the speed of improvement work and is a catalyst for the continuous development of Elkem.

Diversity and non-discrimination continued to be an important foundation for Elkem in 2013, based on the Group's internal standards for recruitment, Code of conduct and company values. This foundation of the company is aimed to ensure that Elkem globally continues to embrace diversity and non-discrimination culture and practices.

Elkem's Norwegian entities operate mainly within traditional heavy industry and research and development. The proportion of female employees has been steadily increasing in the recent years, especially in the part of the organisation that is not directly linked to plant operations. Also in the company's internal leadership development program the share of women is slowly but steadily increasing and in recent years around 30%. Elkem's trainee program in Norway has had a proportion of around 50% female participants since 2000. Moving forward, Elkem is focused on increasing the proportion of women in the company.The company aims to provide a workplace with full equality between women and men, and has established a policy and practice to ensure that there is no discrimination based on gender, disability, ethnicity, nationality, race, religion or beliefs. About 20% of the total Norwegian operations' employees are women.

Accounting principles

The consolidated financial statements for 2013 have been prepared and presented in accordance with the International Financial Reporting Standards (IFRS), as adopted by EU.

Elkem AS' separate financial statements for 2013 have been prepared and presented in accordance with Norwegian Generally Accepted Accounting Principles (NGAAP).

Allocation of profit/loss for the year

In 2013, Elkem AS posted a loss of 1,447 MNOK. The Board of Directors proposes to cover the loss from other paid-in capital.

Outlook for 2014

World Economic Outlook expects global growth to increase from 3% in 2013 to 3.7% in 2014 largely due to recovery in the advanced economies.

Global activity and world trade showed signs of improvement toward end of 2013 much due to higher inventory demand in advanced economies. Emerging market economies also experienced improved activity toward the end of 2013 due to stronger export, whereas domestic demand was generally subdued, except in China. Financial conditions improved in advanced economies, whereas emerging markets experienced tight financial conditions.

Economic growth forecasts in 2014 point upwards for the U.S. and Euro Area, whereas China is expected to grow slightly slower during 2014.

Elkem Group's structure is vulnerable to individual factors in the macro development. Early in 2014 there are signs of stable demand for silicon and ferrosilicon related products, and prices are expected to be flat, slightly upwards.

Uncertainty connected to the macroeconomic situation appears to be higher in the emerging markets areas compared to the Euro Area and North America at the beginning of 2014. However, based on strong cost positions and highly specialized products, Elkem Group is well positioned to handle uncertain and volatile markets in the future.

Oslo, 19 June 2014

Xiaobao Lu
Chairman of the board

Einar Støfringshaug

Espen Sortevik

Yougen Ge

Olivier de Clermont-Tonnerre

Sverre S. Tysland

Helge Aasen
CEO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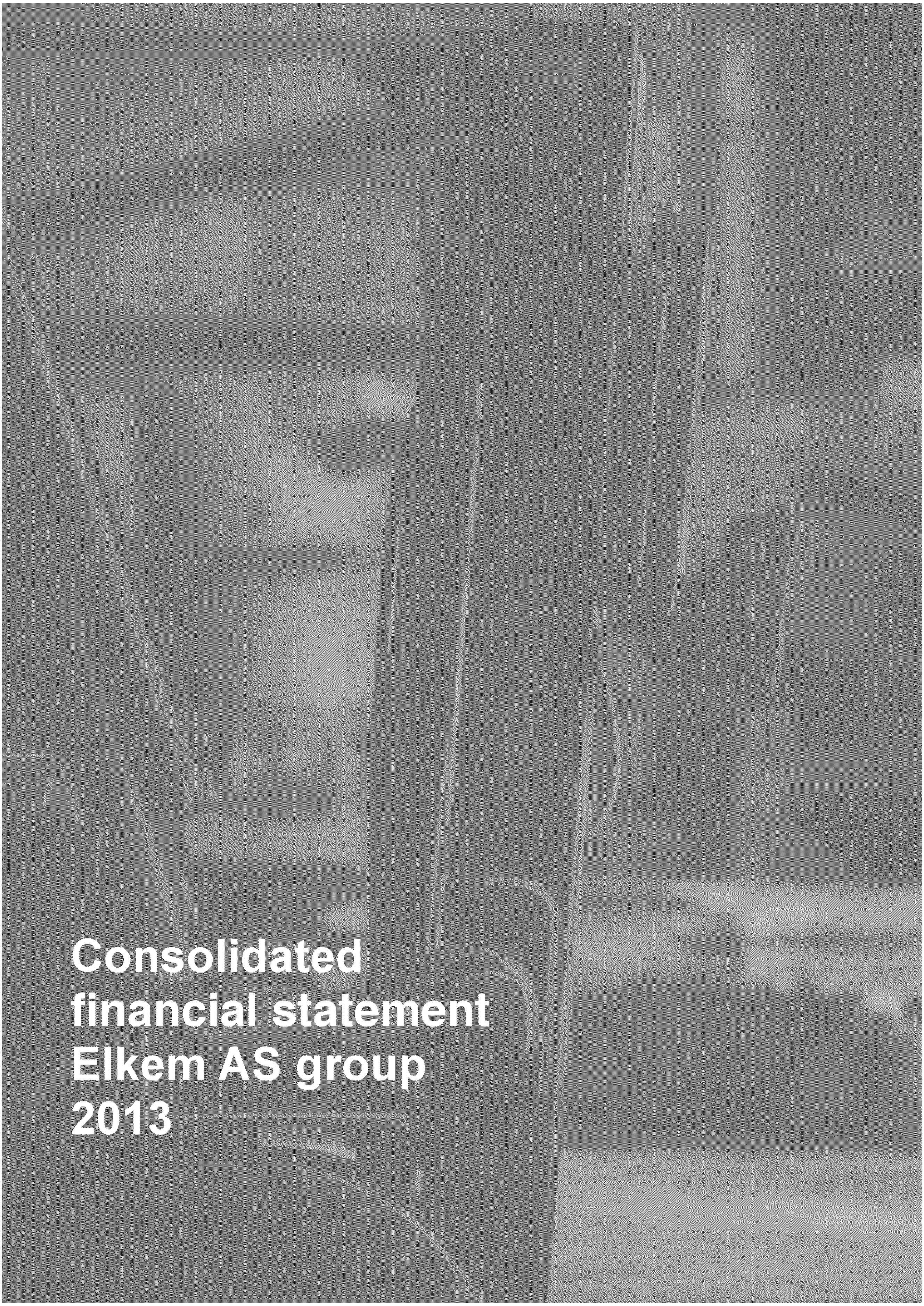

Consolidated financial statement Elkem AS group 2013

CONSOLIDATED INCOME STATEMENT

Amounts in NOK 1000 *1 January – 31 December*	Note	2013	2012
Revenue		7 776 534	7 964 666
Other operating income		153 442	128 788
Total operating income	**2**	**7 929 976**	**8 093 454**
Cost of goods sold		(3 995 819)	(4 092 249)
Salaries and related expenses	3,4	**(1 287 475)**	(1 225 959)
Other operating expenses	5,6	(1 988 327)	(2 005 166)
Amortisation and depreciation	10	(355 270)	(341 123)
Impairments	10	(14 977)	(5 813)
Operating profit before other items		**288 109**	**423 144**
Other gains and losses	7	145 429	(549 803)
Operating profit		**433 537**	**(126 660)**
Finance income	8	33 656	466 954
Finance expenses	8	(603 037)	(298 984)
Finance expenses net		(569 381)	167 970
Income from associates	12	4 241	2 969
Profit before income tax		**(131 603)**	**44 280**
Tax (expense)/income	9	(18 792)	8 851
Profit for the year from continued operations		**(150 395)**	**53 131**
Profit for the year from discontinued operations	30	(477 545)	(510 480)
Profit for the year		**(627 940)**	**(457 349)**
Non-controlling interest share of profit		19 801	17 598
Owners of the parent share of profit		(647 741)	(474 947)

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CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Amounts in NOK 1000 *1 January – 31 December*	Note	2013	2012
Profit for the year		**(627 940)**	**(457 349)**
Other comprehensive income:			
Items that will not be reclassified to profitt or loss			
Actuarial gains and losses	4	41 572	(21 226)
Tax actuarial items	4	(11 129)	2 944
		30 443	**(18 282)**
Items that may be subsequently reclassified to profit or loss			
Gain/loss foreign currency translation		64 926	(143 837)
Fair value adjustment to hedged items	25	(563 231)	(82 597)
Tax hedge items		151 398	23 127
		(346 908)	**(203 307)**
Other comprehensive income for the year, net of tax		**(316 466)**	**(221 589)**
Discontinued operations		**(245)**	**77**
Total comprehensive income for the year		**(944 651)**	**(678 861)**
Attributable to:			
Non-controlling interest share of comprehensive income		27 008	13 632
Owners of the parent share of comprehensive income		(971 659)	(692 493)
Total comprehensive income for the year		**(944 651)**	**(678 861)**
Total comprehensive income attributable to equity shareholders arises from:			
– Continuing operations		(466 861)	(168 458)
– Discontinued operations		(477 790)	(510 403)

The notes 1 to 30 and the accounting policies are an integrated part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

Amounts in NOK 1000	Note	31.12.13	31.12.12
ASSETS			
Property, plant and equipment	10	3 101 763	6 912 405
Goodwill	10	136 137	135 836
Other intangible assets	10	121 803	180 956
Deferred tax assets	9	338 046	34 685
Interest in associated and other companies	11,12	28 250	25 216
Other non-current assets	14	94 111	315 021
Total non-current assets		**3 820 110**	**7 604 120**
Inventories	15	1 715 245	1 989 926
Accounts receivables	16	1 080 535	915 115
Other current assets	17	293 699	424 105
Cash and cash equivalents	18	728 703	673 725
Total current assets		**3 818 181**	**4 002 871**
Assets held for sale	30	4 041 698	0
TOTAL ASSETS		**11 679 989**	**11 606 991**
EQUITY AND LIABILITIES			
Paid-in capital		5 503 413	2 649 780
Retained earnings		2 101 621	1 571 077
Non-controlling interest		92 365	84 008
Total equity		**7 697 399**	**4 304 865**
Non-current interest-bearing debt	21	19 930	5 473 764
Deferred tax liabilities	9	35 073	39 076
Pension liabilities	4	167 940	217 575
Provisions and other non-current liabilities	23,25	276 304	207 237
Total non-current liabilities		**499 247**	**5 937 652**
Accounts payables		678 185	596 679
Income tax payables	9	38 590	6 104
Interest-bearing current liabilities	21	570 130	285 374
Other current liabilities	24	669 280	476 317
Total current liabilities		**1 956 185**	**1 364 474**
Liability held for sale	30	1 527 158	0
TOTAL EQUITY AND LIABILITIES		**11 679 989**	**11 606 991**

The notes 1 to 30 and the accounting policies are an integrated part of these consolidated financial statements.

Oslo, 19 June 2014

Xiaobao Lu Chairman of the board	**Einar Støfringshaug**	**Espen Sortevik**
Yougen Ge	**Olivier de Clermont-Tonnerre**	**Sverre S. Tysland**
	Helge Aasen CEO	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in NOK 1000	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 1st January 2012	1 500 000	1 149 780	2 649 780	147 495	10 929	2 105 146	2 263 570	4 913 350	79 476	4 992 826
Profit for the year						(474 947)	(474 947)	(474 947)	17 598	(457 349)
Other comprehensive income for the year				(139 970)	(59 470)	(18 106)	(217 546)	(217 546)	(3 966)	(221 512)
Total comprehensive income for the year				(139 970)	(59 470)	(493 053)	(692 493)	(692 493)	13 632	(678 861)
Capital contribution									3 333	3 333
Dividends to equity holders									(12 433)	(12 433)
Balance 31st December 2012	**1 500 000**	**1 149 780**	**2 649 780**	**7 525**	**(48 541)**	**1 612 093**	**1 571 077**	**4 220 857**	**84 008**	**4 304 865**

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Amounts in NOK 1000	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 31st December 2012	**1 500 000**	**1 149 780**	**2 649 780**	**7 525**	**(48 541)**	**1 612 093**	**1 571 077**	**4 220 857**	**84 008**	**4 304 865**
Correction		(55 465)	(55 465)			55 465	55 465			0
Balance 1st January 2013	**1 500 000**	**1 094 315**	**2 594 315**	**7 525**	**(48 541)**	**1 667 558**	**1 626 542**	**4 220 857**	**84 008**	**4 304 865**
Profit for the year						(647 741)	(647 741)	(647 741)	19 801	(627 940)
Other comprehensive income for the year				57 796	(411 833)	30 121	(323 917)	(323 917)	7 207	(316 711)
Total comprehensive income for the year	0	0	0	57 796	(411 833)	(617 620)	(971 658)	(971 658)	27 008	(944 651)
Conversion of liabilities	500 000	3 855 837	4 355 837					4 355 837		4 355 837
Dividends to equity holders									(18 650)	(18 650)
Covered by other paid in capital		(1 446 739)	(1 446 739)			1 446 739	1 446 739			0
Balance 31 December 2013	**2 000 000**	**3 503 413**	**5 503 413**	**65 320**	**(460 374)**	**2 496 676**	**2 101 621**	**7 605 034**	**92 365**	**7 697 399**

Conversion of liabilities

Elkem AS is mainly funded from the parent company. 4 355 837 TNOK of this funding was converted from loan to equity 22.06.2013.

The notes 1 to 30 and the accounting policies are an integrated part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

Amounts in NOK 1000 *1 January – 31 December*	Note	2013	2012
Operating profit		(51 800)	(856 684)
Changes fair value Power contract	7	(49 440)	551 915
Amortisation, depreciation and impairment changes	10	683 190	657 152
Changes in net working capital		131 865	323 030
Interest payments received		32 560	41 875
Interest payments made		(92 167)	(284 566)
Income taxes paid		(119 462)	(131 106)
Cash flow from operating activities		**534 746**	**301 616**
Investments in property, plant and equipment and intangible assets	10	(611 096)	(507 913)
Sale of property, plant and equipment	10	8 963	5 038
Dividend received		0	4 528
Loan to associate		(21 602)	0
Sale of subsidiaries		3 338	0
Cash flow from investing activities		**(620 397)**	**(498 347)**
Dividend paid		(18 650)	(12 433)
New equity		0	3 124
Repayment of loans		(94 653)	(11 835)
New loans raised		232 948	259 704
Cash flow from financing activities		**119 645**	**238 560**
Change in Cash and cash equivalents		33 994	41 829
Currency exchange differences		20 984	(56 682)
Cash and cash equivalents opening balance		**673 725**	**688 578**
Cash and cash equivalents closing balance	**18**	**728 703**	**673 725**
Included in operating profit above:			
Operating profit - cont. operations		433 537	(126 660)
Operating profit - disc. operations		(485 337)	(730 024)
Total operating profit		**(51 800)**	**(856 684)**

For further details about cashflow from discontinuing operations, please refer to note 30.

The notes 1 to 30 and the accounting policies are an integrated part of these consolidated financial statements.

GENERAL INFORMATION

Elkem AS is a limited liability company located in Norway. Elkem AS is fully owned by Bluestar Elkem International Co. Ltd. S.A.R.L., Luxembourg, a subsidiary of Bluestar Elkem Investment Co. Ltd. Elkem AS and its subsidiaries (hereafter Elkem AS group / the Group) was acquired by Bluestar Elkem International Co. Ltd. on 14 April 2011.

Bluestar Elkem Investment Co. Ltd is a limited company registered and domiciled in Hong Kong, owned by China National Bluestar (Group) Co. Ltd ("Bluestar").

During 2013 the board of Elkem AS has discussed different strategic initiatives for Elkem Solar. In November 2013 the Board of Directors approved to enter into an investment agreement with an external investor in Elkem Solar Holding S.a.r.l of MUSD 200 with a subsequent share issue of the company. After the share issue, the group's ownership in Elkem Solar would be reduced from 100% to 50% which results that Elkem Solar will become a joint venture of the Group. The Group executed on 7 March 2014 a share issuance in Elkem Solar Holding S.a.r.l. to the Hong Kong based financial investor Guangyu International.

As a consequence, Elkem Solar is presented on a separate line/ separate lines in the profit and loss and balance sheet as discontinued operations. The income statement has been restated in accordance with historical figures, see note 30 for more details.

Elkem AS Group is one of the world's leading companies in environmentally friendly manufacture of metals and materials. The main activities are related to production and sale of Solar Grade Silicon, Silicon Metal, Ferrosilicon Alloys, Carbon products and Microsilica.

Elkem AS Group serves several global industries, such as construction, transport, engineering, packaging, aluminium, chemical and electronic markets, and has organized 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 specialized metals and materials through high temperature smelting processes and further processing. Thus, the business has high consumption of electrical power, and is also capital intensive, due to requirement for large and complex processing plants.

The presentation currency of Elkem AS Group is NOK (Norwegian kroner). All financial information is presented in NOK thousand, unless otherwise stated.

SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statement is prepared in accordance with International Financial Reporting Standards as adopted by EU.

New interpretations and changes to existing standards
As of date of authorisation of these financial statements, the following standards, amendments and interpretations to existing standards have been issued by the IASB. These standards will be implemented in later years:

- IFRS 10 - Consolidated Financial Statements; effective date 1 January 2014
- IFRS 11 - Joint Arrangements; effective date 1 January 2014
- IFRS 12 - Disclosure of Interests in Other Entities; effective date 1 January 2014

IFRS 10 Consolidated Financial Statements establishes principles for presentation and preparation of consolidated financial statements when a entity controls one or more entities. The effects of the standard are not analyzed.

IFRS 11 Joint Arrangements will have a impact on how Elkem Group recognise and disclose the related financial information about Joint Ventures, as proportionate consolidation is not an option under this standard. According to IFRS 11 accounting and presentation is determined by the classification of the joint arrangement. The classification and the accounting is divided into two types, joint venture which shall be accounted for according to the equity method, and joint operations where assets and liabilities shall be accounted for directly.

The effects from implementing the standard has been analysed. The Group Joint Ventures investments are disclosed in note 12. Today they are accounted for by proportionate consolidation. From January 1, 2014, two of the investments (NCL and Klafi) will be accounted for using the equity method. If IFRS 11 was implemented for the year starting January 1, 2013 the effect would have been the following:

	31.12.2013
Reduction of current assets	(68 463)
Reduction of non-current assets	(1 042)
Reduction of current liabilities	(15 406)
Reduction of non-current liabilities	(1 193)
	2013
Reduction of total revenue	(173 689)
Reduction of total expenses	158 377
Increase interest in associated and other companies (balance sheet)	52 905
Increase income from associates (profit and loss)	15 312

IFRS 12 Disclosure of Interests in Other Entities is a consolidated disclosure standard requiring a wide range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. The standard is not expected to have impact on the consolidated financial statement, only the disclosures.

There are not any other new standards, amendments or interpretations that are expected to have material impact on Elkem Group's financial statements.

Changes in accounting policy and disclosures
The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2013 and have a material impact on the Group:

IAS 19R, 'Employee benefits' was revised in June 2011. The changes on the group's accounting policies has been as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). This has been applied retrospectively in accordance with IAS 8 and the relevant transitional provisions of IAS 19.172 and 173.

	Amount 2012
Reduce salary expense	5 467
Increase financial expence with the interest proportion	(8 693)
Reduced tax expense due to the two items above	871
Reduced pension cost included in OCI	2 355
Total effect on total comprehensive income for 2012	0

For more details, see note 4

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

Change in practice for applying the accounting standards
In 2013 the Group have changed principle for presenting items related to some certain finance and investment ativity for harmonization with IAS 1 Presentation of financial statements. The following items has been reclassed from Finance expense net, to other gains and losses:

Dividend income from available for sale financial assets	661
Net foreign exchange gains/losses- foreign exchange forward contracts	89 048
Operating foreign exchange gains/losses	(97 972)
Total effect on other gains and losses for 2012	(8 263)
Total finance income	6 556
Total finance expenses	1 707
Total effect on finance income and expenses	8 263
Total effect on total comprehensive income for 2012	0

General
The financial statement is based on a historical cost basis, with the exception of derivatives and financial assets held for trading which are measured at fair value. For assets and liabilities designated as hedged items in a fair value hedge the recognized amounts are adjusted with the change in the fair value caused by the hedged risk.

Changes in accounting policies, changes in accounting estimates and errors
Change in accounting treatment based on renewed assessment of an item are treated as an error in prevous accounting period, according to IAS 8 Accoutning policies, Changes in accounting estimates and Errors. The change is recognized retropectively by restating the comparative amounts for the prior period presented, including the opening balance of the prior year.

Use of estimates and judgments
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 underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant items subject to estimates and management judgment include the carrying amount of property, plant and equipment, intangible assets (including goodwill), inventories, deferred tax asset and utilization of tax losses, measurement of defined benefit obligations, provisions and contingencies. See further information note 1.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of Elkem AS and entities controlled by Elkem AS. Control is achieved where Elkem AS has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Elkem AS is assumed to exercise control when it acquires, directly or indirectly, more than 50% of voting rights.

Subsidiaries are included in the financial statements as from the date of obtaining control or significant influence. They are excluded from the financial statements as from the date which control or significant influence cease.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value. Goodwill is measured as the excess of the sum of consideration transferred and net identifiable value of transferred assets and liabilities.

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.

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized 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 and jointly controlled entities
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. Jointly controlled entities are those entities over whose activities the group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Associates
Investments in associates are accounted for using the equity method and are recognized initially at cost. The groups share of the associates' profit and loss and other comprehensive income of associates are incorporated in the consolidated financial statement and presented on single lines in the Income Statement and Other Comprehensive Income.

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 ventures
The group's interests in jointly controlled entities are accounted for by proportionate consolidation. The group 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 group's financial statements.

The main transactions between Elkem and the joint ventures is purchase of materials and services. The group does not recognize its share of profits or losses from the joint venture that result from the group's purchase of assets from the joint venture until the assets are resold to an independent party.

Foreign currency
Each entity in the group determines its functional currency based on the economical environment in which it operate, and items included in the financial statements of each entity are measured using that functional currency.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency are recognized in the functional currency using the transaction date's currency rate.

Items in the income statement in other currencies than the group's presentation currency are monthly converted to the groups presentation currency using the month's average currency rate, and items in the balance sheet are monthly converted to presentation currency at the exchange rate on the balance sheet date. Translation differences are reported in Other Comprehensive Income.

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 recognized in Other Comprehensive Income relating to that particular foreign operation is recognized in profit and loss.

Monetary items denominated in foreign currencies are presented at the exchange rate on the balance sheet date, and any gains/losses is reported in the Income Statement. Currency effects related to financing activities (loans and dividends) are presented included in Finance income/(expenses), other currency effects are presented as a part of Other gains/losses.

Foreign currency differences are recognized in other comprehensive income for the following items:

– loans to subsidiaries treated as a part of the net investment
– financial asset or liability designated as a cash flow hedge, to the extent that the hedge is effective

Goodwill
Goodwill is initially measured as the excess of the cost of an acquisition over the Group's share of the fair values of of the acquired entity's net identifiable assets at the acquisition date. If the fair value of the groups' interest in the net assets of the acquired subsidiary exceeds the cost of the acquisition (negative goodwill), the differences is recognized directly in profit and loss. Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment annually, or more frequently whe n there is an indication of impairment.

An impairment loss recognized for goodwill is not reversed in subsequent periods.

Intangible assets
Intangible assets are stated in the consolidated financial statement at cost less accumulated amortization and accumulated impairment losses. Intangible assets acquired in business combinations are recognized at fair value at the acquisition date. Intangible assets with a finite useful life are amortized, using the straight-line method. The estimated useful lives and amortization method are reviewed at the end of each reporting period.

An intangible asset is derecognized on disposal, or when the Group expects no future economic benefits from its use 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 recognized in profit or loss.

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An intangible asset arising from an internal development project is recognized if the Group can demonstrate technical feasibility of 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 stated in the consolidated statement of financial position at cost, less accumulated depreciations and accumulated impairment losses. Property, plant and equipment acquired in business combinations are recognized at fair value at the acquisition date. Properties in the course of construction are carried at cost, less any recognized impairment loss.

Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items.

Depreciation commences when the assets are ready for their intended use.

Initial costs include expenditures that are directly attributable to the acquisition of the asset. Self-constructed assets include the cost of materials and direct labor, any other costs directly attributable to bringing the assets to working condition for their intended use, estimated dismantling or removing charges and capitalized borrowing costs.

Subsequent costs are included in the asset's carrying amount or recognized 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 derecognized. Major periodic maintenance that is carried out less frequently than every year is capitalized 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 recognized using the straight-line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each reporting period.

An item of property, plant and equipment is derecognized 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 recognized in profit or loss.

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 to determine whether there is any indication of impairment. If any such indications exist, 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 flows 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 Report. The capitalised value of tangible and intangible assets within the cash generating units is measured against the value in use of tangible and intangible assets 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 lease. Assets held under finance leases are initially recognized as assets of the Group at the lower of the fair value of the asset and the present value of the minimum lease payment. The corresponding liability to the lessor is included in the consolidated financial 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
Purchase and sale of financial assets are recognized at the date of transaction on which the Group 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 derecognized 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 risks 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 in the balance sheet at fair value with gains or losses recognized in the income statement.

Financial assets available for sale
Available-for-sale financial assets are non-derivatives which are either designated in this category or not classified in any of the other categories. These assets are included in non-current assets, unless the management intend to sell the investment within 12 months from the balance sheet date.

Loans and receivables
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 recognized at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated income statement when the loans and receivables are derecognized or impaired, as well as through the amortization process.

This category includes operating receivables, loans, guarantee deposits, and cash and cash equivalents.

Trade and other receivables are initially recognized at fair value, which in most cases corresponds to their nominal amount.

The carrying amount is subsequently measured at amortized cost using the effective interest rate method, less any impairment provision.

Short term receivables with no stated interest rate are recognized 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.

Cash and cash equivalents comprise cash fund and short term deposits. Bank overdrafts are shown within interest bearing current liabilities on the balance sheet. Deposits and drawings within the group bank accounts are netted by offsetting deposits against withdrawals.

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 recognized in the income statement. 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 borrowings and trade payables. The liabilities are initially recognized at fair value of the amount required to settle the associated obligation, net of related costs. Subsequently and if they are not designated as liabilities at fair value through profit or loss, such liabilities are recognized at amortized cost using the effective interest rate method, and the difference between the cost and the amount of repayment being recognized in the income statement over the term of the borrowing.

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 recognized 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 recognized immediately in "profit or loss. Subsequently the derivatives are remeasured to their fair value at the end of each reporting period."
The resulting gain or loss is recognized in the income statement immediately, unless the derivative is designated and is effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

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 derocognized when they are extinguished

Hedge accounting
The group 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.

i) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges, are recognized 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.

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 recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

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 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 where reported in equity is immediately transferred to the income statement.

Commodity contract within the scope of
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.

The contracts must therefore be treated as derivatives and are booked to fair value through profit or loss, or through OCI if designated as a part of a hedging relationship (see also Notes 7, 25 and 26). Commodity contracts within the scope of IAS 39 are classified as current assets or liability, unless they are expected to be realized more than 12 months after the balance sheet date. In that case, they are classified as non-current assets or liabilities.

Inventories
Inventories are measured at the lower of cost and net realizable value. The cost of inventory is measured at the cost of raw materials, energy for smelting, direct labor, other direct costs and production overhead cost based on the higher of actual and normal capacity.

Net realizable value represents the estimated selling price for inventories less estimated costs of completion and variable selling expenses.

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 recognized in the income statement except to the extent that it relates to items recognized directly in equity or in 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 favor of the Group 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 consolidated financial statements, including tax losses carried forward.

Deferred tax relating to items outside profit or loss are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax assets are recognized in the statement of financial position to the extent it is more likely than not that the tax assets will be utilized. The tax rates 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 realized simultaneously.

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 pension plan asset.

The company's contribution constitute from 4 to 8% of the basic salary between 1 and 12 G (G stands for the norwegian public pension base rate, which is adjusted annually. In 2013 1G was equal to 85 245 NOK). A separate contribution plan is established for salary above 12 G. Payments related to the contribution plans are expensed as incurred.

Defined benefit plans
Defined benefit plan is recognized at present value of future liabilities considered retained at the end of reporting period. Plan assets are recorded at fair value. Changes in benefit liabilities due to changes in benefit plan, is distributed over average remaining contribution time. Accumulated effects of changes in estimates and financial and actuarial conditions are recognized to Other comprehensive income. Net pension benefit costs are classified as part of Salary and other employee remuneration. Net interest on pension liabilities/assets are prenseted as a part Finance expenses.

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

Contingent assets
Contingent assets are not recognised, but presented in the notes if probable.

Revenue recognition
Revenues are recognized when it is probable that transactions will generate future economic benefits for the group and the amount can be measured reliably. Sales revenue is presented net of VAT and discounts. Revenue from goods sold are recognised when the significant risk and reward of the ownership of the goods are transferred to the buyer, according to the actual delivery term for each sale.
Revenues and sales expenses, related to the same transaction are recognised in the same period.

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. Dividend is recognized when shareholders right to receive dividend are determined by the shareholder's meeting.

Government grants
Government grants are recognized when it is virtually certain that the group will comply with the conditions attaching them, and the grants will be received. Government grants relating to property, plant and equipment are deducted from the carrying amount of the asset. The grant is recognized as income over the lifetime of a depreciable asset by reducing the depreciation charge. Grants related to expenses are classified as Other operating income.

CO_2 emission quotas
CO_2 emission quotas allocated from the government are classified as Government grants, measured at nominal value (zero). The CO_2 quotas are meant to cover CO_2 emissions from The group's plants in Norway. If actual emissions exceed the allocated emission quotas, additional quotas are purchased. Purchased CO_2 quotas are recognised at cost as Other operating expenses, and any sale of CO_2 quotas are recognised as Other operating income, according to transaction price.

CO_2 compensation
The Norwegian government has from 2013 established a CO_2 compensation scheme to compensate for CO_2-costs included in power contractsfor industry. 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 are recgnosed as Other operating income when there is reasonable assurance that the entity will comply with the conditions attached and the grants will be received.

Events after the reporting period
Events after the reporting period related to the group's financial position at the end of the reporting period, is considered in the financial statement. Events after the reporting period that has no effect on the Groups 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.

Notes to consolidated financial statement

Amounts in NOK 1000

1. ACCOUNTING ESTIMATES

Estimates and judgments 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.

The group 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.

Estimated value of goodwill:
The group performs annual tests to assess the value of goodwill. The recoverable amount from cash generating units is determined on the basis of present-value calculations of expected annual 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. Additional information is disclosed in note 10.

Deferred tax assets:
The group performs annual tests for impairment of deferred tax assets. Part of the basis for recognising deferred tax assets are based on applying the loss carried forward against future taxable income in the group. This requires the use of estimates for calculating future taxable income.

Power contracts:
Fair value for long term power contracts are based on observable data for comparable instruments when available, other assumptions are set by the Management based on available information. Net booked value as of 31.12.2013 for such contracts is in total negative 43 MNOK, see note 25 Financial instruments for further details and sensitivity.

Elkem Solar:
Assets classified as held for sale at MNOK 4,042 represents the carrying value of the assets in Elkem Solar.

Elkem Solar's assets have been tested for impairment as of 31 December 2013. The recoverable amount is estimated based on fair value less cost of disposal.

On 7 March, 2014, Elkem Group completed a share issuance of MUSD 200 in Elkem Solar Holding S.a.r.l. After the transaction, the Group's ownership in Elkem Solar was reduced from 100% to 50%. The completed transaction is the basis for the fair value less cost of disposal used for the impairment test. The MUSD 200 transaction value equals the carrying value of the net assets of Elkem Solar as at year end 2013.

The impairment test indicated no requirement for write down.

Despite the value of transaction which is above the net book value of Elkem Solar as of Dec 31.12.2013, there are uncertainties and risks regarding the fair value of the investment for future periods. The future recoverable amount of the investment is most sensitive to changes in sales price of the products, cost of production, useful life of the assets and sales volume. For 2014, Elkem Solar will be recognized as an investment in Joint Venture, using the equity method at approx. MNOK 1,190. In addition, after the transaction is completed, the intragroup receivable of MNOK 1 436 at 31.12.2013 will be presented as a receivable on the Joint Venture Elkem Solar. The value of the receivable will be depending on Elkem Solars future financial ability to pay down on the loan. For more details, please refer to Note 30. The total exposure in Elkem Solar will be approx MNOK 2,630 representing the investment and the receivable.

2. INCOME

By type	2013	2012
Revenue from sale of goods	7 402 675	7 646 123
Revenue – China National Bluestar group	262 386	226 141
Other operating revenue	108 193	92 402
Other operating revenue – China National Bluestar group	3 280	0
Total revenue	7 776 534	7 964 666
Other operating income	153 442	128 788
Total operating income	**7 929 976**	**8 093 454**

Revenue by geographic market	2013	2012
Nordic countries	1 154 641	1 284 325
United Kingdom	320 972	287 934
Germany	1 216 816	1 370 447
France	133 070	206 931
Italy	251 347	296 558
Switzerland	8 090	25 649
Netherland	181 060	181 784
Poland	160 981	190 369
Luxembourg	245 747	25 372
Other European countries	536 112	542 330
Europe	**4 208 836**	**4 411 699**
Africa	124 818	133 247
America	1 448 372	1 563 575
China	234 640	130 785
Japan	405 328	486 792
South Korea	314 968	209 168
Other Asian countries	617 186	661 671
Asia	**1 572 123**	**1 488 416**
Rest of the world	**48 526**	**49 185**
Revenue from sale of goods	**7 402 675**	**7 646 123**

The Elkem AS group has several smaller and larger external customers. No single customer constitute a substantial part of the revenues.

Other operating income consists mainly of income from insurance settlements 26,694 TNOK, government grants of 32,747 TNOK and 88,350 TNOK represent proceeds received in conjunction with cancellation of a Supply contract. The corresponding figures for 2012 are 108,609 TNOK from insurance settlements and government grants of 18,516 TNOK. See further information about received government grants in note 28.

3. PAYROLL EXPENSES AND AUDIT FEE

	2013	2012
Salaries and other benefits	(1 069 955)	(1 018 252)
Employer's national insurance contribution	(127 398)	(126 377)
Pension cost, see Note 4	(64 227)	(61 881)
Other payments / benefits	(25 895)	(19 448)
Total salaries and other benefits	**(1 287 475)**	**(1 225 959)**

Including the following compensation	2013	2012
Members of the board	465	465

In 2013 the number of full time employees in Elkem AS Group was 2092 , in 2012 the number was 2096 .

Senior staff compensation
Helge Aasen is CEO of Elkem AS Group. Salary and other compensation is paid to CEO Helge Aasen according to the following specification (figures in NOK)

	2013	2012
Salary, including holiday pay	3 426 577	2 782 837
Bonus	1 549 438	1 121 734
Free car	129 270	130 000
Other compensation	28 758	24 900
Pension cost	401 137	298 778

Retirement age for the CEO is 67 years. Any benefits from occupational pension schemes and other public pension plans the CEO is entitled to are deducted. Old-age pension from the age of 67 and other pensions regarding spouse, children and disability are paid in accordance with the general pension rules of the company. For salaries up to 12 G, the pension provided by the company is a defined contribution plan. Pension for salaries above 12 G will be paid according to the company's current guidelines through operations.

The CEO is also entitled to:

A yearly compensation as a fixed bonus in total equivalent to 50% of the base salary.
A retention fee, in total equivalent to 36 months of base salary, to be paid in Q2 2014 depending on continued engagement.
For the CEO, the following applies upon termination by the company:

- Termination payment equal to 12 months salary is to be paid on the last working day.
- Severence payment equivalent to 18 months salary paid in connection with any termination

Senior staff options
Some members of Elkem management have continued holding options previously awarded by Orkla ASA.

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

AUDIT AND OTHER SERVICES	2013	2012
Audit fee	(9 217)	(7 236)
Other assurance services	(553)	(1 861)
Other services	(313)	(1 342)
Tax services	(213)	(1 736)
Total audit fees	**(10 296)**	**(12 175)**

Fees to auditors are reported exclusive of VAT.

4. RETIREMENT BENEFITS

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

Defined contribution plan
Defined contribution plans comprise arrangements whereby the company makes annual contributions to the employees' pension plans, and where the employee's future pension is determined by the amount of the contributions and the return on the pension plan asset. Contribution plans also comprise pension plans that are common to several companies, and where the pension premium is determined independently of the demographic profile in the individual companies (multiemployer plans).
Employees in the Elkem Group are mainly covered by pension plans that are classified as contribution plans.

The new early retirement scheme effective from 2011 in Norway is defined as a multi-employer plan and the costs are accounted for based on received invoices from 'Fellesordningen for AFP'. The plan is accounted for as defined contribution plan, as the plans administrators have not been able to calculate the pension obligation for each entity participating in the plan.

Defined benefit plan
Defined benefit plans are pension plans where the Group is responsible for paying pensions on a certain level, based on the employees' salaries when retiring.

The Group has funded and unfunded benefit plans in Norway, Germany, UK, Canada, Japan and South Africa, distributed as follows: Norway 43%, Europe 38%, Canada 14%, Other 5% based on net pension obligation per 31.12.2013.

In Norway – all defined benefit plans are unfunded, except for Elkem Chartering, and relates to salary above a certain level, closed early retirement scheme (AFP) and a top hat on the closed early retirement scheme. In Canada provisions are made for medical insurance as well as pension benefit plans.

The revised IAS19, applicable from 1 January 2013, is implemented from the same date. According to new requirements net interest shall be calculated based 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 net interest will be recognized directly in OCI.

As Elkem group has recognised changes in actuarial gains/losses against OCI also under previous version of IAS19, there are no change in the opening balance related to the revised IAS19.

Elkem group has, from the same date, chosen to present the interest on net pension liability included in Financial expenses. In earlier years interest expense on pension liabilities and expected return on pension assets have been presented as a part of pension expenses.

Breakdown of net pension cost:

	2013	2012
Current service cost	(12 884)	(13 173)
Accrued employer's national insurance contribution	(894)	(890)
General administration costs	(604)	(906)
Net pension benefit costs, acturial	(14 382)	(14 970)
Defined contribution plan	(40 749)	(40 639)
Early retirement scheme AFP (Norway)	(9 096)	(6 272)
Pension contribution costs	(49 845)	(46 911)
Net pension costs total	**(64 227)**	**(61 881)**

In addition interest cost on net pension liabilities of 6 571 TNOK is recognized as part of finance expense.

Net liabilities arising from defined benefit obligations	2013	2012
Present value of funded pension obligation	(293 977)	(287 477)
Fair value of plan assets	280 283	228 391
Net funded pension obligation	(13 694)	(59 086)
Present value of unfunded pension obligation	(152 940)	(158 489)
Net value of funded and unfunded obligations	(166 634)	(217 575)
Net pension liabilities	**(166 634)**	**(217 575)**
Booked net pension assets	1 306	-
Booked net pension liabilities	(167 940)	(217 575)
Net pension liabilities	**(166 634)**	**(217 575)**

Movement in the present value of the defined benefit obligation and plan assets:

Movement in defined benefit obligation	2013	2012
Opening balance	(445 966)	(428 167)
Current service cost and social contribution tax	(13 126)	(14 347)
Interest cost	(16 457)	(17 025)
Acturial gains/(losses)	16 863	(31 693)
Liabilities extinguished on settlements	1 143	2 512
Benefits paid	23 114	29 622
Discontinued operations	3 130	-
Currency translation	(15 618)	13 132
Pension obligation as of 31 December	(446 917)	(445 966)
Opening balance	228 391	212 261
Interest income	9 673	8 147
Administration cost	(604)	(906)
Acturial gains/(losses)	25 108	10 544
Contributions from employer and plan participants	19 394	20 746
Benefits paid	(10 992)	(11 013)
Settlements	-	(2 503)
Currency translation	9 313	(8 885)
Fair value of plan assets as of 31 December	280 283	228 391

Breakdown of pension plan assets (fair value) as of 31 December:

	Distribution % 2013	Fair value of plan assets 2013	Distribution % 2012	Fair value of plan assets 2012
Cash, cash equivalent and money market investments	3%	8 403	3%	6 702
Bonds	40%	112 835	38%	87 843
Shares	55%	153 232	56%	128 714
Property	2%	5 813	2%	5 132
Total pension fund	100%	280 283	100%	228 391

The actual return on plan assets was NOK 33,1 million in 2013, and NOK 19,7 million in 2012.

In addition some Norwegian entities have pension contribution fund, 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 14 and 17.

Pension contribution funds	2013	2012
Current part of contribution fund	15 940	15 053
Long term part of contribution fund	12 429	20 685
	28 369	35 738

Summary of pension liabilities and change in actuarial gain/losses:

Net pension liabilities	2013	2012
Pension obligations	(446 917)	(445 966)
Pension plan assets	280 283	228 391
	(166 634)	(217 575)

Total actuarial gain/(losses) recognised in Other Comprehensive Income this period	2013	2012
Changes in actuarial gain/(loss) in pension obligation recognised in Other comprehensive income	17 109	(31 693)
Changes in actuarial gain/(loss) in pension assets recognised in Other comprehensive income	25 108	10 544
	42 217	**(21 149)**

The principal assumptions used for the actuarial valuations in 2013 (2012) were as follows:

	Norway	Canada	Germany	UK
Discount rate	3,4% (2,0%)	4,8% (4,5%)	3,4% (5,5%)	4,5% (4,5%)
Expected rate of salary increase	3,5% (3,5%)	3,5% (3,5%)	3,0% (3,0%)	4,5% (3,9%)
Annual regulation of pensions paid	0,5% (0,5%)	-	2,2% (2,2%)	-
Change in public pension base rate (G)	3,5% (3,5%)	-	-	-

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

Sensitivity on pension liabilities based on change 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 liabilitities.

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.

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
Effect on the pension liability in NOK millions	(24)	26	(14)	14	(5)	5

As the group's main pension plans are Defined Contribution Plans there are no group policy for funding of the defined benefit plans, this is mananged locally, based on the terms and status for the individual plan. The defined benefit plans for Norway, exept Elkem Chartering, and Germany are unfunded.

Expected contribution for the pension plans next year and average duration for the main defined benefit plans:

	Norway	Canada	Germany	UK
Contribution to be paid to defined pension plans next year	9 306	15 263	1 169	3 233
Weighted average duration of the defined benefit obligation	6 years	14 years	15 years	16 years

5. OTHER OPERATING EXPENSES

	2013	2012
Loss on disposal of fixed assets	(552)	(916)
Freight and commission expenses	(540 088)	(530 554)
Machinery, equipment, spareparts and operating materials	(325 481)	(288 427)
Leasing expenses	(83 033)	(79 044)
Repairs and maintenance services	(254 710)	(257 066)
External services	(200 582)	(181 495)
Travel expenses	(68 831)	(67 301)
Energy and fuel	(91 876)	(96 453)
Operating expenses vehicles	(33 059)	(30 545)
Insurance expenses	(44 089)	(43 853)
Impairment losses receivables	(6 648)	(3 454)
Other operating costs	(339 378)	(426 057)
Total other operating expenses	**(1 988 327)**	**(2 005 166)**

During 2013 Elkem group has expensed 65,203 TNOK related to research and development, which are included in the figures above.

6. OPERATING LEASE

	Machinery and plant	Land, buildings and other properties	Equipments, furnitures, systems and vehicles	Total
Lease expenses 2013	(18 537)	(28 028)	(36 468)	(83 033)
Lease in accordance to contract due:				
Within one year	(2 090)	(20 419)	(1 889)	(24 398)
In the second to fifth year inclusive	(2 908)	(46 454)	(2 790)	(52 152)
Over five years	0	(51 198)	(39)	(51 237)

Most leasing agreement have escalation clause. This is not included in the future lease cost in the table above.

	Machinery and plant	Land, buildings and other properties	Equipments, furnitures, systems and vehicles	Total
Lease expenses 2012	(18 005)	(29 298)	(31 742)	(79 044)
Lease in accordance to contract due:				
Within one year	(8 418)	(24 973)	(24 013)	(57 404)
In the second to fifth year inclusive	(14 463)	(19 696)	(1 399)	(35 558)
Over five years	(2 000)	(5 370)	(313)	(7 683)

7. OTHER GAINS AND LOSSES

	2013	2012
Dividend income from available for sale financial assets	701	578
Change in fair value commodity contracts	42 002	(540 222)
Net foreign exchange gains/losses- foreign exchange forward contracts	70 770	89 048
Operating foreign exchange gains/losses	33 251	(99 207)
Ineffectiveness on fair value hedges	2 961	0
Ineffectiveness on cash flow hedges	(4 255)	0
Total other gains and losses	**145 429**	**(549 803)**

Net foreign exchange gains/losses from forward contracts (except contracts designated as a part of a hedging relationship) and foreign exchange gains/losses from operating items are reclassified from Financial Income and Expenses and presented as a part of Other gains/losses from 1 January 2013. Figures for 2012 are restated accordingly.

See note 25 for details related to valuation of financial assets and liabilities trough profit or loss.

8. FINANCE INCOME AND EXPENSES

	2013	2012
Interest income	31 636	37 703
Net foreign currency translation income	0	421 327
Other financial income	2 020	7 924
Total finance income	33 656	466 954
Interest expenses borrowings	(175 308)	(276 210)
Amortization of time value currency options (not a part of a hedging relationship)	0	(244)
Unwinding of discounted liabilities	(74)	(4 666)
Interest on net pension liabilities	(6 571)	(8 693)
Net foreign currency translation expenses	(410 855)	0
Other financial expenses	(10 229)	(9 171)
Total finance expenses	(603 037)	(298 984)
Finance income (expenses), net	**(569 381)**	**167 970**

9. TAXES

Income tax recognized in profit or loss	**2013**	**2012**
Income (loss) from continuing operations before taxes	(131 603)	44 280
Current taxes	(146 241)	(64 479)
Deferred taxes	127 449	73 330
Total tax (expense)/income	**(18 792)**	**8 851**
Income taxes recognised in other comprehensive income (OCI)		
Net gain/(loss) on revaluation on cash flow hedges	151 398	23 127
Net gain/(loss) related to actuarial gain/losses	(11 129)	2 944
Total tax charged to OCI	**140 269**	**26 071**

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

Amounts in TNOK	2013	2012
Income (loss) from continuing operations before taxes	**(131 603)**	**44 280**
Expected income taxes (28 percent) of profit before tax	36 849	(12 399)
Tax effect discontinued operations	-	(44 136)
Tax effects of:		
Difference in tax rates from 28 percent	2 633	9 085
Permanent differences		
Tax effect of income from Norwegian controlled foreign companies (NOKUS)	(5 158)	(4 307)
Tax effect of other permanent income	(25 770)	47 846
Tax effect of profit subject to Shipping tax	3 707	5 932
Tax effect of expense not deductible in determining taxable profit (tax loss)	358	5 391
Other effects		
Tax effect of not capitalised deferred tax assets this year	671	(3 048)
Currency effect on tax expense	(1 670)	(6 127)
Other current tax	(20 766)	(1 911)
Previous year tax adjustment	(9 645)	12 525
Tax (expense)/income for the year	**(18 792)**	**8 851**
Effective tax rate	-14 %	-20 %

Deferred tax asset and deferred tax liability	31.12.13	31.12.12
Hedges recognised in other comprehensive income	(170 275)	(18 878)
Property, Plant, Equipment and Intangible assets	24 780	572 038
Pension fund	(32 490)	(45 158)
Other differences	(557)	42 430
Accounts receivables	1 380	664
Inventories	15 417	(30 488)
Provisions	58 641	(129 335)
Tax losses to carry forward	(213 300)	(399 515)
Deferred tax liabilities	(316 405)	(8 242)
Not capitalised deferred tax asset to tax loss carry forward	13 474	12 632
Not capitalised deferred tax asset other items	(42)	0
Net deferred tax liabilities recognised	(302 973)	4 390

Change in net deferred tax assets/liabilities (TNOK)	2013	2012
1 January	4 390	320 052
Recognised in profit or loss continued operation	(127 449)	(73 330)
Effect of discontinued operations	(39 120)	(217 188)
Recognised in other comprehensive income	(140 269)	(26 071)
Recognised in equity	(526)	928
31 December	(302 973)	4 390

Deferred taxes	31.12.13	31.12.12
Deferred tax assets	338 046	34 685
Deferred tax liabilities	35 073	39 076
Net deferred tax liabilities	(302 973)	4 390

	Gross tax loss carry forward	Capitalised deferred tax assets	Not capitalised deferred tax assets	Total deferred tax assets loss carry forward
Norway	735 797	198 427	238	198 702
France	28 208	-	9 406	9 406
Brazil	427	107	-	107
Singapore	22 547	-	3 831	3 831
Spain	4 184	1 255	-	1 255
Total related to loss carry forward	**791 162**	**199 789**	**13 474**	**213 300**

The major part of the taxable loss carry forward can be indefinitely carried forward.

Deferred tax assets not recognised current year
When an entity has a history of recent losses the deferred tax asset arising from unused tax losses is recognised only to the extent that there is convincing evidence that sufficient future taxable profit will be generated.
There is no entities with recognised deferred tax asset who have a history of tax losses.

Pendig tax issues with the tax authorities
The Elkem Group includes deductions for uncertain tax positions when it is probable that the tax position will be sustained in a tax review.

10. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

PROPERTY, PLANT AND EQUIPMENT

2013	Land and other property	Buildings	Machinery and plants	Equipment, furniture and transport-vehicles	Con-struction in pro-gress	Total
Opening Balance Net Booked Value 2013	**75 914**	**2 793 138**	**3 462 417**	**113 976**	**466 959**	**6 912 405**
Additions 2013	11	3 674	13 434	3 370	538 173	558 663
Disposals 2013	(13)	0	(4 434)	(421)	0	(4 868)
Transferred from CiP	61 789	89 398	507 870	10 350	(669 554)	(147)
Impairment losses 2013	(44)	(2 562)	(312)	(310)	(11 018)	(14 246)
Depreciation expenses 2013	(5 799)	(84 013)	(234 112)	(26 139)	0	(350 064)
Depreciation expenses 2013 - discontinued operations	(273)	(85 600)	(211 750)	(3 621)	0	(301 244)
Disposal of discontinued operations	(2 622)	(1 950 400)	(1 692 934)	(14 015)	(47 804)	(3 707 774)
Foreign currency exchange differences	482	3 358	483	932	3 784	9 038
Closing Balance Net Booked Value 2013	**129 445**	**766 992**	**1 840 663**	**84 123**	**280 540**	**3 101 763**
Fixed assets under financial leasing included in Net Booked value	24 313	0	4 051	3 163	0	31 527
Historical cost	221 244	1 888 013	5 359 032	302 850	291 558	8 062 696
Accumulated depreciation	(81 844)	(1 113 578)	(3 417 837)	(217 816)	0	(4 831 074)
Accumulated impairment losses	(9 955)	(7 443)	(100 532)	(911)	(11 018)	(129 860)
	129 445	**766 992**	**1 840 663**	**84 123**	**280 540**	**3 101 763**
Estimated useful life	5-50 yrs	5-40 yrs	3-30 yrs	3-20 yrs		
Depreciation plan	Straight-line	Straight-line	Straight-line	Straight-line		

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

Write-down in 2013 are mainly related to furnace capacity increase project at Elkem Canada of 10,475 TNOK. The main reason for the write down was that the project was cancelled. Bremanger Verk made a write down of 1,530 TNOK related to fire at thin molding plant. In addition some minor write-downs were made due to damage on machinery and technical obsolenscence.

2012	Land and other property	Buildings	Machinery and plants	Equipment, furniture and transport-vehicles	Construc-tion in progress	Total
Opening Balance Net Booked Value 2012	**68 447**	**2 916 868**	**3 599 117**	**189 406**	**364 163**	**7 138 001**
Additions 2012	367	6 077	62 567	8 331	389 412	466 754
Disposals 2012	(25)	(854)	(3 280)	(878)	0	(5 038)
Reclassification 1)	(984)	1 036	54 934	(58 486)	3 500	0
Transferred from CiP	15 887	24 534	230 641	9 610	(280 672)	0
Impairment losses 2012	(10)	(160)	(5 330)	(340)	0	(5 841)
Depreciation expenses 2012	(5 413)	(144 900)	(453 714)	(31 916)	0	(635 943)
Foreign currency exchange differences	(2 355)	(9 463)	(22 518)	(1 750)	(9 444)	(45 530)
Closing Balance Net Booked Value 2012	**75 914**	**2 793 138**	**3 462 417**	**113 976**	**466 959**	**6 912 405**
Hereof Net Booked Value Elkem Solar	***2 896***	***2 035 505***	***1 873 816***	***16 768***	***69 022***	***3 998 008***
Fixed assets under financial leasing included in Net Booked value	25 840	0	3 553	5 124	0	34 517
Historical cost	171 186	4 275 394	8 068 983	368 305	466 959	13 350 827
Accumulated depreciation	(94 648)	(1 470 087)	(4 492 768)	(253 564)	0	(6 311 067)
Accumulated impairment losses	(624)	(12 170)	(113 797)	(764)	0	(127 355)
	75 914	2 793 138	3 462 417	113 976	466 959	6 912 405
Estimated useful life	5-50 yrs	5-40 yrs	3-30 yrs	3-20 yrs		
Depreciation plan	Straight-line	Straight-line	Straight-line	Straight-line		

1) The reclassification refers to updated assessment of categories of PPE at the Thamshavn plant.

INTANGIBLE ASSETS

2013	Goodwill	Other intangible assets	Develop-ment	IT systems and programs	Intangible assets under con-struction	Total Other intangible assets
Opening Balance Net Booked Value 2013	**135 836**	**15 873**	**86 982**	**35 619**	**42 482**	**180 956**
Additions 2013	0	10 460	0	2 303	39 670	52 433
Disposals 2013	0	0	0	0	0	0
Impairment losses 2013	0	(731)	0	0	0	(731)
Amortisation 2013	0	(1 163)	0	(4 043)	0	(5 206)
Amortisation 2013 - discontinued operations	0	0	(8 425)	(3 275)	0	(11 700)
Disposal of discontinued operations	0	0	(69 434)	(16 806)	(9 069)	(95 309)
Foreign currency exchange differences	301	1 178	0	36	0	1 213
Closing Balance Net Booked Value 2013	**136 137**	**26 660**	**9 123**	**15 613**	**70 408**	**121 803**
Historical cost	136 142	78 496	21 048	75 697	70 408	245 649
Accumulated amortisation	0	(51 108)	(11 925)	(60 084)	0	(123 118)
Accumulated write-downs	(5)	(728)	0	0	0	(728)
Closing Balance Net Booked Value	**136 137**	**26 660**	**9 123**	**15 613**	**70 408**	**121 803**
Estimated useful life	Indefinite	3-10 yrs	3-16 yrs	3-10 yrs		
Amortisation plan		Straight-line	Straight-line	Straight-line		

The investments related to intangible assets mainly consist of M3 system of 38,252 TNOK, plus investment in a land use right of the Abadin excavation area in Spain of 10,460 TNOK by Erimsa.

During 2013, the Elkem AS group has expensed 65,203 TNOK as research and development related to improval of processes and products, and partially for long-term technology- and business development. Capitalized development relates to Technology.

2012	Goodwill	Other intangible assets	Develop-ment	IT systems and programs	Intangible assets under con-struction	Total Other intangible assets
Opening Balance Net Booked Value 2012	149 501	17 569	104 793	33 324	443	156 128
Additions 2012	0	736	89	3 366	36 968	41 159
Disposals 2012						0
Amortisation	0	(1 500)	(8 442)	(5 426)	0	(15 369)
Foreign currency exchange differences	(13 665)	(931)	0	(31)	0	(962)
Closing Balance Net Booked Value 2012	**135 836**	**15 873**	**86 982**	**35 619**	**42 482**	**180 956**
Hereof Net Booked Value Elkem Solar			77 859	18 513	10 310	106 682
Historical cost	135 841	54 977	132 975	95 621	42 482	326 055
Accumulated amortisation	0	(39 104)	(45 993)	(60 002)	0	(145 099)
Accumulated write-downs	(5)					0
Closing Balance Net Booked Value	**135 836**	**15 873**	**86 982**	**35 619**	**42 482**	**180 956**
Estimated useful life	Indefinite	3-10 yrs	3-16 yrs	3-10 yrs		
Amortisation plan		Straight-line	Straight-line	Straight-line		

Valuation of fixed assets, intangible assets and goodwill
Fixed assets and intangible assets are stated in the consolidated financial statement at cost less subsequent accumulated depreciation and amortization.

Fixed assets are tested for impairment whenever there is an indication of such. Goodwill and intangible assets with an indefinite useful life are not amortised, and are tested for impairment annually. If fair value of the assets are lower than carrying amount, a write down will be recognized.

Goodwill
The impairment test is performed 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 Cash Generating Unit (CGU) is the lowest level at which independent cash inflows can be measured.

Goodwill per entity/CGU	Foundry	Silicon Materials	Carbon	Total
Elkem Oilfield Chemical FZCO		14 164		14 164
Elkem Materials Process Services BV		165		165
Elkem Participacòes Indústria e - Comércio Limitada			10 592	10 592
Ferroveld JV			42 582	42 582
Elkem Carbon China Comp Ltd			1 000	1 000
NEH Inc.	41 189	15 894	10 551	67 634
Total Goodwill	**41 189**	**30 223**	**64 725**	**136 137**

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, EBITDA levels, capital expenditure and discount rates.

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

EBITDA levels: The EBITDA level represent the operating margin before depreciation and amortization and 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 EBITDA levels.

Capital expenditure ("Capex") – A normalized capex is assumed in the long run. Estimated capital expenditures do not include capital expenditures that significantly enhance the current performance as such effect 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 companys equity and debt, 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 a Norwegian 10 year risk – free interest rate, adjusted for inflation differential and country risk premium. The discount rates take into account the debt premium, market risk premium, corporate tax rate and asset beta.

The following WACC and Growth rate has been used for the impairment test:

	WACC	Growth
Foundry	11,1-11,3%	2,5%
Silicon	9,2-9,5%	2,5%
Carbon	10,2%-17,9%	2,5%

A normal change in WACC and other key assumptions will not affect the conclusion as Elkem Group have a large headroom regarding test of the recoverable amount.

Impairment – test results and conclusion
Impairment tests of goodwill, included in each CGU shown above, are done annually. The tests indicated no need for write-down as of December 2013.

11. JOINT VENTURES

As of 31 December 2013 the Elkem AS Group has interests in the following jointly controlled ventures:

Name of entity	Business office	Country	Proportion of shares/votes (%)	Principal activities
Elkem Ferroveld JV (ZA)	Moses Contane Drive, Ferrobank Emalahleni 1035	South Africa	50/ 50	Electrode paste production
Dehong Elkem Materials Co. Ltd	Dehong, Yunnan	China	50/ 50	Microsilica production
North Sea Container Line AS	Haugesund	Norway	50/ 50	Shipping services
Klafi ehf	Grundartangi, Akranes	Iceland	50/ 50	Transportation/harbour services
Elkania DA	Hauge i Dalane	Norway	50/ 50	Microfine weighting material

The Joint Ventures' proportionate share of revenues, expenses, assets, liabilities and cash flows are included in the consolidated financial statement as follows:

	Elkem Ferroveld JV (ZA) including excess value	Dehong Elkem Materials Co. Ltd	North Sea Container Line	Klafi	Elkania DA	Total 2013
Current assets	29 935	1 903	66 256	2 208	52	100 354
Non-current assets	63 303	189	40	1 002	6 601	71 134
Current liabilities	10 694	178	13 443	1 963	93	26 372
Non-current liabilities	2 548	(132)	-	1 193	6 840	10 449
Net assets	79 996	2 045	52 852	53	(280)	134 667
Total revenue	91 903	852	167 347	6 342	-	266 444
Total expenses	(75 595)	(845)	(151 665)	(6 713)	(1 180)	(235 997)
Total profit for the year	16 308	6	15 682	(371)	(1 180)	30 446

There is limited business transactions between the consolidated Joint Ventures and the consolidated entities within the Elkem AS group.

12. INTEREST IN ASSOCIATED AND OTHER COMPANIES

	2013	2012
Interest in associates	17 752	15 318
Interest in other companies	10 498	9 897
Total interest in associates and other companies	**28 250**	**25 216**

	2013	2012
Total interest in associates at opening balance	15 318	16 795
Share of profit [1)]	4 241	2 969
Dividend received	(3 540)	-
Aquired shares in associates	203	-
Disposal discontinued operations	(203)	-
Other changes	1 733	(4 446)
Total interest in associates	**17 752**	**15 318**

1) Share of profit includes the sale of the 47% share in GT Tækni which is recorded at a gain of NOK 0,6 million.

As of 31 December 2013 the Elkem AS Group has interest in following associates:

Name of entity	Business office	Country	Proportion of shares/ votes (%)	Principal activities	Net assets	Total operating income	Group's share of profit of associates	Carrying amount
GT Tækni [1)]	Grundartangi	Iceland		Mechanical maintenance			637	0
Euro partner ship	NL Moerdijk	Netherland	50,0 %	Administer participations	26 769	420	2 957	13 794
Combined Cargo Warehousing	NL Moerdijk	Netherland	33,0 %	Warehousing	10 108	21 003	647	3 958
Total interest in associates							**4 241**	**17 752**

[1)] Sold in 2013 as commented above.

13. GROUP ENTITIES

The following subsidiaries are included in the financial statements

Company	Country of incorporation	Ownership Interest	Voting Power	Owner
Elkem AS	Norway	100%	100 %	Bluestar Elkem International Co., Ltd. S.a.r.l
Dehong Elkem Materials Co. Ltd	China	50%	50%	Elkem AS
Elkania DA [1)]	Norway	50%	50%	Elkem AS
Elkem Carbon AS	Norway	100%	100%	Elkem AS
Elkem Chartering Holding AS	Norway	80%	80%	Elkem AS
Elkem Distribution Center B.V.	Netherland	100%	100%	Elkem AS
Elkem Finanz AG	Switzerland	100%	100%	Elkem AS
Elkem Foundry Invest AS	Norway	100%	100%	Elkem AS
Elkem GmbH	Germany	100%	100%	Elkem AS
Elkem Iberia SL	Spain	100%	100%	Elkem AS
Elkem Iceland Ltd.	Iceland	100%	100%	Elkem AS
Elkem International AS	Norway	100%	100%	Elkem AS
Elkem Japan K.K	Japan	100%	100%	Elkem AS
Elkem LTD.	England	100%	100%	Elkem AS
Elkem Materials Processing (Tianjin) Co.,Ltd	China	100%	100%	Elkem AS
Elkem Materials Processing Services BV	Netherland	100%	100%	Elkem AS
Elkem Metal Canada Inc	Canada	100%	100%	Elkem AS
Elkem Milling Services GmbH	Germany	100%	100%	Elkem AS
Elkem Nordic A.S.	Denmark	100%	100%	Elkem AS
Elkem Oildfield Chemicals FZCO	Dubai	51%	51%	Elkem AS
Elkem Power AS	Norway	100%	100%	Elkem AS
Elkem S.a.r.l.	France	100%	100%	Elkem AS
Elkem S.r.l.	Italy	100%	100%	Elkem AS
Elkem Singapore Materials Pte. Ltd	Singapore	100%	100%	Elkem AS
Elkem Solar AS	Norway	100%	100%	Elkem Solar Holding S.á r.l
Elkem Solar Holding S.á r.l [1)]	Luxemburg	100%	100%	Elkem AS
Elkem South Asia Private Limited	India	100%	100%	Elkem AS
Elkem Tana AS	Norway	100%	100%	Elkem AS
Hoffsveien 65B Invest AS	Norway	100%	100%	Elkem AS
NEH LLC	USA	100%	100%	Elkem AS
Nor-Kvarts AS	Norway	67%	67%	Elkem AS
Elkem Carbon Malaysia Sdn. Bhd.	Malaysia	100%	100%	Elkem Carbon AS
Elkem Ferroveld JV	South Africa	50%	50%	Elkem Carbon AS
Elkem Participacòes Indústria e Comércio Limitada	Brazil	100%	100%	Elkem Carbon AS
Elkem Carbon (China) Comp Ltd	China	100%	100%	Elkem Carbon Singapore Pte. Ltd. (SG)
Elkem Chartering Rederi AS	Norway	100%	100%	Elkem Chartering AS
Elkem Chartering Singapore PTE. LTD	Singapore	100%	100%	Elkem Chartering AS
Elkem Chartering AS	Norway	100%	100%	Elkem Chartering Holding AS
Euro Nordic Logistics BV	Netherland	100%	100%	Elkem Chartering Holding AS
North Sea Container Line AS	Norway	50%	50%	Elkem Chartering Holding AS
Klafi EHF	Iceland	50%	50%	Elkem Iceland Ltd.(IS)
Eastern Desert Trading & Contracting S.A.E.	Egypt	85%	85%	Elkem International AS
Elkem International Trade (Shanghai) Co. Ltd.	China	100%	100%	Elkem International AS

Company	Country of incorporation	Ownership Interest	Voting Power	Owner
Elkem Madencilik Metalurji Sanayi Ve Ticaret Ltd STI	Turkey	100%	100%	Elkem International AS
Gimtrade Ltd.	England	100%	100%	Elkem LTD. (UK)
Mill Street Ltd.	England	100%	100%	Elkem LTD. (UK)
Elkem Materials Delaware Inc. 1)	USA	100%	100%	Elkem Materials Inc (US)
Elkem Materials South America Ltda	Brazil	100%	100%	Elkem Materials Inc (US)
Euro Nordic Belgium BVba	Belgium	100%	100%	Euro Nordic Logistics BV (NL)
Euro Nordic Netherlands B.V.	Netherland	100%	100%	Euro Nordic Logistics BV (NL)
Hoffsv 65B AS	Norway	100%	100%	Hoffsveien 65B Invest AS
Elkem Materials, Inc	USA	100%	100%	NEH LLC (US)
Explotacion de Rocas Industriales y Minerales S.A. (ERIMSA)	Spain	100%	100%	Nor-Kvarts AS
Containercarrier I AS	Norway	100%	100%	North Sea Container Line AS
Containercarrier II AS	Norway	100%	100%	North Sea Container Line AS

1) New entities in 2013 founded by Elkem AS or subsidiaries

14. OTHER NON-CURRENT ASSETS

	31.12.13	31.12.12
Long term pension contribution fund 1)	12 429	20 685
Defined benefit pension asset 1)	1 306	0
Long term deposit pension guarantee	13 008	13 008
Commodity contracts at fair value	40 727	255 000
Other long term receivable	26 641	26 328
Total non-current assets	**94 111**	**315 021**

1) See note 4 Retirement benefits
2) Commodity contract at fair value see note 7 and 25

Long term deposit pension guarantee is related to unfunded pension liabilites for salary above 12G.

15. INVENTORIES

	31.12.13	31.12.12
Finished goods	966 241	1 008 749
Work in progress	180 285	220 605
Raw materials	368 448	443 461
Operating materials and spare parts	200 272	317 111
Total inventories	**1 715 245**	**1 989 926**
Including provisions for write down of inventories as of 31.12.	23 300	435 005

The large decline in provision for write down of inventory is mainly due to that Elkem Solar is classified as discontinued operation as of 31.12.2013.

16. ACCOUNTS RECEIVABLES

	31.12.13	31.12.12
Accounts receivables (external)	997 512	877 017
Accounts receivables (Bluestar group companies)	64 510	32 074
Provision for doubtful accounts	(9 329)	(9 219)
Bills receivable [1)]	27 842	15 243
Total accounts receivables	**1 080 535**	**915 115**

1) A Bill receivable is a document that the customer formally agrees to pay at maturity date. The bill receivable document effectively replaces, for the related amount, the open debt exchanged for the bill. Bills receivable are used at Elkem entities located in China.

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

	31.12.13	31.12.12
Not due	841 577	756 114
1 - 30 days	143 008	102 827
31 - 60 days	30 454	21 628
61 - 90 days	8 995	7 097
More than 90 days	37 988	21 425
Total accounts receivables	1 062 022	909 091

Elkem had an average granted credit period of 40 days for 2013 and actual credit days were 42 days. Interest has been charged on late payments with a rate of 9% per year with exception of certain markets and customers where interest charging has not been appropriate.

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

Movement in allowance for doubtful debts	31.12.13	31.12.12
Opening Balance	(9 219)	(11 345)
Provisions/losses on doubtful accounts during the year	(4 984)	(4 985)
Disposal discontinued operations	191	-
Reversed provisions	4 683	7 111
Closing Balance at 31 December	**(9 329)**	**(9 219)**

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

Overdue by:	31.12.13	31.12.12
less than 60 days	(1 020)	(1 316)
61 - 90 days	(449)	(1 322)
more than 90 days	(7 860)	(6 580)
Total impaired overdue receivables	**(9 329)**	**(9 219)**

17. OTHER CURRENT ASSETS

	31.12.13	31.12.12
Pension contribution fund, short term part [1]	15 940	15 053
Derivatives [2]	1 254	65 421
Commodity contracts at fair value [2]	-	58 000
CO2 Compensation from Norwegian Environment Agency [3]	26 070	-
VAT receivable	129 685	118 608
Corporate income tax receivable	26 387	20 985
Prepayments	48 328	65 870
Insurance settlement Elkem Thamshavn AS receivable	-	34 023
Other receivables	46 036	46 146
Total current assets	**293 699**	**424 105**

1) Pension contribution fund see note 4 Retirement benefits
2) See note 25 Financial instruments
3) CO_2 Compensation from Norwegian Environment Agency, see note 28

18. CASH AND CASH EQUIVALENTS

	31.12.13	31.12.12
Cash and bank balances	664 646	611 057
Restricted deposits	64 057	62 668
Cash and cash equivalents	**728 703**	**673 725**

NOK 57,6 million is restricted deposits in connection with Tax Litigations in Brasil (see note 23).

19. SHAREHOLDER INFORMATION

Shareholders
Elkem AS is the parent company of Elkem AS Group.
As of 31 December 2013 Elkem AS is 100% owned by Bluestar Elkem International Co. Limited S.A.R.L.
Elkem AS has its registered company address: Hoffsveien 65B, 0377 Oslo, Norway

Share Capital
Share capital of Elkem AS is NOK 2,000,000,000, divided into 1 share of NOK 2,000,000,000

20. FINANCE LEASE LIABILITIES

Elkem Group leases some of its manufacturing equipment under finance lease. Interest rate 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	31.12.13	31.12.12
Within one year	8 356	10 251
Between 1 and 5 years	11 209	17 074
Over 5 years	-	-
Total lease payments	19 566	27 325
Less future finance charges	(1 209)	(2 212)
Present value of lease obligations	**18 356**	**25 113**
Less amount due for settlement within 12 months	4 923	8 815
Total non-current finance lease obligations	**13 433**	**16 298**
Leasing cost current year	7 620	5 953
Minimum lease payments as of 31 December	16 774	24 106

21. INTEREST-BEARING ASSETS/DEBT

	31.12.13	31.12.12
Non-current interest-bearing debt		
Financing from Bluestar group companies	-	5 451 769
Financial leases (see note 20)	13 433	16 298
Bank financing and other debt	6 497	5 697
Total non-current interest-bearing debt	**19 930**	**5 473 764**
Current interest-bearing debt		
Financial leases (see note 20)	4 923	8 815
Bank financing	564 728	270 096
Accrued interest Bluestar group companies	-	6 463
Accrued interest	479	-
Total current interest-bearing debt	**570 130**	**285 374**
Total interest-bearing debt	**590 060**	**5 759 138**
Interest-bearing assets		
Cash and bank balances	664 646	611 057
Restricted deposits	64 057	62 668
Interest-bearing financial assets [1)]	41 240	46 806
Accrued interest income	961	-
Total interest-bearing assets	**770 904**	**720 531**
Net interest-bearing assets/(debt)	**180 844**	**(5 038 607)**

1) Long term pension contribution fund and deposit guarantee of total TNOK 25,437 are included.

Interest-bearing debt by currency	Currency amount	NOK 31.12.13	Currency amount	NOK 31.12.12
EUR	63 207	528 908	37 220	273 231
USD	(10 354)	(62 854)	977 533	5 441 340
NOK	148 445	148 445	42 431	42 431
Other currencies		(24 439)		2 136
Total interest-bearing debt		**590 060**		**5 759 138**

Maturity of interest-bearing debt at 31.12.2013	Group financing	Financial leases	Bank financing	Other loans	Accrued interest	Total
2014		4 923	564 728		479	570 130
2015		7 435	2 130	401		9 966
2016		4 043	686	401		5 130
2017		1 955		401		2 356
2018				401		401
2019				2 077		2 077
Total	**-**	**18 356**	**567 544**	**3 681**	**479**	**590 060**

Maturity of interest-bearing debt at 31.12.2012	Group financing	Financial leases	Bank financing	Other loans	Accrued interest	Total
2013		8 815	270 096		6 463	285 374
2014		6 011	1 611	351		7 973
2015		4 507	448	351		5 306
2016		3 778	477	351		4 606
2017		2 002		351		2 353
2018	5 451 769			1 757		5 453 526
Total	**5 451 769**	**25 113**	**272 632**	**3 161**	**6 463**	**5 759 138**

Of the intra-group financing from Bluestar group of 5,451 MNOK as of 31.12.2012, an amount of 4,356 MNOK has been converted to equity in June 2013 and the remaining amount transferred to Elkem Solar as the new debtor.

Of total granted external credit facilities of 1 426 MNOK, the Group has drawn 551 MNOK as of 31.12.2013. The drawn amount has been classified as short-term debt, as the amount is considered to be part of Elkem's short-term liquidity management. The facilities mature in 2014 and 2015, and as such do not constitute any payment obligation before the facilites mature.

The Group had drawn 262 MNOK of total granted external credit facilities of MNOK 1,395 at 31.12.2012.

Elkem AS' bank facilities contain a financial covenant that the equity ratio of the Elkem AS Group shall at all times be above 30 per cent.

As at 31.12.2013 the group's equity ratio was 66%.

Covenant calculation Elkem AS Group		31.12.13	31.12.12	Loan covenant
Total Equity	NOK	7 697 399	4 304 865	
Total Assets	NOK	11 679 989	11 606 991	
Equity ratio		**66 %**	**37 %**	**> 30%**

22. PLEDGE OF ASSETS AND GUARANTEES

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

Guarantee commitments	31.12.13	31.12.12
Guarantee commitment KLIF (Climate and Pollution Agency)	4 618	4 618

23. PROVISIONS AND OTHER NON-CURRENT LIABILITIES

	31.12.13	31.12.12
Financial derivates [1)]	133 580	62 470
Provisions	142 724	144 767
Provisions and other non-current liabilities	**276 304**	**207 237**

1) See note 25 Financial instruments

Provisions include the following:	Contingencies due to litigations	Site restoration	Currency effects bond loan	Other provisions	Total provisions
Balance 1 January 2013	**87 375**	**39 491**	**11 510**	**6 390**	**144 767**
Additional provisions recognised	6 591	437	-	374	7 402
Used during the year	(2 427)	0	(2 939)	0	(5 366)
Foreign currency exchange differences	(4 788)	602	-	107	(4 079)
Balance 31 December 2013	**86 751**	**40 530**	**8 572**	**6 871**	**142 724**

Contingencies due to litigations
Contingencies relates to employee and tax litigations in Elkem's business in Brazil. The time of settlement is uncertain. In accordance with Brazilian regulations, the contingencies have been transferred to restricted bank accounts and is adjusted for interest on an annual basis. The restricted cash is included in the balances of cash and cash equivalents.

Site restoration
Elkem has worldwide operations representing potential exposure towards environmental consequences. Elkem has established clear procedures to minimize environmental emissions, well within public emission limits. However, in some cases Elkem faces potential claims regarding environmental issues.

Currency effects bond loan
Elkem has participated in the Central Bank of Icelands Investment Programme and purchased a bond loan in ISK, with payment in EUR. The gain from the purchase in EUR is dependent on retaining the ownership of the securities in 5 years, the currency gain is therefore recognised as deferred income and will be amortized over the required owenrship period.

Other provisions
Other provision mainly consist of accrual for restructuring-cost in some location in Europe, and an accrual for loss on a contract in Egypt.

24. OTHER CURRENT LIABILITIES

	31.12.13	31.12.12
Employee witholding taxes, social security, vacation pay etc	227 336	237 270
VAT payable	43 447	37 427
Advance from customers	14 207	5 977
Commodity contract at fair value [1)]	105 645	11 693
Financial derivatives [1)]	110 231	13 807
Fair value hedged firm committments	0	47 888
Other current liabilities	168 414	122 255
Other current liabilities	**669 280**	**476 317**

1) See note 25 Financial instruments

25. FINANCIAL INSTRUMENTS

Financial assets and liabilities by category 31.12.2013

	Note	Assets at fair value through profit or loss	Derivatives used for hedging	Financial assets available for sale	Loans and receivable	Non-financial assets	Total
Interest in associated and other companies	12	0	0	10 498	0	17 752	28 250
Other non-current assets	14	40 727	0	0	26 654	26 743	94 124
Trade and other receivable	16	0	0	0	1 080 535	0	1 080 535
Other current assets	17	1 000	254	0	202 751	89 693	293 699
Cash and cash equivalents	18	0	0	0	728 703	0	728 703
Total		**41 727**	**254**	**10 498**	**2 038 643**	**134 188**	

	Note	Liabilities at fair value through profit or loss	Derivatives used for hedging	Financial liabilities at amor-tised cost	Non-financial liabilities	Total
Interest-bearing liabilities, non-current	21	0	0	19 930	0	19 930
Other non-current liabilities	23	(258 162)	391 742	0	142 724	276 304
Trade and other payables		0	0	678 185	0	678 185
Interest bearing liabilities, current	21	0	0	570 130	0	570 130
Other current liabilities	24	(27 272)	243 148	0	453 403	669 280
Total		**(285 434)**	**634 890**	**1 268 246**	**596 128**	

Financial assets and liabilities by category at 31.12.2012

	Note	Assets at fair value through profit or loss	Derivatives used for hedging	Financial assets available for sale	Loans and receivable	Non-financial assets	Total
Interest in associated and other companies	12	0	0	9 896	0	15 320	25 215
Other non-current assets	14	255 000	0	0	26 328	33 693	315 021
Trade and other receivable	16	0	0	0	915 115	0	915 115
Other current assets	17	60 951	62 439	0	214 701	86 014	424 105
Cash and cash equivalents	18	0	0	0	673 725	0	673 725
Total		**315 951**	**62 439**	**9 896**	**1 829 869**	**135 027**	

	Note	Liabilities at fair value through profit or loss	Derivatives used for hedging	Finacial liabilities at amor-tised cost	Non-financial liabilities	Total
Interest bearing liabilities, non-current	21	0	0	5 473 764	0	5 473 764
Other non-current liabilities	23	0	62 470	0	144 767	207 237
Trade and other payables		0	0	596 679	0	596 679
Interest bearing liabilities, current	21	0	0	285 374	0	285 374
Other current liabilities	24	12 547	12 953		450 817	476 317
Total		**12 547**	**75 423**	**6 355 817**	**595 584**	

Fair value measurement
Financial instruments at fair value through profit or loss and financial asstes available for sale are measured using different levels of input:

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.

The group's assets and liabilities measured at fair value as of 31. December 2013:	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss		1 000	40 727	41 727
Derivatives designated in a hedging relationship		254	-	254
Financial assets available for sale	1 761	-	8 735	10 496
Total assets	**1 761**	**1 255**	**49 462**	**52 478**
Financial liabilities at fair value through profit or loss		(15 854)	(269 580)	(285 434)
Derivatives designated in a hedging relationship	154 822	126 085	353 983	634 890
Total liabilities	**154 822**	**110 231**	**84 403**	**349 456**

The group's assets and liabilities measured at fair value as of 31. December 2012:	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	482	2 469	313 000	315 951
Derivatives designated in a hedging relationship	0	62 398	0	62 439
Financial assets available for sale	1 759	0	8 137	9 896
Total assets	**2 241**	**64 867**	**321 137**	**388 286**
Financial liabilities at fair value through profit or loss		12 547	0	12 547
Derivatives designated in a hedging relationship	75 423	0	0	75 423
Total liabilities	**75 423**	**12 547**	**0**	**87 970**

Level 1:
Financial assets and liabilities measured at level 1 applies to external noted shares and power commodity contracts. The external shares are measured based on the listed price and the commodity contracts are measured based on quoted currency rates and power prices.

Dividends from the external shares are classified as 'Other gains/losses'. Liabilities measured under level 1 are commodity contracts power designated as hedging instruments in a cash flow hedge of highly probable future purchases, hence the effective part of change in fair value are booked against OCI and booked as a adjustment of the power cost (part of COGS) when realized. Any ineffectiveness are booked as Other gains/losses.

Level 2:
Financial assets and liabilities measured at level 2 applies to forward foreign exchange contracts measured at fair value by estimating the future cash flows.

The foreign exchange forward contracts are designated in a cash flow hedge to hedge highly probable future sales, realised effects are therefore booked as an adjustment of the sales revenues.

Level 3:
The financial assets and liabilities at fair value through profit or loss measured at level 3 consist of three power contracts; a contract with Statkraft bought from Norske Skog in 2010, and two contracts called '30-øringene' based on how the power price in the contract is determined. The usage of power from the contract with Statkraft is restricted to industrial purposes, and the power from the two 30-øring contracts are restricted to be used at Elkem AS' plants. The contracts are assessed to be settled net in cash and are asessed to be within the scope of IAS39 and are therefore recognized as financial instruments.
When valuing these contracts, observable data is used such as power price, currency, KPI 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 2023, CfD to 2016 and the currency rates are observable until 2020. Valuation of the contracts for the remaining periods are base on the latest observable data adjusted for KPI, if relevant.

Assessment of fair value of contract with Statkraft:
Elkem Group pays a fixed power price to Statkraft, specified for each year in the contract lasting to 31.12.2020.

Assumptions for valuation of the contract:
– Discount rate: 2,49 % p.a. This is estimated based on our contract counterparty's assumed cost of capital.
– Inflation: 2,5 % p.a., in line with Norges Bank's inflation target.
– Power prices: Market prices per 31.12.2013 for the duration of the contract.
– CfD's: Market prices per 31.12.2013 up until 2016. Thereafter prices equal to 2016 prices.
– Currency rate EUR: Market prices tradable for Elkem AS per 31.12.2013 for the duration of the contract.

Assessment of fair value of 30-øring contracts:
The two 30-øre power contracts last until 31/12/2030.

For the years 2014 - 2020 the price under the contracts 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 contracts the price is fixed based on the average spot price the preceding 5 years, adjusted for inflation.

The fixed price and the threshold price are based on a start date and adjusted with inflation for every year thereafter. The fixed price and the relevant spot prices for the two contracts are slightly different, but the difference is insignificant, the two contracts are therefore being calculated together as one contract.

Assumptions for valuation of the contracts:
– Discount rate: 9,5 %. This is estimated based on our contract counterparty's assumed cost of capital, adjusted for risk related to the estimated cash flows under the contracts.
– Inflation: 2,5 % p.a. , in line with Norges Bank's inflation target.
– Power prices: Market prices per 31.12.2013 until 2023, thereafter prices are based on 2023, adjusted with inflation rate.
– CfD's: Market prices per 31.12.2013 up until 2016, thereafter prices equal to 2016 prices
– Currency rate EUR: Market prices tradable for Elkem AS per 31.12.2013 until 2020, thereafter prices equal to 2016 rates.

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 againt OCI. Realized effects from the fair value as of 31 December 2012 are booked through profit or loss together with changes in fair value for the 30-øring contracts, as a part of Other gains/losses.

In addition level 3 includes shares in external companies, not listed. These shares are booked at cost and written down if the value of the company is assessed to be lower than cost.

The total changes in fair value categorized in level 3 is set out below:

	2013	2012
Specification of movements in measurement on level 3	NOK 1000	NOK 1000
Opening balance 01.01.	321 137	861 326
Transfer to/from other levels	0	0
Losses recognized in OCI	(353 983)	0
Net gain recognized in Profit or Loss as Other gains/losses	(2 094)	(540 189)
Closing balance 31.12.	**(34 940)**	**321 137**

Details of financial instruments

Details of foreign exchange contracts as of 31. December 2013

Purchase Currency	Purchase ccy 1000	Sale Currency	Sale ccy 1000	Type of instrument	Currency rate rate	Due	Fair value in NOK 1000	Notional amount in NOK 1000 1)
NOK	1 250	AUD	224	Fwd	5,4200	2014	36	1 216
CAD	2 598	EUR	1 780	Fwd	1,4594	2014	(204)	14 895
NOK	1 468 749	EUR	185 275	Fwd	7,9274	2014	(92 016)	1 550 362
NOK	98 156	GBP	10 550	Fwd	9,3039	2014	(8 278)	105 926
NOK	54 602	JPY	892 600	Fwd	0,0612	2014	2 573	51 634
SEK	2 940	JPY	45 000	Fwd	5,7903	2014	173	2 603
CAD	12 572	USD	12 190	Fwd	1,0314	2014	(2 293)	74 002
NOK	254 937	USD	43 270	Fwd	5,8918	2014	(8 968)	262 679
Total fair value currency forward contracts							**(108 976)**	

1) Notional value of underlying asset.

Details of foreign exchange contracts as of 31. December 2012

Purchase Currency	Purchase NOK 1000	Sale Currency	Sale NOK 1000	Type of instrument	Currency rate rate	Due	Fair value in NOK 1000	Notional amount in NOK 1000 1)
AUD	657	JPY	57 000	Forward	0,0115	2013	50	3 685
AUD	300	USD	310	Forward	0,9692	2013	8	1 723
EUR	500	AUD	599	Forward	0,8344	2013	214	3 462
EUR	930	JPY	100 000	Forward	0,0093	2013	366	6 465
NOK	1 062 368	EUR	137 000	Forward	7,7545	2013	48 315	1 005 719
NOK	25 369	EUR	3 000	Forward	8,4564	2014	2 944	22 023
NOK	16 435	GBP	1 800	Forward	9,1305	2013	140	16 192
NOK	23 974	JPY	357 000	Forward	0,0672	2013	813	23 079
NOK	438 226	USD	76 500	Forward	5,7284	2013	11 164	425 830
USD	592	DKK	3 400	Forward	0,1740	2013	(53)	3 346
Total fair value currency forward contracts							**64 013**	

1) Notional value of underlying asset.

Details of energy contracts within scope of IAS39 as of 31. December 2013

	Volume GWh	Due	Fair value in NOK 1000	Notional amount in NOK 1000 [1]
Forward contracts NASDAQ OMX Commodity	797	2014	(81 236)	305 850
Forward contracts NASDAQ OMX Commodity	569	2015	(46 309)	236 105
Forward contracts NASDAQ OMX Commodity	369	2016	(21 832)	123 973
Commodity contracts "30-øringene"	740	2014	(5 730)	197 803
Commodity contracts "30-øringene"	740	2015	(3 190)	202 748
Commodity contracts "30-øringene"	740	2016	(6 360)	207 817
Commodity contracts "30-øringene"	740	2017	(6 530)	213 012
Commodity contracts "30-øringene"	9620	2018-2030	56 840	3 263 677
Forward contracts financial institutions	36	2014	(2 067)	11 997
Forward contracts financial institutions	105	2015	(3 378)	32 266
Commodity contract Statkraft (bought from Norske Skog)	1500	2014	(16 615)	408 435
Commodity contract Statkraft (bought from Norske Skog)	9000	2015-2020	(62 061)	2 655 645
Fair value energy contracts inside scope of IAS39			**(198 468)**	

1) Notional value of underlying asset.

Details of energy contracts within scope of IAS39 as of 31. December 2012

	Volume GWh	Due	Fair value in NOK 1000	Notional amount in NOK 1000 [1]
Forward contracts NASDAQ OMX Commodity	291,9	2013	(12 470)	102 201
Forward contracts NASDAQ OMX Commodity	753	2014	(35 231)	242 898
Forward contracts NASDAQ OMX Commodity	421	2015	(22 254)	136 711
Forward contracts NASDAQ OMX Commodity	220	2016	(4 987)	66 453
Commodity contracts "30-øringene"	740	2013	0	196 034
Commodity contracts "30-øringene"	740	2014	0	200 935
Commodity contracts "30-øringene"	740	2015	0	205 959
Commodity contracts "30-øringene"	740	2016	0	211 108
Commodity contracts "30-øringene"	10360	2017-2030	0	3 615 808
Commodity contract Solar	158	2013	(11 693)	55 109
Commodity contract Statkraft (bought from Norske Skog)	12000	2020	313 000	3 429 105
Fair value energy contracts inside scope of IAS39			**226 366**	

1) Notional value of underlying asset.

Hedge Accounting

Fair value hedges
The Elkem group uses foreign exchange contracts to minimise its currency exposure to fair value changes of its customer orders and receivables.

Changes in the fair value of derivatives that are designated as and qualified as fair value hedges are recorded in the income statement, together with the changes in fair value of the hedged assets or liabilities, both classified under Other gains/losses. The fair value hedging program was closed in October 2012, later changes in fair value are recognized as Financial derivatives with fair values through profit ot loss, also classified as Other gains/ losses. A gain of 2,961 TNOK representing ineffectiveness in the fair value hedge is booked under Other gains/losses in 2013. As of December there is one remaining forward contract related to this programme, due in January 2014.

Cash flow hedges
The effective portion of changes in fair value of derivatives that are designated and qualified as cash flow hedges is recognised in Other Comprehensive Income. The gain or losses relating to the ineffective portion is recognised immediately in the income statement under Other gains/losses.

As of December 2013 Elkem Group had foreign exchange forward contracts designated as highly effective hedging instruments in order to manage the Group's foreign currency exposure related to expected future sales, mainly in USD and EUR. Realized effects from this hedging programme in 2013 amounts to - 86,066 TNOK, booked as an adjustment to sales revenues. There were no ineffectivenss related to this hedging programme.

In addition, forward power contracts purchased from NASDAQ and Statkraft are used for hedging of cashflows related to the groups future need for power at the plants. Realized effects in 2013 from the hedging of power are a loss of 29,964 TNOK booked as a part of COGS, in addition a loss of 4,255 TNOK representing the ineffective part of the hedging relationship is booked as a part of Other gains/losses.

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

Derivative financial instruments	2013 Assets Fair value	2013 Liabilities Fair value	2012 Assets Fair value	2012 Liabilities Fair value
Forward foreign exchange contracts - fair value hedges	254		57 914	0
Forward foreign exchange contracts - cash flow hegdes		126 085	4 525	0
Forward power contract Statkraft - cash flow hedges		353 983	0	0
Forward power contracts NASDAQ - cash flow hedges		154 822	0	75 423
Total derivative instruments	**254**	**634 890**	**62 439**	**75 423**
Less non-current portion:				
Forward power contract Statkraft - cash flow hedges		320 223	0	0
Forward power contracts NASDAQ - cash flow hedges		71 519	0	62 470
Current portion of derivative instruments	**254**	**243 148**	**62 439**	**12 953**

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

Financial derivatives against OCI NOK '000	Opening balance 2013	Net change in fair value	Reclassified to P&L	Closing balance 2013
Change in fair value from derivatives designated as a hedge of future need for power (Nasdaq + other)	(75 420)	(88 054)	(12 892)	(150 583)
Change in fair value from derivatives designated as a hedging of future need for power (Statkraft)		(368 055)	(14 072)	(353 983)
Change in fair value from derivatives designated as a hedge of future purchase of RM [1)]	43 655	0	(1 046)	44 701
Change in fair value from derivatives designated as a hedge of future sales [1)]	(38 939)	(216 676)	(86 066)	(169 549)
	(70 704)	**(672 785)**	**(114 076)**	**(629 413)**
Realized effects from derivatives sold, designated as a hedge of future sales.	(4 523)		4 523	0
Total gains/losses (gross) in OCI	**(75 227)**	**(672 785)**	**(109 553)**	**(629 413)**

Financial derivatives against OCI NOK '000	Opening balance 2012	Net change in fair value	Reclassified to P&L	Closing balance 2012
Change in fair value from derivatives designated as a hedge of future need for power (Nasdaq + other)	(25 017)	(54 671)	(4 268)	(75 420)
Change in fair value from derivatives designated as a hedging of future need for power (Statkraft)		0	0	0
Change in fair value from derivatives designated as a hedge of future purchase of RM [1)]	61 419	(6 804)	10 960	43 655
Change in fair value from derivatives designated as a hedge of future sales	(43 464)	4 525		(38 939)
	(7 062)	**(56 950)**	**6 692**	**(70 704)**
Realized effects from derivatives sold, designated as a hedge of future sales.	14 432		18 955	(4 523)
Total gains/losses (gross) in OCI	**7 370**	**(56 950)**	**25 647**	**(75 227)**

1) Contracts with Nasdaq and other financial institutions

Accumulated gains/losses from cash flow hedges recognised in OCI are expected to be recycled to profit or loss in the period 2014 – 2020, see further details in tables above specifying financial instruments by due date.

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The following financial assets are subject to offsetting:

2013	Gross amount of recognized financial assets	Gross amount of recognized financial liabilities set off in the balance sheet	Net amounts of finacial assets presented	Financial instruments not set off in the balance sheet	Cash collateral pledged	Net amount
Foreign exchange forward contracts	1 254	0	1 254	0	0	1 254
Total	**1 254**	**0**	**1 254**	**0**	**0**	**1 254**

The following financial liabilities are subject to offsetting:

2013	Gross amount of recognized financial liabilities	Gross amount of recognized financial assets set of in the balance sheet	Net amounts of finacial assets presented	Financial instruments not set off in the balance sheet	Cash collateral pledged	Net amount
Commodity contracts NASDAQ	149 377	0	149 377	0	(2 856)	146 521
Foreign exchange forward contracts	110 231	0	110 231	0	0	110 231
Total	**259 608**	**0**	**259 608**	**0**	**(2 856)**	**256 752**

The following financial assets are subject to offsetting:

2012	Gross amount of recognized financial assets	Gross amount of recognized financial liabilities set off in the balance sheet	Net amounts of finacial assets presented	Financial instruments not set off in the balance sheet	Cash collateral pledged	Net amount
Commodity contracts NASDAQ	482	0	482	(482)	0	0
Foreign exchange forward contracts	63 960	0	63 960	0	0	63 960
Total	**63 960**	**0**	**63 960**	**0**	**0**	**63 960**

The following financial liabilities are subject to offsetting:

2012	Gross amount of recognized financial liabilities	Gross amount of recognized financial assets set of in the balance sheet	Net amounts of finacial financial liabilities	Financial instruments not set off in the balance sheet	Cash collateral pledged	Net amount
Commodity contracts NASDAQ	75 421	0	75 421	(482)	(1 829)	73 110
Foreign exchange forward contracts	0	0	0	0	0	0
Total	**75 421**	**0**	**75 421**	**(482)**	**(1 829)**	**73 110**

26. FINANCIAL RISK AND CAPITAL MANAGEMENT

Introduction
Elkem, is exposed to a variety of financial risks such as interest rate risk, currency risk, liquidity risk, credit risk and risks relating to prices of finished goods and raw materials. The market risks affect the group's income or the value of financial instruments held. Elkem operates in an international and cyclical industry and all financial risks related to its operations are monitored and handled at Elkem centrally. Elkem 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 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 USD and EUR. This is partly offset by purchase of raw materials denominated in the same currencies. Elkem has net positive cash flows in most currencies, however a net cost position in NOK and CAD.

The management of Elkem has set up a policy that require to manage their foreign exchange risk against functional currency. The target is to hedge net cash flows for 0-3 months on a 90% hedging ratio. Net cash flow for 4-12 months shall be hedged on a rolling basis based on a 45% hedging ratio target. The hedging ratio for 4-12 months may vary between 25% and 75%. Elkem uses hedge accounting for the 4-12 month cash flow hedges.

In 2013 Elkem realized a loss of NOK 86,1 million from this hedging programme.

Foreign exchange - sensitivity analysis on financial instruments
Elkem is presenting its accounts in NOK but it has underlying assets and liabilities in various currencies. The Group's (including discontinued operation) equity and other financial ratios could therefore be negatively exposed. Elkem Group has most of its financing denominated in US dollars, whereas most of the assets are denominated in other currencies. The equity ratio of Elkem is therefore exposed to USD fluctuations against other currencies in which the Group has its assets.

In 2013 Elkem had a loss of NOK 411 million (in 2012 a gain of NOK 413 million) on foreign exchange recognized in financial items, mainly due to a weakening in NOK vs. US dollar.

Sensitivity on profit and loss from financial instruments. The sensitivity related to financial instruments on Elkem's profit or loss is based on a strengthening/weakening of all currencies by 10% against the NOK, which is the presentation currency for Elkem Group.

If the NOK strengthened/weakened by 10% against all other currencies the isolated effect on financial instruments would have been a increased/reduced profit before tax of approximately NOK 47,8 million (NOK 656 million in 2012).

Sensitivity on balance sheet from financial instruments. The sensitivity related to financial instruments on Elkem balance sheet is based on a weakening/strengthening of all currencies by 10% against the NOK, which is the presentation currency for the Group. If the NOK strengthened/weakened by 10% against all other currencies, the isolated effect on financial instruments would have given an increased/reduced equity of NOK 109,3 million (NOK 90 million in 2012). This effect does not include the effects from the sensitivity on profit or loss as calculated above.

(ii) Price risk

Elkem is exposed to fluctuations in market prices both in the investment portfolio and in the operating business related to individual contracts.

The investment portfolio is limited, see note 11 Joint Ventures and note 12 Interest in associated and other companies.

Raw materials
The business may be exposed to changes in market price for raw materials for input and output to and from the value chain. The Group seeks to minimize the exposure by entering into sales and purchase contracts with similar duration and volume.

Elkem's main production capacity is focused towards specialized products. These products require special types of raw materials, that have fixed customer specifications. In a large extent only surplus production capacity is sold in the bulk-market (aluminums and steel industry).

Therefore, Elkem has acquired several raw material sources and/ or enters into medium-to-long term contracts with raw material suppliers.

Where contracts are used to secure access to raw materials, price is often fixed, with some flexibility on volume.

Power
Some of Elkem's power purchase contracts are defined as financial instruments. These financial instruments are measured in the balance sheet at fair value with value changes recognized through profit or loss and OCI . These contracts are either financial contracts for the purpose of hedging, or physical commodity contracts which does not meet the criteria for own use.

Changes in fair value of commodity contracts reflect unrealized 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.

Techniques that reflect how the market could be expected to price instruments are used in non-observable markets.

Elkem's portfolio of commodity contracts consists mostly of physical energy contracts. Electric power is a key input factor for Elkem. Elkem's stimated future power exposure is therefore partly hedged by one long-term power contract, in addition to several contracts in the medium-term.

Optimization of 24-hour, seasonal and capacity utilization variations are solved through utilizing 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.

The Statkraft power contract:
This was originally a power contract between Norske Skog and Statkraft. In 2010 Elkem Power purchased this contract from Norske Skog with power deliveries starting 01.01.2011 and ending 31.12.2020 being physically delivered at two different grid points in price area NO_2 with a total of 1,5 TWh/year. Elkem Power pays

a fixed power price specified for every year in the contract to Statkraft. Elkem Power paid a consideration to Norske Skog for the estimated fair value of the contract.

Restrictions: The power delivered under the contract must be used in industrial processes.

Estimated fair value of the contract at 31.12.2013 was negative of 78 MNOK based on market prices (MNOK +313 in 2012).

The 30-øre power contracts:
There are two 30-øre power contracts. One contract (240 GWh/year) is being physically delivered at a gridpoint in NO5, the other (501 GWh/year) is delivered in NO2 but is a financial contract. Both contracts last until 31.12.2030.

For the years before 31.12.2020, the price under the contracts 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. The fixed price and the threshold price is based on one start date and adjusted with inflation for every year thereafter. The fixed price and the relevant spot prices for the two contracts are slightly different, but this difference is so minor that in the NPV calculation the two contracts are being treated as one.

For the last 10 years of the contracts the price is fixed based on the average spot price the preceding 5 years adjusted for inflation.

Restrictions: The contracts can only be used by smelters owned by Elkem AS.

Estimated fair value of the two contracts at 31.12.2013 was +35 MNOK (in 2012 both contracts had a value of zero)

Valuation of the power contracts
The valuation technique used for valuing the power contracts is described in note 25 Financial Intruments.

Sensitivity analysis – power contracts
Sensitivity on the Statkraft and 30-øre contracts is as follows:

30-øre contracts		Fair value MNOK 31.12.2013	Adjusted NPV MNOK
WACC (used 9,50%)	change to 6,5%	35	57
WACC (used 9,50%)	change to 12%	35	22
KPI	change to 2%	35	63
KPI	change to 3%	35	4
Power price	decrease -10%	35	(39)
Power price	increase + 10%	35	89

Statkraft contract		Fair value MNOK 31.12.2013	Change in NPV MNOK
Power price	decrease -10%	(78)	(272)
Power price	increase + 10%	(78)	273
WACC (used 2,49%)	change to 1%	(78)	(82)
WACC (used 2,49%)	change to 5%	(78)	(74)

For both contracts the power price is nominated in Euro and a sensitivity change in percentage will give almost same effect as changing the price with same percentage.

(iii) Interest rate risks

Elkem's interest bearing debt is significantly reduced from NOK 5 759 million (2012) to NOK 590 million (2013). At year end 2012, NOK 5 452 million 2013, NOK 4 356 million of the debt to Bluestar group was converted to equity. The remaining amount was transferred to Elkem Solar as the new debtor, which were executed in November 2013. At 31 December 2013 the debt in Elkem Solar to Bluestar is NOK 1 436 million and is classified as liability held for sale in the balance sheet of the Elkem Group.

Elkem is exposed to fluctuating interest-rates. The risk exposure is however significantly reduced due to the debt conversion as commented above. Elkem have a floating interest rate policy. Industry conditions are cyclical and prices and sales volumes for Elkem'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. Interest rates have historically shown a similar pattern. Therefore, a floating interest rate policy is seen as appropriate from a financial risk perspective. Consequently, with floating interest rates the group will normally be in a position to benefit from lower interest rates in an economic downturn. A floating rate policy will however leave the group exposed to increased future interest rates.

As at 31.12.2013 the Elkem has the following interest bearing assets and liabilities:

	Floating	Fixed	Total
Interest-bearing liabilities	590 060	-	590 060
Interest-bearing assets	770 904	-	770 904
Net exposure	**(180 844)**	**-**	**(180 844)**

The table above do not include MNOK 1,436 in Elkem Solar which is classified as liability held for sale. In the sensitivity analysis below for the interest shift, only continued operation are included.

The interest rate sensitivity is based on a parallel shift in the interest rates which Elkem Group is exposed to. If interest rates had been 50 basis points higher/lower for a full year, based on net debt as of December 31, 2013, with all other variables held constant, the profit after tax would have been NOK 0.6 million lower/higher (NOK 17.9 million in 2012). An overview of Elkem's debt portfolio is presented in note 21.

b) Counterparty credit risk

Credit risk is the risk of financial losses to the group if customer or counterparty fail to meet contractual obligations. For Elkem this arise mainly to trade receivables and financial trading counterparties.

Trade receivables are generally secured by credit insurance from a reputable credit insurance company. Credit limits for each customer and overdue are monitored centrally. 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 selling in countries with high political risk, or to remote customers, trade finance products are used to reduce the credit risk. More than 85% of Elkem's turnover is covered by credit insurance, trade finance or prepayments. Elkem had realized credit losses of NOK 6,6 million in 2013 (2,6 mill in 2012). The maximum exposure to credit risk for the Group is NOK 1,062 million per 31.12.2013, as disclosed in note 16 account receivable.

Evaluation of financial counterparties is based on external credit ratings from Moody's and/or Standard and Poor's. The policy is that financial counterparties should have a rating equal to, or higher than, A- (or the equivalent) from the rating agencies.

c) Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting the obligations associated with its financial liabilities.

Elkem is exposed to liquidity risk related to its operations and financing.

In June 2013, NOK 4 356 million of Elkem's financing mainly through shareholder loans provided by China National Bluestar (Group) Co Ltd were converted to equity.

The main financing in Elkem is external credit facilities of NOK 1,426 million, were the Group has drawn NOK 551 million as of 31.12.2013.

In addition Elkem have an intra-group loan from Bluestar of NOK 1,436 million which is classified as liability held for sale.

The policy is to have available credit facilities amounting to 10-20% of annual turnover. In addition the policy is to have an average maturity of the credit facilities of 12-24 months. The Group complies with both these target as at 31.12.2013. The credit facilities contain a financial covenant that the equity ratio of Elkem shall at all times be higher than 30 %. As at 31.12.2013 Elkem's equity ratio was 66% (37% in 2012).
The maturity profile of the credit facilities at Elkem level is shown in the table below.

Year / maturity	2014	2015	Total
Total amount of credit facilities	526	900	1 426

Elkem'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 has cash and revolving credit facilities with banks. As of 31.12.2013 Elkem has unrestricted cash of NOK 665 million (in 2012 NOK 611 million). In addition, revolving credit facilities amount to NOK 1,426 million (in 2013 1,395 million), of which NOK 875 million is undrawn (in 2012 NOK 1,133 million).

The table below analyses the groups non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date 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.

	Less than	6 month and	Between 1 and 2	Between 2 and 5	Over
At 31 December 2013	6 months	1 year	years	years	5 years
Interest-bearing debt	479	564 728	2 531	1 889	2 077
Financial lease	2 462	2 462	7 435	5 998	-
Accounts payable	678 185	-	-	-	-

	Less than	6 month and	Between 1 and 2	Between 2 and 5	Over
At 31 December 2012	6 months	1 year	years	years	5 years
Interest-bearing debt	6 463	270 096	1 962	1 978	5 453 526
Financial lease	4 408	4 408	6 011	10 287	-
Accounts payable	596 679	-	-	-	-

A total overview of Elkem's debt portfolio and installment profile is presented in note 21.

CAPITAL MANAGEMENT

Elkem is mainly financed with equity from Bluestar. Bluestar's objective is to maximize the overall return for the shareholder and to provide adequate financial flexibility for the Group. It is the intention of China National Bluestar to make sure that Elkem is able to meet its external financial obligations at all times. China National Bluestar may through its group companies amend Elkem's capital structure and/or adjust dividend and interest-rate conditions in order to safeguard this goal.

Elkem's policy is to have an equity ratio for the Group which exceeds 30% at all times in order to secure that Elkem complies with the financial covenant in its external bank agreements. As at 31. December 2013 the Group equity ratio was 66%. Elkem 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.

27. RELATED PARTY TRANSACTIONS

100 % of shares in Elkem AS Group is held by Bluestar Elkem International Co., Limited S.A.R.L. (see also note 19).
Balances and transactions between Elkem AS and subsidiaries, have been eliminated in consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

	Trade sales	Trade purchases	Services	Interest expences
China National Bluestar (group) Co., Ltd			292	
Bluestar Elkem Investment Co., Ltd				(62 676)
Bluestar Elkem International Co., Ltd S.a.r.l			274	(87 486)
Other related parties	262 496	(10 182)	3 064	
Totalt	**262 496**	**(10 182)**	**3 630**	**(150 162)**

Loans from/to related parties	31.12.13	31.12.12
Amounts due from directors	-	-
Loans from parent company [1]	-	(5 451 769)
Loans from parent company classified as liabilities held for sale	(1 436 213)	-
Accrued interest	-	(6 463)
Accrued interest - liabilities held for sale	(1 613)	-
Receivables from parent company	312	1 134
Payables to other related parties	(15 792)	(6 087)
Receivables from other related parties	64 201	30 219

1) See note 21

Other related parties
Other related parties are companies within China National Bluestar Co Ltd.
The main sale to other related parties is sale of silicone to Bluestar Silicones France SAS of 246,573 TNOK.

Transactions with related parties are done in accordance with group agreements of arm's length principle.

Information about 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, cost plus and resale price method) in order to set the price for the transaction.
The majority of the transactions between related parties, relates 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

Elkem AS group's set-up for sales is based on an agent structure, rather than a distribution network. Elkem AS Group has also sourcing 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.

28. GOVERNMENT GRANTS

The Elkem AS Group has received the following grants:	2013	2012
Funding from Norwegian research-fund (NFR)	13 303	8 606
CO_2 Compensation from Norwegian Environment Agency	26 070	0
Enova [1]	1 173	14 966
Sørlandets kompetansefond [3]	0	5 893
NHO NOX fund [2]	54 000	-
Other	2 190	735
Total grants received	**96 736**	**30 200**

In 2013 the group received grant totalling TNOK 96,736. In total TNOK 43,891 are included in the profit and loss as other operating income or operating cost deduction with TNOK 32,747 and TNOK 11,144 respectively.

1) Hereof TNOK 773 included as a deduction of the carrying amount construction in progress
2) Hereof TNOK 51 750 included as a deduction of the carrying amount construction in progress
3) TNOK 1 928 accrued through operating income from deferred revenue in 2013. Per 31.12.2013 the deferred revenue balance is TNOK 1,140.

29. OTHER MATTERS

Prospects
World Economic Outlook expects global growth to increase from 3% in 2013 to 3,7% in 2014 largely due to recovery in the advanced economies.

Global activity and world trade picked up in the second half of 2013 much due to higher inventory demand in advanced economies. Emerging market economies also experienced improved activity toward the end of 2013 due to stronger export, whereas domestic demand was generally subdued, except in China. Financial conditions improved in advanced economies, whereas emerging markets experienced tight financial conditions.

Economic growth forecasts in 2014 point upwards for the U.S. and Euro Area, whereas China is expected to grow slightly slower during 2014.

Elkem AS group's structure is vulnerable to individual factors in the macro development. Early in 2014 there are signs of stable demand for silicon and ferrosilicon related products, and prices are expected to be flat, slightly upwards. The Solar industry has recently improved with higher prices, however the market is still hampered by oversupply and low prices. The Elkem Solar factory was restarted in early 2014. Uncertainty connected to the macroeconomic situation appears to be higher in the emerging markets areas compared to the Euro Area and North America at the beginning of 2014.
Based on strong cost positions and highly specialized products, Elkem AS group is well positioned to handle uncertain and volatile markets in the future.

Events after the balance sheet date

Share issuance in Bluestar Elkem International Co. Ltd., Sarl
On 24 January 2014 an issuance of preferred shares in the Parent Company Bluestar Elkem International Co. Ltd., Sarl. took place. The capital (MUSD 100) was contributed in cash by the Hong Kong registered company Credia Holdings Co. Ltd, giving the new investor an ownership of 14.3% in Bluestar Elkem International Co. Ltd., Sarl. 85,7 % share is still held by Bluestar Elkem Investement Co. Ltd (Hong Kong).
On January 28 2014 Bluestar Elkem International Co. Ltd., Sarl. further increased the equity in Elkem AS with MUSD 90 by increasing the face value of the share.

Share issuance in Elkem Solar Holding Sarl
To strengthen the capital base in Elkem Solar and further develop the company, the Group executed on 7 March 2014 a share issuance in Elkem Solar Holding S.a.r.l. to the Hong Kong based financial investor Guangyu International.The new investor invested MUSD 200. Please refer to note 30 for more details.

30. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The assets and liabilities related to Elkem Solar are classified as held for sale based on the board of directors in Elkem AS's decision in November 2013, to enter into an investmentagreement with a subsequent share issue of the company, reducing the group's ownership from 100% to 50%.

The completion date for the transaction were on 7 March, 2014.

After the reduced ownership to 50%, the investment will be recorded according to the equity method. In 2014, 50% will be included as income from associate in the income statement. In addition all intragroup transaction with Elkem Solar will be treated as transaction with external parties.
As of 31.12.2013 Elkem AS Group have a receivable on Elkem Solar of MNOK 1,436 which will be classified as non-current asset after the transaction is completed. In 2013 the group recorded an intragroup interest on the loan of MNOK 82,3.

	2013	2012
Operating cash flows	(175 533)	(408 091)
Investing cash flows	(28 392)	(29 098)
Financing cash flows	-	-
Total cash flows	**(203 924)**	**(437 189)**

(a) Assets of disposal group classified as held for sale

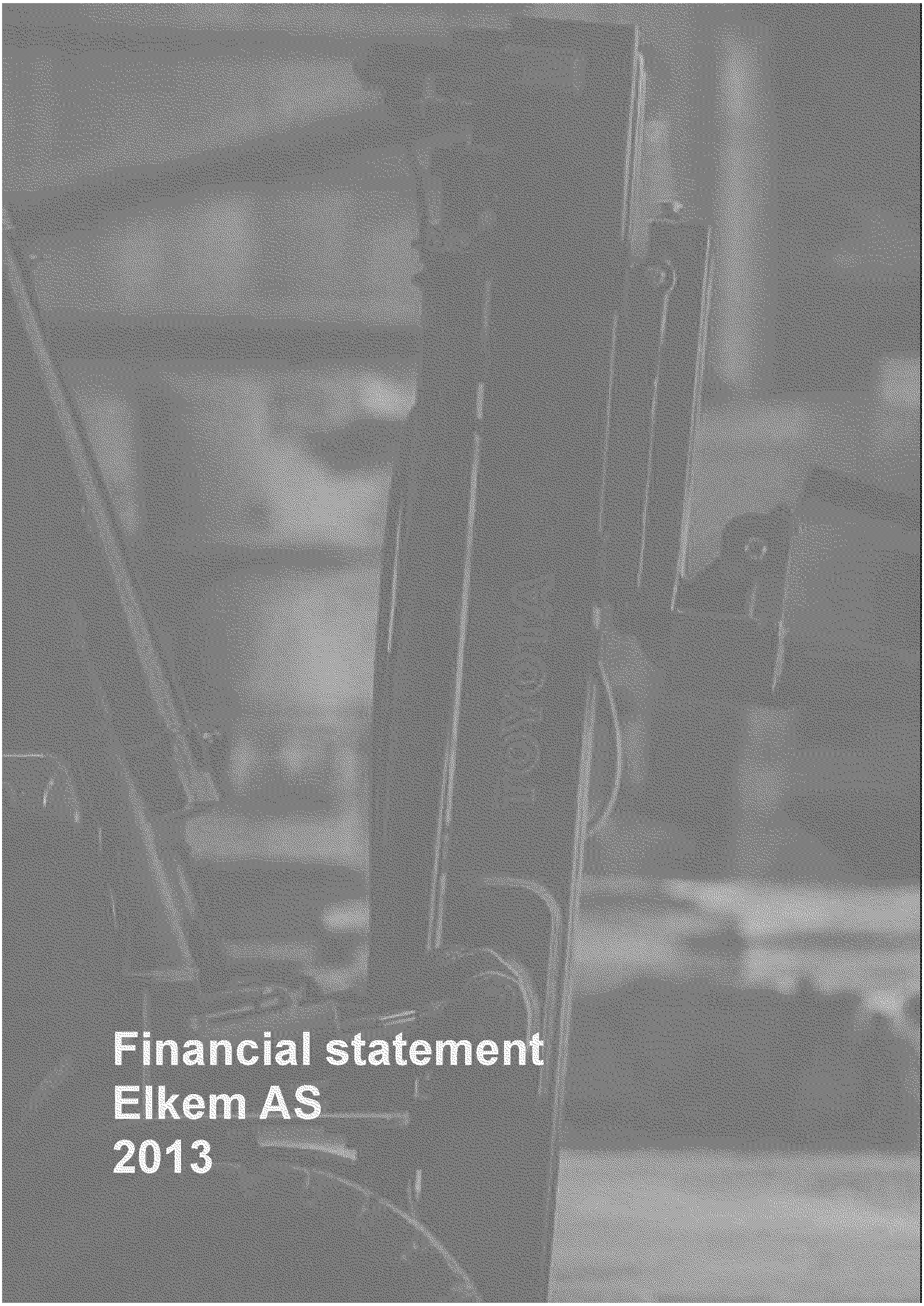
	2013	2012
Property, plant and equipment	3 707 774	
Other intangible assets	95 309	
Interest in associated and other companies	190	
Other non-current assets	22	
Inventories	210 327	
Accounts receivables	17 321	
Other current assets	10 754	
Total assets held for sale	**4 041 698**	**-**

(b) Liability of disposal group classified as held for sale

	2013	2012
Non-current interest-bearing liabilities	1 436 213	
Pension liabilities	3 129	
Accounts payables	19 627	
Income tax payables	28 000	
Other current liabilities	40 189	
Total liability held for sale	**1 527 158**	**-**

Analysis of the result of discontinued operations, and the result recognized on the re-measurement of assets or disposal group is as follows:

	2013	2012
Revenue (external)	90 622	90 262
Expenses (external)	(579 211)	(817 930)
Profit before tax of discontinued operations	(488 589)	(727 668)
Tax	11 044	217 188
Profit after tax of discontinued operations	**(477 545)**	**(510 480)**
Pre-tax gain/(loss) recognised on the re-measurement of assets of disposal group	-	-
Tax	-	-
After tax gain/(loss) recognised on the re-measurement of assets of disposal group	-	-
Profit for the year from discontinued operations	**(477 545)**	**(510 480)**


Financial statement
Elkem AS
2013

INCOME STATEMENT – ELKEM AS

Amounts in NOK 1000 *1 January – 31 December*	Note	2013	2012
Revenue		5 243 523	5 587 322
Other operating income		49 411	11 880
Total operating income	2	5 292 934	5 599 202
Cost of goods sold		(3 290 473)	(4 227 105)
Salaries and related expenses	3,4	(810 497)	(551 182)
Amortisation, depreciation and impairment losses	10	(192 920)	(115 596)
Currency gains/losses related to operating activities	7	(135 504)	(2 455)
Other operating expenses	5,6	(1 165 436)	(828 524)
Total operating costs		(5 594 830)	(5 724 862)
Operating profit		(301 896)	(125 660)
Income from subsidiaries	11	83 887	131 244
Write down on shares in subsidiaries	1, 11	(952 539)	(383 259)
Net loss from investments in subsidiaries	11	(868 652)	(252 015)
Finance income		128 263	584 041
Finance expenses		(586 404)	(290 786)
Finance income/(expenses)	8	(458 141)	293 255
Profit before income tax		(1 628 689)	(84 420)
Tax income/(expenses)	9	181 950	(32 721)
Profit for the year		(1 446 739)	(117 141)

The notes 1 to 30 and the accounting policies are an integrated part of these financial statements.

BALANCE SHEET – ELKEM AS

Amounts in NOK 1000	Note	31.12.13	31.12.12
ASSETS			
Property, plant and equipment	10	1 720 375	949 897
Intangible assets	10	94 426	57 591
Deferred tax assets	9	125 840	3 252
Investments in subsidiaries	11	2 592 069	3 838 737
Investments in associates and other companies	13	3 504	3 259
Other non-current assets	14	1 665 059	3 447 435
Total non-current assets		**6 201 273**	**8 300 171**
Inventories	15	988 080	646 465
Accounts receivables	16	790 681	642 720
Other current assets	17	301 253	361 060
Cash and cash equivalents	18	92 867	37 627
Total current assets		**2 172 881**	**1 687 872**
TOTAL ASSETS		**8 374 154**	**9 988 043**
EQUITY AND LIABILITIES			
Paid-in capital		5 503 413	2 594 315
Retained earnings		(13 109)	(159 744)
Total equity	**19**	**5 490 304**	**2 434 571**
Non-current interest-bearing liabilities	21	56 521	5 508 305
Pension liabilities	4	67 850	70 598
Provisions and other non-current liabilities	23	10 616	13 360
Total non-current liabilities		**134 987**	**5 592 263**
Accounts payables		664 887	510 302
Current interest-bearing liabilities	21	1 664 449	1 195 032
Other current liabilities	24	419 527	255 875
Total current liabilities		**2 748 863**	**1 961 209**
TOTAL EQUITY AND LIABILITIES		**8 374 154**	**9 988 043**

The notes 1 to 30 and the accounting policies are an integrated part of these financial statements.

Oslo, 19 June 2014

Xiaobao Lu
Chairman of the board

Einar Støfringshaug

Espen Sortevik

Yougen Ge

Olivier de Clermont-Tonnerre

Sverre S. Tysland

Helge Aasen
CEO

CASH FLOW STATEMENT – ELKEM AS

Amounts in NOK 1000 *1 January – 31 December*	Note	2013	2012
Operating profit		(301 896)	(125 660)
Unrealised effects of currency gain/losses from currency contracts	7	119 245	(4 918)
Amortisation, depreciation and impairment changes	10	192 920	115 596
Changes in net working capital		70 225	293 881
Interest payments received		27 825	83 871
Interest payments made		(81 181)	(289 722)
Income taxes paid		(2 540)	(3 433)
Cash flow from operating activities		**24 598**	**69 615**
Investments in property, plant and equipment and intangible assets	10	(404 345)	(201 987)
Sale of property, plant and equipment	10	647	4 140
Cash effect from merged companies		25 937	0
Acquisition of subsidiary		0	(158 047)
Increase / decrease in loans to subsidiaries		132 903	(232 502)
Dividend and Group Contribution received		145 255	76 643
Cash flow from investing activities		**(99 603)**	**(511 753)**
New loans raised		224 728	499 526
Repayment of loans		(94 653)	(47 475)
Cash flow from financing activities		**130 075**	**452 051**
Change in Cash and cash equivalents		**55 070**	**9 913**
Currency exchange differences		170	72
Net change in cash and cash equivalents		**55 240**	**9 985**
Cash and cash equivalents Opening balance	**18**	**37 627**	**27 642**
Cash and cash equivalents Closing balance	**18**	**92 867**	**37 627**

The notes 1 to 30 and the accounting policies are an integrated part of these financial statements.

GENERAL INFORMATION

Elkem AS is a company located in Norway, producing Silicon Metal, FerroSilicon and Microsilica. The company was aquired by Bluestar Elkem International Co. Ltd. S.A.R.L, Luxembourg, on 14 April 2011. Through the acquisition Elkem AS is fully owned by China National Bluestar (Group) Co. Ltd ("Bluestar").

In 2013 Elkem AS was merged with three of its subsidiaries; Elkem Thamshavn AS, Elkem Bjølvefossen AS and Elkem Meraker AS. For more details about the effect on the financial statement please refer to note 28.

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
Changes in accounting policies are recognized 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 on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. See note 1 for further information

Foreign currency translation
Elkem AS' 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 transaction is not a part of a hedging relationship. If the transaction is hedged the currency rate of the hedging instrument is used. Monetary items in foreign currencies are presented at the exchange rate applicable on the balance sheet date.

Revenue recognition
Sales revenues are presented net of VAT and discounts. Revenues from goods sold are recognized when the significant risk and reward of the ownership of the goods are transferred to the buyer, according to the actual delivery term for each sale. Revenues and sales expenses, related to the same transaction, are recognized in the same period.

Income from insurance settlements are recognized in the profit and loss when there is reasonable assurance Elkem AS will receive the compensation. Interest income is recognized on accrual basis. Dividend is recognized when shareholders right to receive dividend are resolved by the shareholder's meeting.

Investment in subsidiaries, associates and jointly controlled entities
Subisidiaries are companies where Elkem AS have controlling interests, normally obtained when Elkem AS own 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 recognized at cost less any writedown for impairment. An impairment loss is recognized if the impairment is considered not to be temporary.

Associates
Investments in associates are accounted for using the equity method and are recognized initially at cost.

Elkem AS' share of the associates' profit and loss are included in Elkems' Financial Statement and presented on a single line in the Income Statement and Balance Sheet.

Joint ventures
Elkem AS' interests in jointly controlled entities 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.

Intangible assets
Intangible assets are stated in the financial statement at cost less subsequent accumulated amortization and subsequent accumulated impairment losses. Intangible assets with a finite useful life are amortized, using the straight-line method.

The estimated useful lives and amortization method are reviewed at the end of each reporting period.

An intangible asset is derecognized on disposal, or when no future economic benefits from its use is 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 recognized in the income statement.

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An intangible asset arising from an internal development project is recognized if the Company can demonstrate technical feasibility of 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 recognized impairment loss. Such assets are classified to the appropriate class of property, plant and equipment when completed and ready for it's intended use. Significant parts of an item of property, plant and equipment which have different useful lives, are accounted for as separate items. Depreciation commences when the assets are ready for their intended use.

Initial costs include expenditures that are directly attributable to the acquisition of the asset. Self-constructed assets include cost of materials and direct labor, any other costs directly attributable to bringing the assets to working condition for their intended use, including estimated dismantling or removing charges if applicable, and capitalized borrowing costs.

Subsequent costs are included in the asset's carrying amount or recognized 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 derecognized. Major periodic maintenance that is carried out less frequently than every year is capitalized 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 recognized using the straight-line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each reporting period.

An item of property, plant and equipment is derecognized 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 recognized 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 futurecash flows expected to be derived from use of the cash generating unit, after taking into accounts all other relevant information.

If an impairment loss for assets other than goodwill is recognized in a previous period, the entity assesses whether there are indications that the impairment may have decreased or no longer exist. If so, the impairment loss/writedown 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 recognized 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 lease.

Assets held under finance leases are initially recognized 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 obligatio

Non-derivative financial assets and liabilities
Purchases and sales of financial assets are recognized 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 derecognized 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 recognized and subsequently measured at cost less any impairment loss, if the impairment is assesed 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 recognized 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 recognized at amortized cost using the effective interest method.

Gains and losses are recognized in the consolidated income statement when the loans and receivables are derecognized or impaired, as well as through the amortization process. An impairment loss is recognized 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 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 recognized 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' deposit and drawings are classified as current assets/liabilities.

Derivative financial instruments
Derivatives are initially recognized at fair value at the date when derivative contracts are entered into, and are subsequently remeasured to their fair value at the end of the reporting period, except contracts for the entity's own use. The resulting gain or loss is recognized in the income statement immediately, unless 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.

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 Group's usage requirements. This is related to purchase of power for use in the plants production processes.

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 recognized 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 recognized in the equity and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in the income statement. Gains/losses recognised in the equity is reclassified into Profit or Loss 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 recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that where reported in equity is immediately transferred to the income statement.

Inventories
Inventories are recognized at the lowest of cost and net realizable value. The cost of inventory comprice the costs incurred in bringing the goods to their current condition and location, like raw materials, energy for smelting, direct labor, other direct costs and production overhead costs based on normal capasity. Net realizable value represents the estimated selling price for inventories less estimated costs of completion and variable selling expenses.

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 recognized in the income statement except to the extent that it relates to items recognized directly in equity. Income tax relating to items recognized directly in equity is recognized 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 favor 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 recognized outside profit and loss. Deferred tax items are recognized in correlation to the underlying transaction either in other profit and loss or directly in equity.

If the temporary difference arise from the initial recognition of goodwill the deferred tax assets and liabilities are not recognized. Deferred tax assets are recognized in the statement of financial position 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 and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets.

Employee benefits
Employees benefits are calculated and accounted for based on IAS 19, according to NRS 6.67.

Elkem AS has from 1.1.2011 recognized actuarial gains/losses directly in the equity, the implementation of the revised IAS19 has therefore no effect on the reported figures. Elkem AS has from 2013 chosen to present interest expenses on pension obligation as a part of Financial expenses, instead of as a part of Salaries and related expenses.

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 wby the amount of the contributions and the return on the pension plan asset.

The company's contribution constitute from 4 to 8 % of the basic salary between 1 and 12 G (G stands for the Norwegian Public Pension Base Rate, which is adjusted annually. In 2013 1G was equal to 85,245 NOK). A separate contribution plan is established for salary above 12 G. Payments related to the contribution plans are expensed as incurred, as a part of Salary and other employee remunerations.

Defined benefit plans
Defined benefit plan is recognized at present value of future liabilities considered retained at the end of reporting period.

Plan assets are recorded at fair value. Changes in benefit liabilities due to changes in benefit plan, is distributed over average remaining contribution time. Actuarial gains/losses due to changes in financial and actuarial assumptions are recognized directly in the equity. Net pension benefit costs are classified as part of Salary and other employee remunerations.

Provisions
A provision is recognized when a present obligation exists and it is probable that an outflow of resources is required to settle the obligation. The amount recognized 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 timevalue is assessed to be immaterial

Government grants
Government grants are recognized when there is reasonable assurance that Elkem AS will comply with the conditions attaching them, and that the grants will be received. Government grants are recognized 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 recognized, but presented in the notes if probable. Contingent liabilities are liabilities which is not recognized because they are possible obligations that not yet have 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' 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.

Notes to financial statement – Elkem AS

NOK 1000

1. ACCOUNTING ESTIMATES

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

The most significant accounting estimates in the figures as of 31.12.2013 are shares in Elkem AS's subsidiary Elkem Solar Holding S.a.r.l., with a book value of 1,190,000 TNOK.

In November 2013 Elkem AS transferred the 100% ownership in Elkem Solar AS to the newly established subsidiary Elkem Solar Holding S.a.r.l.

Due to difficult market situation, the production at Elkem Solar was temporarily halted from the end of 2012 until the beginning of 2014. This has resulted in accumulated losses. In late January 2014, Elkem Solar restarted production due to strong demand growth and price increase.

On 7 March, 2014, a share issuance of MUSD 200 in Elkem Solar Holding S.a.r.l were completed. After the transaction, the Elkem AS ownership in Elkem Solar Holding were reduced from 100% to 50%. The completed transaction is the basis for the fair value for the shares in the subsidiary. The MUSD 200 transaction value equals the carrying value of the shares in Elkem Solar Holding at year end 2013.

The shares has during 2013 been written down with 547 MNOK to MNOK 1,190 at 31.12. which equal the transaction value of MUSD 200 as completed in March 2014.

Despite the value of transaction which equal the book value of Elkem Solar Holding as of Dec 31, 2013, there are uncertainties and risks regarding the fair value of the shares for future periods. The future value of the shares is most sensitive to changes in sales price of the products, cost of production, useful life of the assets and sales volume.

In addition, Elkem AS have a receivable of MNOK 1,411 at 31 December, 2013. The value of the receivable will be depending on Elkem Solars future financial ability to pay down on the loan. Elkem Solar' assets have been tested for impairment as of 31 December 2013. The recoverable amount is estimated based on fair value less cost of disposal. The estimated value were assessed to be in line with the net book value of the assets in Elkem Solar. See note 1 Accounting estimates in Elkem AS group's consolidated statements for more information about the impairment test.

2. INCOME

Bye type	2013	2012
Revenue from sale of goods	4 292 871	4 558 844
Revenue - group	717 498	837 868
Other operating revenue	87 122	39 062
Other operating revenue - group	146 031	151 548
Total revenue	5 243 523	5 587 322
Other operating income	49 411	11 880
Total operating income	**5 292 934**	**5 599 202**

Revenue by geographic market	2013	2012
Nordic Countries	480 909	624 778
Great Britain	317 334	285 810
Germany	1 202 991	1 353 684
France	117 405	190 741
Italy	135 411	110 558
Switzerland	8 090	25 195
The Netherlands	83 932	73 947
Poland	128 800	140 806
Luxembourg	245 747	25 372
Other European countries	459 512	468 002
Africa	12 900	15 542
The Americas	184 819	283 767
China	3 292	3 247
Japan	357 767	424 695
South Korea	294 529	191 308
Other Asian countries	244 285	315 196
The rest of the world	15 148	26 195
Revenue from sale of goods	**4 292 871**	**4 558 844**

3. PAYROLL EXPENSES AND AUDIT FEE

	2013	2012
Wages. Salaries	687 189	465 641
Social security tax	80 785	54 990
Pension expenses (see note 4)	37 882	25 382
Other employee related costs	4 640	5 169
Salary, wages and other compensation	**810 497**	**551 182**

Including the following compensation	2013	2012
Members of the board	465	465

In 2013 the number of full time employees in Elkem AS was 1025, in 2012 the number was 703 .

Senior staff compensation
Helge Aasen is CEO of Elkem AS. Salary and other compensations have been paid to CEO Helge Aasen according to the following specification:

	2013
Salary, including holiday pay	3 426 577
Bonus	1 549 438
Free car	129 270
Other compensation	28 758
Pension cost	401 137

Retirement age for the CEO is 67 years. Any benefits from occupational pension schemes and other public pension plans the CEO is entitled to are deducted. Old-age pension from the age of 67 and other pensions regarding spouse, children and disability are paid in accordance with the general pension rules of the company. For salaries up to 12 G, the pension provided by the company is a defined contribution plan.
Pension for salaries above 12 G will be paid according to the company's current guidelines through operations.

The CEO is also entitled to:
A yearly compensation as a fixed bonus in total equivalent to 50% of the base salary.
A retention fee, in total equivalent to 36 months of base salary, to be paid in Q2 2014 depending on continued engagement.

For the CEO, the following applies 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 paid in connection with any termination

Senior staff options
Some members of Elkem management have continued holding options previously awarded by Orkla ASA (previous owner of Elkem AS).

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

Audit and other services	
Audit fee	4 018
Other assurance services	242
Other services	12
Tax services	0
Total audit fees	4 272

Fees to auditors are reported exclusive of VAT.

4. RETIREMENT BENEFITS

Defined contribution plan
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 employees' pension plans, and where the future pension is determined by the amount of the contributions and the return on the pension plan assets.

Contribution plans also comprise pension plans that are common to several companies and where the pension premium is determined independently of the demographic profile in the individual companies (multiemployer plans).
The early retirement scheme, effective from 2011, "ny AFP ordning" is defined as a multi-employer plan and cost are accounted for based on annual premiums from 'Fellesordningen for AFP' (separate legal entity). The plan is accounted for as defined contribution plan, as the plan's administrator have not been able to calculate the pension obligation for each entity participating in the plan.

All defined benefit plans are unfunded and relates to closed early retirement scheme ("gammel AFP ordning"), a top hat on the closed early retirement scheme and pension on salary above 12G. From 2011 actuarial gains/losses for the defined benefit plans are recognized directly in equity.

In 2013 Elkem AS has implemented the revised IAS19, where the main change is related to the calculation of interest on plan assets. At the same time Elkem has chosen to present the interest as a part of financial expenses, not as a part of pension expenses, based on an option in IAS19. Figures for 2012 are restated accordingly for comparison purposes.

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

Breakdown of net pension cost	2013	2012
Current service cost	(2 119)	(919)
Accrued employer's national insurance contribution	(754)	(641)
Net pension cost, defined benefit plan	**(2 872)**	**(1 560)**
Defined contribution plan	(27 175)	(20 489)
Early retirement scheme (AFP)	**(7 835)**	**(3 333)**
Total pension cost	**(37 882)**	**(25 382)**

Calculated pension obligation	2013	2012
Present value of pension obligation (PBO)	(67 850)	(70 598)
Fair value of plan assets	0	0
Net unfunded pension obligation	**(67 850)**	**(70 598)**
Active participants in pension scheme for salary above 12G	46	38
Participants in closed pension scheme for early retirement (AFP)/Top-hat early retirement	144	118

Summary of pension obligation and actuarial gain/losses:	2013	2012
Pension obligations	(67 850)	(70 598)
Changes in actuarial gains/(losses) in pension obligation recognised in Equity/Deferred tax	7 623	(669)
Addition merged companies	(4 185)	0
Total actuarial gains/(losses) recognised in Equity/Deferred tax as of 31. December	**(7 362)**	**(10 800)**

Economical assumptions	2013	2012
Discount rate (%)[1]	3,4	2,0
Expected return on plan asset (%)	-	-
Expected rate of salary increase (%)	3,50	3,50
Change in public pension rate (G) (%)	3,50	3,50
Annual regulation of pensions paid (%)	0,5	0,5

1) The discount rate for 2013 is based on high quality corporate bonds reflecting the timing of the benefit payments. For 2012 and earlier years the discount rate is based on a 5 year Governmental bond.

The Company's chosen assumptions are in line with "Guide to Pension Assumptions" published by The Norwegian Accounting Standard Board January 2014.

5. OTHER OPERATING EXPENSES

	2013	2012
Travel expenses	(38 303)	(31 028)
Machinery, tools, fixtures and fittings	(228 757)	(120 279)
Repair and maintenance cost and other operating expenses	(116 666)	(63 755)
Other external costs (fees, transport, IT services, etc.)	(141 828)	(107 277)
Loss on accounts receivable	(1 965)	955
Other energy and fuel	(69 227)	(53 188)
Commision cost	(67 343)	(37 742)
External distribution cost	(338 343)	(211 829)
Rental/leasing expenses	(36 602)	(29 971)
Misc manufacturing, admin and selling expenses	(126 402)	(174 410)
Total other operating costs	**(1 165 436)**	**(828 524)**

During 2013, Elkem AS has expensed 60,026 TNOK (44,460 TNOK for 2012) related to research and development, which are included in the figures above.

6. OPERATING LEASE

2013	Machinery and plant	Equipments, furnitures, systems and vehicles	Total
Lease expenses 2013	(15 295)	(2 525)	(36 602)
Lease in accordance with contract due:			
Within one year	(636)	(331)	(9 896)
In the second to fifth year inclusive	0	0	(36 108)
Over five years	0	0	(49 648)

Most leasing agreements have escalation clause. This is not included in the future lease cost in the table above.

2012	Machinery and plant	Equipments, furnitures, systems and vehicles	Total
Lease expenses 2012	(13 544)	(695)	(29 971)
Lease in accordance with contract due:			
Within one year	(7 031)	(179)	(21 079)
In the second to fifth year inclusive	(10 303)	0	(15 613)
Over five years	(2 000)	0	(4 000)

7. CURRENCY GAINS/LOSSES RELATED TO OPERATING ACTIVITIES

From January 1st. 2013 currency gains/losses related to operating activities, i.e. receivables, payables, bank accounts for operating purposes, are classified as a part of Operating Profit. As a result of this, currency effects included in Finance income and expenses are only related to loans and dividends. Figures for 2012 are restated accordingly for comparison purposes.

	2013	2012
Currency gains/(losses) from forward contracts	(145 941)	92 037
Other currency gains/(losses) operational	10 437	(94 492)
Currency gains/(losses) operational, net	**(135 504)**	**(2 455)**

Currency gains/(losses) from forward currency contracts include unrealised effects of negative 114,331 TNOK (positive 4,918 TNOK in 2012) and realised effects of negative 73,101 TNOK related to forward contracts bought as a part of a hedging program on Corporate Level.
The hedging program is established to mitigate effects from Elkem group's exposure mainly to USD and EUR, and is carried through by Elkem AS' Treasury dept. on behalf of Elkem AS group. Hedge accounting principles are not applied for Elkem AS.

8. FINANCE INCOME AND EXPENSES

	2013	2012
Interest income	1 845	11 893
Interest income - group	125 807	147 257
Dividend	498	175
Foreign exchange gain [1]	0	423 302
Other financial income	114	1 413
Total finance income	128 263	584 041
Interest expenses	(26 036)	(11 118)
Interest expenses - group	(161 865)	(270 204)
Interest expenses net pension liabilities	(1 881)	(1 674)
Foreign exchange loss [1]	(393 931)	0
Other financial expenses	(2 691)	(7 790)
Total finance expenses	(586 404)	(290 786)
Finance income/ (expenses), net	**(458 141)**	**293 255**

1) Foreign exhange gain/loss is mainly related to gain/loss from shareholder loans denominated in USD.

9. TAXES

Income tax recogniced in profit or loss	2013	2012
Current tax expenses	(2 538)	(3 216)
Previous year tax adjustment	-	(381)
Tax effect group contribution	(16 885)	(15 337)
Deferred tax	201 373	(13 787)
Total tax (expenses)/ income recogniced in profit or loss	**181 950**	**(32 721)**

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

	2013	2012
Profit before tax and group contribution	**(1 682 917)**	**(139 196)**
Group contribution from subsidiaries (financial income)	54 228	54 776
Profit before tax	**(1 628 689)**	**(84 420)**
Applicable tax rate Norway	28%	28%
Tax expense at applicable tax rate	471 217	38 975
Tax effect group contribution	(16 885)	(15 337)
Permanent differences		
Tax effect of income from Norwegian controlled foreign comanies (NOKUS)	(5 158)	(5 225)
Ext.gain/loss on shares within the tax exemption method	-	-
Dividend within the tax exemption method	8 315	21 411
Tax effect of other permanent income	901	524
Impairment of shares/reversal of impairment	(266 711)	(107 320)
Tax effect of expense not deductible in determining taxable profit (tax loss)	(1 821)	7 060
Tax effect of transaction related parties	-	31 050
Other effects		
Previous year tax adjustment	(1 944)	(381)
Tax effect change in coporate tax rate [1)]	(4 658)	
Other	(1 306)	(3 477)
Income tax for the year	**181 950**	**(32 721)**
Effective tax rate	11%	-39%

Deferred tax asset and deferred tax liability	31.12.13	31.12.12
Hedges recognised in equity	-	1 266
Property, plant, equipment and intangible asset	98 195	37 301
Pension fund	(10 828)	(17 018)
Other differences	(36 208)	(2 236)
Accounts receivable	(493)	(399)
Inventory	18 716	24 357
Provisions	(3 108)	(4 016)
Tax losses to carry forward	(192 113)	(42 507)
Tax losses to carry forward	**(125 840)**	**(3 252)**
Not capitalised deferred tax asset to tax loss carry forward	-	-
Net deferred tax (assets)/liabilities recognized	**(125 840)**	**(3 252)**

Deferred tax	31.12.13	31.12.12
Opening balance - net deferred tax asset (+) liabilities (-)	3 252	24 329
Charged to Profit & Loss	184 488	(29 125)
Ch. def. tax hedges charge to equity	1 266	8 224
Change due to merger	(60 667)	-
Other items charged to equity	(2 500)	(176)
Net deferred tax asset (+) liabilities (-)	**125 840**	**3 252**

	Gross tax loss carry forward	Capitalized deferred tax assets	Not capitalized deferred tax assets	Total deferred tax assets loss carry forward
Norway	(711 529)	(192 113)	0	(192 113)
Total related to loss carry forward	(711 529)	(192 113)	0	(192 113)

The taxable loss carry forward can be indefinitely carried forward. Capitalized deferred tax asset is expected to be utilized based on expectations of future profit.

Deferred tax assets not recognized current year
Deferred tax asset arising from unused tax losses is recognized only to the extent that there is convincing evidence that sufficient future taxable profit will be generated.
1) Tax rate in Norway is changed from 28% to 27% with effect from 01.01.2014.

10.PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

PROPERTY, PLANT AND EQUIPMENT

2013	Land and other property	Buildings	Machinery and plants	Equipment, furniture and trans-port-vehicles	Construc-tion in progress	Total
Opening Balance Net Booked Value 2013	**16 311**	**243 304**	**511 150**	**25 445**	**153 689**	**949 897**
Additions 2013	2	2	1 164	527	362 348	364 042
Addition merged companies	6 811	180 884	349 985	28 297	34 556	600 533
Disposals 2013	(13)	0	0	0	(4 750)	(4 763)
Transferred from CiP	(1 340)	68 738	316 800	1 489	(385 834)	(147)
Impairment losses 2013	(44)	(2 026)	(226)	(182)	0	(2 478)
Depreciation expenses 2013	(2 014)	(36 175)	(133 669)	(14 902)	0	(186 760)
Foreign currency exchange differences	0	0	22	30	0	52
Closing Balance Net Booked Value 2013	**19 712**	**454 726**	**1 045 226**	**40 704**	**160 008**	**1 720 375**
Fixed assets under financial leasing						
included in Net Booked value	24 313	0	0	1 192	0	25 505
Historical cost	37 566	1 054 106	2 999 675	126 542	160 008	4 377 896
Accumulated depreciation	(16 710)	(594 861)	(1 892 104)	(85 593)	0	(2 589 266)
Accumulated impairment losses	(1 144)	(4 519)	(62 345)	(246)	0	(68 254)
Closing Balance Net Booked Value 2013	**19 712**	**454 726**	**1 045 226**	**40 704**	**160 008**	**1 720 375**
Estimated useful life	5-50 yrs	5-40 yrs	3-30 yrs	3-20 yrs		
Depreciation plan	Straight-line	Straight-line	Straight-line	Straight-line		

Depreciations start when the asset is ready for use. Land is not depreciated.
Impairment losses in 2013 are mainly related to the Bremanger plant 1,530 TNOK related to a fire at the thin molding plant.
Elkem Salten made a write-down of Furnace 2 equipment of 236 TNOK.
In addition, some minor write-downs were made due to damage on machinery and technical obsolenscence.

2012	Land and other property	Buildings	Machinery and plants	Equip-ment, fur-niture and transport-vehicles	Con-struction in progress	Total
Opening Balance Net Booked Value 2012	**15 890**	**221 601**	**482 024**	**20 076**	**107 847**	**847 438**
Additions 2012	0	0	9	358	166 399	166 766
Addition Elkem Technology	1 184	28 475	8 618	1 057	13 218	52 552
Disposals 2012	0	0	(3 890)	(250)	0	(4 140)
Transferred from CiP	636	15 991	106 167	10 981	(133 775)	0
Impairment losses 2012	(10)	(160)	(3 840)	0	0	(4 010)
Depreciation expenses 2012	(1 389)	(22 603)	(77 925)	(6 768)	0	(108 685)
Foreign currency exchange differences	0	0	(13)	(10)	0	(23)
Closing Balance Net Booked Value 2012	**16 311**	**243 304**	**511 149**	**25 444**	**153 689**	**949 897**
Fixed assets under financial leasing included in Net Booked value	25 840	0	0	2 937	0	28 777
Historical cost	46 576	668 948	1 788 720	89 925	153 689	2 747 858
Accumulated depreciation	(29 981)	(425 484)	(1 262 955)	(64 480)	0	(1 782 901)
Accumulated impairment losses	(284)	(160)	(14 616)	0	0	(15 060)
Closing Balance Net Booked Value 2012	**16 311**	**243 304**	**511 150**	**25 445**	**153 689**	**949 897**
Estimated useful life	5-50 yrs	5-40 yrs	3-30 yrs	3-20 yrs		
Depreciation plan	Straight-line	Straight-line	Straight-line	Straight-line		

INTANGIBLE ASSETS

2013	Other intangible assets	Development	IT systems and programs	Intangible assets under construction	Total intangible assets
Opening Balance Net Booked Value 2013	**0**	**0**	**16 549**	**31 919**	**57 591**
Additions 2013	0	0	0	38 700	40 303
Addition merged companies	0	0	67	0	67
Reclassification / Transferred from CiP	147	0	211	(211)	147
Amortisation	(70)	0	(3 611)	0	(3 682)
Closing Balance Net Booked Value 2013	**77**	**9 123**	**14 818**	**70 408**	**94 426**
Historical cost	2 332	21 048	73 161	70 408	166 949
Accumulated amortisation	(2 254)	(11 925)	(58 343)	0	(72 523)
Closing Balance Net Booked Value 2013	**77**	**9 123**	**14 818**	**70 408**	**94 426**
Estimated useful life	3-10 yrs	3-16 yrs	3-10 yrs		
Amortisation plan	Straight-line	Straight-line	Straight-line		

The investments related to intangible assets mainly consist of new ERP system of 38,252 TNOK.
During 2013, Elkem AS has expensed 60,026 TNOK related to research and development, related to improval of processes and products, and partially for long-term technology- and business development.

2012	Other intangible assets	Development	IT systems and programs	Intangible assets under construction	Intangible assets under construction
Opening Balance Net Booked Value 2012	**0**	**9 123**	**15 704**	**443**	**25 270**
Additions 2012	0	90	3 213	31 919	35 222
Reclassification	0	(90)	90	0	0
Reclassification / Transferred from CiP	0	0	443	(443)	0
Amortisation	0	0	(2 901)	0	(2 901)
Closing Balance Net Booked Value 2012	0	9 123	16 549	31 919	57 591
Historical cost	1 951	21 048	72 191	31 919	127 110
Accumulated amortisation	(1 951)	(11 925)	(55 643)	0	(69 519)
Closing Balance Net Booked Value 2012	0	9 123	16 549	31 919	57 591
Estimated useful life	3-10 yrs	3-16 yrs	3-10 yrs		
Amortisation plan	Straight-line	Straight-line	Straight-line		

11. INVESTMENTS IN SUBSIDIARIES

Investment in subsidiaries of Elkem AS as of 31.12.2013:

Owned by Elkem AS	Company address	Country	Owner share Vote rights (%)	Profit 31.12.13	Book value 31.12.13
Elkem Carbon AS	Oslo	Norway	100	160 059	112 915
Elkem Chartering Holding AS	Oslo	Norway	80	9 947	747
Elkem Distribution Center B.V.	Ridderkerk	Netherland	100	1 064	186
Elkem Finanz AG	Zug	Switzerland	100	148	166
Elkem Foundry Invest AS	Oslo	Norway	100	(15)	119
Elkem GmbH	Düsseldorf	Germany	100	2 213	1 309
Elkem Iberia SL	Barcelona	Spain	100	911	476
Elkem Iceland Ltd.	Akranes	Iceland	100	10 100	783 789
Elkem International AS	Oslo	Norway	100	(11 556)	5 427
Elkem Japan K.K	Tokyo	Japan	100	6 646	15
Elkem LTD.	Sheffield	England	100	(34)	21 840
Elkem Materials Processing (Tianjin) Co.,Ltd	Tianjin	China	100	327	793
Elkem Materials Processing Services BV	Dordrecht	Netherland	100	1 499	962
Elkem Metal Canada Inc	Chicoutimi	Canada	100	94 907	5 870
Elkem Milling Services GmbH	Düsseldorf	Germany	100	0	224
Elkem Nordic A.S.	Vedbæk	Denmark	100	1 666	5 139
Elkem Oildfield Chemicals FZCO	Dubai	Dubai	51	35 014	12 546
Elkem Power AS	Oslo	Norway	100	(402 308)	309 300
Elkem S.a.r.l.	Paris	France	100	1 824	0
Elkem International Trade (Shanghai) Co. Ltd.	Shanghai	China	100	11 415	558
Elkem S.r.l.	Milano	Italy	100	4 216	6 397
Elkem Singapore Materials Pte. Ltd	Singapore	Singapore	100	3 898	47
Elkem Solar Holding S.á r.l [2]	Luxemburg	Luxemburg	100	(587 732)	1 190 000
Elkem South Asia Private Limited	Mumbai	India	100	6 572	2 026
Elkem Tana AS	Tana	Norway	100	45 088	5 000
Hoffsveien 65B Invest AS	Oslo	Norway	100	1 711	50
NEH LLC	Pittsburgh	USA	100	64 516	97 506
Nor-Kvarts AS	Oslo	Norway	67	153	28 587
Elkem Madencilik Metalurji Sanayi Ve Ticaret Ltd STI [1]	Istanbul	Turkey	1	18	75
Total subsidiaries					**2 592 069**

1) Elkem AS and subsidiary owns 100% of Elkem Madencilik Metalurji Sanayi Ve Ticaret Ltd
2) Elkem Solar Holding S.á r.l was founded in November 2013 and owns 100% of Elkem Solar AS. Profit for the period includes profit in Elkem Solar AS

Income on investments in subsidiaries	2013	2012
Dividend from subsidiaries	29 659	76 468
Group contribution received	54 228	54 776
Total income	**83 887**	**131 244**

Write down / reversal of write down on investments in subsidiaries	2013	2012
Reversal of write down subsidiaries	0	28
Write down subsidiaries [1]	(952 539)	(383 287)
Total write down	**(952 539)**	**(383 259)**
Net loss from investments in subsidiaries	**(868 652)**	**(252 015)**

1) During 2013 Elkem Solar was written down with MNOK 547 and Elkem Power with MNOK 406.

12. JOINT VENTURES

	Company address	Country	Owner share Voith rights (%)	Paid in capital
Elkania DA	Hauge i Dalane	Norway	50	900
Dehong Ltd	Wanding, Dehong	China	50	1 449

Investment in Dehong and Elkania is accounted for by proportionate consolidation.

Main figures for Dehong Ltd and Elkenia DA

	Dehong Elkem Materials Co. Ltd	Elkania DA	Total 2013
Current assets	1 903	52	1 955
Non-current assets	189	6 601	6 790
Current liabilities	178	93	271
Non-current liabilities	(132)	6 840	6 708
Net assets	2 045	(280)	1 765
Total revenue	852	0	852
Total expenses	(845)	(1 180)	(2 025)
Total profit for the year	6	(1 180)	(1 174)

13. INVESTMENTS IN ASSOCIATES AND OTHER COMPANIES

	Ownership	Book value
	-	31.12.13
Teknova AS	24,53	1 583
Apartment, Fauske Hotell		765
Lyngenveien Barnehage		177
SP-LUPIS		150
Indre Salten vekst	20,73	139
Other companies		690
Total investments in associates and other companies		**3 504**

14. OTHER NON-CURRENT ASSETS

	2013	2012
Long term deposit pension guarantee	13 008	13 008
Pension Contribution Fund, long-term	12 429	1 943
Non-current interest-bearing deposits - group [1)]	1 632 117	3 431 545
Non-current interest-bearing deposits [2)]	6 584	0
Other non-current assets	921	939
Total other non-current assets	**1 665 059**	**3 447 435**

1) Hereof interest-bearing loan to Elkem Solar AS 1 411 110 TNOK. The loan mature on December 2016.
2) External part of interest-bearing loan to Elkania DA
For information about sensitivity of the value of loan to Elkem Solar AS, see note 1 Accounting estimates.

15. INVENTORIES

	2013	2012
Finished goods	565 906	389 238
Work in progress	136 755	84 318
Raw materials	165 117	95 902
Operating materials and spare parts	120 302	77 008
Total inventories	**988 080**	**646 465**

Inventories are valued at the lower of cost and fair value, ie net realizable value.
As at 31 December 2013 inventories were written down by MNOK 16.1
As at 31 December 2012 inventories were written down by MNOK 3.8

16. RECEIVABLES

	2013	2012
Accounts receivables	581 438	492 017
Short-term receivables – group	211 139	152 127
Provision for doubtful accounts	(1 895)	(1 424)
Total receivables	**790 681**	**642 720**

The following is an analysis of gross accounts receivables by age, presented based on the due date:

	31.12.13	31.12.12
Not due	686 847	589 143
1 - 30 days	82 769	46 279
31 - 60 days	9 630	5 914
61 - 90 days	2 188	447
More than 90 days	9 248	937
Total accounts receivables	**790 681**	**642 720**

Elkem had an average granted credit period of 40 days for 2013 and actual credit days were 42 days. Interest has been charged on late payments with a rate of 9% per year with exception of certain markets and customers where interest charging has not been appropriate.

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

Movement in allowance for doubtful debts	31.12.13	31.12.12
Opening balance	(1 424)	(3 644)
Impairment losses recognized on receivables	(1 894)	(1 424)
Reversed impairment losses	1 423	3 644
Balance at 31 December	**(1 895)**	**(1 424)**

The following is an analysis of current receivables that are past due date and written down, by age:

Overdue by:	31.12.13	31.12.12
less than 90 days		(487)
more than 90 days	(1 895)	(937)
Total receivables written down	**(1 895)**	**(1 424)**

17. OTHER CURRENT ASSETS

	2013	2012
Shares (see specification below)	1 759	1 759
Derivatives (see note 25)	2 691	63 960
CO_2 Compensation from Norwegian Environment Agency	26 070	0
VAT receivables	98 485	48 218
Prepayments	29 398	23 561
Other current assets - group	117 322	213 375
Other current assets	25 530	10 187
Total other current assets	**301 253**	**361 060**

Specification of shares:

	Proportion of shares	Number of shares (1.000)	Purchase price	Market value 31.12.2013
Alcoa, USA	0,003 %	33	10 000	1 759

Share portfolio are valued at the lower of cost and market value.

18. CASH AND CASH EQUIVALENTS

	2013	2012
Cash and bank balances	92 867	37 627
Restricted deposits	0	0
Cash and cash equivalents	**92 867**	**37 627**

The company does not have any restricted cash positions as of 31.12.2013.

19. EQUITY

Changes in equity

2013	Share capital	Other paid in capital	Total paid in capital	Fund	Other equity	Total retained earnings	Total equity
Equity 31.12.12	**1 500 000**	**1 094 315**	**2 594 315**	**1 260**	**(161 004)**	**(159 744)**	**2 434 571**
Conversion of liabilities	500 000	3 855 837	4 355 837				4 355 837
Merger					144 140	144 140	144 140
Hedging					(3 256)	(3 256)	(3 256)
Actuarial gain/loss					5 457	5 457	5 457
Other				158	136	294	294
Profit for the year		(1 446 739)	(1 446 739)			0	(1 446 739)
Equity 31.12.13	**2 000 000**	**3 503 413**	**5 503 413**	**1 418**	**(14 527)**	**(13 109)**	**5 490 304**

Fund
Fund is valuation variances in conjunction with Dehong who is consolidated by proportionate consolidation.

Shareholders
Elkem AS is the parent company of Elkem group. As of 31 December 2013 Elkem AS is 100% owned by Bluestar Elkem International Co. Limited S.A.R.L.
Elkem AS has its registered company address: Hoffsveien 65B 0377 Oslo, Norway.

Share Capital
Share capital as of 31.12.2013 in Elkem AS is NOK 2,000,000,000, divided in 1 share.

Capital increase/debt conversion
Elkem AS is mainly funded from the parent company. 4,355,837 TNOK of this funding was converted from loan to equity 20.06.2013.

Changes in equity

2012	Share capital	Other paid in capital	Total paid in capital	Fund	Other equity	Total retained earnings	Total equity
Equity 31.12.11	**1 500 000**	**1 094 315**	**2 594 315**	**1 401**	**(22 201)**	**(20 800)**	**2 573 515**
Hedging					(21 148)	(21 148)	(21 148)
Actuarial gain/loss					(482)	(482)	(482)
Other				(141)	(32)	(173)	(173)
Profit for the year					(117 141)	(117 141)	(117 141)
Equity 31.12.12	**1 500 000**	**1 094 315**	**2 594 315**	**1 260**	**(161 004)**	**(159 744)**	**2 434 571**

20. FINANCE LEASE LIABILITIES

Elkem AS leases some of its manufacturing equipment under finance lease. Interest rates range from 3,50 % to 6,99 %. Elkem AS' obligations under finance lease are secured by the lessors title to the leased assets. Elkem AS has right to prolong some leasing agreements, and right to keep the leased equipments after closed leasing period for some leasing agreements.

Overview of finance lease	31.12.2013	31.12.2012
Within one year	7 136	8 786
Between 1 and 5 years	10 433	15 212
Over 5 years		
Total lease cost	17 569	23 998
Less future finance charges	(1 114)	(2 020)
Present value of lease obligations	**16 455**	**21 978**
Less amount due for settlement within 12 months	3 778	7 435
Total non-current finance lease obligations	**12 677**	**14 543**
Leasing cost current year	6 088	4 092
Minimum lease cost as of 31 December 2013	15 302	22 245

21. NET INTEREST-BEARING ASSETS/DEBT

	31.12.2013	31.12.2012
Non-current interest-bearing debt		
Financing from Bluestar companies	-	5 451 770
Financing from subsidiaries	37 385	35 533
Financial leases (see note 20)	12 677	14 543
Bank financing and other debt	6 459	6 459
Total non-current interest-bearing debt	**56 521**	**5 508 305**
Current interest-bearing debt		
Financing from subsidiaries	1 110 224	915 361
Financial leases (see note 20)	3 778	7 435
Bank financing	549 968	265 774
Accrued interest - group	-	6 463
Accrued interest	479	-
Total current interest-bearing debt	**1 664 449**	**1 195 032**
Total interest-bearing debt	**1 720 970**	**6 703 337**
Interest-bearing assets		
Cash and bank balances	92 867	37 627
Restricted deposits	-	-
Non-current loans to subsidiaries	1 632 117	3 431 545
Current loans to subsidiaries	63 094	124 599
Accrued interest income - group	6 575	-
Financial assets	32 722	722
Total interest-bearing assets	**1 827 375**	**3 594 493**
Net interest-bearing assets/(debt)	**106 405**	**(3 108 844)**

Interest-bearing debt by currency	Currency amount	NOK 31.12.13	Currency amount	NOK 31.12.12
EUR	68 770	575 459	8 128	59 669
USD	27 578	167 417	994 532	5 535 963
NOK	937 268	937 268	1 056 742	1 056 742
Other currencies		40 826		50 963
Total interest-bearing debt		**1 720 970**		**6 703 337**

Maturity of interest-bearing debt at 31.12.2013	Group financing	Financial leases	Bank financing	Other loans	Accrued interest	Total
2014	1 110 224	3 778	549 968		479	1 664 449
2015	37 385	6 677				44 062
2016		4 043				4 043
2017		1 957				1 957
2018						-
2019 and later				6 459		6 459
Total	**1 147 609**	**16 455**	**549 968**	**6 459**	**479**	**1 720 970**

Maturity of interest-bearing debt at 31.12.2012	Group financing	Financial leases	Bank financing	Other loans	Accrued interest	Total
2013	915 361	7 435	265 774		6 463	1 195 032
2014	35 531	4 899				40 430
2015		3 864				3 864
2016		3 778				3 778
2017		2 002				2 002
2018 and later	5 451 772			6 459		5 458 231
Total	**6 402 664**	**21 978**	**265 774**	**6 459**	**6 463**	**6 703 337**

Of the intra-group financing from Bluestar group of 5,451 MNOK as of 31.12.2012, an amount of 4,356 MNOK has been converted to equity in June 2013 and the remaining amount transferred to Elkem Solar and netted against non-current loans to subsidiaries.

Of total granted external credit facilities of 1,426 MNOK, the Group has drawn 551 MNOK as of 31.12.2013. The drawn amount has been classified as short-term debt, as the amount is considered to be part of Elkem's short-term liquidity management. The facilities mature in 2014 and 2015, and as such do not constitute any payment obligation before the facilites mature.

Elkem AS' bank facilities contain a financial covenant that the equity ratio of the Elkem AS group shall at all times be above 30 per cent. As at 31.12.2013 the group's equity ratio was 66 per cent.

22. GUARANTEES

Guarantees for Elkem AS per 31.12.2013 beyond the balance sheet commitments:

Guarantee commitments	31.12.13	31.12.12
Guarantees given on behalf of subsidiaries	4 618	4 618

23. PROVISIONS AND OTHER NON-CURRENT LIABILITIES

	31.12.13	31.12.12
Currency effects bond loan	8 572	11 510
Other non-current liabilities Group companies	353	0
Site restoration	1 692	1 850
Provisions	**10 616**	**13 360**

Currency effects bond loan
Elkem has participated in the Central Bank of Icelands Investment Programme and purchased a bond loan in ISK, with payment in EUR. The gain from the purchase in EUR is dependent on retaining the ownership of the securities in 5 years, the currency gain is therefore recognized as deferred income and will be amortized over the required ownership period.

Site restoration
Elkem has worldwide operations representing potential exposure towards environmental consequences. Elkem has established clear procedures to minimize environmental emissions, well within public emission limits. However, in some cases Elkem faces potential claims regarding environmental issues.

24. OTHER CURRENT LIABILITIES

	31.12.13	31.12.12
Derivates	112 352	0
Value Added Tax, Vacation pay and Employee tax payable	80 127	59 637
Current payroll, Soc. Sec. Payables	98 212	72 275
Other short-term liabilities	128 836	123 963
Total current liabilities	**419 527**	**255 875**

25. FINANCIAL DERIVATIVE INSTRUMENTS

Derivatives are initially recognized at fair value on the date a derivative contract is entered into, and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging intrument, and if so, the nature of the hedging.

Fair value hedges
Elkem AS have been using foreign exchange contracts to minimise its currency exposure to fair value changes of its customer orders and receivables. Changes in the fair value of derivatives that are designated as and qualified as fair value hedges are recorded in the income statement together with the changes in fair value of the hedged assets or liabilities, both classified as currency gains or losses. Elkem AS has, from October 2012, terminated the hedging programme for customers order, and replaced it by another hedging programme, covering Elkem Group's net foreign exchange exposure. At the end of the reporting period only one contract related to the fair value hedge is remaining (due i January 2014).

Cash flow hedges
The effective portion of changes in fair value of derivatives that are designated and qualified as cash flow hedges is recognized to equity. The gain or losses relating to the ineffective portion is recognized immediately in the income statement.

Elkem AS has terminated it's former hedging programme for future sales and raw materials. At the end of the reporting period no contracts related to this hedging program is remaining.

The old hedging programs are replaced by a new hedging program from October 2012, covering the net foreign exchange exposure for Elkem Group. Hedge Accounting is not applied for this hedging program.

Other derivatives (held for trading)
As hedge accounting is not applied for the foreign exchange contract related to the new hedging program, the contracts are classified as Held for trading, and booked at fair value through Profit or Loss.

Elkem AS' Treasury Department offers internal currency hedging for major purchase/sale-contracts entered into by the subsidiaries. Such contracts can not be designated in a hedging relationship, changes in fair value are therefore recognized through Profit or Loss.

The table below shows fair value for the derivative financial instruments, classified by type of hedging, and if not designated as a hedging instrument, as held for trading.

Derivative financial instruments, NOK 1000	2013 Assets Fair value	2013 Liabilities Fair value	2012 Assets Fair value	2012 Liabilities Fair value
Forward foreign exchange contracts – fair value hedges	254	0	57 914	0
Forward foreign exchange contracts – cash flow hegdes	0	0	0	0
Forward exchange options – cash flow hedges	0	0	0	0
Forward exchange contracts – held for trading	2 437	112 352	6 046	0
Total derivative instruments	**2 691**	**112 352**	**63 960**	**0**

During 2013 the remaining 4,523 TNOK related to the old hedging program for future sales, was recycled from Equity & Deferred tax, and booked as a part of revenues. The whole amount relates to hedging instruments which are sold in 2011, when phasing out the cash flow hedging of future sales.
The fair value hedge of customer orders was settled (one remaining contract) resulting in a gain of 2,951 TNOK classified as Hedging ineffectiveness, included in currency gains/losses related to operating activities in profit and loss.

Details of foreign exchange contracts as of 31. December 2013

Purchase Currency	Purchase ccy 1000	Sale Currency	Sale ccy 1000	Type of instrument	Currency rate rate	Due	Fair value in NOK 1000	Notional amount in NOK 1000 2)
NOK	1 250	AUD	224	Fwd	5,4200	2014	36	1 216
CAD	2 598	EUR	1 780	Fwd	1,4594	2014	(204)	14 895
NOK	1 468 749	EUR	185 275	Fwd	7,9274	2014	(92 016)	1 550 362
NOK	98 156	GBP	10 550	Fwd	9,3039	2014	(8 278)	105 926
NOK	54 602	JPY	892 600	Fwd	0,0612	2014	2 573	51 634
SEK	2 940	JPY	45 000	Fwd	5,7903	2014	173	2 603
CAD	12 572	USD	12 190	Fwd	1,0314	2014	(2 293)	74 002
NOK	254 937	USD	43 270	Fwd	5,8918	2014	(9 063)	262 679
USD	16 500	CAD	15 822	Fwd	1,0429	2014	2 349	101 016
NOK	38 924	GBP	4 149	Fwd	9,3815	2015	(2 939)	42 409
Total fair value currency forward contracts							**(109 661)**	

Details of foreign exchange contracts as of 31. December 2012

Purchase Currency	Purchase NOK 1000	Sale Currency	Sale NOK 1000	Type of instrument	Currency rate rate	Due	Fair value in NOK 1000 1)	Notional amount in NOK 1000 2)
AUD	657	JPY	57 000	Forward	0,0115	2013	50	3 685
AUD	300	USD	310	Forward	0,9692	2013	8	1 723
EUR	500	AUD	599	Forward	0,8344	2013	214	3 462
EUR	930	JPY	100 000	Forward	0,0093	2013	366	6 465
NOK	1 062 368	EUR	137 000	Forward	7,7545	2013	48 315	1 005 719
NOK	25 369	EUR	3 000	Forward	8,4564	2014	2 944	22 023
NOK	16 435	GBP	1 800	Forward	9,1305	2013	140	16 192
NOK	23 974	JPY	357 000	Forward	0,0672	2013	813	23 079
NOK	438 226	USD	76 500	Forward	5,7284	2013	11 164	425 830
USD	592	DKK	3 400	Forward	0,1740	2013	(53)	3 346
Total fair value currency forward contracts							**63 960**	

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.

26. RELATED PARTY TRANSACTIONS

100 % of shares in Elkem AS are held by Bluestar Elkem International Co., Limited S.A.R.L
Details of transactions between Elkem AS and other related parties are disclosed below.

	Trade sales 2013	Trade purchases 2013	Provided services 2013	Interest expenses 2013	Interest income 2013
Parent company:					
China National Bluestar (group) Co Ltd			292		
Bluestar Elkem Investment Co., Ltd				55 908	
Bluestar Elkem International Co., Ltd. S.a.r.l			274	87 486	
Other related parties Bluestar Group	246 573		1 958		
Subsidiaries:					
NEH LLC	100 849				
Elkem Power AS	71 568	647 191			24 471
Elkem International Trade (Shanghai) Co. Ltd.	66 762	38 228			
Elkem S.r.l	65 608	8 429			
Elkem Metal Canada Inc	59 218				
Elkem South Asia Private Limited	53 588	1 302			
Elkem Solar AS	46 632	38 721			82 350
Elkem Oildfield Chemicals FZCO	43 470				
Elkem Carbon AS	30 551	75 705			10 010
Elkem Iceland Ltd.	26 471	1 038 718		15 924	7 978
Elkem International AS		100 197			
Other subsidiaries	50 487	294 377		2 545	997
Total	**861 777**	**2 242 869**	**2 232**	**161 863**	**125 806**

Loans from/to related parties	31.12.13	31.12.12
Non-current loans from parent company	0	(5 451 770)
Non-current loans from subsidiaries	(37 386)	(35 533)
Current loans from subsidiaries	(616 210)	(529 417)
Accrued interest parent company	0	(6 463)
Non-current deposit subsidiaries	1 632 117	3 431 545
Accrued interest income subsidiaries	6 575	0
Accounts receivables from parent company	1 738	1 135
Accounts receivables from subsidiaries	183 492	147 959
Accounts receivables from other related parties	25 912	3 033
Other receivables from subsidiaries	40 528	88 776
Accounts payables from subsidiaries	(397 183)	(360 355)
Accounts payables from other related parties	(307)	0

Information about transactions between related parties within Elkem AS
Elkem follows internationally accepted principles for transactions between related parties within the Group. 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, relates 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

Elkem's set-up for sales is based on an agent structure, rather than a distribution network. Elkem has also sourcing 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. In addition Elkem has internal help chains that are established to serve several operating units more efficiently.

27. GOVERNMENT GRANTS

Elkem has received the following grants:	2013	2012
Funding from Norwegian research-fund (NFR)	13 303	8 999
Enova	-	450
CO_2 Compensation - Norwegian Environment Agency	26 070	-
NHO NOX [1)]	54 000	-
Sørlandets kompetansefond	-	5 500
Other	517	-
Total grants received	**93 889**	**14 949**

In 2013 Elkem AS received Grant totalling TNOK 93,889 In total TNOK 41,817 are included in the profit and loss as other operating income or operating cost deduction with TNOK 30,674 and TNOK 11,144 respectively.

1) Hereof TNOK 51,750 included as a deduction of the carrying amount construction in progress

28. MERGER ELKEM AS AND SUBSIDIARIES

In 2013 Elkem AS was merged with three of its subsidiaries; Elkem Thamshavn AS, Elkem Bjølvefossen AS and Elkem Meraker AS.
Elkem Bjølvefossen is a plant located in Ålvik (western side of Norway), and main business is included in the Elkem Foundry Division.

Elkem Thamshavn is a plant located in Orkanger (mid-Norway), and main business is part of the Elkem SiliconMaterial Division.
Elkem Meraker was formerly a plant in the Elkem SiliconMaterial Division, but at the time of the merger only minor administrative tasks were being performed.

The merged subsidiaries were 100 % fully owned by Elkem AS and the merger was effective as of June 20.th 2013 with Elkem AS as the surviving entity. The merged entities are included in Elkem AS based on Group book value.
For accounting- and tax purposes the merged entities was included in Elkem AS retrospectively as of January 1.st 2013.
Details on the merged balances are outlined below:

NET ASSETS	Note	TOTAL
Property, plant and equipment	10	600 533
Deferred tax assets	9	(61 020)
Investments in subsidiaries	11	(217 893)
Other non-current assets (reduced long term loan)	14	(623 284)
Inventories	15	324 625
Accounts receivables		51 106
Other current assets	17	108 369
Cash and cash equivalents		5 563
Total Assets		187 999
Pension liabilities	4	7 855
Accounts payables (reduced payables)		(60 199)
Other current liabilities	24	96 203
Total Liabilities		43 859
Net assets contributed in the merger		144 140

29. SEGMENTINFORMATION – DISTRIBUTION NET

In connection with NVE's control of the utility pricing and efficiency in the transport of energy, Elkem AS has for 2013 calculated an additional income in this business of TNOK 330.
In January 2014 the related plant was sold to Kvam Kraftverk AS.

Overview of additional income:	2013	2012
Result		
Operating income	4 172	2 594
Additional income	(330)	1 245
Operating expense	(1 863)	(1 510)
Operating results	**1 980**	**2 328**
Additional / less income		
Adjusted income allowed	(1 963)	(1 957)
Actual income	2 385	806
Costs from overhead power	(92)	(94)
Calculated additional (+) / less income (-)	**330**	**(1 245)**
Movement during Financial year in additional/lessincome		
Accumulated excess(-)/less(+)income 01.01	(2 417)	(1 172)
Accumulated excess(-)/less(+)income 01.01	23	51
This year excess (-)/ mindre (+) inntekt	330	(1 245)
Interest on excess revenue	(155)	(28)
Adjusted less income	-	-
Adjusted interest on less income	-	-
Accumulated less income 31.12	(2 087)	(2 417)
Accrued interest of less income 31.12	(132)	23
Balance – basis for return		
Fixed asset after allocation 01.01.	3 082	1 330
Fixed asset after allocation 31.12.	2 868	3 082
Average fixed assets	2 975	2 206
1% add on for nettcapital	30	22
Basis for return	3 005	2 228
Return	65,89 %	104,51 %
(operating profit*100/basis for return)		

30. OTHER MATTERS

Events after the balance sheet date

Share issuance in Bluestar Elkem International Co. Ltd., Sarl
On 24 January 2014 an issuance of preferred shares in the Parent Company Bluestar Elkem International Co. Ltd., Sarl. took place. The capital (MUSD 100) was contributed in cash by the Hong Kong registered company Credia Holdings Co. Ltd, giving the new investor an ownership of 14.3% in Bluestar Elkem International Co. Ltd., Sarl. 85,7 % share is still held by Bluestar Elkem Investement Co. Ltd (Hong Kong).

On 28 Januar 2014 Bluestar Elkem International Co. Ltd., Sarl. further increased the equity in Elkem AS with MUSD 90 by increasing the face value of the share.

pwc

To the Annual Shareholders' Meeting of Elkem AS

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Elkem AS, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the balance sheet as at 31 December 2013, and the income statement and cash flow statement, for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the balance sheet at 31 December 2013, income statement, statement of comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the financial statements of the parent company in accordance with 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 EU and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers AS, Postboks 748 Sentrum, NO-0106 Oslo
T: 02316, org. no.: 987 009 713 MVA, www.pwc.no
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

Opinion on the financial statements of the parent company

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position for Elkem AS as at 31 December 2013, 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.

Opinion on the financial statements of the group

In our opinion, the financial statements of the group present fairly, in all material respects, the financial position of the group Elkem AS as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

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 coverage of the loss 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, 19 June 2014
PricewaterhouseCoopers AS

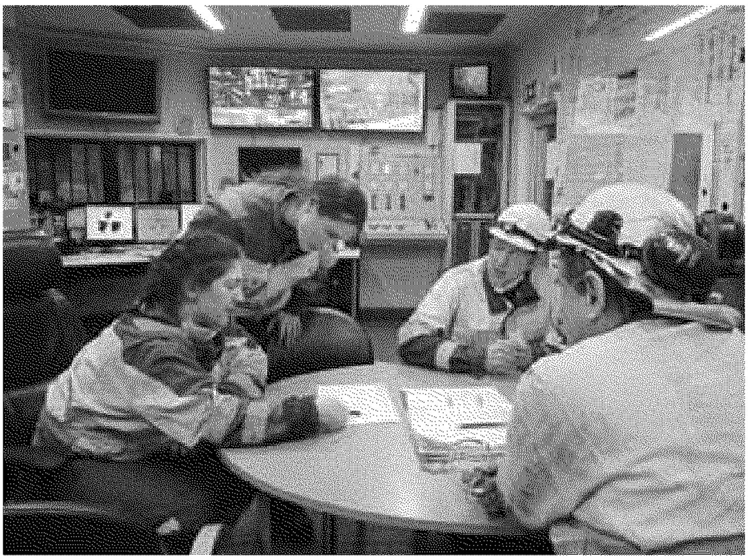
Anders Ellefsen

Anders Ellefsen
State Authorised Public Accountant (Norway)

ELKEM'S EMPLOYEES

Human input is the most important success factor

Elkem's managers, together with human resources (HR), are responsible for ensuring that Elkem's employees have the skills they need and that the Elkem business system (EBS) is actively implemented at all levels of the organisation. Along with technology and process know-how, improvement skills (i.e. EBS) are the core skills in Elkem.



Elkem's employees
At the end of 2013, Elkem had 2,092 employees. Of these, 1,042 worked as operators at Elkem's production plants in Norway, Canada, Brazil, China and Iceland. Elkem has sales offices in a number of countries, and approximately 200 of its employees worked in sales at year-end 2013. Elkem's total R&D staff at group and divisional level number around 160 employees. Elkem's head office is in Oslo, which is also the base for central administrative functions. Active use is made of the Norwegian apprenticeship scheme and Elkem's global trainee scheme and these are a good way of ensuring the group's companies have a skilled workforce in the future. A total of 35 apprentices are currently training at Elkem's plants. 10 of these are women. There are a total of six trainees, three of whom are women.

Skills development
Elkem operates in a demanding market in which there is a great need for continuous development. This improvement work must be fast paced and of good quality, and this means that the employees' skills constantly need updating. Elkem believes that the best way of developing people is for them to participate in improvement work and problem solving in their day-to-day work. Elkem also offers a number of in-house training activities and courses to strengthen the employees' core skills. A willingness to take on new duties and responsibilities is also very important for an individual's learning and development.

Management development
Well-qualified, motivated managers are a necessity if an organisation is going to produce good results. Elkem therefore expanded its global management development portfolio in 2013 and now offers management development on multiple levels and in more languages and locations than before. The management development programmes are intended to provide Elkem's managers with training in the practical challenges managers face, as well as a professional top-up and opportunity to build internal networks. This enables managers to learn from each other and aids the transfer of skills across divisions and plants in the global group.

Elkem business system
Elkem's EBS centre is a resource centre that provides support to Elkem's divisions on the implementation of EBS. All business areas have an EBS manager with in-depth knowledge about EBS and special responsibility for ensuring EBS is implemented. HR at the plant, together with the local management, is responsible for developing the organisation in line with EBS principles.

Equality
The process industry is generally a male dominated industry. However, in line with increasing automation and less heavy manual work, women are increasingly expressing an interest in working here. The overall percentage of female employees has increased in recent years, but the percentage of female operators remains low. Elkem wants to achieve a better gender balance among its employees and is striving to ensure that the proportion of female trainees is around 50%. The total proportion of women in Elkem is 21%. 25% of Elkem's management are women.

Mutual respect

Elkem is a traditional Norwegian, yet international, company with Chinese owners and production, and sales offices in many countries. Having a presence in several countries and having employees with diverse backgrounds are therefore obvious strengths for the group. Proximity to the markets and good teamwork across geographic, cultural and individual differences are necessary for the group to achieve its goals. EBS is based on every employee playing an important role. Elkem's employees are all specialists in their fields and should be listened to. This ensures both good operations and the best solutions when challenges arise. Elkem's internal recruitment rules and its code of conduct for employees prohibit all forms of discrimination.

Corporate democracy

In its more than 110 year history, Elkem has been through many major reorganisations. The international market Elkem operates in is highly competitive and sensitive to economic developments, and the need for restructuring is a constant challenge. Good teamwork between employees and managers is a prerequisite if Elkem is to survive in what are at times demanding market conditions, and it has a long tradition of employees and managers working well together. All plants and units in Norway have local unions, both for operators and clerical staff. Outside Norway, Elkem complies with local statutory requirements and values good teamwork with, and the extensive involvement of, employees. At a group level in Norway, five formal committees have been created for contact between the company and employee representatives. Pursuant to the provisions of the Companies Act, employees have two representatives and two observers on the board of Elkem AS.

ELKEM'S EMPLOYEES

Health and safety in the workplace is a top priority

Health and safety work (EHS) developed well in 2013. The sickness absence rate fell from 3.9% to 3.7%, and the number of lost time injuries resulting in absences was lower than ever. No incidents resulted in permanent injury.

Elkem's production processes involve many potentially dangerous situations: people interact with large quantities of raw materials, chemicals, powerful machinery and very high temperatures. In this sort of environment it is vital that everyone is aware of the hazards and that effective measures to prevent injury and illness are in place. Elkem's goal is to run its operations without any injuries or work-related illnesses. As well as this being important from an ethical point of view, Elkem believes that time and resources spent on safety work provide a basis for more efficient production and less waste. In performance appraisals, injury prevention is emphasised as strongly as production, quality, sales, delivery times, efficiency and cost control.

'Focus'

'Focus' is Elkem's programme for EHS in the workplace. 'Focus' is closely linked to the Elkem Business System (EBS), and emphasises continuous improvement and each employee's responsibility to contribute to good results. 'Focus' has five fundamental principles:

1. The work on improvements has no limits.

2. All incidents and injuries can be prevented (zero vision).

3. All incidents and injuries have causes.

- Reporting incidents provides opportunities to study the events leading up to an incident, learn from the incident, and implement measures to prevent recurrences.

- Incidents are always caused by dangerous situations, dangerous actions, or a combination of these.

- Rarely is there a single cause. To prevent recurrences, we must find and eliminate the root causes of an incident.

4. Effective prevention work requires risk identification, risk analysis and the implementation of measures in order to reduce unacceptable risk to an acceptable level.

5. Success depends on all employees being actively involved in EHS work and sharing responsibility for ensuring a safe working environment.

Zero vision

Elkem has a vision of zero injuries or work-related illnesses. However, the current trend shows that the strong pace of improvement Elkem enjoyed up to 2007/2008 has tapered off. There were indications in 2013 that the company has managed to take a step closer to its vision.

There were only three injuries resulting in absences from work among all of Elkem's employees. This resulted in an H1 value of 0.8 (1.8 in 2012), which is the lowest result ever. H1 measures the number of lost time injuries per million work hours.

H2 measures the number of injuries requiring medical treatment per million work hours. This fell from 6.3 to 5.6, which is the best result since 2009. Of the total 22 injuries (compared to 25 in 2013) only two were defined as somewhat serious (expanded medical treatment) and none as very serious (serious permanent injury).

Assessed by the management

All personal injuries requiring medical treatment and all serious near-accidents are evaluated by the corporate management team so that Elkem can learn from them and thus continue to reduce the number of injuries. Reporting and investigation of all adverse incidents form a very important part of Elkem's improvement work. Reports are produced for each business area every month. The focus in these is on serious incidents and injuries, as well as reporting for official statistics. Detailed presentations of the course of events that led up to an incident, including causes and lessons to be learned, are produced for all serious incidents. This enables the lessons learned to be shared with other plants and similar incidents to be avoided in the future. The status of the EHS work and serious incidents are discussed weekly at corporate management level.

In 2013, Elkem focused in particular on electrical safety, fire prevention, and reducing dust in the workplace. The first two focus areas were directly linked to serious incidents and fires in 2011. The dust project was started at the behest of the Norwegian Labour Inspection Authority as part of its work on a national strategy for preventing COPD in the industry.

ELSAFE

The ELSAFE programme has evaluated the safety of the high voltage systems in Elkem and has established a group standard for design and operating procedures, in addition to identifying and correcting non-conformities in the existing systems. Although all high voltage installations in Elkem have satisfied official regulations, Elkem has chosen to strengthen some requirements and impose a higher degree of safety to avoid serious injuries. When the project started in 2012, a number of non-conformities in relation to the new standard were identified. Most of these will be closed by the end of 2014.
The fire prevention programme particularly focuses on fire detection and efficient extinguishing. Elkem has a number of raw material transport systems, plants and warehouses that can be exposed to fire. Fire prevention strategies have been drawn up for all such facilities and measures are being implemented both to prevent fires and to prevent spreading should a fire occur.

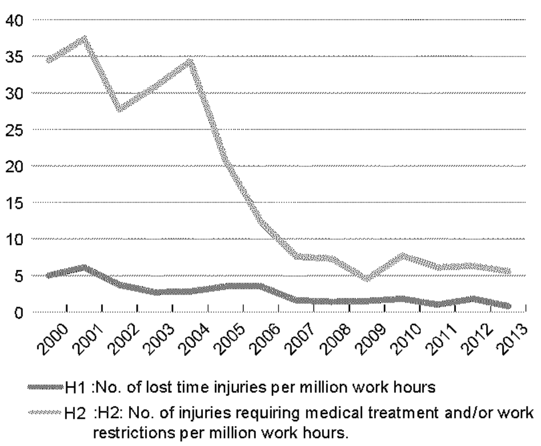
DUSTEX

The DUSTEX programme involves comprehensive surveys of exposure to dust in the working environment and drawing up action plans to reduce this. The focus is especially on sources of dust, reducing dust generation, or efficient extraction of dust where generation is unavoidable. A need has been uncovered for a number of investments that will be made in the coming years.

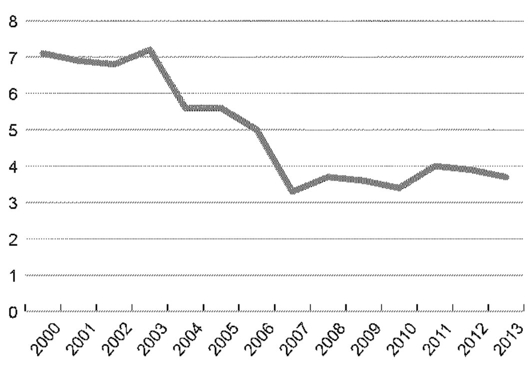
Sick leave

The average sick leave rate for Elkem's employees was 3.7% in 2013, compared with 3.9% in 2012. This is higher than the 2007-2011 average, when the sick leave rate was between 3.3% and 4%. Ongoing activities to reduce sick leave include close follow-up of each employee during periods of absence and making adaptations to enable graduated sick leave. A significant effort must also be made to improve the working environment. The focus must be on noise and dust reduction, improving work stations, and further strengthening the control of employees' exposure to chemicals.

No. of injuries



Sick leave in per cent



ELKEM TECHNOLOGY

Fundamental silikon and solar research

Elkem is involved in a wide range of research projects: some are at a university level and part of public programmes, others are collaborations with other industry actors, and many are Elkem's own projects.

Elkem places great emphasis on supplying factories and plants with the new knowledge that is constantly being produced through various types of research projects. This is done both through various forms of training and in seminars for different groups of employees.

Research Council of Norway

Elkem is carrying out a number of research projects with support from the Research Council. Grants totalling NOK 12.3 million were given in 2013 to support 11 different projects that seek to understand the properties of silicon better and develop new production methods. The findings are of direct importance to both Elkem Solar and other parts of Elkem's silicon production.

Independent tests of ESS®

Ever since the installation of the first panels up to the present day, measurements have shown that Elkem's solar silicon quality ESS® affords solar cells the same degree of efficiency as solar cells based on standard polysilicon. There are even clear indications that they are in fact more efficient at high levels of irradiance. Long-term testing of solar cell panels that use Elkem Solar Silicon® (ESS®) has been an important source of verification. Independent scientific tests in India, Japan and Australia in 2013 confirmed this. The difference, which is 2-3%, is of major economic significance. The measurements show that ESS® produces the highest output in every month except June-August, which is the rainy monsoon season.

Tests involving high intensity irradiance have also been carried out in Hamling, Germany, in order to measure how quickly the output of ESS® reduces due to use compared with standard polysilicon. The results show that ESS® retains its production capacity at least as well as polysilicon. Here too, ESS® stands out in relation to polysilicon when levels of irradiance are high.

Further research

The Research Council is supporting a new research project in which Elkem is collaborating with the Institute for Energy Technology (IFE) and Teknova AS to learn why ESS® is better at higher levels of irradiance. Polysilicon is a totally pure silicon product, while ESS® has a slightly higher level of impurity. Which of the properties of ESS® contribute to higher electricity production in relation to polysilicon when irradiance/temperature levels rise? And also: are there optimum levels of content for individual elements? The project will run from 2013 to 2015 and could be of great value to the development of the global solar energy industry, which to date has been based on the theory that "the purer the silicon, the better".

Elkem Solar's process includes steps for removing both boron and phosphorous to obtain a purer product and one with optimum electrical properties. Research continued in 2013 into new refinement technologies in order to simplify the value chain, reduce costs and improve flexibility with regard to, for example, boron levels. The results were published in a scientific article in 2014. Tests on the use of gas-based technologies have shown promising results.

A related research project aims to analyse and describe what happens when silicon (ESS®) solidifies: how do the various substances move and how can their movements be manipulated while the silicon solidifies to achieve the desired structure and substance mix? The project is developing a mathematical model that can be used to steer the solidification process. Elkem's researchers are working with IFE and Sintef in this project.

Enough solar energy in Norway, too

Tests conducted by the University of Agder in collaboration with Elkem Solar show that irradiance levels over Southern Norway are just as high as those in Hamburg, Germany. This means that electricity from solar cells could also be profitable in Norway.

Testing irradiance and quantities of electricity produced from solar cell panels installed on the roof of the University of Agder in Grimstad shows that the level of irradiance is far greater than had been assumed based on data in the EU's solar radiation database for Europe (http://re.jrc.ec.europa.eu/pvgis/). The deviations from the EU's database were particularly large during the months of spring. The comparison of electricity produced, measured in watts per square metre of solar cell panel, showed the output was on a par with Hamburg and only around 15% lower than Munich, which is much further south. In Germany, an intense effort to support the use of solar cells means that just as much electricity is produced from the sun as is produced from wind. Together, solar and wind power account for a quarter of German energy production.

Gas as a reducing agent

Elkem has, with the support of the Research Council, initiated a number of projects that could change the way silicon is produced. Large quantities of carbonaceous materials are required to produce silicon. The role of the carbon is to get the oxygen in quartz to let go of the silicon atoms and combine with the carbon atoms. This forms liquid silicon and carbon dioxide gas (CO_2).

The possibility of using natural gas instead of coal is now being explored. Natural gas consists of methane (carbon and hydrogen), as well as a number of other substances. Using gas instead of coal would require significant changes in the silicon production process. While gas reduction would increase the purity of the silicon that leaves the furnace, it would also help to make production more environmentally friendly. The primary challenge in this process is to achieve the controlled formation of intermediate products from the reaction between the gas and quartz. Alternative processing options are being studied at the University of Wollongong, Australia, as well as at the Norwegian University of Science and Technology (NTNU).

Real-time measurements
Elkem has developed new methods of monitoring and measuring what happens on the surface of the melt inside the furnaces. In 2013, the Energy Efficient Silicon Production (ESiP) project, which is supported by the Research Council, studied which measuring methods were relevant for taking measurements on the surface of the melt in a silicon furnace. Various measuring methods were tested based on this work. The initial tests were conducted by taking measurements from outside a furnace through an open hatch and then a three-week test was conducted that involved installation on the actual furnace wall. The tests were very successful and the measurements provided useful information about the process that was quickly put to use by the operational organisation in their management of the furnace process. The environment inside Elkem's furnaces is very demanding for instruments and equipment, and a technological solution had to be designed that ensured the equipment was cooled and protected.

A permanent measuring instrument was installed in June 2014 and continuous real-time measurements are now taken on the surface of the melt. The project will continue to document how the operational organisation benefits from having information from inside the furnace to help them optimise and increase the efficiency of operations.

Goal-oriented R&D

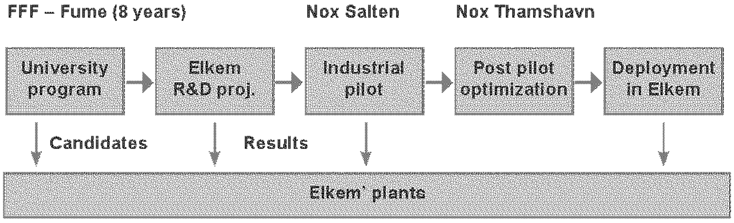
The working day of Elkem's operational organisation is characterised by the goal of continuous improvement. The research programmes are used to take major leaps in the form of new products, reduced costs and improved EHS results.

Elkem spent NOK 65 million of its own funds in 2013, and delivered research services worth NOK 18 million to Elkem Solar. Elkem and Elkem Solar also received support for programmes from the Research Council of Norway worth NOK 12.3 million.

In addition to the research programmes described above, work continued on the Si2020 programme in 2013, which is intended to improve the understanding of the production processes for silicon and ferrosilicon. The same applies to programmes for reducing NO_x and dust, and improving electricity security. Please see the separate discussion of these projects under emissions and EHS.

Research has been conducted into how the entire chain, from quartz via silicon to silicone, can be optimised in collaboration with Elkem's sister company in France, Bluestar Silicones International. Research has also been carried out into the development of an environmentally-friendly binding agent for ramming paste (the insulation material in smelting furnaces) that does not contain pitch.

Developing new knowledge from university to plant



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ELKEM TECHNOLOGY

Silicon could revolutionise batteries

More efficient rechargeable batteries would make wind and solar-generated energy more valuable because it could be stored and used when needed. Better batteries would make electric cars more competitive. Elkem believes silicon will play an important role in the future of batteries and is researching solutions.

Batteries store electricity in the form of chemical energy. Graphite is currently used as the anode in lithium batteries. By replacing graphite with silicon you could, theoretically, achieve a tenfold increase in battery capacity. The goal of the research is to develop a silicon quality that could significantly improve the quality of current lithium batteries. Silicon for batteries could be a very large market for Elkem. If this is achieved, as most people believe it will be, this could be a market in which Elkem could deliver many thousands of tonnes a year. It is therefore of interest, although the time perspective is unclear for all the actors involved.

Challenging

Everyone conducting research into how to improve current lithium batteries is also researching how silicon can be used in batteries. The challenge posed by silicon is that it expands significantly during charging before contracting when the battery is discharged. In order to make numerous charging cycles possible, it is important that the density changes do not result in the formation of dust, and a great effort is also being made in this field of research.

In order to resolve this problem, Elkem is conducting a project, in collaboration with the Institute for Energy Technology (IFE) and Sintef, which is attempting to develop a composite material consisting of silicon and graphite that can be used as the anode in lithium batteries. Elkem is simultaneously carrying out research on silicon, at its research unit in Trondheim, aimed at developing the silicon material that works the best. Elkem currently sells special silicon produced at its plant in Bremanger to customers who either use silicon in tests or who actually make silicon/lithium batteries. One of those that have started using such batteries is watchmaker Breitling. Silgrain® e-Si was developed in collaboration with the Japanese research centre AIST Kansai.

Tests of the new graphite and silicon material have been carried out and indicate capacities that are five times greater than current batteries. At the same time, the research is showing great progress with respect to the number of cycles the anode can endure.

Electric cars
Major car manufacturers are important battery customers. The focus on electric batteries has increased enormously since the launch of the Tesla S model. In February 2014, Tesla announced plans to build the world's largest battery factory in the USA, large enough to meet the needs of 500,000 cars per year in 2020. This will totally change ratios in the market for batteries for electric cars. The largest producers of batteries are currently China and Japan. At the same time, Germany, the car country, has just begun electrification. The goal of the German government is to have 1 million electric cars on the road by 2020. This means growth will have to be fast: in 2011 there were 6,000 electric cars in Germany.

The employees of Elkem Technology's pilot station in Kristiansand, Norway.

ELKEM SILICON MATERIALS

Sustainability and growth

What is sustainable improvement? What does it mean for us? These questions were discussed in every unit in Elkem Silicon Materials in 2013. Elkem will use the Elkem Business System as a means of contributing to a future in which our consumption of resources balances what the Earth can withstand.

In 2011, 29 global companies from various industries presented their combined, bleak view of the future: if we do not dramatically change course, mankind's need for raw materials and energy will amount to nine times what the Earth can produce. However, this situation is preventable. The business sector's ability to innovate will play an important role and there is good reason to participate in the changes. Those companies that help to deliver the solutions the future needs will also be those that succeed. The document is called Vision 2050 and is, together with the Elkem business system, one of the mainstays of Elkem Silicon Materials' strategy work.

Vision 2050 emphasises reducing greenhouse gas emissions, reducing energy consumption, biodiversity, and good working and living conditions for all. Vision 2050 provides a framework for how the business sector can work in a number of ways to successfully do this and at the same time ensure profitability in a rapidly changing world.

EBS in sales and marketing
Elkem Silicon Materials has conducted an extensive process covering all parts of the organisation in Europe, America and Asia. Use of the Elkem business system (EBS) has been expanded to areas other than the plants, such as purchasing, sales and marketing departments, finance and economics, HR and legal departments. EBS has traditionally been used by the plants, but other departments are now actively using it. One example of this is developing tools that streamline the preparation of offers to customers, contracts and sales reports, and what this means for financial activities and results.

Managers have undergone training in the use of EBS and have thereafter been given responsibility for working concretely to achieve improvements and design strategies to achieve sustainable growth goals. The employees and management have together constructed a platform for the future of Elkem Silicon Materials:

The vision: "Creating sustainable silicon and microsilica solutions for the future."

Strategy: Efficiency, sustainability and responsibility must provide the basis for profitable growth.

Five main pillars for growth have been set out under the motto "Earn the right to grow":

- Strengthen the plants' cost position through operational improvements
- Leadership in the market through developing new silicon and microsilica products
- Improve the value chain from silicon to silicone
- Strengthen market positions and have a presence in rapidly growing markets
- Develop and secure the raw materials situation

Leading supplier
Elkem Silicon Materials is Elkem's largest business area and it is also one of the world's leading suppliers of silicon and microsilica. 75% of Elkem Silicon Materials' revenues come from silicon and it has the capacity to produce 150,000 tonnes per year. Elkem Silicon Materials is the world's largest supplier of microsilica with a volume of 250,000 tonnes. 100,000 tonnes of this is bought from other plants, processed and then sold on to customers around the world. Purchasing and further processing microsilica constitutes a significant part of the organisation. Elkem Silicon Materials has three silicon plants that produce silicon and microsilica, two centres for research and development, quartz mines, units for further processing the plants' products, and an extensive global sales network.

New furnace, reduced NO_x
A furnace was converted in Salten in 2013 to produce 99% pure silicon, Si99. Much of its output is sent to BSI's plant in France for silicone production. At the same, a long research process looking at reducing NO_x emissions was concluded. The results show that emissions were reduced by 40%. The results will gradually be applied to the other plants.

Elkania DA, a joint venture with Titania AS, opened for business in 2013. The plant will deliver Microdense®, which is a weighting material used in drilling fluids to stabilise pressure in oil and gas wells.

From words to action: Vision 2050 – Action 2020

The initiative for Vision 2050 was taken by an organisation called the World Business Council for Sustainable Development (WBCSD). The WBCSD is an international membership organisation for companies that want to ensure the business sector is an important participant in the work on a sustainable future. The WBCSD has created a framework for action as a follow-up to its Vision 2050 report. This emphasises that good future solutions will be characterised by being:

- Measurable – so we know they are making a difference
- Scalable – so they can have a meaningful impact on the world
- Replicable – so they can be applied by many actors
- Beyond business as usual – including when it comes to collaboration
- Good for business – so they are adopted

http://action2020.org/

Elkem Thamshavn outside Trondheim, Norway.

ELKEM SILICON MATERIALS

Customer-inspired innovation

It is because of the interaction between customers, process engineers at the plants and researchers that Elkem has taken the step from being a traditional smelting plant company to becoming a supplier of special products for a steadily increasing number of applications. This requires greater expertise and results in greater value creation.

The traditional smelting process for producing silicon at Elkem Bremanger has been expanded with a wet chemical process that enables the production of products with very special properties. An ever growing number of modern, high-tech products contain silicon products from Elkem Bremanger.

The process starts with the smelting furnace producing 92% pure silicon from quartz extracted from Elkem's mine in Tana in Finnmark. Next, a wet chemical process starts in which acid is used to dissolve any iron and aluminium so it can be removed. This increases the purity of the silicon from 92% to 99.7%. Silicon purified in this way goes under the name Silgrain®.

By-products exploited

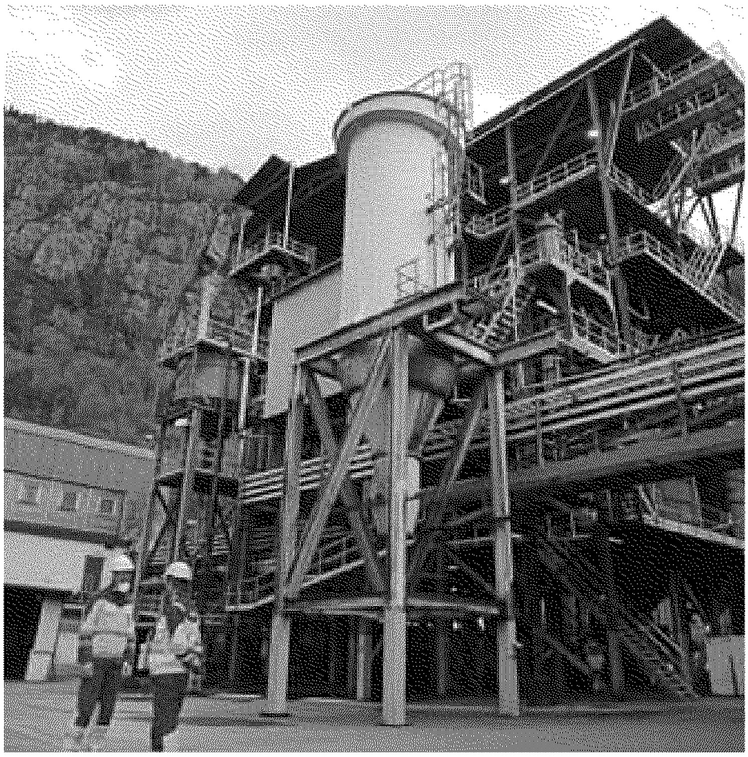
Silgrain® is produced by treating 92% silicon from furnace 5 in Bremanger with large quantities of acid in a closed system. Once solid silicon has been dissolved in acid it is sprayed onto a large sieve (canvas). The acid runs off through this and the Silgrain® is transported elsewhere. All by-products from this production process are saved and sold or reused. The acid, which now contains iron and aluminium, is separated and sold as ferrous chloride and aluminium chloride, respectively. Aluminium chloride is used in aluminium production, as well as a number of day-to-day products, e.g. deodorants. Ferrous chloride is used for water purification among others.

Minute adjustments

Silgrain® is 99.7% pure silicon and the secret lies in maintaining precise control over what the remaining 0.3% consists of. This will typically be aluminium and iron, as well as a number of other elements such as calcium, boron, iodine and titanium. It is the precise composition of these substances and the size of the silicon grains that determine the properties, and thus areas of use, of the various Silgrain® products.

Elkem Silicon Materials' research department in Trondheim can be described as one of the world's most advanced sales offices. It conducts research into the various uses of silicon and tests are carried out in three small-scale reactors. These provide a factual basis for the dialogue with customers. The interaction between marketing department, engineers from the plant in Bremanger, the research department in Trondheim and the customers gives rise to ideas for new products or proposals for new applications for existing products.
This is how the idea of using silicon in batteries really got going. Here the goal is to produce batteries with significantly longer lifetimes than what is possible today. A number of other products have also been launched in recent years.

The largest deliveries of Silgrain® products are to the solar cell industry where Silgrain® is further refined in a process that makes it practically 100% pure silicon. However, as far as Elkem is concerned, other uses of Silgrain® could result in even larger deliveries, especially if the production of batteries using Silgrain® e-Si takes off as expected. Read more on p.110.



Silicon – a fantastic element

Silicon occurs in enormous quantities in the form of quartz and in its solid state it is the most common element in the Earth's crust.

Quartz consists of silicon and oxygen, and if you want the silicon you have to separate it from the oxygen, as well as remove other substances and impurities.

Silicon is not a metal. Silicon is a semiconductor, which means that silicon does not conduct electricity at room temperature, only when it is heated up. Its conductance can be adjusted using iodine and boron. This has made silicon a vital component of all electronics, where electrons in circuit need to be turned on and off.

Silicon is everyone's friend. Silicon easily combines with other elements, which means it can help to create new, practical substances. The most common use of silicon is to mix it in with aluminium. Silicon makes aluminium stronger and more pliable, and enables cars, aeroplanes and other means of transport to be built using light aluminium instead of heavy metal. This means they also use less energy. Thanks to silicon, aluminium can be re-smelted and reused almost indefinitely. Half of all the silicon that is produced is mixed with aluminium.

Silicon can be both rubber and stone. Silicon can be transformed into silicone, which is a synthetic substance formed by silicon reacting with methyl chloride. This results in a new substance, dimethyldichlorosilane, which can be imbued with a number of practical properties by changing its molecular chain's length and composition. We are familiar with it from rubber-like products such as draught strips, dummies for babies, and cables, but it is also used in water-based paints, make-up and a number of other products. Around 30% of the silicon produced is used in silicone production.

Silicon has a high smelting point. With a smelting point of 1,414°C, silicon is a very suitable replacement for asbestos and is used in a number of ceramic products. Porsches, Ferraris and top-of-the-range Audis use ceramic braking pads because they are lighter and generate less heat. Silicon is also used in diesel filters in cars and construction machines to remove NO_x from exhaust gases.

Silicon + sun = electricity. The electrons in the nucleus of a silicon atom easily achieve a higher level of energy (they excite) when the sun shines on it, meaning that an electron is released and a wave occurs (electricity) that can be caught and results in electrical tension. The amount of silicon that is used in solar cell production via polysilicon (super pure silicone) has increased from 1% a few years ago to 10% today, and the solar cell industry appears to be continuing to grow rapidly.

Silicon is water-repellent. This property is exploited when, for example, silica fume (microsilica) is used in concrete. This enables large structures, such as bridges and skyscrapers, to be built safely and last longer using smaller amounts of materials. Silica fume is really a by-product of silicon production and was previously regarded as waste.

Silicon is fertiliser. Silicon is important for a plant's ability to grow. Mixing microsilica with artificial fertiliser therefore provides benefits.

PLANTS

Elkem Bremanger
Established: 1928
No. of employees: 110
Produces: Silicon for electronics and solar cells.
Elkem Microsilica® for concrete and oil wells.
Certifications: ISO 9001 certified since 1990.
ISO 14001 certified since 1999.
ISO/TS 16949 certified since 2007.
Certified in accordance with EN 13263-1:2005 Microsilica® for concrete.

Elkem Thamshavn
Established: 1930
No. of employees: 158
Produces: Silicon for chemistry (silicone), aluminium and solar cells.
Elkem Microsilica® for concrete and refractory products.
Certifications: ISO 9001 certified since 1992.
Certified in accordance with EN 13263-1:2005 Microsilica® for concrete.

Elkem Salten
Established: 1967
No. of employees: 179
Produces: Silicon for aluminium, chemistry and electronics/solar cells.
Elkem Microsilica® for concrete, refractory materials and polymers (plastic/rubber).
Certifications: ISO 9001 certified since 1991.
ISO 14001 certified since 1999.
Certified in accordance with EN 13263-1:2005 Microsilica® for concrete.

Elkem Tana
Mine established: 1973 by Sydvaranger AS, acquired by Elkem 1983.
No. of employees: 42, 21 of whom are employed by Elkem Tana and 21 by a subcontractor
Produces: Quartzite for the ferrosilicon and silicon industry, both for Elkem and for external plants.
Certifications: ISO 9001

ELKEM CARBON

Motto: A great place to work

With finely crushed anthracite as one of its most important inputs, Elkem Carbon has traditionally belonged to the dirtiest and most dusty part of the industry. The vision of zero production dust adopted by Elkem Carbon in 2010 is providing benefits in the form of a better working environment, lower costs and higher output.

Elkem Carbon has set itself an ambitious goal and many still doubt that achieving zero dust is possible. However, systematically combating dust has produced very good results for Elkem Carbon in Kristiansand (Fiskaa), which has reduced concentrations from 4 mg/m3 to 0.93 mg/m3 in 4 years.

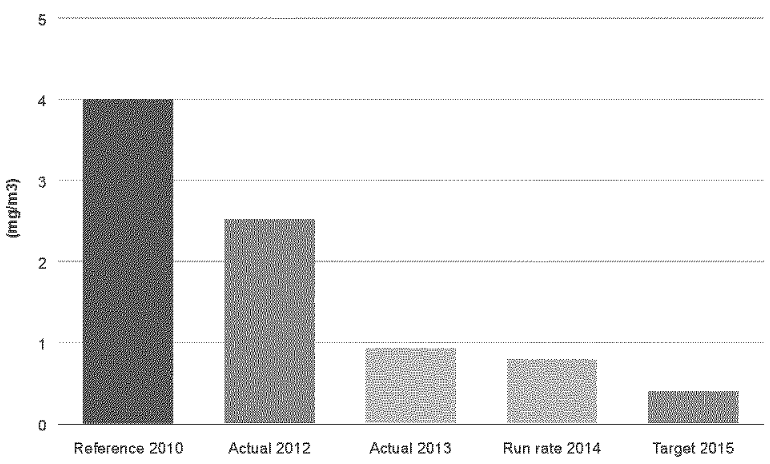
By first eliminating the most serious sources of dust, the company has achieved major dust reductions, meaning that the air and machinery are now so clean that even minor sources of dust are noticeable. This enables these to be closed as well. The production premises are therefore becoming steadily more dust free. Elkem Carbon is systematically replacing dust-generating equipment, and interdisciplinary improvement groups are working on dust-reducing measures.

Clean is profitable
The dust reduction work is inspiring because it means a lot to all parts of the production. First and foremost, dust reduction means a lot to employees and the motto for Elkem Carbon's continuous improvement work is "A great place to work". Eliminating and closing sources of dust provides control over a number of important factors:

- Greater job satisfaction thanks to a better physical working environment, because dust wears on people
- Greater operational stability for machinery and equipment, and reduced repair and maintenance costs because anthracite dust is abrasive and wears out equipment
- It enables the introduction of more cost-saving automated processes because lower dust levels mean electronics can be used
- Reduced pollution because dust is a source of PAH emissions

The pace of change has varied at each of the five plants with the plant in Kristiansand, leading the way. The plants in China and Brazil have also completed major, important improvement projects.

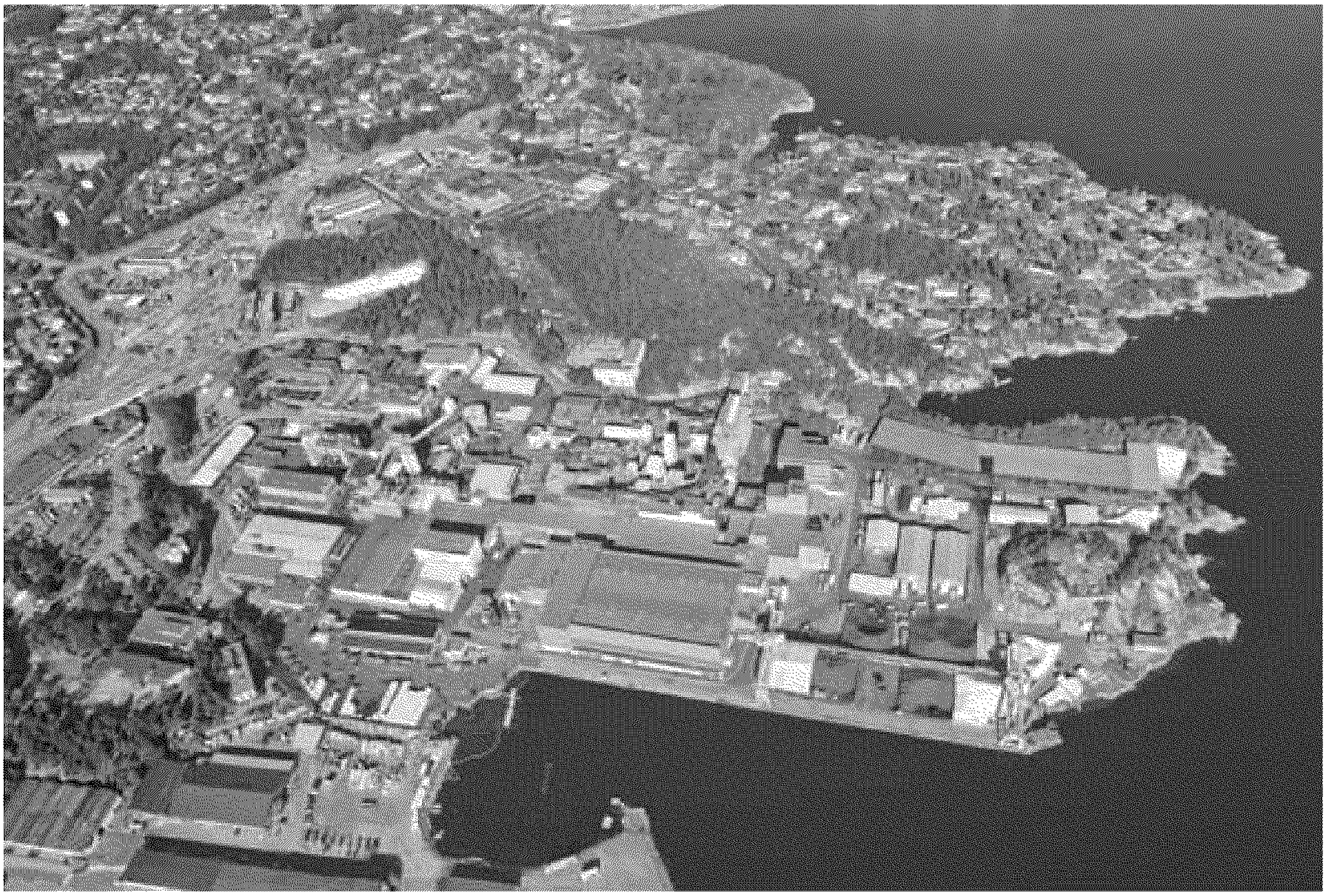
Dust concentration, Elkem Carbon Fiskaa



Energy recovery
Elkem Carbon is also working on energy recovery at a number of its plants. In China, coal fired heating has been replaced by using waste heat from production. Enova has pledged NOK 39 million to Elkem Carbon in Kristiansand to support a project that will reuse heat from the calcination process and will recover 34 GWh a year.

Reducing PAH emissions
The aluminium industry and wood fired heating in homes are the largest sources of PAH emissions, which are formed by the incomplete combustion of organic materials. Coal tar pitch, which is used as a binder in Elkem Carbon's products, contains PAHs. Elkem Carbon is working to systematically reduce its PAH emissions:

Product development:
Products without PAH
Coal tar pitch is used as a binder for ramming paste and electrode paste because it can withstand extremely high temperatures and great strain. Elkem Carbon is developing alternatives to this, and ramming paste without PAHs will soon undergo full scale testing in an aluminium plant in Norway. Traditional ramming paste normally lasts for 6-7 years, so this development work has a long time horizon. The Research Council of Norway recently granted NOK 10.8 million to support the Green Binder project, which is a collaborative project between Elkem and Borregaard, where the goal is to develop biobased alternatives to coal tar pitch that are free of PAHs. Innovation Norway is also supporting the project with NOK 2.7 million.



Reduction of PAH emissions to air
Elkem Carbon's emissions of PAH to air have been heavily reduced. Elkem Carbon Fiskaa's goal in 2013 was to reduce emissions to less than 50% of the discharge permit. This goal has been achieved. New production equipment, like a new, smaller mixer, makes it easier to capture PAH containing smoke through suction systems and filters. A stable production process in a well maintained facility is required to avoid unnecessary PAH emissions and the level of dust must be kept to a minimum. Elkem Carbon's work on reducing dust therefore has a positive effect on PAH emissions as well.

Reduction of PAH emissions to water
Kristiansand: Elkem Carbon monitors the coast off the company's premises in Fiskaa, Kristiansand. In 2013, the Norwegian Institute for Water Research (NIVA) carried out a risk assessment that compared water quality and seabed quality with a major survey conducted in 2005. Elkem Carbon's emissions to water have been heavily reduced from around 250 kg to around 10 kg of PAH per year. This means that the role of other sources of PAH pollution, like vehicle traffic, housing and leisure boat traffic, is becoming more significant for the fjord's water quality.
Vitoria (Brazil): In tropical regions, biological cleaning methods can be used to remove PAHs and other contamination from rainwater and other surface waters. At Elkem Carbon's plant in Brazil, water is cleaned by being fed through three basins: one containing old trees, one containing plants and one containing bacteria. This cleaning method will also be adopted at Elkem's new plant in Malaysia.

New plant in Malaysia
In the autumn of 2013, Elkem decided to build a new electrode paste plant in Sarawak, Malaysia. A number of ferrous alloy and aluminium producers are establishing new capacity that requires electrode paste in the production process. Elkem's new plant is being built in the same industrial park as these producers and an agreement for the delivery of 9,000 tonnes of electrode paste per year has already been signed. This is one of the largest single contracts signed in Elkem Carbon's history.

The plant will require an investment of NOK 60 million and will be ready for production in 2015. A new investment (phase 2) is already being planned for the same plant.

Elkem Carbon has used its experts from both Norway and Brazil to make the new plant profitable and sustainable from the very start.

Anthracite and electrically calcined anthracite
Anthracite, which is the purest form of coal, is found naturally in coal mines and has a carbon content of 92-98%. Calcination is a thermal treatment process applied to solid raw materials. The thermal treatment process turns the anthracite into an electroconductive, pure and resistant material – electrically calcined anthracite.

Pitch
Coal tar pitch is used as a binder in various carbon materials, including ramming paste and electrode paste. Tar is the raw material used to produce pitch. Tar itself is a by-product of metallurgical coke production, which is used in furnaces for the production of iron.

Electrode paste
Electrode paste consists of calcined anthracite and pitch, and is supplied as briquettes, blocks or finished cylinder-shaped electrodes. Smelting plants need electrodes because they conduct electricity and help provide sufficient heat energy to the smelting furnaces. Electrodes are also needed where production is based on smelting electrolysis, which is a chemical process created using electricity, with the production of aluminium being a prime example.

Ramming paste
Ramming paste seals joints and prevents the furnace from being damaged by liquid metal. The paste is installed by ramming, i.e. using vibration and pressure. The ramming paste is then 'baked' at 960°C so that it becomes hard and fully sealed. Calcined anthracite and pitch are the main components of ramming paste. Elkem Carbon's products are developed to provide the best possible work environment and are so-called cold ramming pastes, which are installed at room temperature. The exposure to potentially dangerous PAHs from the binder is thus minimal. Elkem Carbon is systematically working on developing new and more environmentally friendly solutions, and also offers products with alternative binders that do not contain PAHs.

Carburisers
Manufacturing products in iron foundries using electric furnaces and scrap iron as the raw material requires the addition of carbon material. These are called carburisers. The further development of technical solutions at Elkem Carbon's plant in Kristiansand means that Elkem produces Elgraph®, which are high quality carburisers. Elgraph® has a low sulphur, nitrogen and volatile organic compounds content, and satisfies the increasingly strict requirements to such products from iron foundries and steel manufacturers.

PLANTS

Elkem Carbon's plants

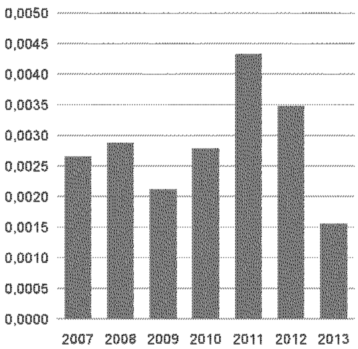
Elkem Carbon, Fiskaa, Kristiansand, Norway
Established: 1904
No. of employees: 68, 5 apprentices
Produces: Electrically calcined anthracite, Søderberg electrode paste, carburisers (Elgraph®), ramming paste
Certifications: ISO 9001:2000, ISO 14001, ISO 18000

Elkem Carbon China
Established: May 2000
No. of employees: 110, 3 apprentices
Produces: Electrically calcined anthracite, Søderberg electrode paste, ramming paste
Certifications: ISO 9001:2000, ISO 14001

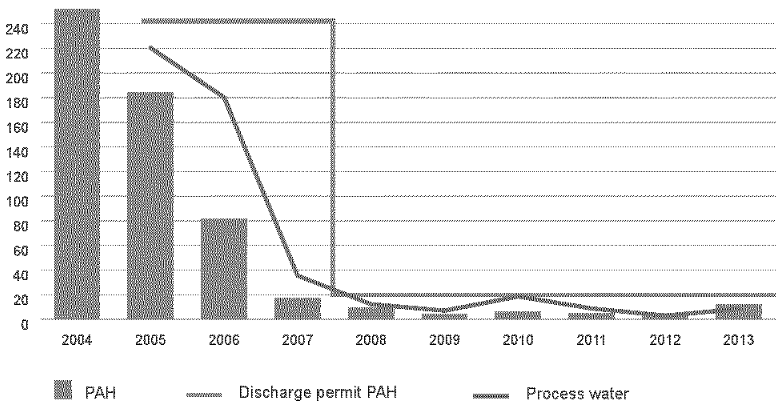
Elkem Carboindustrial, Brazil
Established: 1976
100 employees, 2 apprentices
Produces: Electrically calcined anthracite, Søderberg electrode paste, electrodes, ramming paste
Certifications: ISO 9001:2000, ISO 14001, ISO 18000

Elkem Carboderivados, Brazil
Established: 1976
No. of employees: 45, 2 apprentices
Produces: Pitch and other raw materials for the production of electrode paste and ramming paste
Certifications: ISO 9001:2000, ISO 14001, ISO 18000

Elkem Carbon Fiskaa:
PAH emissions per tonne of finished product



PAH (kg) emission from Elkem Carbon Fiskaa



ELKEM FOUNDRY PRODUCTS

High safety standards and strong operations

Elkem Foundry Products has further increased its energy efficiency during 2013 and has increased total production by ten per cent. The safety level is the best achieved ever, with zero lost workdays injuries.

One of the keys to the successes of Elkem Foundry is accepting that every plant and every single furnace is different, but still measuring their results by identical key performance indicators (KPI). With productions sites in China, Norway, Iceland, Canada – and by 2015 in Paraguay – distributing best practices is not straightforward, but overcoming the challenges of communication across five different languages and five different cultures can give positive results.

Never similar

There are never two furnaces that are similar, and only experience can tell what is the optimal way of stock feeding and operating the furnace. The key to success is to share the common scientific knowledge in Elkem and the division, and let the plant teams find the best way to achieve the expected level of the centrally defined KPIs.

During the last two years the plants have been working on how to utilise fines, which are leftovers from the ferrosilicon crushing process. By collecting the fines and re-injecting them into the ladle, where they are re-melted in high temperature metal, the output increases, without increasing the energy consumption. This is not a straightforward process, and must be executed differently at different sites and furnaces. Results so far show that reuse of fines contributes to 21 mill NOK to the results.

Strong EHS results

Elkem Foundry Products has focused on safety during 2013 and has been able to bring down the total recordable rate of injuries (H2, number of injuries per million working hours) to 5.5, from 10.8 in 2012. This is the best H2-result at Foundry in the history of the division. There were zero injuries with lost workdays, which is a strong result for a division with four operating plants. The Canadian plant at Chicoutimi has had eight years without any injuries with work days lost, and the Chinese plant has had no such injuries for seven and a half years, by the end of 2013.

+ 10 percent

Chicoutimi's energy recovery system delivers heat to the nearby Rio Tinto Alcan plant. It has been running since June 2013 and has reached a level of 230 GWh per year, which is ten per cent more than expected. The plant now recovers more than two thirds of its off-gas energy

World leading producer

Elkem Foundry Products is the world's leading producer of ferrosilicon and ferrosilicon-based metal alloys. Ferrosilicon is an important raw material for the steel and foundry industry, and helps to ensure that windmill, vehicle and engineering industries can manufacture products that function satisfactorily. Elkem is a major global producer of inoculants. The distinguishing feature of Elkem's inoculants is that the end user can reduce the amount of material added and end up with equally good working properties. The proportion of scrapped product is often reduced as well. This improves the customer's productivity, thus reducing total energy consumption.

Elkem Foundry Products has five plants – two in Norway (Bremanger and Bjølvefossen), one in Iceland (Grundartagi), one in Canada (Chicoutimi) and one in China

Facts

Ferro is a prefix that indicates a link to iron, and ferrosilicon is an alloy consisting of a combination of iron and silicon. Ferrosilicon is produced by carbothermal reduction. Quartz reacts with carbon (in coal, coke and wood chips) under high temperatures, and iron is added during the process. There are two primary areas of application for ferrosilicon: Ferrosilicon is most commonly used in the steel industry, where oxygen is removed in furnaces (deoxidation). It is also used as an alloying addition to make various steel grades. The amount added depends on what the steel is going to be used to make later: e.g. stainless steel (sinks, cutlery, kitchens), steel for electrical purposes (motors, generators, transformers), carbon steel (railway tracks, coils) or speciality steel (ball bearings, tools).

Inoculants are ferrosilicon-based alloys that contain iron, silicon, and other minerals such as barium, strontium and cerium. These alloys are added to foundry products to improve their working properties, thermal conductivity, and strength.

Ferrosilicon-magnesium contains iron, silicon, magnesium and rare earth elements. The alloy is added to foundry products for a number of reasons, including making them stronger.

(Shizuishan). In a 50-50 percent joint venture with Argentinean investors, Elkem will build a new ferrosilicon plant close to the Paraguayan capital, Asuncion. The new plant will create around 100 new jobs and start production in the middle of 2015. Elkem Foundry Products has sales offices and agents around the world, and its own product development department. Elkem Foundry Products has a significant market share in Europe.

PLANTS

Elkem Bremanger Foundry Products, Norway
Established: 1928
Number of employees: 75
Produces: Ferrosilicon-based alloys (inoculants)
Certifications: ISO 9001, ISO 14001, ISO TS 16949

Elkem Bjølvefossen, Norway
Established: 1905
Number of employees: 144
Produces: Ferrosilicon-magnesium and various ferrosilicon grades
Certifications: ISO 9001, ISO 14001 (ISO TS 16949 planned for 2013/2014)

Elkem Iceland
Established: 1975
Number of employees: 177
Produces: Various ferrosilicon grades
Certifications: ISO 9001

Elkem Chicoutimi, Canada
Established: 1966
Number of employees: 80
Produces: Ferrosilicon-magnesium and ferrosilicon-based alloys (inoculants)
Certifications: ISO 9001, ISO 14001

Elkem Foundry China
Established: 2005
Number of employees: 50
Produces: Ferrosilicon-magnesium
Certifications: ISO 9001:2000, ISO14001

JOINT VENTURES

Elkem Solar's new ownership structure

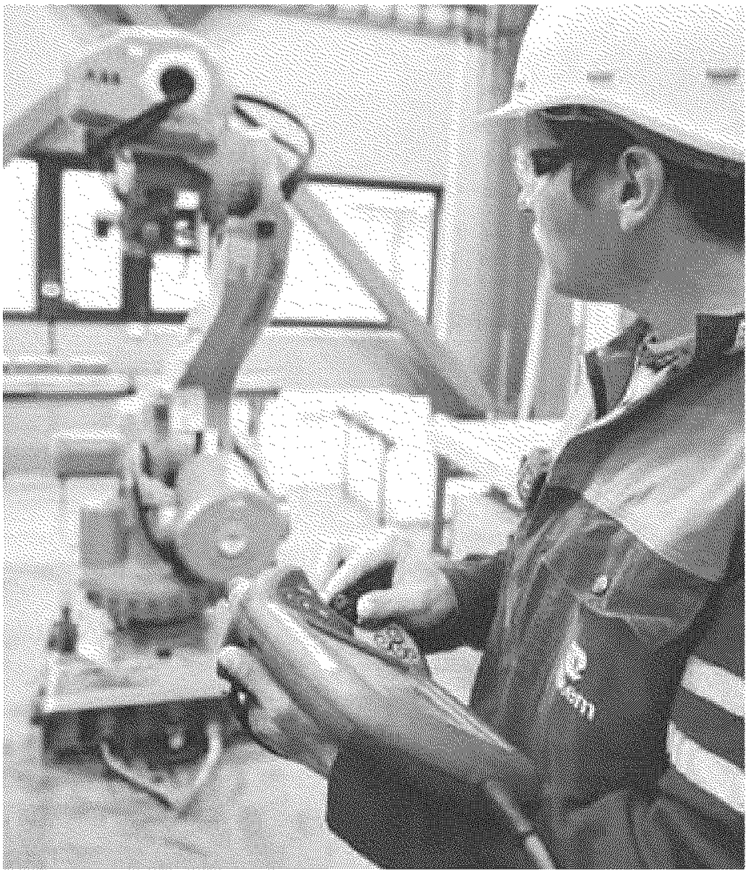
A Hong Kong based financial investor, Guangyu International Investment Company, has injected USD 200 million of new equity into Elkem Solar. The investment was made via a share issuance in Elkem Solar's holding company. Elkem Solar is now owned 50% by Elkem and 50% by Guangyu International Investment Company.

Guangyu International Investment Company is an investment company based in Hong Kong.

Full production
After several difficult years, Elkem Solar is back in full production and has set a number of production records so far in 2014. The world is hunting for climate friendly energy sources and solar cell panels based on ESS® are a very good alternative: producing this super pure silicon requires far less energy than traditional polysilicon. Moreover, independent tests show that ESS® panels also produce more electricity than their competitors in regions with high temperatures and high levels of irradiance.

Low emissions result in CO_2 certification
ESS® was CO_2 certified by Japanese authorities in 2013. ESS® generates much lower greenhouse gas emissions per produced kg than other products. ESS® emits 14 kg of CO_2 over its entire life cycle from mining the quartz to when the solar cell panel is spent after 30 years' service. Competing materials emit between four to ten times as much. The main reason for the low emissions is that Elkem Solar purifies the silicon without transforming it into a gas and then back into silicon metal, which is a very energy-intensive method. ESS® is also produced using Norwegian hydropower.

Better output
ESS® has been undergoing tests at an independent research institution in Hyderabad, India, since August 2012. The good test results from India have been confirmed by independent scientific tests in Japan and Australia. Because of the material's properties, around 2% more electricity is produced by ESS® than polysilicon.



Further energy improvements
Elkem Solar is currently developing a new, more efficient process that will reduce energy requirements by a further 50%. This is revolutionary compared to traditional processes and the production of new ESS® will consume about 11 KWh per kg compared with between 60 and 120 KWh per kg for polysilicon. Solar cell panels based on ESS® are already competitive in 19 markets, without subsidies.

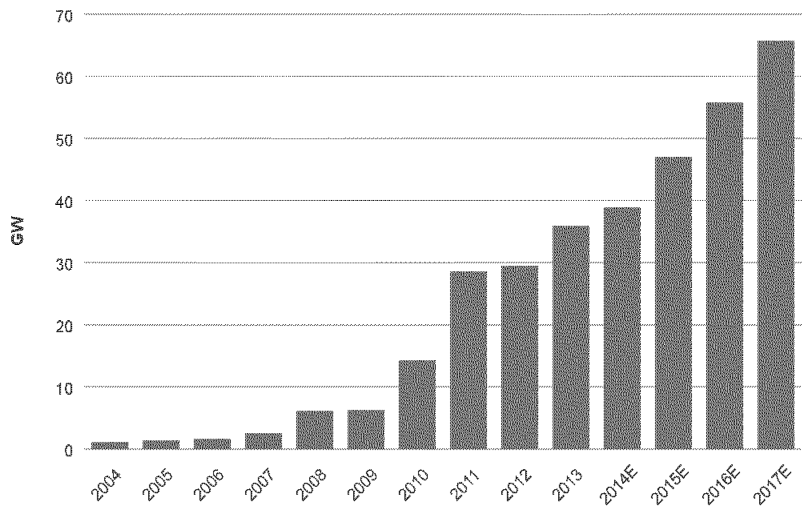
Joint venture in Paraguay
South America is one of the world's largest and fastest growing markets for ferrosilicon products. Elkem has entered into a 50/50 joint venture with Argentinian investors, Grupo Andreani and Grupo Araújo, to build a new ferrosilicon plant near Paraguay's capital, Asunción, in order to gain a strategic foothold in South America.

Grupo Araújo is a family company that has specialised in the construction and assembly of heavy equipment for

Joint ventures

Plant	Elkem Solar
	Kristiansand, Norway
Established	2009
Joint venture	Elkem and Guangyu International Investment Company (50/50)
Produces	Silicon for the solar cell industry
Plant	**Elkem Paraguay**
	Asunción, Paraguay
Established	Will start production in 2015
Joint venture	Elkem and Grupo Andreani and Grupo Araújo
Will produce	Ferrosilicon
No. of employees	Around 100, when in operation
Plant	**Elkania DA**
	Hauge i Dalane, Norway
Established	2013
Joint venture	Elkem and Titania AS (50/50)
Produces	Microdense®
No. of employees	
Plant	**Elkem Ferroveld**
	Witbank, South Africa
Established	1974
Joint venture	Elkem and Samancor Chrome
Produces	Electrically calcined anthracite, Søderberg electrode paste
No. of employees	71
Plant	**Erimsa**
	Salamanca, Spain
Established	1979
Joint venture	Elkem and Fesil AS (67/33)
Produces	Quartz mine
No. of employees	77

Newly installed solar cell capacity per year globally



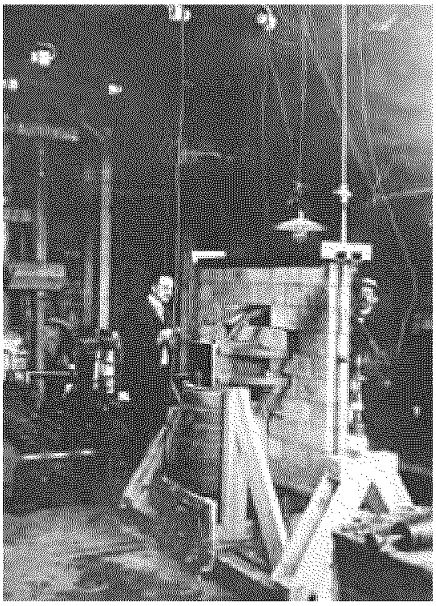
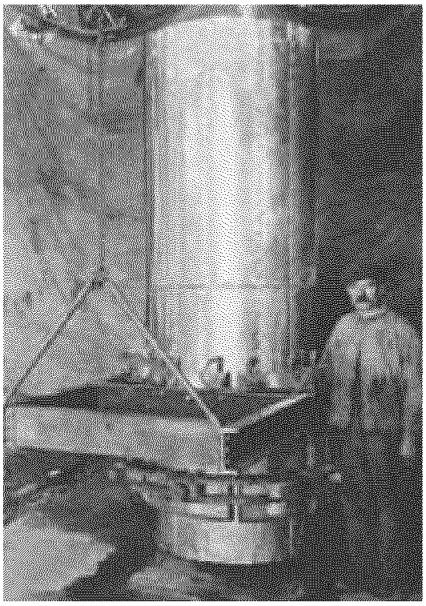
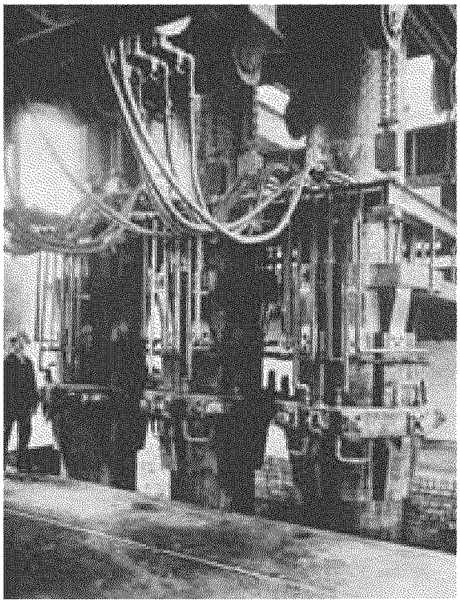
steel systems and has customers all over America and Europe. The family Company Grupo Andreani invests in sectors such as the petroleum, farming, hotel and entertainment industries.

The plant in Paraguay, which to start with will have one ferrosilicon furnace, will use the best technology available. The plant is expected to start production in 2015 and will create around 100 new jobs. Expansion is already being considered. One important reason behind Elkem's choice to build in Paraguay is the availability of raw materials, including quartz and charcoal. Using local raw materials will also create jobs in the region.

Elkania
Elkania DA is a 50/50 joint venture between Elkem AS and Titania AS. A new micronisation plant was constructed next door to Titania's existing plant in Jøssingfjord. Production started in 2013. Its main product is Microdense®, which will supplement materials currently being produced and marketed by Elkem.

Employees of Titania will be responsible for operating Elkania's plant. They will produce Microdense® based on ilmenite, which is currently Titania's main product. Microdense® is a weighting material for drilling fluids. It enables better drilling control in gas or oil reservoirs where high pressure can otherwise result in a danger of blow outs. Elkem Silicon Materials's Well Drilling Products (WDP) team will use their existing sales network to bring the new product to the market.

Elkem's Joint Ventures
Elkem owns a number of plants on a 50/50 joint venture basis with other owners. This solution may be chosen for various reasons such as special knowledge about the market, products or local conditions that could affect the production process, but also for strategic reasons. Common to all the joint ventures is that Elkem is interested in these plants achieving the same high levels of quality, sustainability and improvement work as its wholly-owned companies.

THE HISTORY OF ELKEM

110 years of innovation

Elkem's history started in 1904 when industry entrepreneur Sam Eyde (1866–1940) founded Det Norske Aktieselskab for Elektrokemisk Industri. The goal was to create a new Norwegian business based on Norway's natural resources.

1904: Elkem is founded by Sam Eyde, brothers Magnus and Knut Wallenberg and Knut Tillberg creating a new, internationally-oriented industry based on Norwegian hydropower and know-how.

1919: 51 different companies belong to the Elkem sphere, including Norsk Hydro (later Yara), Kristiansand Nikkelraffineringsverk (later Xstrata).

1917: Elkem patents the Søderberg electrode.

1920–1930: The Great Depression: almost all of Elkem's companies are sold.

1958: Elkem becomes an aluminium producer and joins forces with Alcoa as a partner in 1963.

1965 :Elkem helps to found Norway's first oil company, NOCO.

1972: Elkem merges with Christiania Spikerverk, becomes Norway's largest industrial company and cofounds Saga.

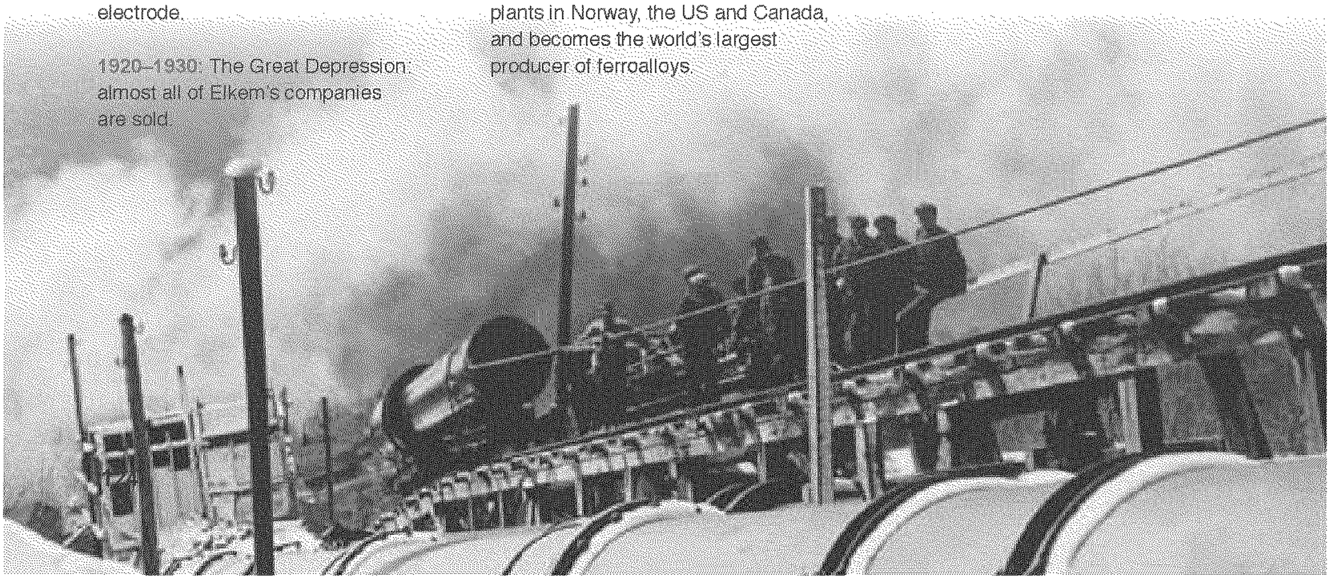
1980: Elkem buys seven ferrosilicon plants in Norway, the US and Canada, and becomes the world's largest producer of ferroalloys.

2005: Elkem takes over aluminium profiles company, Sapa, which employs around 14,000 people. Elkem owns 23% of REC.

2005: Orkla acquires Elkem.

2009: Elkem ceases aluminium production. Alcoa takes over the plants.

2011: China National Bluestar buys Elkem from Orkla.



Celebrating 50 years at the smelting plant in Bremanger

In 2013, Helge Førde celebrated 50 years as an employee at the plant in Svelgen. He had his first workday at what was at the time an ironworks in 1963, around 10 years before Elkem took over.

In 1963, the plant was owned by Christiania Spikerverk. Elkem merged with Christiania Spikerverk in 1972 and took over the smelting plant in Bremanger.

Inoculants
The profitability of the traditional iron production in Svelgen was falling and production was stopped in 1982. The plant started to produce inoculants. These are special products that iron foundries around the world add to their products to give them the right properties, for example greater flexibility. As inoculants are an advanced product, a new and stricter quality control system than the one used for iron production had to be put in place.

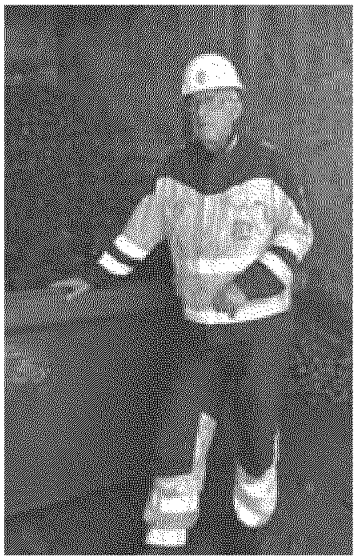
Elkem business system
In 2003, Helge Førde went on his first Elkem Business System (EBS) course. "There was a lot of talk about order and cleanliness, and I have to admit that I was sceptical," says Førde. He was afraid that all the tidying up would negatively affect production, and he was not the only one who was sceptical. "The older employees in particular thought EBS was nonsense," he says. However, when it comes to inoculant production, both tidiness and the other EBS principles were necessary in order to ensure that the old ironworks could produce the new products with stable quality: processes in control, make to use, empowered people, and eliminate waste. In order to ensure the properties are correct and the working environment is safe, operational tasks must be described and carried out in line with their descriptions in exactly the same way, every time.

Could have been avoided
"We have had accidents at the plant in the past. When I think back and analyse the injuries, I see that they could have been avoided if we had had the routines we have today," says Førde.

"The improvements have resulted in a better working environment with a lower sick leave rate and higher job satisfaction. Over the last 10-15 years, the plant has become a much more pleasant place to work," says Førde. In 2012 and 2013, there were no serious work-related incidents in the whole of Elkem, including the plants around the world.

A changing landscape
Also Svelgen's landscape has been changing from the development started in beginning of the 1900s and to the present day. There was little space between the mountains and fjord in Svelgen and the lack of building land has always been a big problem. The solution was to tip mass from site excavations, mountain halls, tunnels and slag from the smelting production into the sea. Most of what today is the centre of Svelgen is built on land reclaimed from the sea.

Smoke becomes sellable product
The landscape was affected by the plant in other ways too. In 1971, the plant started up the world's largest silicon furnace, which emitted around 50 tonnes of dust particles a day. The smoke from the furnace lay like a blanket over the town and on windless days it blocked out the sun. A filter-cleaning system for the silicon furnace was installed in 1978. Later the remaining furnaces were connected to the cleaning system, which eliminated the smoke problem. What looks like smoke from the chimney today is in fact steam from the cooling of newly casted inoculants. The filtered dust has been named Microsilica® and is now a profitable product for Elkem.



Helge Førde

CHAIRMAN OF THE BOARD

Learning through cooperation

Elkem is a strong, independent company, but it is also an important contributor to the larger vision of creating value through cooperation within the Bluestar Group.

In the past years, through the optimisation project BlueIco, we have found ways to increase the yield and significantly reduce the production cost of silicone. Harnessing these improvements are only possible by means of close cooperation throughout the entire silicone value chain of Bluestar; from the extraction of quartz from the Elkem Tana mine in Norway, through the production of silicon at the Norwegian-based plant Elkem Salten, and to the manufacturing of our specialised silicone at Bluestar Silicones International plant in Roussillion, France.

Throughout the BlueIco project, Elkem business system's (EBS) methodology and four main principles have been important tools:

- **Processes in control**
- **Eliminate waste**
- **Empowered people**
- **Make to use**

The core of BlueIco has been to facilitate for personnel from Norway and France to work together on a well-defined project with a clear goal. The key to success, however, is respect and trust, key Elkem values that enable cooperation across businesses and cultures. The EBS principle Empowered People has also been of crucial importance. The principle denotes that people doing the work are the experts. They connect the systems and are the driving forces within our value chain. By empowering people, we utilise the potential of their experience, competence and creativity. Machines can do a lot, but only people can improve processes, and hence our business.

So far, BlueIco has contributed to major improvements, the next steps will be to implement what has been achieved in our daily operations and further improve the results. The plants in Salten and Roussillion, are parts of a value chain within Bluestar called Silicon Advanced Materials Business Unit. This unit contains both the European and Chinese value chain. The latter is made up of our two plants in Yongdeng (silicon) and Xinghuo (silicone). Our long-term goal is to build a stronger value chain and more sustainable processes by bringing together the best people from these companies and share best practices.

It will take time to bring all plants up to the same level, but our results in implementing the EBS principles in China have shown that it is possible. The local authorities have rewarded Elkem Carbon's plant in Shizuishan for its work on health and safety, and the improvements made in the silicon plant at Yongdeng have also been impressive.

During 2013 and in the first half of 2014, we have made two important decisions concerning the Elkem Group and Elkem Solar. In June 2013, Bluestar converted a 4.4 billion NOK shareholder loan to Elkem AS into equity. In March 2014 the Hong Kong-based investment company Guangyu International Investment Company invested 200 million USD and acquired 50 percent of Elkem Solar. Elkem Solar is now a joint venture between Elkem Group and Guangyu International. These transactions secure the financial position.

My goal for Elkem Solar is the same as before: To use our unique technology to deliver the best and most sustainable solar grade silicon to the world and to fully utilise our potential and develop and grow our business. We are in the process of finding a strategic downstream partner to make it possible to invest in a larger and even more effective production plant than the one we have today. This will further improve the cost of solar energy and be an important contribution to a more sustainable world.

Robert Lu
Chairman of the board and CEO
of China National Bluestar Group

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