



NORSK TILLITSMANN ASA
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*This letter is translated from Norwegian to English and is meant for information only.
In case of any doubt between the two versions the Norwegian version is decisive.*

To the bondholders in:

**ISIN NO 001 019835.1 (ELK14) – Floating rate Elkem ASA Open Bond Issue
2003/2008**

**ISIN NO 001 019836.9 (ELK15) – 5.82 % Elkem ASA Open Bond Issue
2003/2010**

**ISIN NO 001 021922.3 (ELK18) – Floating rate Elkem ASA Open Bond Issue
2004/2014**

Oslo, 21 February 2006

**PROPOSAL TO AMEND CLAUSES IN LOAN AGREEMENT – CHANGE OF
DEBTOR, AMENDMENT TO CLAUSE RE. LOAN STATUS, NEGATIVE
PLEDGE AND CROSS DEFAULT – SUMMONS TO BONDHOLDERS
MEETING**

Background

Norsk Tillitsmann ASA (“NTM”) acts as trustee for the three above-captioned loans (the “Loans”) where Elkem AS (“Elkem”) is the borrower.

The Loans are unsecured, but Elkem undertakes according to the loan agreements (the “Agreements”), subject to certain conditions, not to create any security interest to any lender (negative pledge).

Elkem was acquired by Orkla ASA (“Orkla”) during the winter/spring of 2005, and effectively became a wholly-owned subsidiary of Orkla (for accounting purposes, Elkem is included in Orkla’s accounts as from 1 January 2005). Post-acquisition, the two companies have been operationally separate entities with their own respective managements. However, it has become commonly known that the companies, in order to achieve synergies between them, aim to co-ordinate certain central activities, including financing.

Upon Orkla’s acquisition, Elkem’s shares were de-listed from the Oslo Børs, whereas the Loans remained listed. As a consequence, both Elkem and Orkla have individual reporting obligations towards the Oslo Børs. This is viewed as impractical, as Orkla in any case is obligated to include significant events in Elkem in its reporting.

On this background, the companies apply for a transfer of the debtor obligations from Elkem to Orkla. In connection with such transfer, it will also be necessary to modify the negative pledge clause as well as the cross-default clause, in order to harmonize these clauses with those applicable to Orkla’s existing listed bonds. In addition, the companies wish, for the sake of good order, to change the wording regarding the status of the Loans, such that the wording corresponds to that of Orkla’s Medium

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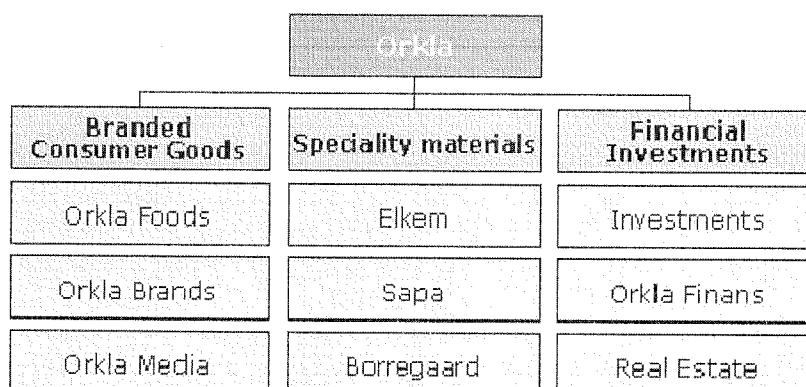
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Term Note ("EMTN") program. This will not result in any material change in the status of the Loans.

Evaluation of the proposed changes

According to the Agreements, change of debtor as well as amendments to the negative pledge and cross-default clauses, require the approval of the bondholders. Such approval ought to be given if the proposed changes, in aggregate, result in the Loans' creditworthiness being at least as strong as under the existing Agreements.

Orkla has organized its activities as follows:



Subsequent to a change in debtor, the bondholders will be exposed to one of the largest listed companies in Norway as the new borrower, with a much more diversified activity than the current borrower.

Some key figures per 31 December 2005:

(NOK mill.)

Income Statement

	Elkem (group)	Orkla (group)	Orkla ASA
Operating revenues	21 556	55 304	624
Operating profit	1 158	4 257	118
Operating profit after taxes	628	6 044	13 598

Balance Sheet

Long-term assets	12 103	38 618	33 782
Short-term assets	10 259	35 991	17 168
Total assets	22 362	74 609	50 950
Equity	7 146	37 923	26 810
Long-term liabilities and provisions	8 888	18 844	8 571
Short-term liabilities	6 328	17 842	15 569
Equity and Liabilities	22 362	74 609	50 950
Net interest-bearing liabilities	5 985	15 445	10 103

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A change in debtor will also result in amendments to the negative pledge and cross-default clauses such that these clauses will be in line with the clauses in Orkla's existing listed bond agreements.¹

Elkem's existing negative pledge clause is in accordance with usual practice for Norwegian loans where NTM acts as trustee (and, for that matter, in accordance with standard loan conditions with Norwegian and international banks), i.e. neither the borrower nor its subsidiaries may create any security interests to creditors (albeit with certain exceptions, i.e. vendor's fixed charges etc).

Orkla's negative pledge clause (i.e. the proposed new clause) on the other hand, is in line with common practice for EMTN programs, meaning the Orkla cannot create security interests for other bonds or commercial paper debt. This does not however prevent the creation of security interest in connection with bank loans.

The existing cross-default clause has a threshold level of NOK 50 million. The proposed new level is USD 40 million.

When comparing historical market pricing of Elkem's loans and Orkla's loans (i.e. a comparison of the existing conditions with the proposed conditions), it is apparent the Orkla market prices by and large have been better than Elkem prices. This indicates that the proposed conditions, according to the market, imply an improved credit. After Orkla and Elkem in a notice to the stock exchange announced the proposed change of debtor, the market has re-valued the Loans such that Orkla's loans and Elkem's loans are now equally priced. Thus, the market has already assumed that the change of debtor will be accepted by the bondholders.

Based on the above, it would appear that the proposed changes would improve the bondholders' position and NTM therefore recommends that the bondholders vote in favour of the proposed changes. Nevertheless, the bondholders themselves must evaluate, based on an assessment of all the proposed changes, whether such proposed changes should be accepted.

For further information about the companies, please refer to their respective web sites www.elkem.no and www.orkla.no.

The proposal must be approved by the bondholders' meeting. A joint bondholders meeting for all the Loans will be arranged. During voting, however, the Loans will be processed individually. For a valid resolution, a minimum presence of 2/10 of the outstanding bonds in each individual Loan is required. Further, for each individual Loan, consent from at least 2/3 of the votes cast is required in order for the proposal to be formally approved.

Summons for bondholders meeting

¹ Orkla's other loans listed on the Oslo Børs are included in the Orkla's EMTM program. The loan agreements are governed by English law and the documentation is in English. Elkem's loan agreements are in Norwegian and governed by Norwegian law. The proposed new wording of the negative pledge clause has therefore been translated from English into Norwegian.



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Based on the above information, a bondholders meeting for the three loans is summoned:

Time: Tuesday 7th March, 2006 at 13:00

Place: the premises of Norsk Tillitsmann ASA, Haakon VII's gate 1, Oslo

Agenda:

1. Approval of the summons
2. Approval of the agenda
3. Election of two bondholders to sign the minutes together with chairperson
4. Consent to changes of certain clauses in the Agreement:

A. Change of debtor

The bondholders consent to changing debtor from Elkem AS, to Orkla ASA. Norsk Tillitsmann ASA will carry out the necessary execution.

B. Change in the status of the loan

Existing provisions in Clause 8.1 shall be amended to read as follows:

"The bonds constitute (subject to section 8.2) unsecured obligations of the Borrower and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Borrower under the Loan in respect of principal and any interest thereon shall, save for such exceptions as may be provided by applicable legislation and subject to Clause 8.2, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Borrower, present and future."

C. Change in the negative pledge clause:

Existing provisions in Clause 8.2 shall be amended to read as follows:

"As long as the loan is outstanding the debtor is obligated to:

(i) the Borrower shall not create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest ("Security") upon the whole or any part of its undertaking, assets or revenues present or future to secure any Relevant Debt (as defined below), or any guarantee of or indemnity in respect of any Relevant Debt

(ii) the Borrower shall procure that no other person creates or permits to subsist any Security upon the whole or any part of the undertaking, assets or revenues present or future of that other person to secure (a) any of the Borrower's Relevant Debt, or any guarantee of or indemnity in respect of any of the Debtor's Relevant Debt or (b) where the person in question is a

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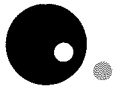
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Material Subsidiary (as defined below) any of the Relevant Debt of any person other than that Material Subsidiary, or any guarantee of or indemnity in respect of any such Relevant Debt and

(iii) the Borrower shall procure that no other person gives any guarantee of, or indemnity in respect of, any of its Relevant Debt

unless, at the same time or prior thereto, the Borrower's obligations under the Agreements (A) are secured equally and rateably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, in each case to the satisfaction of the Loan Trustee, or (B) have the benefit of such other security, guarantee, indemnity or other arrangement as the Loan Trustee in its absolute discretion shall deem to be not materially less beneficial to the noteholders (the Loan Trustee could decide that such decision should be taken in a bondholders' meeting).

In this section, "Relevant Debt" means any present or future indebtedness in the form of, or represented by, bonds, notes, debentures, loan stock or other securities that are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, automated trading system, over-the-counter or other securities market.

"Material Subsidiary" means any Subsidiary (as defined below) of the Borrower the total assets or total revenues of which equal or exceed 10 per cent. of the total consolidated assets or total consolidated revenues of the Borrower and its Subsidiaries. These figures will all be calculated on the basis of the then most recent consolidated accounts of the Borrower (whether audited or unaudited) that are available to the public and the then most recent audited financial statements of the relevant Subsidiary (whether or not it was a Subsidiary at the time of their preparation).

"Subsidiary" means any company more than 50 per cent. of whose issued share capital is held, directly or indirectly, by the Borrower."

D. Change in the cross-default clause:

Existing provisions in Clause 15.1 (c) shall be amended and read as follows:

"one or more of the Borrower's loans, guarantees or any other indebtedness which in sum exceeds U.S.\$40,000,000 (U.S.Dollarfortymillion) or its equivalent in other currencies, as a result of the Borrower's default is become due and payable, or is capable of being declared due and payable before agreed maturity date, and this results in a material deterioration in the Borrower's ability to fulfil its obligations according to the Loan Agreement,"

E. Effectiveness and execution of the resolution:

Norsk Tillitsmann ASA is given power of attorney to enter into the necessary agreements in connection with decisions made in today's

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bondholders' meeting as well as to carry out the necessary completion work.

The above mentioned resolution will according to the Agreement require a qualified majority of 2/3 of the bonds represented at the bondholders' meeting voting in favour and a minimum 2/10 of the outstanding bonds being represented at the meeting.

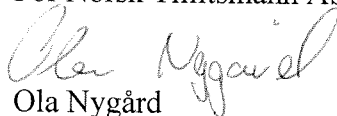
Attached is a printout from the VPS showing your bond holdings at the time of the printout. This printout serves as proof of your ownership to the bonds and must be presented in original at the meeting.

In order to hold the bondholders meeting, a power of attorney from the individual bondholders to Norsk Tillitsmann is sufficient. A power of attorney can be given by signing and returning the attached form to Norsk Tillitsmann, via mail, telefax (+47 22879410) or scanned e-mail (mail@trustee.no). We encourage you to fill in and return the power of attorney form as soon as possible. The power of attorney must be received by Norsk Tillitsmann at the latest prior to the bondholders' meeting.

In case you wish to participate in person or by proxy in the actual meeting, we would ask you, for practical reasons, to notify Norsk Tillitsmann ASA by telephone (+47 22 87 94 00) or via e-mail (mail@trustee.no) not later than 6 March 2006 at 16:00. The power of attorney form must be brought to the meeting.

Best regards

For Norsk Tillitsmann ASA



Ola Nygård

Enclosure: VPS statement/Power of attorney form

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