Speciality Materials

Ole Enger
Executive Vice President, Speciality Materials

ORKLA

Agenda

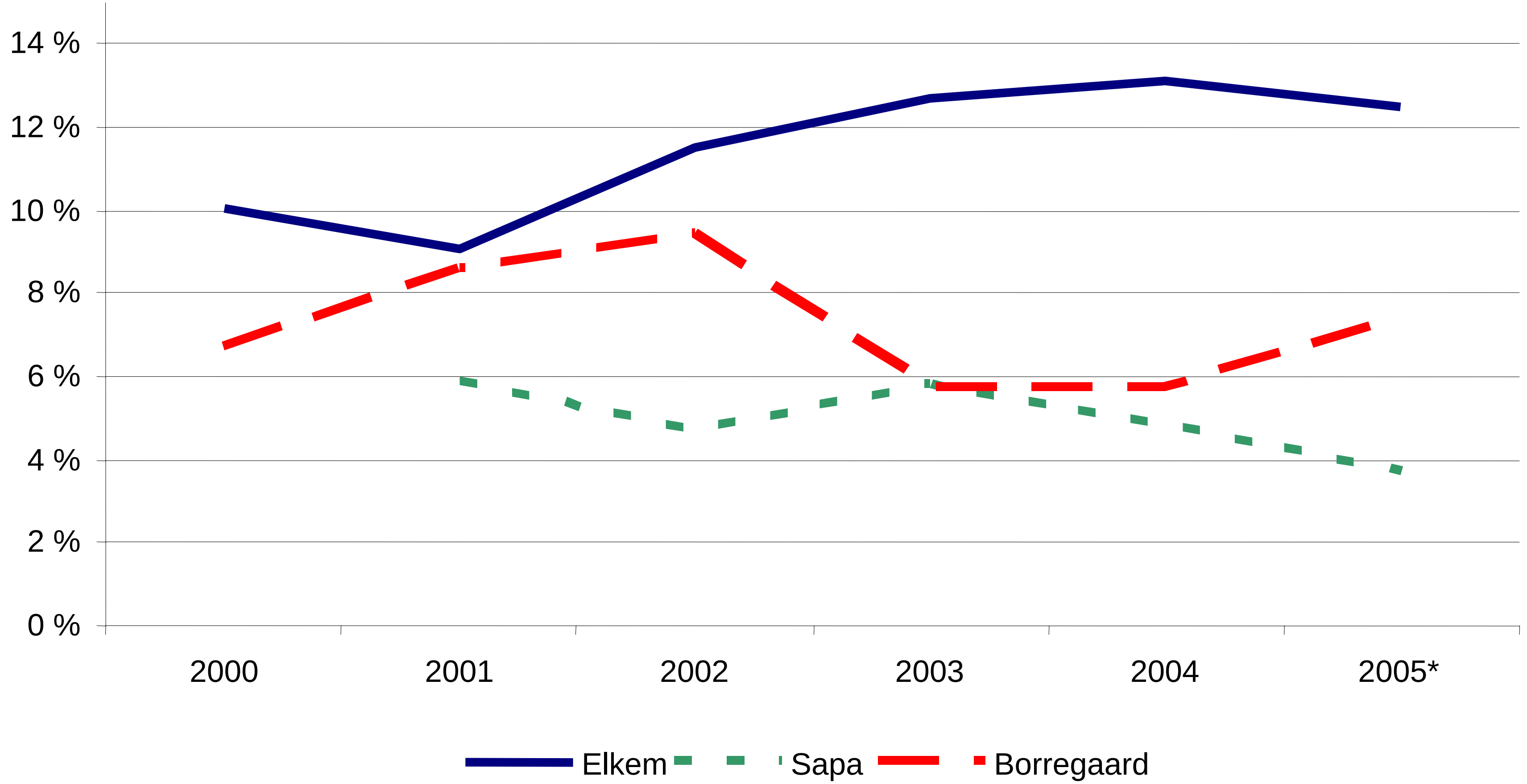
Speciality Materials – Common themes

SAPA

Elkem

Borregaard

Financial trends - EBITA margin 2000 through 2005



*RTM per Q3-05

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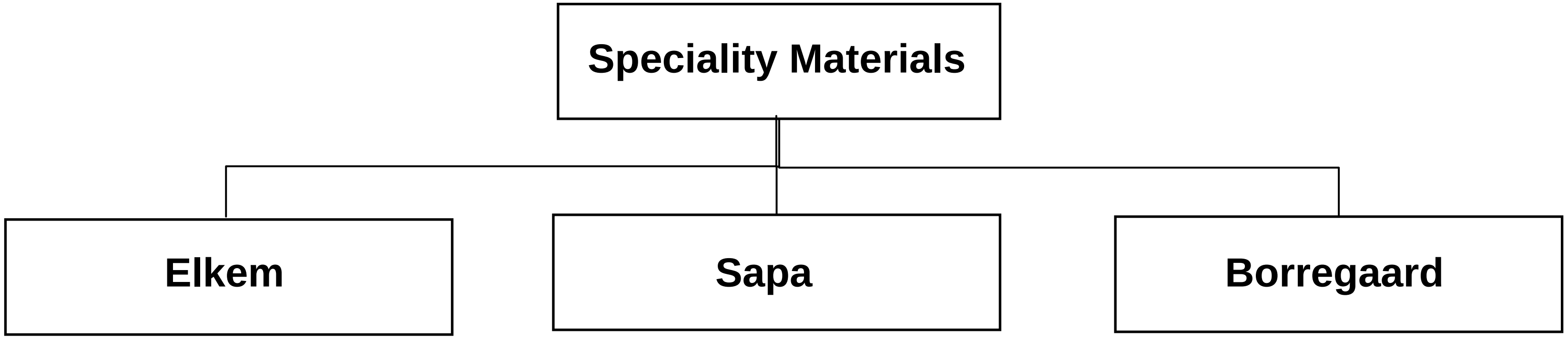
Speciality Materials – main figures



RTM per Q3 2005 NOK million	Elkem	Sapa	Borregaard
Sales	**9 243**	**12 400**	**4 747**
EBITDA	**1 702**	**831**	**620**
EBITA	**1 157**	**457**	**350**
No. of Employees*	**3 242**	**7 953**	**1 857**

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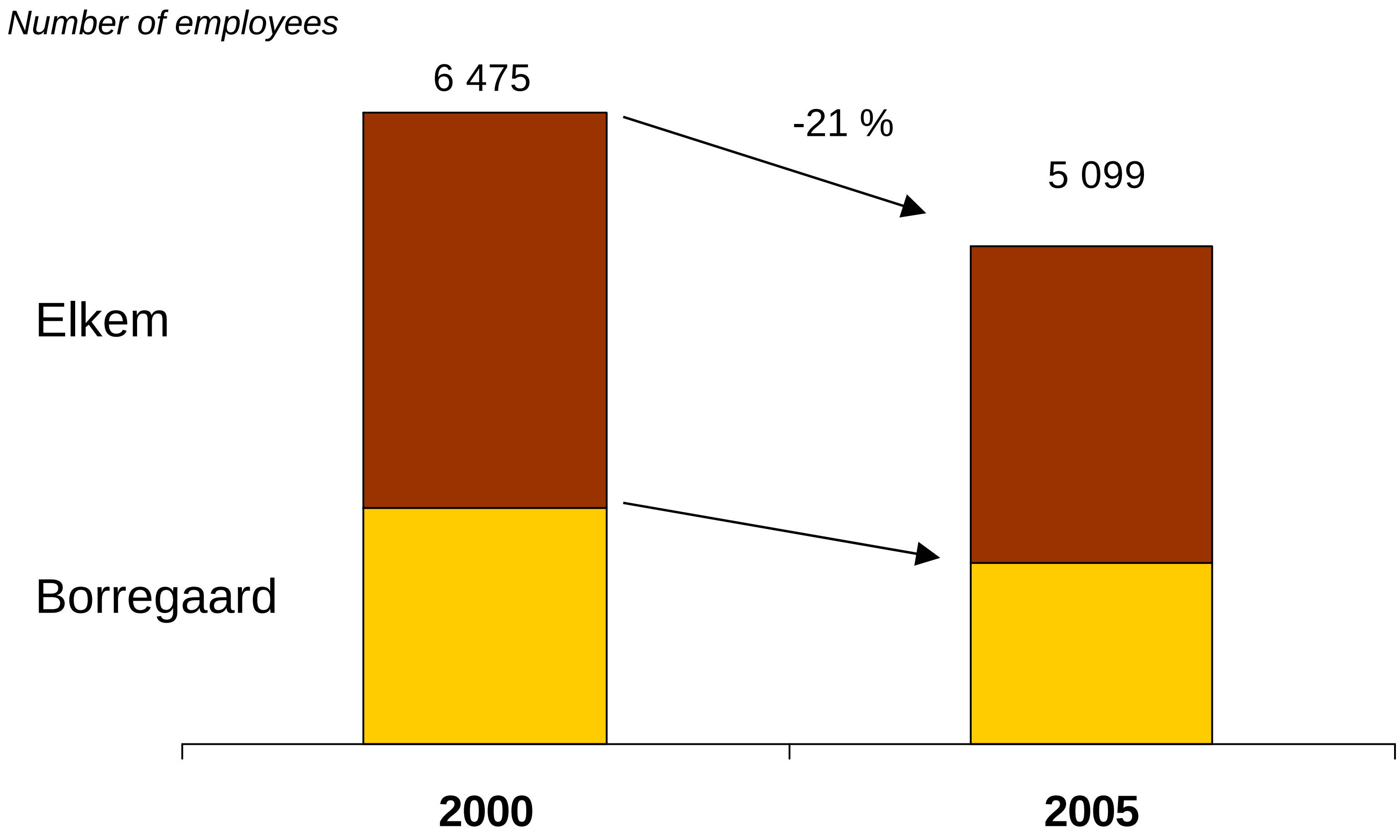
Business characteristics

Both Elkem, Sapa and Borregaard have leading positions in their industries

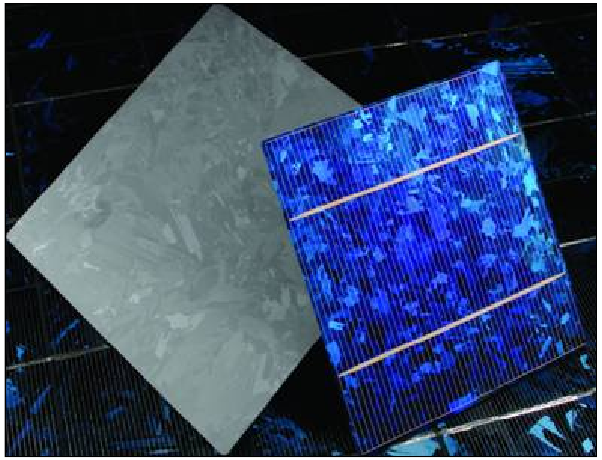
- A number of interesting growth opportunities
  - Hydro power and Solar
- Stable cash flow generating businesses
  - Primary aluminium, Sapa Heat Transfer and Borregaard LignoTech
- Restructuring and improvement potentials
  - Elkem Silicon, Sapa Profiles and Borregaard ChemCell

Operational excellence through a consistent set of systems and tools



Specialisation/differentiation/innovation: Increasing the value to customers

Elkem



Solar applications

sapa:

Profiles for building and housing

Borregaard

Natural taste enhancers

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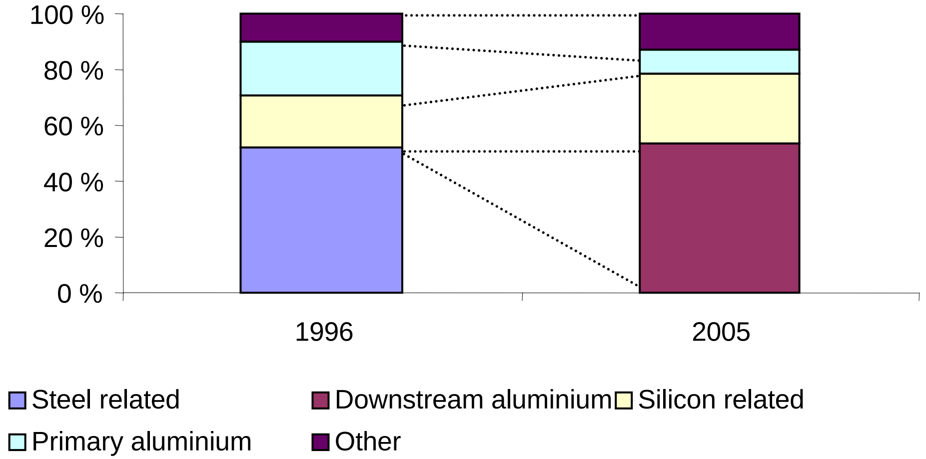
Proactive structural development

In % of sales

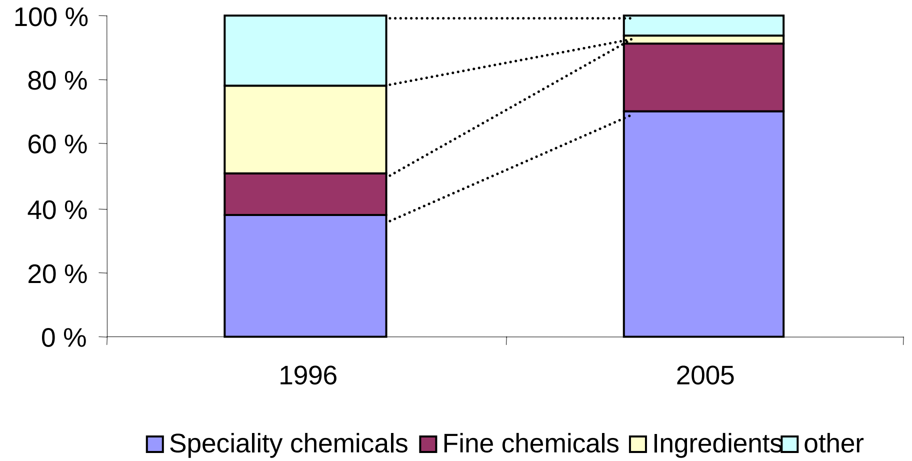
1996

2005*

Elkem



Borregaard



*RTM per Q3-05

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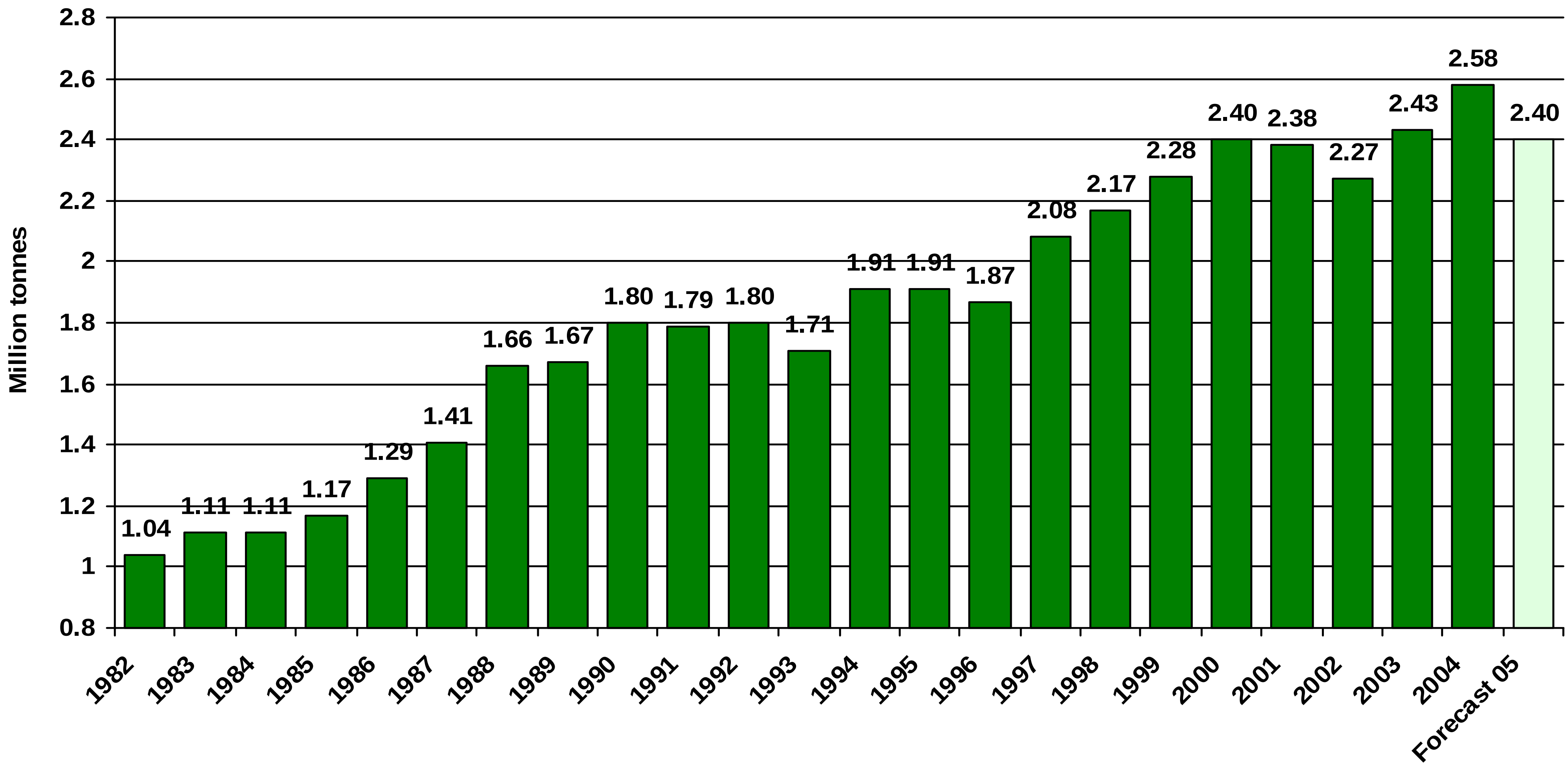
Speciality Materials - Common themes

SAPA

Elkem

Borregaard

Aluminium extrusions – The material of the future; strong, light and environment friendly



Source EAA – Market reports – extruded producers

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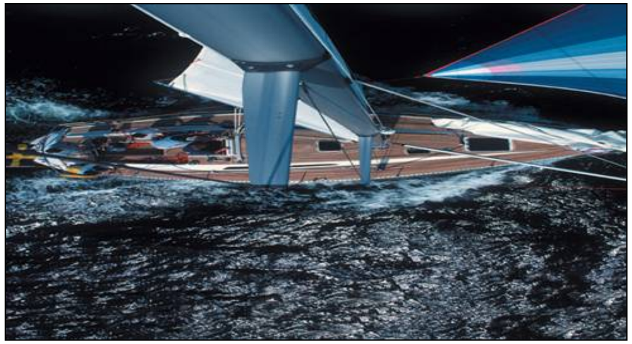
Sapa – Among the world leading aluminium extrusion companies

		Share of total revenues	Revenues 2004 in SEK million
Profiles		64 %	9 287
Building System		20 %	2 842
Heat Transfer		16 %	2 383

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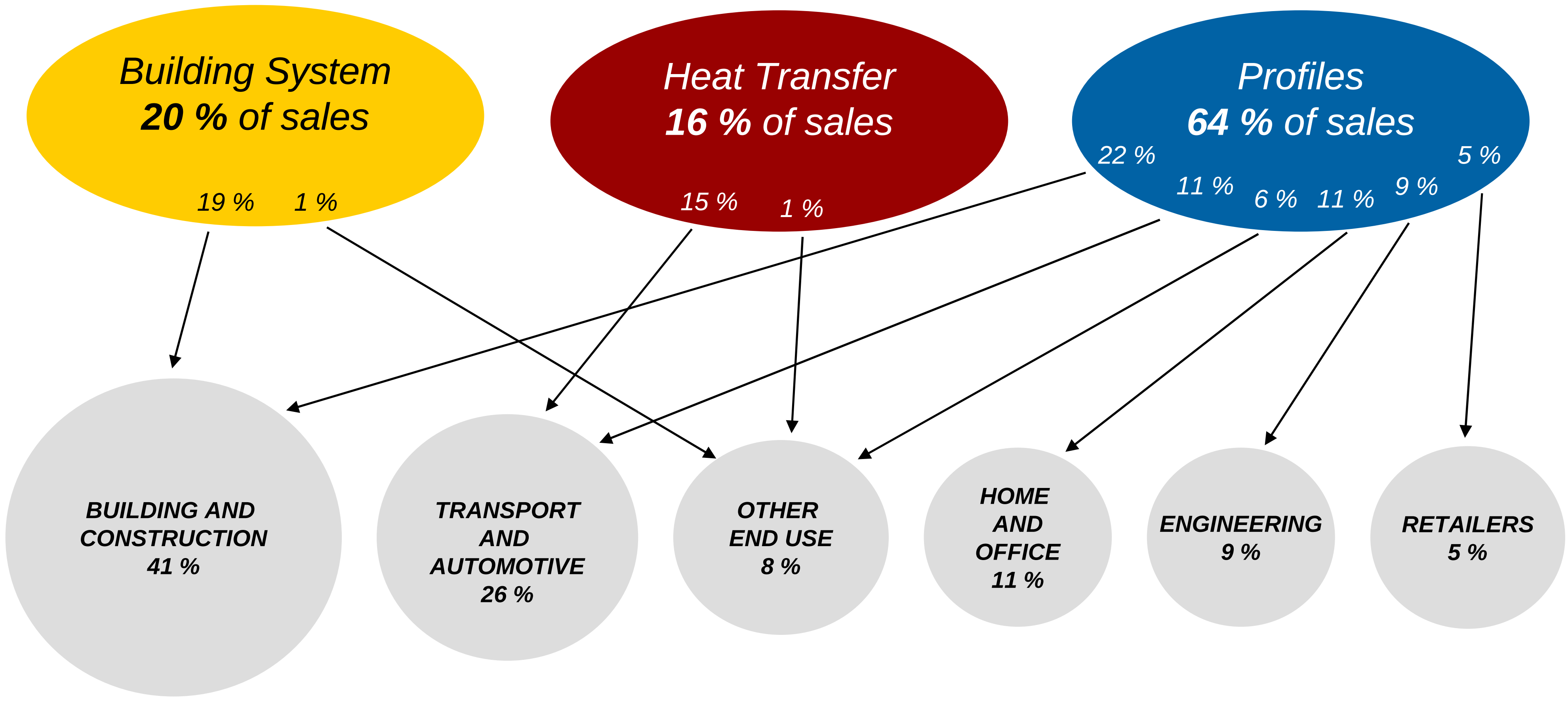
Sapa segments - close relations with customers



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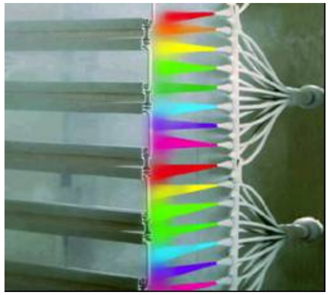
Profiles production process

Alloyed aluminium billets	Production of dies	Extrusion	Extruded products	Surface treatment	Mechanical refinement
					

End products

Source: Sapa and EAA's homepage

Heat Transfer production process

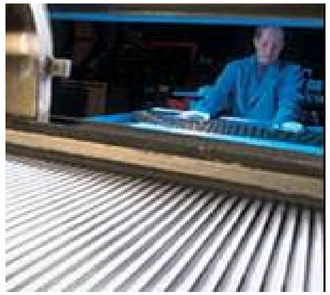
Rolling

Hot and cold rolling

Slitting

Strips

Tubes



End products

Source: Sapa's homepage
and Annual Report 2003

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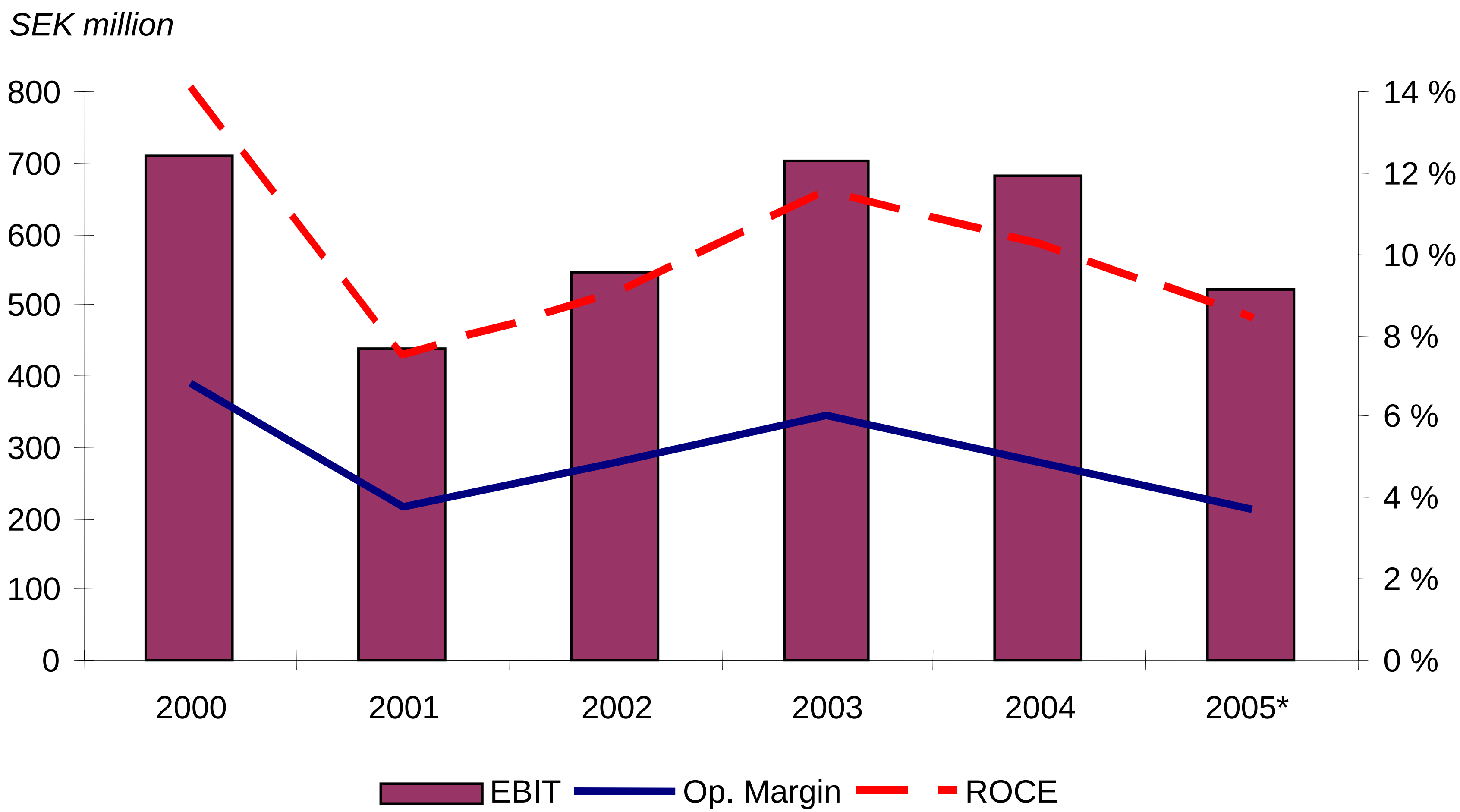
Production sites and sales offices
– Further strengthening in growth areas required

Aim is to turn weak profitability



*RTM per Q3

1999-2001 Pro forma and excluding non-recurring items

Sapa strategic issues and measures

Operational

- Implementation of significant cost improvement programmes
  - Applying the best methodology from the entire Group
  - Preliminary aim: SEK 400 million

Structural

- Improve balance, Europe, US and Far East
- Location strategy for profiles in Europe
- Expanding the building system business in Europe
- Globalisation of Heat Transfer

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Elkem

John G. Thuestad
Managing Director, Elkem

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Speciality Materials - Common themes

SAPA	Elkem	Borregaard

Elkem today – An overview

Hydro power energy
- Growth potential

Solar
- Growth potential

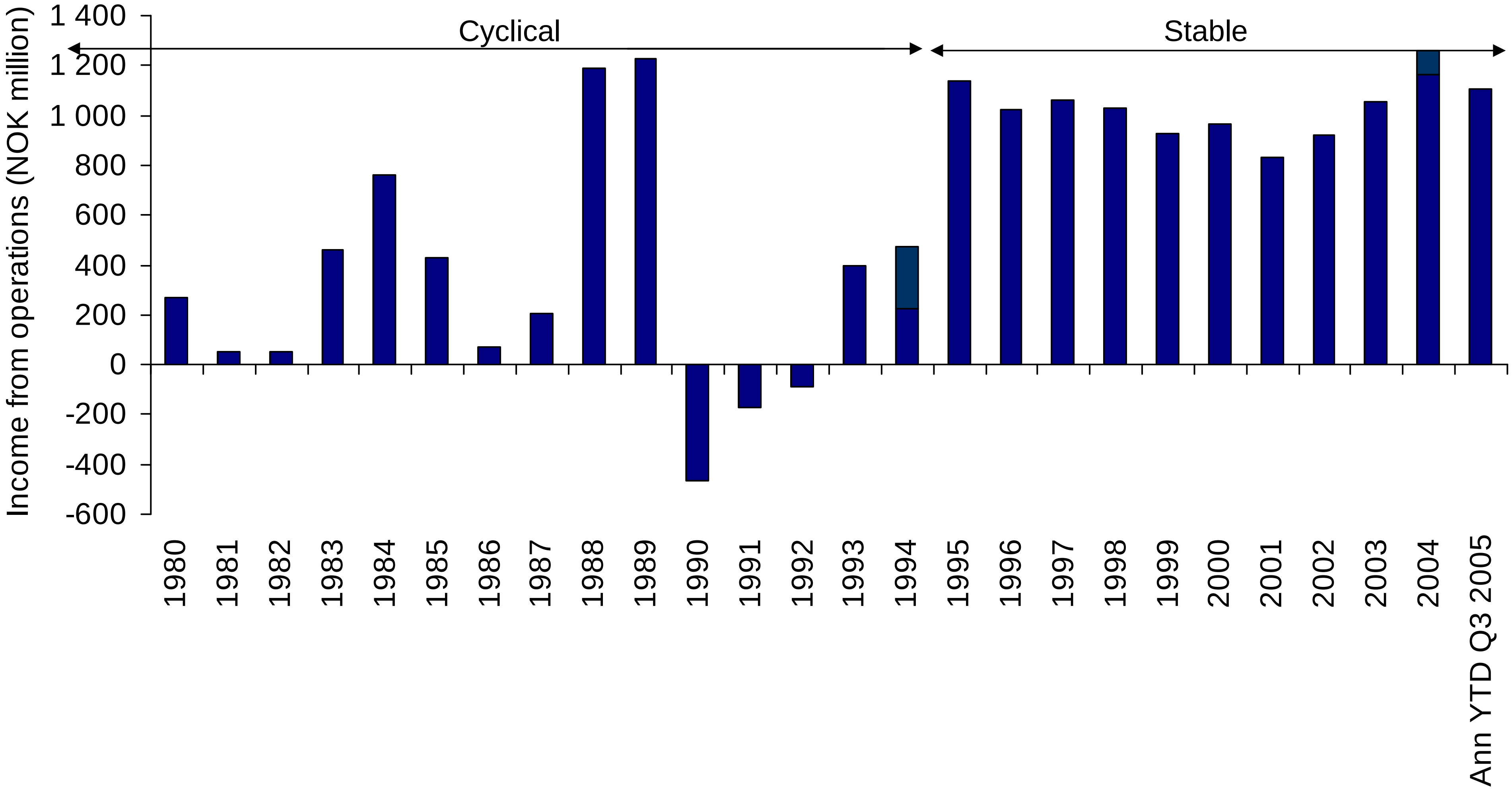
Silicon related
- Restructuring

Primary aluminium
- Stable cash flow

RTM Q3 2005 *NOK million*	Hydro power energy	Solar	Silicon related	Primary aluminium
Revenues	1 427 (13 %)		7 517 (66 %) *	2 317 (20 %)
EBITDA	637 (37 %)		494 (29 %)	571 (34 %)
EBITA	589 (51 %)		151 (13 %)	418 (36 %)
ROCE	74 %		3 %	22 %

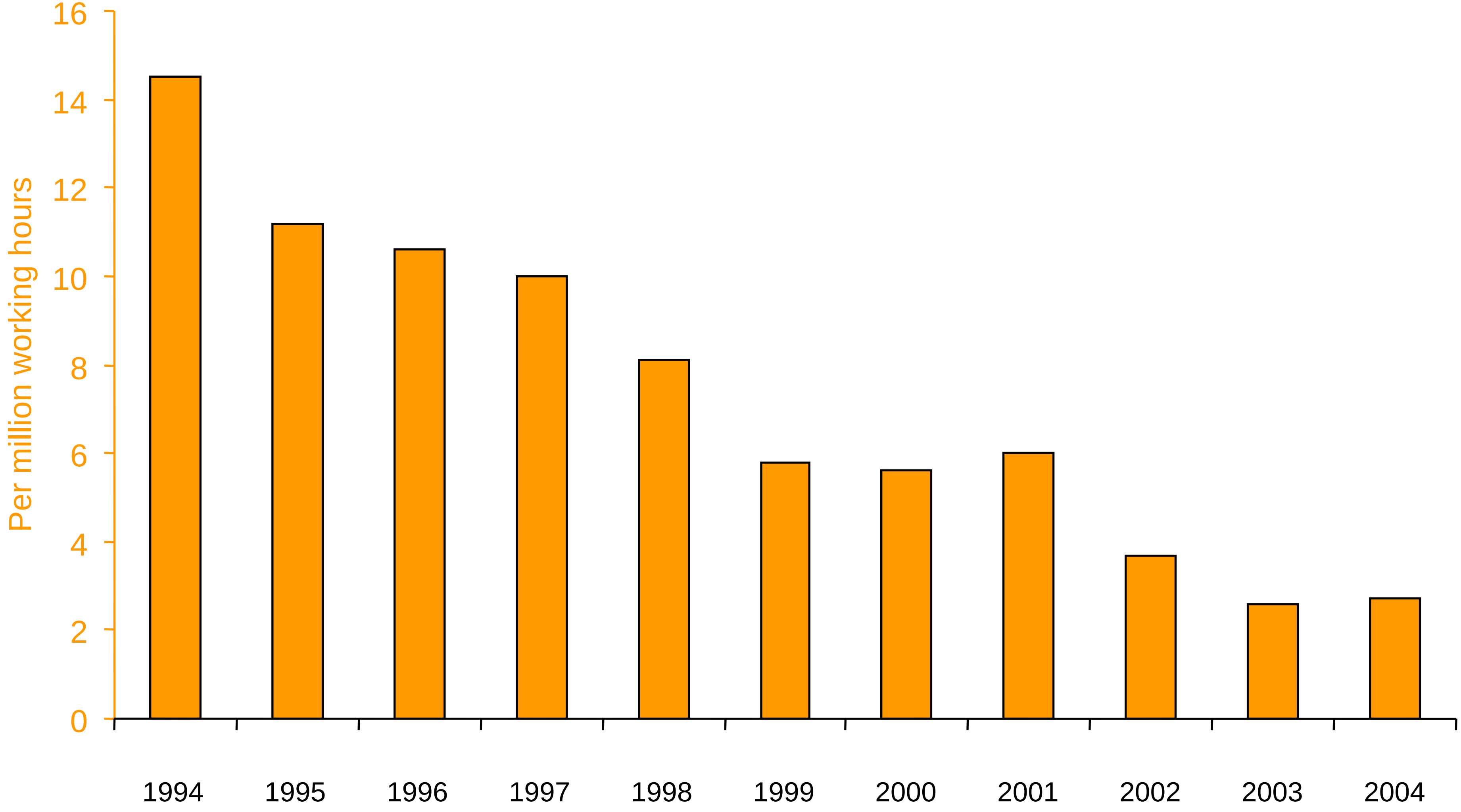
*Includes internal sales

From cyclical results to stability



Note: Before goodwill amortisation and other items from 2002 and IFRS from 2004

Safety performance - Proxy for operational excellence



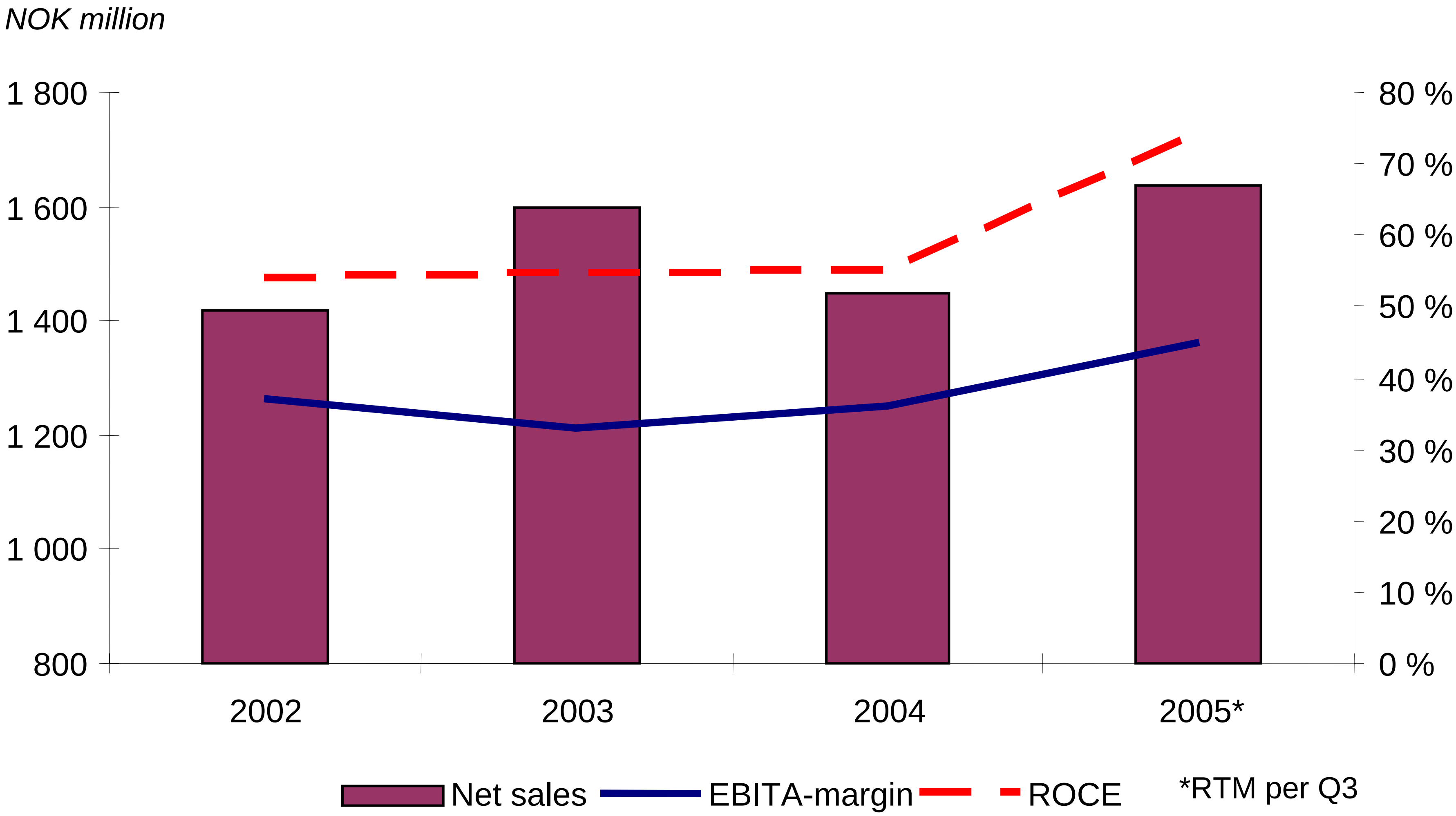
Hydro power energy – Strong cash flow with growth opportunities

Hydro Power Energy – High flexibility

Production	Norway: 3.5 TWh/year
	North America: 1 TWh/year
Reservoirs	1.8 TWh
Contracts	4-5 TWh until 2020
Trading	300 TWh turnover in 2004
	Portfolio manager for power intensive industry
Consumption	Norway: 8 TWh/year
	Globally: 11 TWh/year

Including Borregaard

Hydro Power Energy
- Strong cash flow from production and trading



Including Borregaard, excluding Sauda project

Energy strategic issues
– Well positioned for solid profitability and future growth

- Good balanced between consumption and energy coverage
- Duality of industry and energy businesses allows flexibility and system optimisation
- Risk management capabilities
- Growth opportunities

Elkem Saudefaldene

- 640 GWh new power
- Total investment of NOK 1.64 billion
- All new stations generating from August 2008

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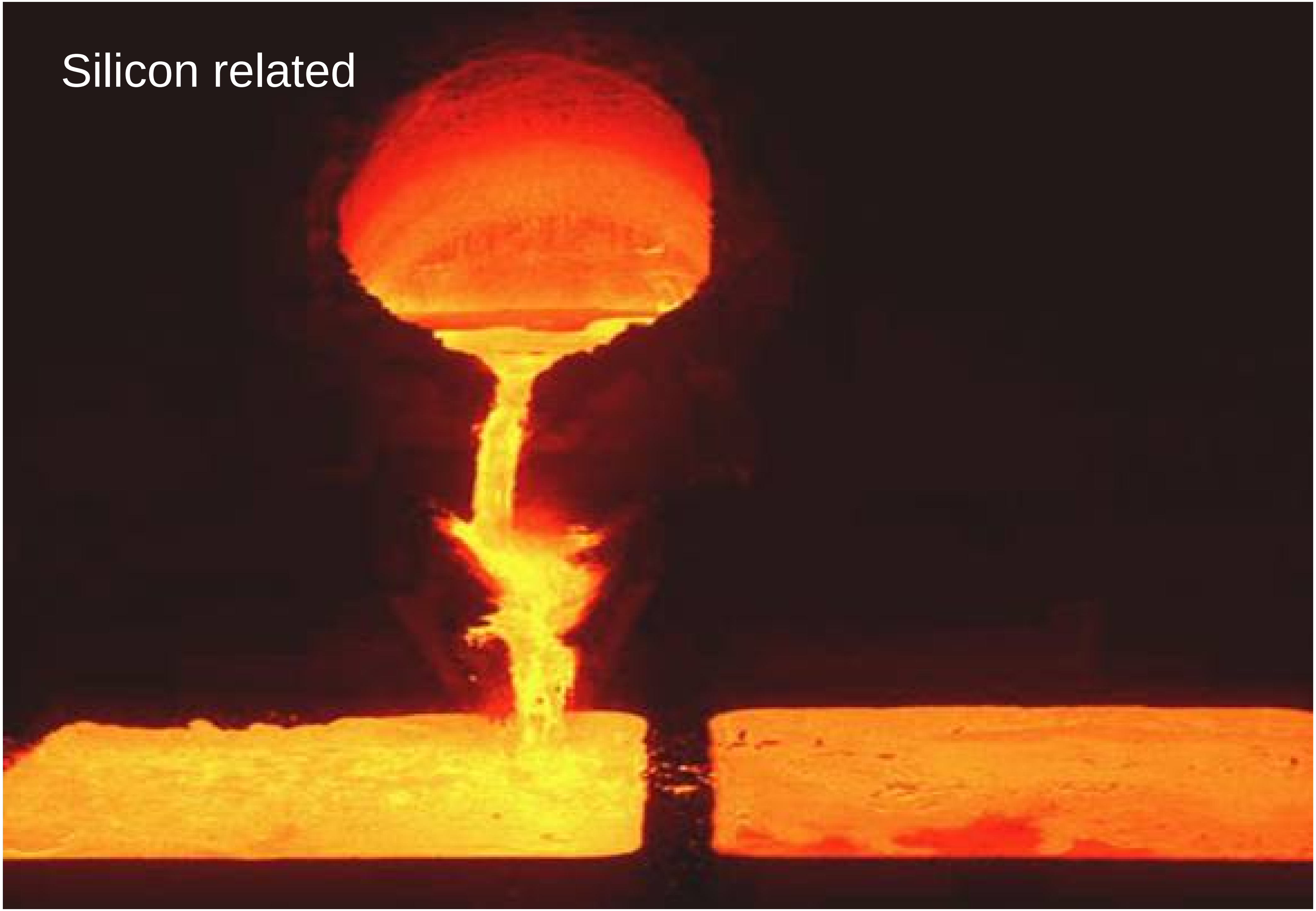
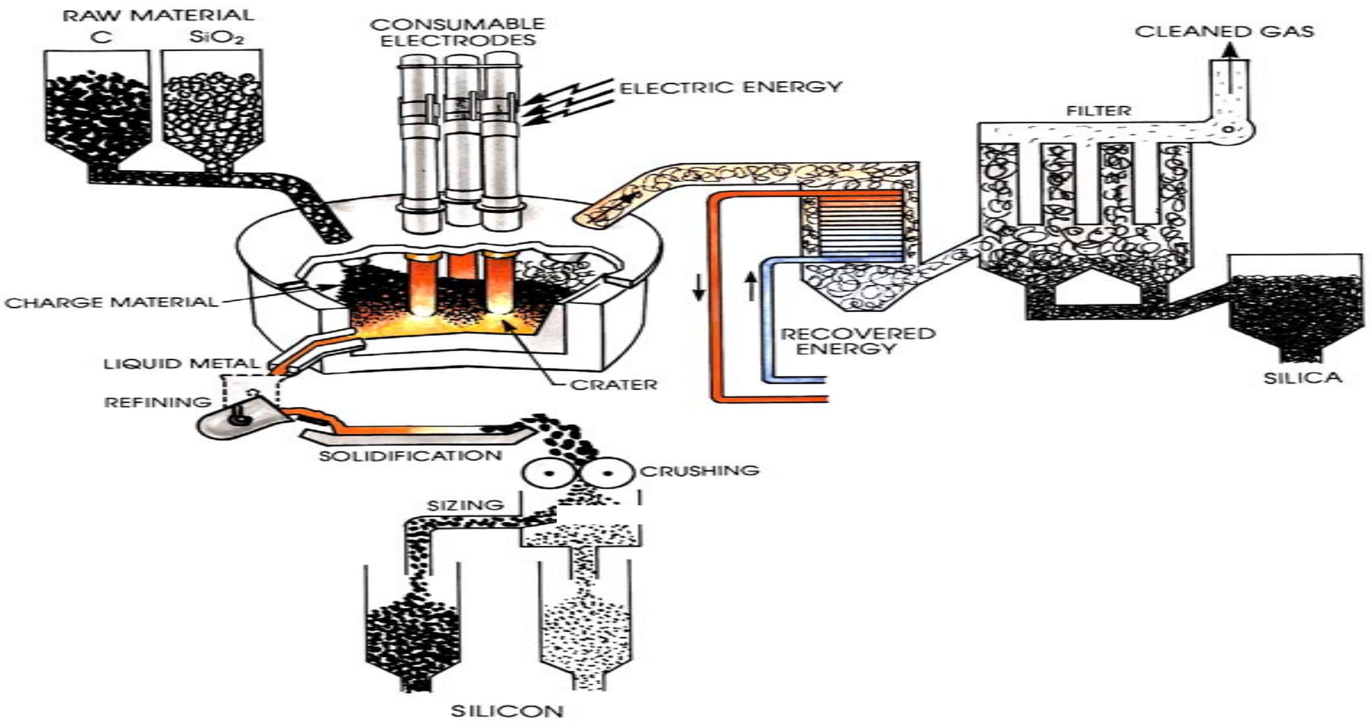
Silicon related

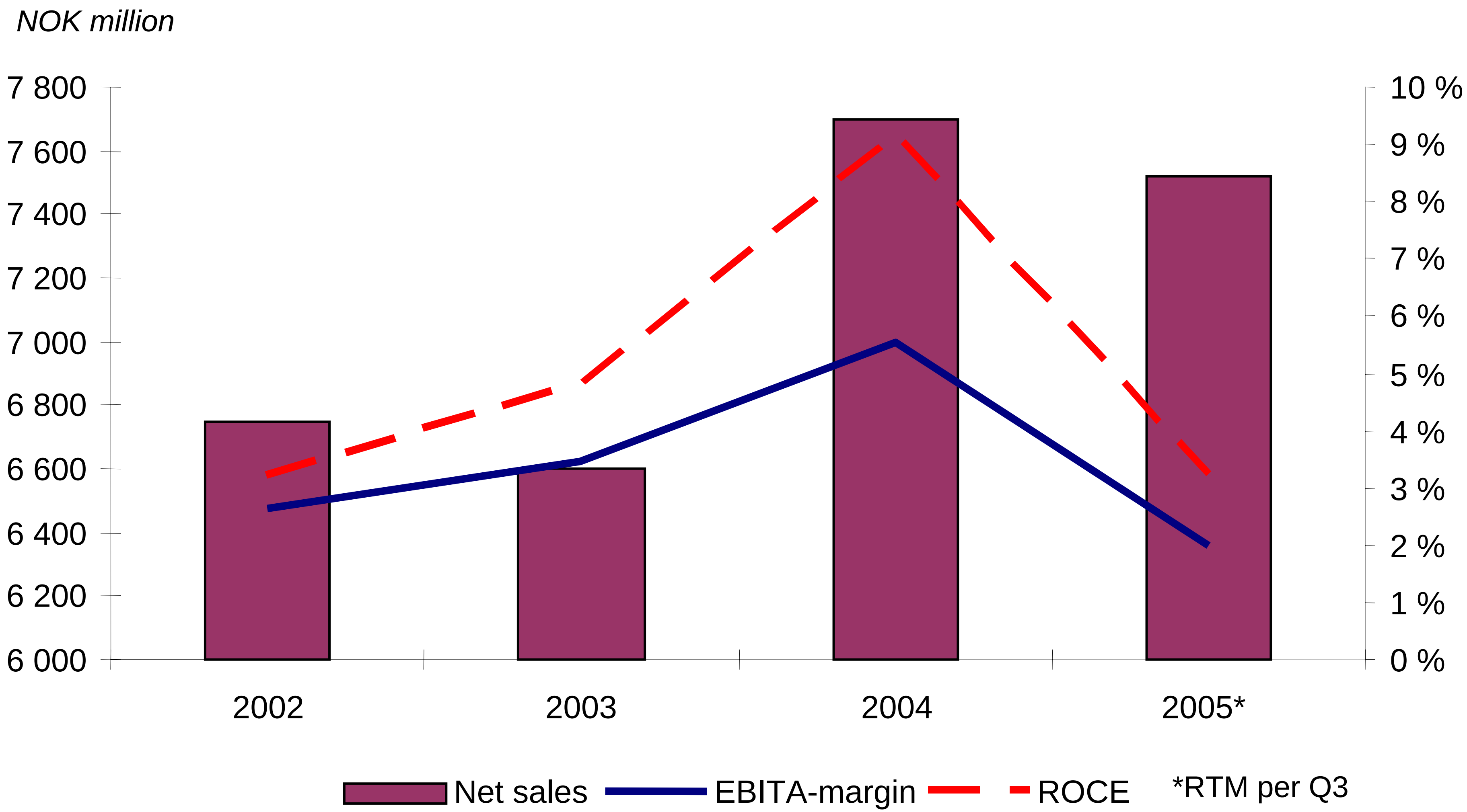


Overview Silicon related



	Silicon metal	Foundry	Carbon	Microsilica
Sales in *NOK billion*	2.5	1.5	0.8	0.7

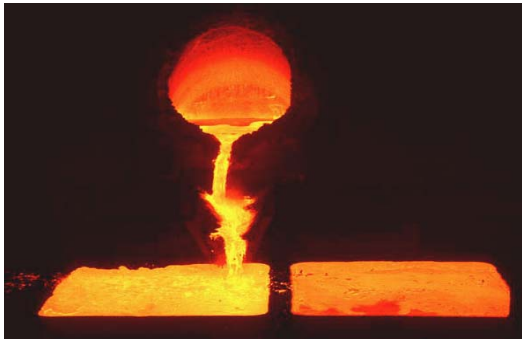
Volatile market conditions and a challenging cost position



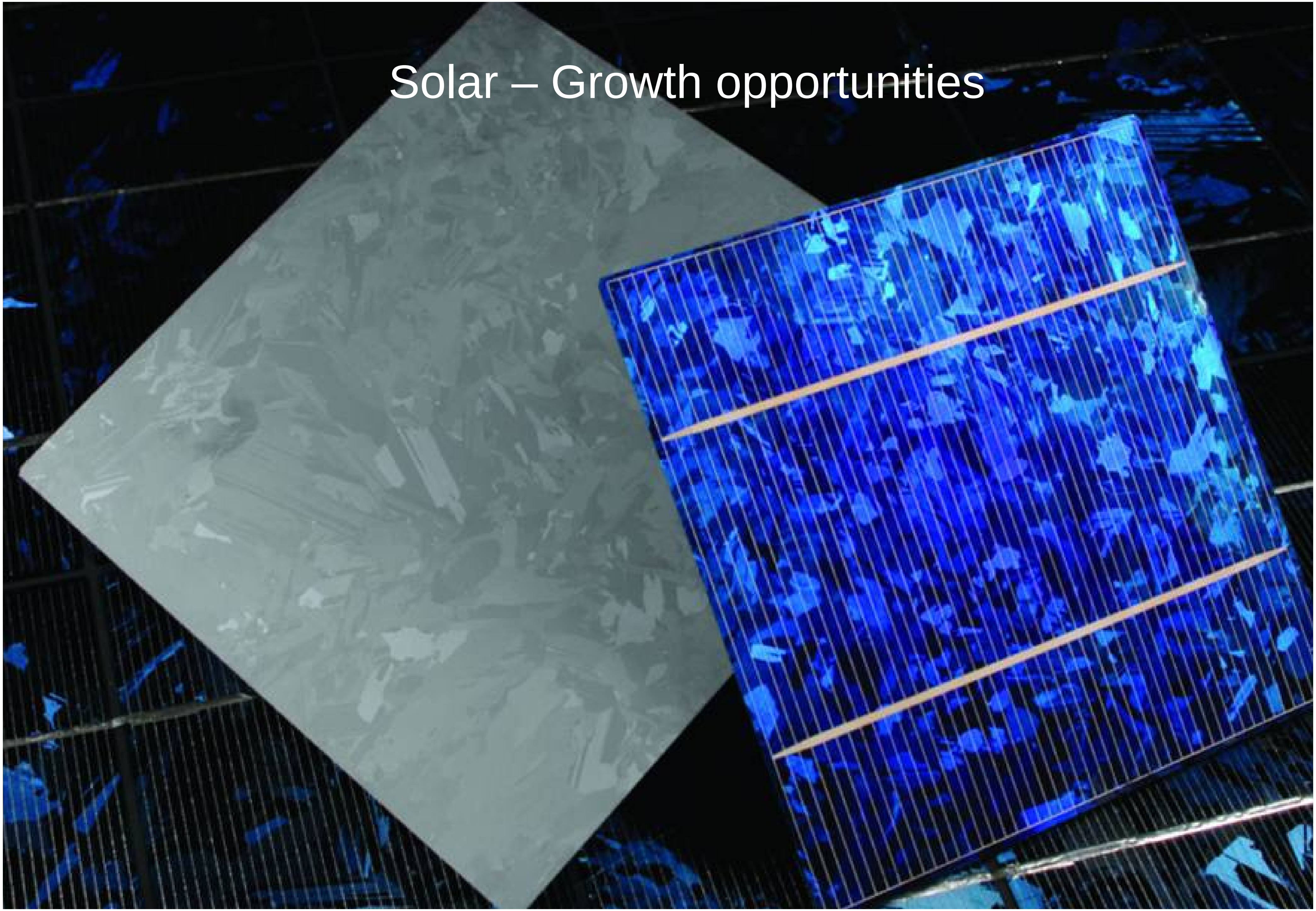
Note: Net sales figures include internal sales

Silicon Metal strategic issues and measures

- Cost reduction through restructuring of Norwegian plant structure
  - Secure cost position in Norway by converting to larger Si-furnaces
  - Restructuring of plants
- Look for new opportunities in low cost countries
- Growth through specialisation
  - Utilisation of Elkem's core competence in silicon to develop Elkem Solar and REC participation

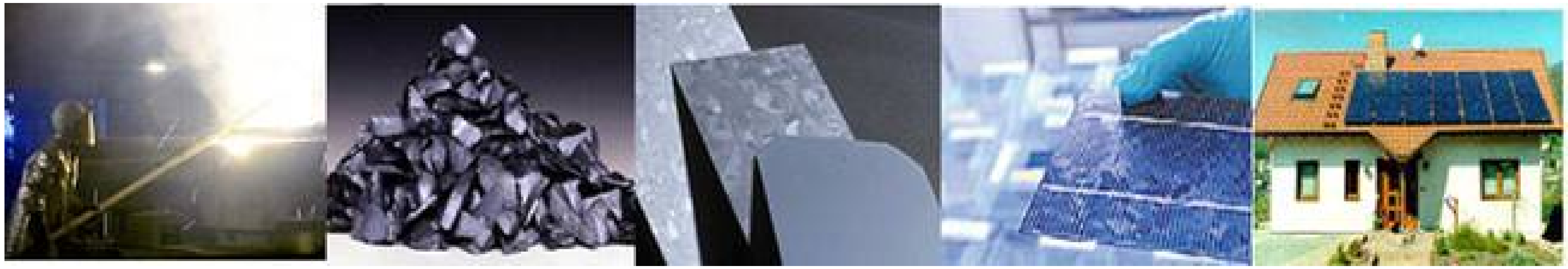


Solar – Growth opportunities



Solar initiative - High growth potential and good strategic positioning

Silicon Metal | Feedstock | Ingot/ Wafer | Cell/ Module | System integration



- Silicon Metal
- REC Renewable Energy Corporation – Chemical route
- Elkem Solar Metalurgical route
- REC Renewable Energy Corporation – ScanWafer
- REC Renewable Energy Corporation – ScanCell/ScanModule
- REC Renewable Energy Corporation – SolEnergy

- Continued high industry growth rates dependent on feedstock capacity expansion (+30 % annually)
- 27.5 % fully diluted ownership in REC, an established player with high growth, good profitability and strong market positions
- If successful, Elkem Solar’s metallurgical route will reduce end-user costs

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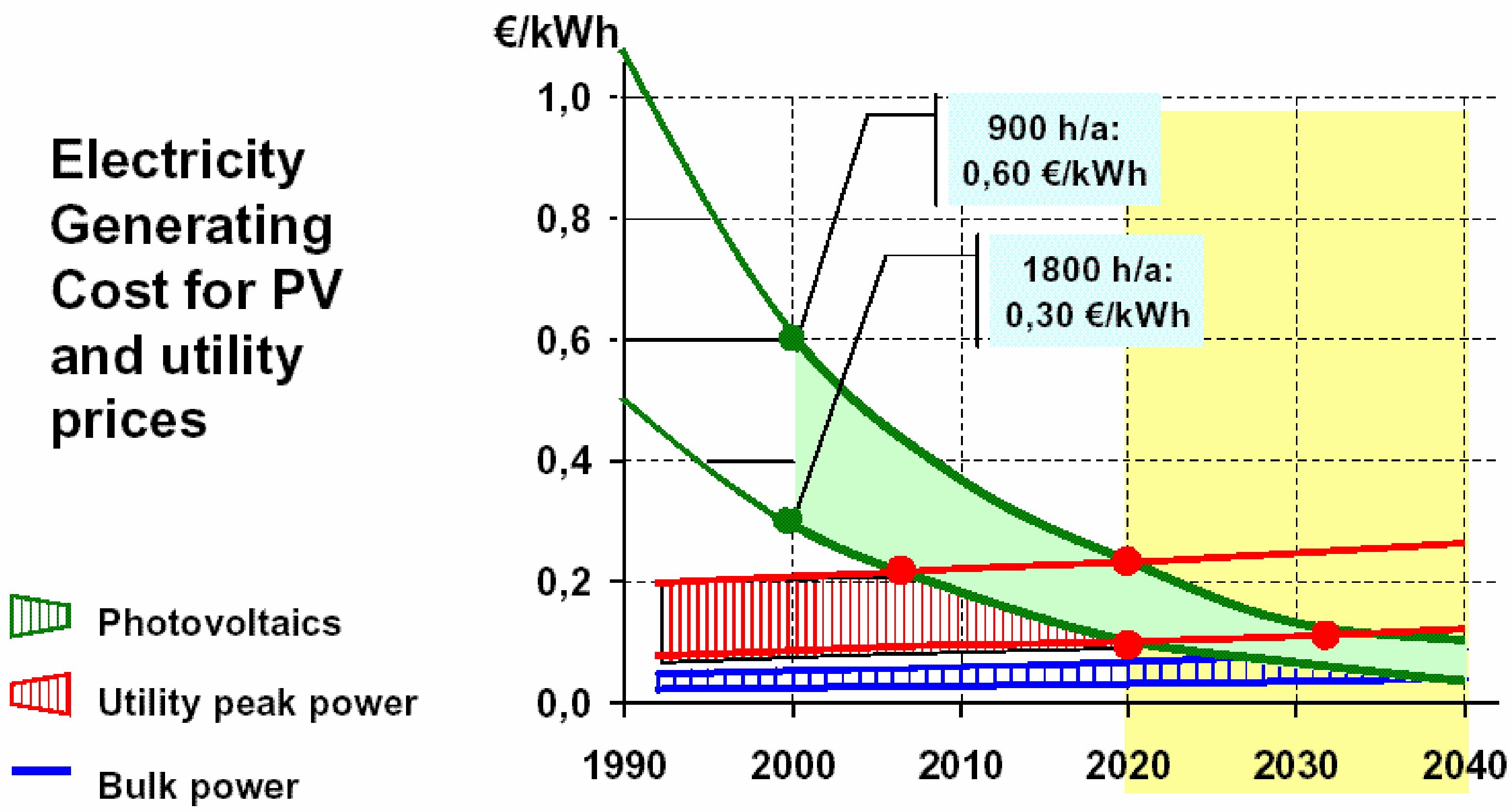
Solar energy - Competitive position

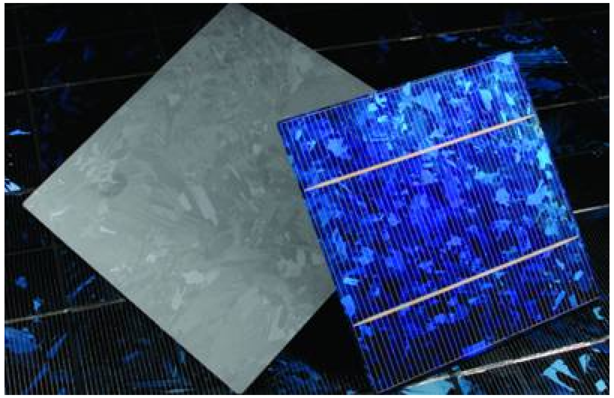
Electricity Generating Cost for PV and utility prices



Source: RWE Energie AG and RSS GmbH

Elkem Solar project - Solving the feedstock bottleneck

- Market for solar power remains firm
  - Germany remains attractive
  - New countries (Spain, Korea and China) implementing attractive incentive programmes
  - Solar power is competitive in sun rich areas with high retail power prices (California and Japan
- Demand for solar grade silicon exceed supply
  - New capacity will result in further growth
- Industrialisation of Elkem Solar expected around med-2007



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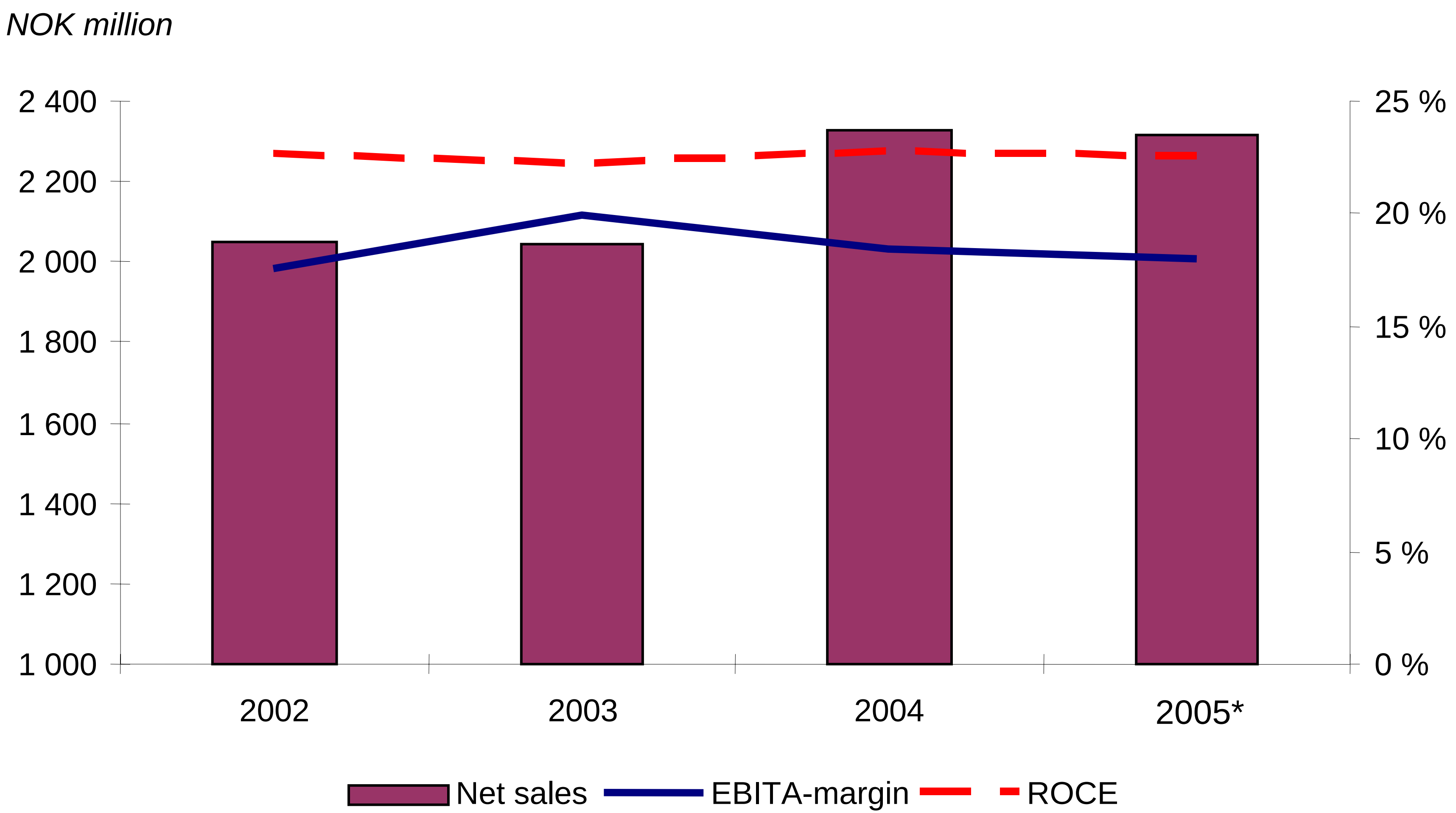
Primary aluminium – stable cash flow

Primary aluminium - Solid cash generation, LT energy contracts and stable operations



*RTM per Q3

Well positioned for stable profitability and cash flow

- Operational excellence – world class
  - Manage costs to maintain competitive position

- Long term energy contracts until 2020

- Complete anode plant and oxide contracts


Borregaard

Per Sørlie
Managing Director, Borregaard

Agenda

Speciality Materials - Common themes

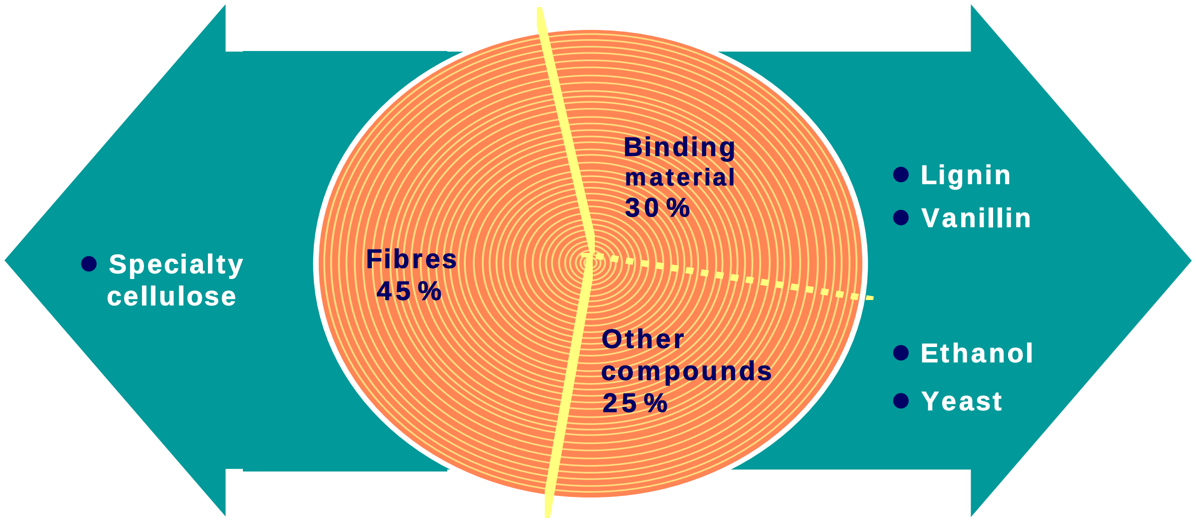
SAPA

Elkem

Borregaard

Mission Statement

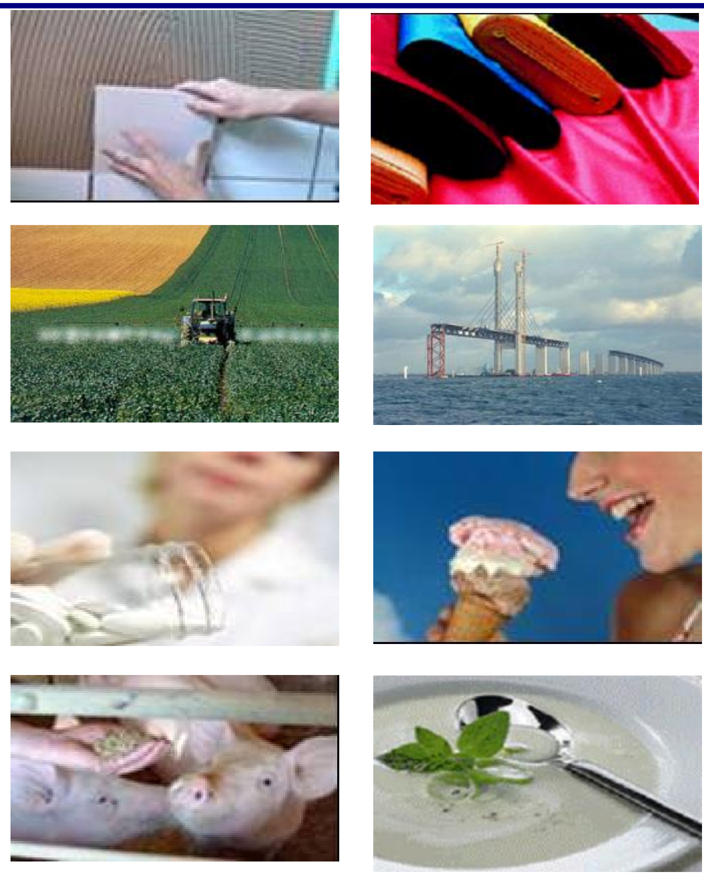
Borregaard is the global leader in wood based chemicals.
Strong innovation efforts increase the value added to our customers.



Market leader in global niche markets with a strong specialised product portfolio

Product Portfolio	
Specialty Cellulose	■ No. 1 European and leading global producer ■ Market leader in selected applications
Lignin	■ No. 1 and only global supplier of lignin-based products ■ Unique technical and application expertise
Fine Chemicals	■ Leading supplier of vanilla flavour ■ Leading supplier of x-ray contrast media intermediates ■ Supplier to major pharmaceutical companies
Other Wood Based Chemicals	■ Yeast, yeast extracts ■ Ethanol
Energy	■ Hydro power production ■ Financial power trade

End use Applications



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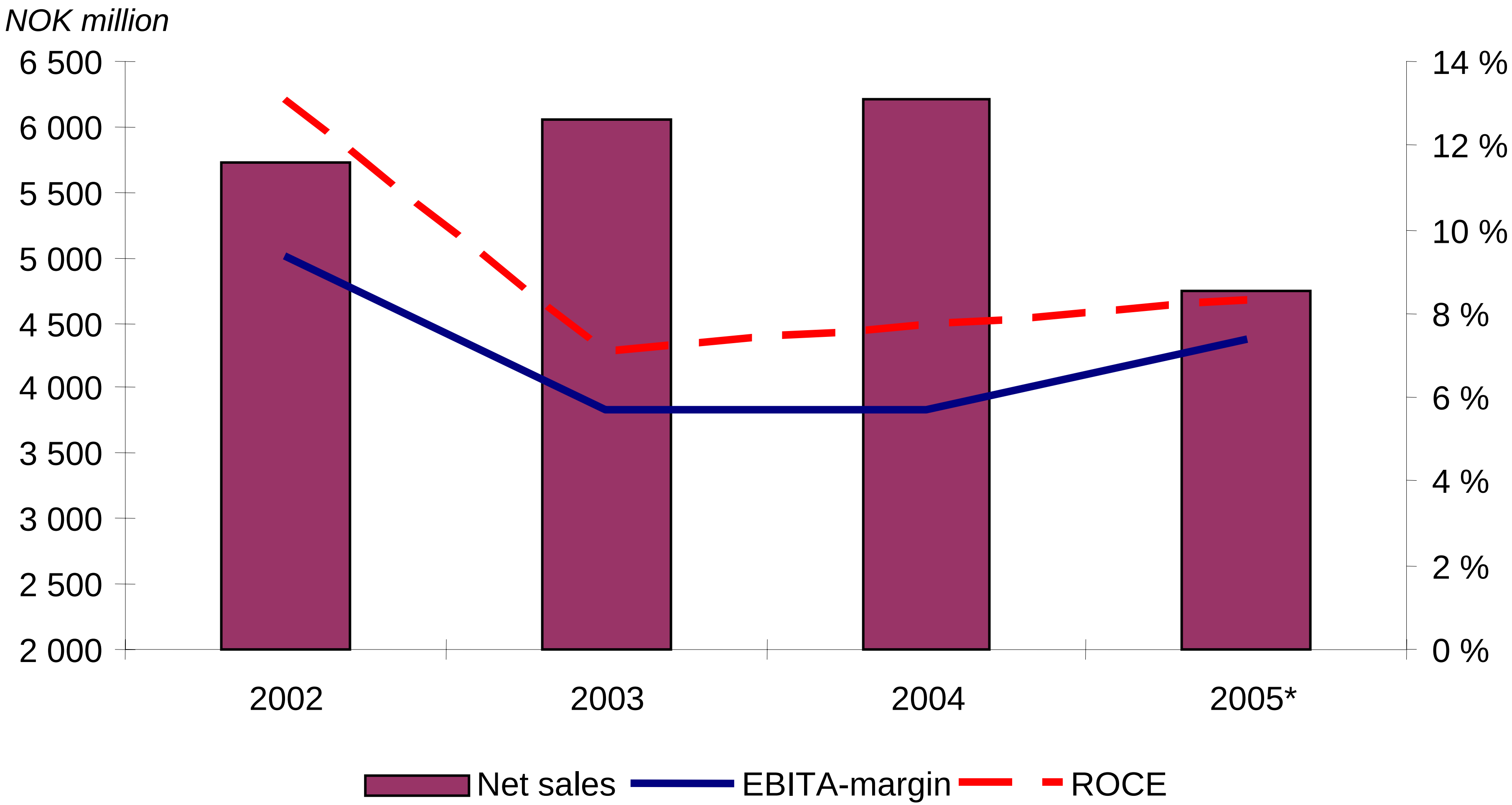
Challenging markets met by restructuring and improvement programs

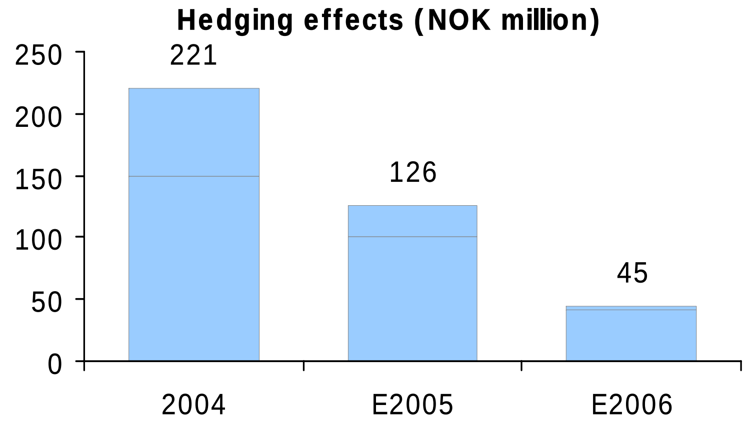


*RTM per Q3

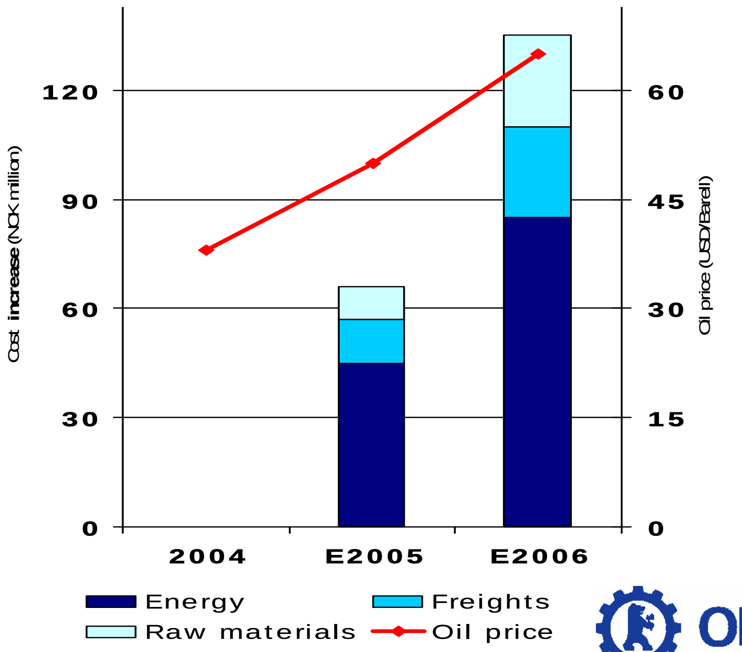
Sensitivity – External factors

Currency and oil price exposure

- Currency exposure
  - Sales currencies USD/EUR (45/35 % of revenues)
  - Change in NOK/USD rate of NOK 1 will affect EBITA by NOK 180-200 million per year (no change in other parameters)
  - Cost currencies NOK/CHF (50/10 % of costs)
  - Minor hedging effects as from 2006

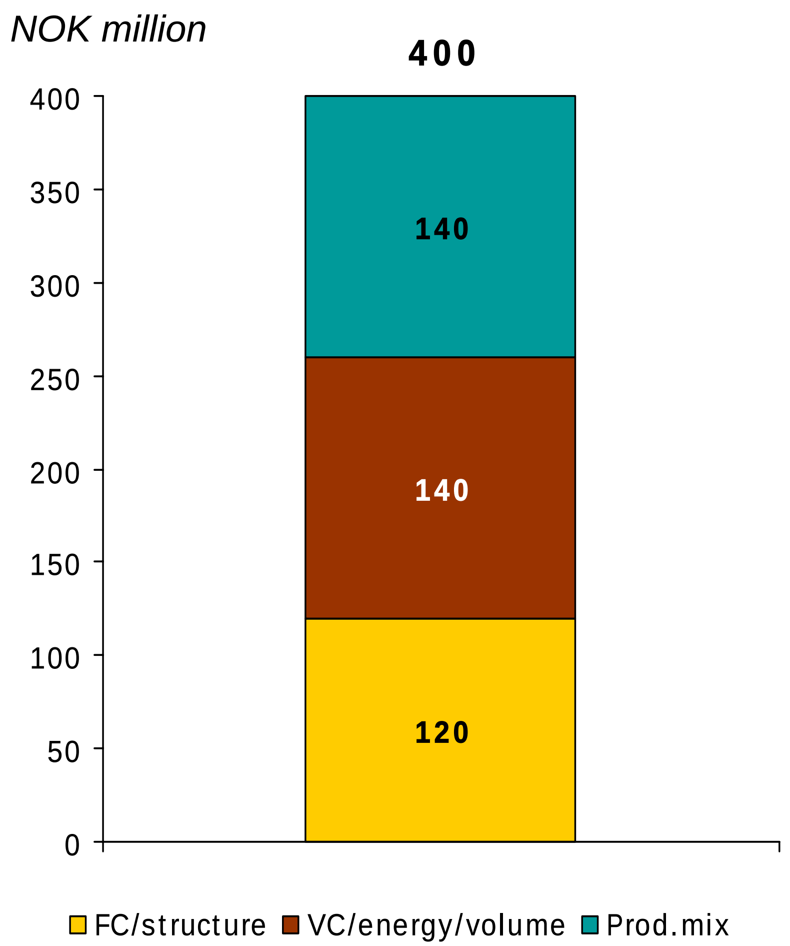


- Oil related costs
  - Thermal energy
  - Transportation
  - Raw materials
  - Energy conservation efforts important



New enhanced improvement programmes: Increased runrate of NOK 400 million compared to 2005 level

- Targeted runrate within 31 December 2007
  - Most activities mapped
- Fixed costs
  - Reduced manning
  - Structure
- Variable cost/Volume
  - Energy
  - Raw materials
  - Debottlenecking
- Product mix



Profit drivers - The way forward

- Fully specialised cellulose business
- Innovation activities to maintain market positions and increase value added
- Improvement programmes to compensate for present currency situation and oil price
- Add on acquisitions within lignin and vanillin
- Wood based chemicals position as a growth platform

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