

STATEMENT OF THE BOARD ON ORKLA'S OFFER IN ACCORDANCE WITH § 4-16 OF THE SECURITIES TRADING ACT

In accordance with § 4-16 of the Securities Trading Act the Board of Elkem ASA sets out below its statement on the mandatory purchase offer made on 7 February by Orkla ASA to acquire all the outstanding shares in Elkem ASA.

The background to the mandatory offer is that on 10 January 2005 Orkla ASA announced its purchase of three shareholdings totalling some 10 percent of the shares in Elkem ASA. The purchase meant that Orkla's shareholding in Elkem ASA increased to 50.03 percent and gave rise to an obligation to make a mandatory offer in accordance with § 4-16 of the Securities Trading Act.

The offer price consists of a base price of NOK 235 per share and an additional consideration in three alternatives:

- a) A fixed additional consideration of one krone per share, or
- b) A conditional additional consideration, payable if Orkla in the period from 10 January 2005 to and including 31 March 2006 acquires or sells Elkem shares at a higher weighted average price than the base price of NOK 235. The additional consideration shall represent the difference between the weighted average price in such transactions and the base price, or
- c) A combination of these two alternatives, in the ratio of 30 percent as a fixed additional consideration and 70 percent as a conditional additional consideration.

For further details reference is made to section 3.4 of Orkla's Offer Document.

The Chairman of the Board Finn M. Jebsen has not participated in the Board's work since the situation involving a mandatory offer arose and has therefore not participated in work on this statement. The Board member Anders Eckhoff has not participated in evaluating the bid. Except for there two board members the statement is unanimous.

Background to the offer

Orkla ASA stated in its press release in connection with the purchase on 10 January that there were both industrial and financial motives for the purchase. Orkla wished through the purchase to strengthen its position as a shareholder in Elkem. At the same time industrial perspectives were presented for an integration of Elkem into the Orkla group. Furthermore, in its press release Orkla kept open the possibility of a subsequent re-establishment of Elkem as an independent listed company.

Background to the Board's evaluation

The board has considered it natural to evaluate Orkla's offer primarily in relation to the value that Elkem represents for a long-term investor through continued operation of the company as an independent listed company.

In this context the Board refers to the strategy that has been followed by Elkem over the last 10 years and that will be followed by an independent Elkem. The main elements of this strategy have been:

- A systematic development of Elkem Business System and its implementation in all parts of Elkem's value chain.
- Development of the business portfolio whereby Elkem has withdrawn from the business areas that were the most cyclical and exposed to competition. As a part of this process Elkem sold its manganese division in 1999. In addition the ferrochrome business was sold in 2001 and significant parts of the ferrosilicon production have been converted to silicon metal and foundry alloys with a more attractive strategic position. Exposure within calcium carbide has been reduced. Large sums have been invested in modernising the aluminium plants.
- Development of the energy division as a commercial entity that contributes substantial value creation.
- Involvement in new areas which have greater underlying growth and are closer to end customers. The most important investment has been Elkem's purchase of some 81 percent of the aluminium processing group Sapa AB, which now represents half of the group's turnover. This purchase has been accretive for Elkem's earnings per share from the time of purchase. In addition Elkem has invested in a 23 percent minority stake in the solar energy company Renewable Energy Corporation and is devoting considerable resources to developing its own process and product technology for the solar energy market. Similarly the microsilica and carbon businesses are working on interesting growth projects.
- Strengthening of financial flexibility through maintenance of good results, a strong cash flow and a strong balance sheet. At the end of 2004 Elkem had net interest-bearing debt of slightly more than NOK 4.5 billion and a debt:equity ratio of 0.58, which must be regarded as sound taking into account the substantial investments in expansion that have been made in recent years.

The strategy has given good financial results. Over the last 5 years Elkem's shareholders have obtained a total return of 49 percent, while the Oslo Stock Exchange Main Index has increased by 25 percent.

In executing its industrial strategy over the last 10 years, Elkem has drawn significant benefit from its links with major shareholders. This applies both to Orkla as a large financial participant in the Norwegian market, and Alcoa as

Elkem's partner in Elkem Aluminium ANS. But, not least, Elkem's corporate culture, which has been built up over 100 years, and the employees' engagement and effort have been decisive. The Board considers that Elkem has all the necessary qualifications to further develop its strategy and create additional shareholder value as an independent company in the future.

The main elements in the future industrial strategy will be:

- Creation of shareholder value through developing Elkem as a united group, utilising its common business system (Elkem Business System), a common technology base and other common characteristics of the businesses.
- Continued development of the value of the Sapa group with emphasis on organic growth, profitable acquisitions within the current core business (profiles, building systems and heat exchanger materials) and efficiency improvements from the introduction of its business system throughout the entire value chain.
- Further focus on aluminium as a main business area. Elkem Aluminium ANS, which is owned 50/50 with Alcoa, will strengthen its competitive position with the building of a new anode plant in Mosjøen.
- Development of the silicon business through restructuring the Norwegian plants, possible growth outside Norway and a strengthened commitment to downstream business centred on the solar energy market.
- Further development of Elkem's energy holdings which contain profitable investment opportunities, of which the planned Sauda development is the most important.

Valuation and fairness opinion

In connection with its evaluation of the offer the Board has obtained a valuation and fairness opinion from the securities firm Fondsfinans ASA. Fondsfinans concludes in its valuation that the intrinsic value of Elkem is in the region of NOK 280-300 per share. Fondsfinans further points out that the future share price development may depend on the degree of acceptance of the offer, and that it is uncertain whether the offer will lead to a subsequent forced redemption of minority shares. Fondsfinans summarises its fairness opinion dated 16 February 2005, as follows:

”(i) Shareholders that are focused on intrinsic values and have long-term focus on their investment in Elkem, should keep their shares;

(ii) Shareholders with a short-term view on their investment in Elkem, who consider it improbable that the Mandatory Offer will lead to a subsequent forced redemption of shares, are advised to accept the Offer.”

The Board's evaluation

The Board agrees with the conclusions set out in the fairness opinion from Fondsfinans.

In the Board's view the value for a long-term investor in Elkem ASA is higher than the offer price. Reference is made in this connection to Fondsfinans' valuation.

The Board notes nevertheless that the offer price is higher than the market price in the relevant period prior to the announcement of Orkla's share purchase on 10 January. The market price, however, must be viewed in the context of the strongly concentrated ownership situation in the company that has meant there has been little liquidity in the share. The Board would point out that Orkla's bid may lead to further ownership concentration and a further weakening in the share's liquidity. There is therefore a risk that an investor with a more short-term perspective could have difficulties in achieving a value for his shares equivalent to the offer price through a sale in the market once the offer period has expired.

It is also possible that Orkla will obtain through its bid a shareholding in Elkem of over 90 percent, which will allow for the mandatory redemption of the holdings of remaining Elkem shareholders. In this situation the value received by the minority shareholders will be determined by a judicial assessment unless otherwise agreed.

The Board believes it is correct to point out the uncertainty that a shareholder will have with regard to the realisation of values in the light of these possible outcomes.

The employees' view

The employees in Elkem's Norwegian businesses represented by the main union official for the trade union members employed in the company and by the office employees' representative on Elkem's Board have issued a statement regarding Orkla's offer. This statement is repeated:

"JOINT STATEMENT BY THE ELECTED REPRESENTATIVES OF ELKEM'S EMPLOYEES

The employee representatives in Elkem note that Orkla through the purchase of several holdings has acquired a majority of the shares in Elkem.

Over many years Orkla has been an active and positive supporter of Elkem and contributed to the development of the group into one of the world's leading metal producers.

We would also point out the excellent co-operation between Elkem Aluminium and Alcoa over many years, and we wish that this continues irrespective of

the future ownership structure. We value in particular Alcoa's contribution to the investment in Mosjøen which will help to secure these jobs for the long term.

Elkem is today a financially sound and well-run company that makes a strong contribution to maintaining industrial activity in Norway where industry is generally in decline. We are therefore concerned that Elkem, with the jobs it provides, should be further developed with continued emphasis on profitable growth within the product areas that we know Elkem is familiar with and where it holds a leading position, together with further investment in new related product areas. In our opinion Elkem will best be able to develop as an independent listed company.

As employee representatives we fear that the final outcome of Orkla's plans could involve the splitting up of Elkem and that important parts of the company could be sold to benefit other product areas that satisfy the new strategy, a development that we would oppose in the strongest terms.

We therefore wish that Elkem continues as a united company as it is today. The least desirable outcome would be a division of Elkem into separate parts. Irrespective of the outcome of Orkla's offer, we urge the new owner(s) to maintain good industrial ownership.

Oslo, 16 February 2005.

For the operator employees

For the office employees

Einar Støfringshaug

Bjørn-Rune Henriksen

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Shares owned personally by the Board and Group Chief Executive

The following Board members are shareholders in Elkem ASA (the list includes shares owned by the Board members themselves and shares owned by related persons):

Finn M. Jebsen	11,074
Anders G. Carlberg	500
Anders Eckhoff	500

Finn M. Jebsen has not participated in the Board's work. Upon inquiry he has stated that as a shareholder he finds the offer price to be “fair” and satisfactory, taking all matters into consideration, and that he will accept if Alcoa accepts.

Anders Eckhoff has stated that as a shareholder he will accept the offer.

Anders G. Carlberg will as shareholder not accept the offer.

Ole Enger, Group Chief Executive, owns 2,350 shares in Elkem ASA. Ole Enger will as shareholder not accept the offer.

Oslo, 16 February 2005