Annual report 2015

About Elkem

Elkem is one of the world's leading companies in the environmentally responsible manufacture of metals and materials. The main activities are related to production and sale of silicon materials, silicones, ferrosilicon, specialty alloys for the foundry industry, carbon products and microsilica. Elkem serves several global industries, such as construction, transport, engineering, packaging, aluminium, chemical, release coatings, health-care products and electronics. The 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 the most important markets.

Elkem is owned by Bluestar Elkem International Luxembourg, which is controlled by China National Bluestar.

Contents

Key figures

FINANCIALS	UNIT	2015	2014*	2013*	2012*
Revenues	NOK million	14 541	12 674	11 473	11 526
EBITDA	NOK million	2 207	1 252	819	1 048
EBIT	NOK million	1 465	578	345	(216)
Profit for the year	NOK million	953	(22)	(268)	(82)
Total assets	NOK million	14 477	15 453	13 086	12 548
Net interest-bearing assets /(liabilities)	NOK million	(1 928)	(3 529)	(3 538)	(7 399)
Equity	NOK million	6 319	5 675	4 022	(112)
Equity ratio	Per cent	43.6	36.7	30.7	(0,9)
ROCE	Per cent	17.8	8.0	3.1	6.3
No. of employees	Numbers	3 628	3 459	3 420	3 409

* Elkem Solar is presented as discontinued operation for the two months ended February 2014 and for the year ended 2013 and 2012. As a consequence Elkem Solar is not included in revenues, EBITDA, EBIT and net interest-bearing asset/(liabilities). Please refer to accounting principles under consolidated financial statement Elkem AS group for more details.

Strong financial results

Elkem's net profit was NOK 953 million (NOK 22 million negative in 2014). Total revenues were NOK 14,541 million (NOK 12,764), EBITDA NOK 2,207 million (NOK 1,252 million) and EBIT NOK 1,465 million (NOK 578 million). Improved operations, higher sales prices, successful growth within specialty products, and favourable currency development are the most important contributions to the increased profitability and the best result ever.

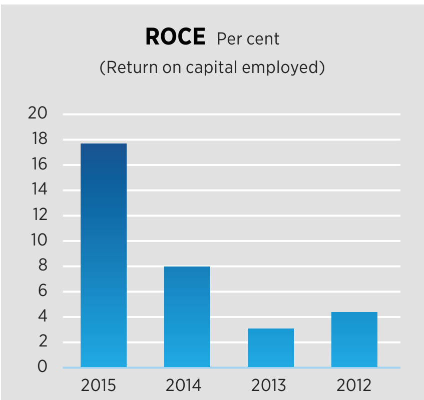
Merger with Bluestar Silicones International (BSI)

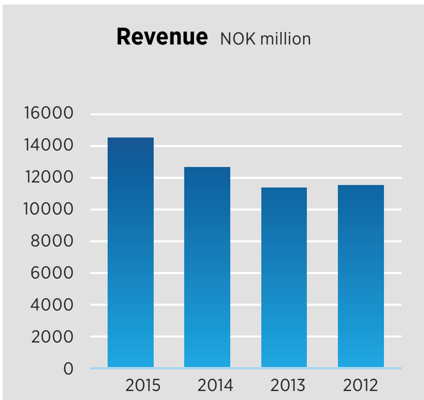
The Silicones division became part of the Elkem AS group in June 2015. Elkem purchased all of the shares in BSI, from Bluestar Silicones Investment Co. Ltd in Hong Kong, which is controlled by China National Bluestar (group) Co. Ltd.

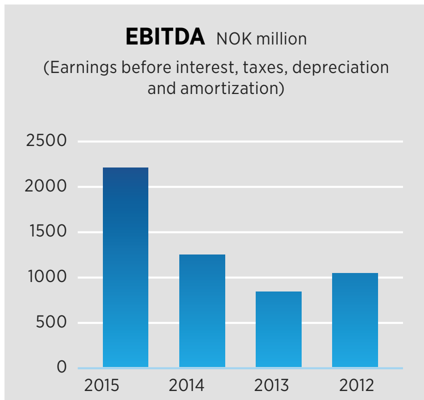
Expanding the business in growing markets

A new ferrosilicon plant in Paraguay has been under construction during 2015. The project is a 50/50 joint venture with a local partner and the plant will start producing in the third quarter of 2016.

A new plant in Sarawak, Malaysia will start production in the first quarter of 2016. This is the first step to meet the local demand from several new start-ups in the metal producing industries in Sarawak.







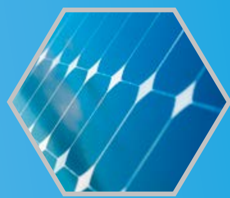
Elkem - an overview

Elkem is one of the world's leading companies in the environmentally responsible manufacture of metals and materials. The main activities are related to production and sale of silicon materials, silicones, ferrosilicon, specialty alloys for the foundry industry, carbon products and microsilica. In 2015 the turnover was NOK 14.5 billion and the net profit NOK 953 million. Elkem had 3,628 employees in over 40 countries throughout the world. Elkem is owned by Bluestar Elkem International Luxembourg, which is controlled by China National Bluestar.

Silicon Materials is one of the world's leading suppliers of silicon and microsilica. Silicon has a wide range of applications and is used in the chemical, solar, electronics and aluminium industries worldwide. Microsilica is extremely finely grained silicon that is used as additive to concrete, refractory materials, plastics, fertiliser and sealants for oil wells.

3 plants in Norway.

- Silicon
- Aluminium
- Chemicals
- Solar
- Electronics
- Microsilica
- Construction
- Refractories
- Oil & Gas



Silicones (Bluestar Silicones) was merged with Elkem in June 2015. Silicones produces siloxanes and a comprehensive range of silicones, which are a family of specialty, high performance products and materials, produced by reacting silicon with methyl chloride. The Silicones division trades under the Bluestar Silicones brand name.

2 plants in France and one plant in Spain, Italy, Germany, US, Brazil and China.

- Paper & film release
- Automotive
- Chemical Formulators
- Personal care/ Cosmetics
- Safety cable
- Textile
- Oil field

Foundry Products is the world's leading producer of ferrosilicon and ferrosilicon-based speciality alloys. The division provides metal treatment solutions to iron foundries and is a supplier of high quality specialty ferrosilicon to the steel industry. The automotive, engineering, pipe and steel industries are important markets for Foundry Products.

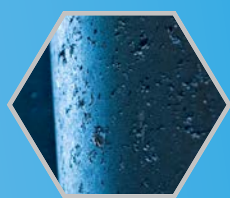
2 plants in Norway and one plant in Iceland, Canada, China, (plant in Paraguay under construction).

- Automotive
- Engineering
- Piping
- Specialty steel

Carbon is a world-leading supplier of electrically calcinated anthracite, which is used in electrode paste, cathode ramming paste and furnace lining products that are necessary in the manufacturing process for steel, aluminium, silicon and other metals.

Plants in Norway, South Africa, China and 2 plants in Brazil (plant in Malaysia under construction).

- Ferroalloys
- Silicon
- Aluminium
- Iron foundries



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

A remarkable year

2015 was a remarkable year for Elkem and its owner Bluestar Elkem International. We have established two fully integrated industrial value chains based on Elkem's outstanding expertise and technology within the silicon business. Both businesses will be ready for the future, meeting the world's increasing needs for environmentally sound and smart products.

The first integrated industrial value chain is quartz to silicones. Bluestar Silicones International (BSI) became a part of Elkem in June 2015, but it will continue to sell its products under the Bluestar Silicones brand. When China National Bluestar acquired BSI in 2007, we started looking for an upstream silicon partner. We acquired Elkem in 2011 and started the preparation for the merger between Elkem and BSI. Since 2012, the industrial integration between the two entities has been going on under the name of 'Bluelco'.

The second integrated value chain is a complete process from quartz to solar panels. Elkem Solar and REC Solar will deliver readymade solutions that will produce solar electricity at competitive costs with a record low greenhouse gas footprint.

The solar business is now outside the Elkem AS group. However, Elkem's CEO Helge Aasen will continue as the chairperson of the solar group companies. There will still be close industrial and technological links between the two companies, and we will continue to take out synergies and ensure an optimal development of the integrated solar business.

The Elkem AS group has become a very strong player. Underpinned by global megatrends such as urbanisation, need for reduced emissions, increased focus on sustainable industrial production and aging and growing population, we see a strong underlying demand for Elkem's products.

Silicon can be produced in different grades and has a large number of varied applications. Silicones is made from silicon and is used in many different products, from non-flammable cables to wound care. Silicones has superior qualities and also a much better environmental footprint than products based on mineral oil, like plastic. Silicones is chemically stable, it does not burn easily, it is non-toxic and it forms products with different viscosity, from solid rubber to liquids.

Elkem had a very strong financial year in 2015. Several years with focus on cost reductions and lean production were fully rewarded as the prices on our main products came back to higher levels. No one knows better than the management of Elkem that we are in volatile markets shifting with the business cycles, but also with changes in market access. Our dedication to deliver better, leaner, cleaner and safer solutions will go on undiminished.

Continuous improvement is an integral part of Elkem. Each Elkem employee is encouraged and expected to actively find and suggest potential improvements. All of Elkem's plants have established arenas for active daily improvement efforts. A deep level of personal engagement from all employees is an important success factor for Elkem.

Robert Lu, Chairman of the board

Highlights of 2015

- Record **EHS results**
- **All time high EBITDA performance with** 2.2 BNOK
- **BSI speciality growth of** >10% **and sales up** 9% **vs 2014**
- Production records at several plants
- Elkem has a strong platform for growth:
  Refinanced, stable operations, high focus on specialisation, opportunity to utilise the best from Elkem and Bluestar Silicones in the market and in operations respectively.

MAY

Acquisition of REC Solar - strategic important for Elkem/Bluestar's solar strategy.

JUNE

BSI merger completed in June - we are now one company. We will continue with a decentralised organisation, but will coordinate and utilise the synergies that we have.

JUNE

Elkem AS sold the remaining shares in Elkem Solar AS.

AUGUST

Refinancing of Elkem to create a strong base supporting future growth.

SEPTEMBER

Start NO_x upgrade Elkem Salten furnace 3.

OCTOBER

Start energy recovery upgrade project Elkem Bjølvefossen.

THROUGHOUT YEAR

Construction process of Elkem Carbon Malaysia and Elkem Foundry Paraguay.

Equipped for the future

Elkem merged with Bluestar Silicones International (BSI) in June 2015 and thereby increased its size by 50 per cent. Elkem and BSI form an integrated value chain from quartz to highly specialised products – and is the world's fifth largest producer of silicones.

Elkem and BSI launched a project called Bluelco already in 2012 in order to focus on optimising and streamlining the production processes. Through this interaction we learned to know each other, and when our common owner decided to merge Elkem and BSI, we were ready.

Realising the synergies of the merger is one of the most important tasks for the management of the new Elkem AS group. We will implement the Elkem Business System (EBS) in the whole organisation; reduce waste and energy consumption; optimise our market orientation and sales network; learn from our different strengths within product R&D and develop new technology to improve production processes and products. We will pursue the opportunities this merger gives with diligence.

Silicones have wonderful properties and can be turned into a wide range of different products. Demand is growing fast driven by a rising population and global megatrends. This fits well with Elkem's vision 'Advanced materials shaping the future'.

Through EBS we have well proven programmes and tools integrated in the whole organisation to ensure continuous improvement. Our silicon plants are among the most cost-efficient in the industry and will be able to produce and deliver good results throughout market cycles.

An important element of our strategy is to increase the share of specialty products, as this will reduce exposure to price volatility. Elkem's divisions for foundry products and silicones both have a high share of specialty products in their portfolios and the ambition is to increase this even further.

Elkem's four divisions operate globally and have leading market positions in their respective main markets. In 2016, we will enter two emerging markets with new productions capacities. The Foundry Products division is opening a new ferrosilicon plant in Paraguay in a joint venture with Argentinian partners, and the Carbon division will start the production of electrode paste at a new facility in Malaysia. In the years to come we expect to further grow our market position in emerging markets, and especially in Asia.

At the same time, our ambition is a further strengthening of our position in mature markets, especially with regard to specialty products.

Elkem is currently exploring options for sourcing of charcoal that can replace fossil coal as a carbon neutral reduction agent. A project that could alter the way we produce metals in the future, is our Carbon Neutral Metal Production (CNMP) project. The ultimate goal is to become CO_2 neutral by replacing all fossil carbon, recover all waste of energy and use all bi-products in order to achieve zero net emissions of CO_2, zero waste and zero net input of electricity.

These projects will benefit the environment, reduce cost and create new opportunities, if done right.

The financial results of 2015 were the best ever reported by the Elkem AS group. Total operating income was up by 15 per cent to NOK 14,541 million, net income ended at NOK 953 million, up from negative NOK 22 million last year. There are several external factors contributing to this; favourable market conditions, currency movements and low electricity prices in Norway. However, the most important reason behind the strong results are the systematic efforts and hard work of Elkem employees on all continents. They have contributed to thousands of small and large improvements that have summed up to a considerable increase of productivity and product development, and made 2015 the best year ever for the Elkem AS group.

Helge Aasen

Helge Aasen
CEO the Elkem AS group

Corporate governance

Elkem considers good corporate governance to be a prerequisite for value creation and trustworthiness. Elkem has governance documents setting out principles for how business should be conducted. These apply to all Elkem entities. The board of directors approves the Elkem governance structure.

Elkem is governed by the board of directors, which consists of seven individuals, five of whom are elected by the owners and two by the employees. Mr. Robert Lu from Bluestar is chairman of the board. Elkem's CEO Helge Aasen is board member elected by the owners. Aasen also sits on Bluestar's board of directors.

Elkem has had employee representatives on its board since 1974 and promoted the introduction of corporate democracy in Norway. The relationship between the corporate management and the employees is characterised as good and constructive.

Elkem's board meets regularly and conducts its activities in accordance with approved rules of procedure, which are based on the provisions of the Norwegian Public Limited Liability Companies Act.

Corporate social responsibility

Elkem's work on corporate social responsibility (CSR) is coordinated through a steering committee lead by the SVP HR. The steering committee reports directly to Elkem's CEO.

Elkem has dedicated governing documents and a number of tools in the areas of sustainability and social responsibility in order to safeguard basic human rights, the employees' rights as workers, environmental concerns, a sustainable utilisation of natural resources and business integrity.

Elkem does not permit or tolerate engagement in any form of corruption and has implemented an anti-corruption policy that defines different forms of corruption and how it must be avoided. Elkem has also implemented supplier requirements regarding human rights and responsible environmental management.

In addition to these policies and tools, Elkem publishes an annual sustainability report, documenting its activities and results.

Detailed authority structure and internal control

Good control and corporate governance mechanisms shall contribute to achieving predictability and reducing the level of risks for owners and other stakeholders.

Assessment of risks includes all aspects of the operation and is delegated as a line responsibility. This includes health and environmental risk, financial risk, market risk (price and volumes) and operational risk. There are policies and procedures in place for all areas, and the risk assessment is updated regularly. The board and management monitor the group's performance on a regular basis and implement necessary actions when needed.

The group's internal control function is exercised through monthly reviews of the business activities at the group management level. The monthly reviews are conducted according to a standard agenda.

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

Corporate management

Helge Aasen
CEO

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 Silicon

Frédéric Jacquin
SVP Silicones

Asbjørn Søvik
SVP Carbon

Jean Villeneuve
SVP Foundry Products

Louis Vovelle
SVP Innovation and R&D

Board of directors

Robert Lu
CEO Bluestar
Chairman

Olivier de Clermont-Tonnerre
Bluestar Silicones
Board member

Sverre T. Tysland
Selmer DA
Board member

Helge Aasen
Elkem AS
Board member

Yougen Ge
Bluestar
Board member

Einar Støfringshaug
Union representative
Board member

Espen Sortevik
Union representative
Board member

Elkem business strategy

Elkem is well positioned to benefit from key trends that are expected to drive demand for its products. Focus on specialty products, expansion in growing markets, up- and downstream integration and sustainable cost improvements are main elements for a profitable growth strategy.

The global challenges of climate change, population growth and resource scarcity create 'megatrends' that drive global demand. An increased focus on environmentally responsible sources of energy (such as solar and wind power) and energy-efficient products is expected to increase demand for the materials that Elkem produces. Increased demand for specialised electronic equipment will drive demand for specialised silicon. Increased urbanisation creates a need for strong, but lightweight building materials, which rely on silicon, silicones, foundry alloys and microsilica, all of which are products that Elkem produces. A growing and aging global population will drive an increase in demand for other Elkem products, such as silicones used by the personal care, health care and cosmetics industries.

The table below illustrates how this demand is met by products from Elkem's four divisions: Silicon Materials, Silicones, Foundry Products and Carbon.

Because these global trends fit well with Elkem's product portfolio, the underlying demand growth for Elkem's products is expected well above the average economic growth.

According to the analysis company CRU, the demand for silicon is expected to grow by an annual rate of 5.4 per cent between 2014 and 2019. Demand for silicones is expected to grow by an annual rate of 4.4 per cent between 2014 and 2019, according to market analysis done by Freedonia. Demand for Elkem Foundry alloy products and products from Elkem Carbon is driven by end markets such as steel, aluminium and silicon, where independent market analysts, such as CRU, projects overall growth in the coming years.

Improving competitive position

Elkem's strategy is based on systematic cost improvements, product development and market expansion. Elkem's innovation strategy is supported by 11 research and development centres, staffed by approximately 370 professionals. Innovation is complemented by the everyday incremental improvements in the entire organisation based on Elkem Business System (EBS).

Cost reduction and further value-chain integration

As of June 2015 Bluestar Silicones International became part of the Elkem AS group and extensive work is being done to maximise the synergies of this merger. Synergies are extracted by tailoring the production process from the quartz mines to delivery of specialty silicones, and include programmes for cost reductions, improved yield, increased productivity and product development.

Through EBS Elkem has a well proven programme for continuous cost improvement which is integrated in the whole organisation. Our silicon plants are among the most cost-efficient in the industry. Cost efficiency in the Silicon Materials division also supports

Clear global 'megatrends'...	...create specific needs...	...driving demand for Elkem's solutions
Emissions control	• Lightweighting of cars • Greater fuel efficiency • Reduced emissions	• Silicon as alloying agent for aluminium to replace steel in cars • Lightweight iron castings for autoapplications • Silicon-based diesel particle filters
Renewable energy	• Growing use of solar panels • Growing use of wind energy	• Silicon for polysilicon and silicones used in solar panels • Foundry alloys in castings for windmills • Silicon for batteries (storage)
Population growth, age and wealth	• Affordable comfort and personal care • Increased food preservation • Growing middle class	Silicones for use in: • Cosmetics • Personal care • Healthcare • Packaging
Urbanisation	Improved solutions for construction and infrastructure	• Microsilica for cement additives • Silicone sealants for construction applications • Ferrosilicon alloys in steel products • Foundry alloys in pipes for water transmission
Mobile electronics	Size reduction / mechanical performance in mobile devices	• Silicon for polysilicon in mobilephones and other electronic applications • Silicon for batteries increase performance

improved competiveness of our Silicones division.

Elkem will continue to systematically reduce energy consumption in production by:

- Increasing the yield by better production methods
- Energy recovery of off-gases from the furnaces
- Systematically reducing all forms of energy waste

Elkem is exploring options for securing deliveries of sustainable charcoal that can replace fossil coal as a carbon neutral reduction agent. In addition to reducing net CO_2-emissions, maximising productivity is an important objective of this project.

Specialty products

One of Elkem's key goals is to increase its share of specialty products. Specialty products are important both to meet the requirements that are driven by global megatrends and to reduce price volatility for Elkem's products. Both Foundry Products and Silicones have a high share of specialty products in their portfolio and their ambition is to increase this share even further.

Elkem's organisation is set up to support customers and develop new tailor made products. Our sales and technical customer service have strong competence and work closely with our customers to improve their processes. Customer needs are identified and Elkem's strong R&D capabilities are then utilised to develop products and solutions to secure increased value creation.

Elkem may also consider merger and acquisitions to strengthen its market position in certain specialised market segments.

Strengthening the market position

Elkem's divisions operate globally and have leading market positions in their respective key markets. Elkem's strategy is to maintain and further develop its strong market positions. As global megatrends are expected to drive higher demand in most of the group's product areas, Elkem's goal is to increase its production capacity, either by capacity expansion at existing plants, new greenfield investments or through mergers and acquisitions. As part of this plan, Elkem expects to finalise the following two strategic projects early 2016:

- Elkem Foundry Products is building an 11,000 mt, greenfield plant in Paraguay for production of ferrosilicon. The project is a joint venture with the Argentinean partners Group Araujo and Group Andreani.
- Elkem Carbon will commence production at its 45,000 mt new, greenfield plant in Malaysia for electrode paste.

Geographical expansion

Elkem has production on four continents, but with most of the group's sales based in Europe and North America. While these regions still offer attractive growth opportunities, Elkem has a particular focus on the fast growing markets in South America and Asia.

Elkem's projects in Paraguay and Malaysia are part of this growth strategy. In addition, Elkem is actively searching other market opportunities especially in Asia. In addition to increasing its production capacity, Elkem is searching for sustainable sourcing of raw materials.

Elkem's foundation

Elkem has always strived for improvements and better solutions since its foundation in 1904. Elkem's vision is to develop advanced materials that shape the future. This mission helps the group to promote a sustainable future by producing advanced silicon and carbon based solutions that create value for all stakeholders. Safe and sustainable operations are seen as key requirements for Elkem and the goal is to provide products and innovations that can solve many of the world's challenges.

Elkem has a zero harm philosophy when it comes to health and safety matters and Elkem believes that it is possible to run its operations without injuries or work-related illnesses. To ensure that the environment, health and safety work is successful, Elkem strives to keep high awareness throughout the organisation at all times. In addition, Elkem has a zero waste philosophy to eliminate waste throughout the value chain. It is paramount to reduce the use of scarce resources to limit the environmental impact, and it is key in order to improve our cost position.

Elkem operates its business under the EBS principles, which is dedicated to lean manufacturing and efficient operational processes in everything we do. This system for continuous improvement bases itself on four principles: make to use; empowered people; eliminate waste and processes under control.

All of this is underpinned by Elkem's values: Involvement, respect, precision and continuous improvement, which forms the foundation of how we work.

People are the driving force

Elkem Business System (EBS) forms the foundation of Elkem's corporate culture and operations. EBS is a set of fundamental principles describing how employees at all levels and in all positions shall work together to achieve common goals and continuous improvement.

Individual responsibility

One of the main EBS principles is that people are the driving force. This means that each Elkem employee is encouraged and expected to actively look for and suggest improvements to the processes he or she is involved in. In order to ensure that everyone can take part in and contribute to the continuous improvement work, targeted training sessions are arranged at operator, team leader, administration and management levels. All Elkem's plants have established arenas for active daily improvement work. A deep level of personal engagement from all employees is an important success factor for Elkem. Annual development discussions provide basis for the professional and personal development of Elkem's employees.

Leadership responsibility

Another key principle of EBS is that leaders are coaches and must have in-depth knowledge about critical processes. Elkem's leaders are expected to be regularly present at the production facilities to see for themselves what is happening, engage in discussions with employees about their tasks, the production flow and improvement ideas. In addition to good coaching and listening skills, the ability to give direct, specific feedback on how each employee is performing his or her duties is an important leadership skill in Elkem.

The four main principles of Elkem Business System (EBS) are:

1. Make to use
The customer's needs are always in focus. This applies also internally in Elkem, where everyone in the organisation is interlinked as suppliers and customers in a value chain.

2. Empowered people
Elkem ascribes 70 per cent of its success to human input and 30 per cent to the underlying system and technical equipment. People who perform the tasks are the experts, who together constitute Elkem's resource base.

3. Eliminating waste
Eliminating all forms of waste, including waste of time and human resources, lies at the heart of Elkem's goal of continuous improvement.

4. Processes in control
All processes shall be stable and predictable, and variations shall be avoided.

Capital structure and financing

Elkem's goal is to have a strong financial profile. The company is focused on maintaining good liquidity and keeping a sustainable debt level.

As a general target, Elkem should have sufficient liquidity reserves to cover known capital needs for the next 12-18 months, however not less than 10 per cent of the group's annual turnover. The liquidity reserve is defined as cash and available credit lines. As of 31 December 2015 Elkem had cash and undrawn credit facilities of NOK 3.5 billion, amounting to approximately 24 per cent of annual turnover.

Elkem will target a smooth maturity profile of the loan portfolio. The intension is to refinance any significant debt obligation well in advance of its final maturity date.

The target equity ratio will be taking into account the company's capital requirements, financial and general business conditions and the maintenance of appropriate financial flexibility. As of 31 December 2015 Elkem's equity was NOK 6,319 million, giving an equity ratio of 43.6 per cent.

Elkem has refinanced its external loan facilities in 2015, after the acquisition of Bluestar Silicones. A new five-year bank agreement was signed in August 2015, consisting of a revolving credit facility of EUR 200 million and a term loan of EUR 275 million. In addition, Elkem has signed a seven-year loan with Nordic Investment Bank (NIB) of NOK 373.7 million (drawn in EUR) in October 2015.

Elkem has two financial covenants in its external loan agreements;

- Interest Cover Ratio shall exceed 4.00 : 1.00; and
- Equity ratio shall at all times be equal to or more than 30.0 per cent.

Debt financing shall be handled centrally and Elkem's subsidiaries are not allowed to establish any borrowings without the approval from Headquarter.

Financial risk management

Elkem is operating in international markets. The group has most of its sales in EUR and USD, while the location of its plants gives a significant share of the cost base in other currencies, mainly NOK. In addition, the group presents its accounts in NOK, but it has underlying assets and liabilities in various currencies. Various currencies represent an exposure to Elkem's result, cash flow and equity. These effects are monitored and managed centrally.

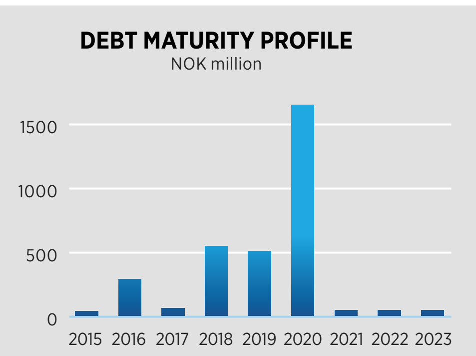
Elkem's result will improve when the NOK weakens against other currencies, mainly EUR and USD. Annual net cash flow in EUR is estimated to approximately EUR 300 million, while net cash flow in USD is estimated to approximately USD 175 million. On this basis, Elkem's net cash flow is expected to increase by approximately NOK 445 million if the NOK depreciates 10 per cent versus these currencies.

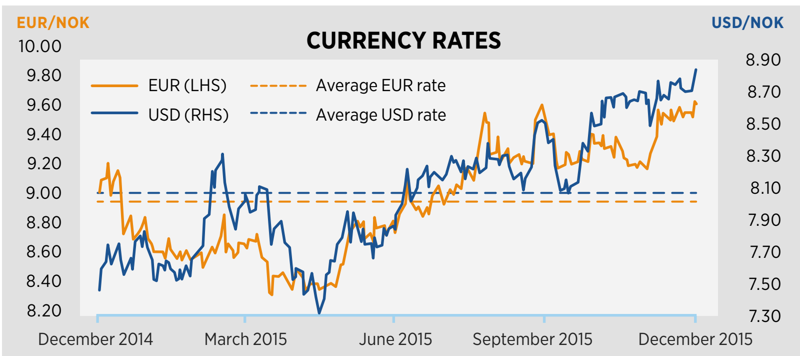
Elkem's has most of it short- and long-term interest bearing debt in EUR. This means that the reported debt in NOK will increase when the NOK weakens. While a weaker NOK has positive impact on result and cash flow, there is a risk that a weaker NOK will reduce the group's equity ratio.

Elkem maintains an active hedging policy to minimise the risk of adverse currency movements. The policy is to hedge 90 per cent of net cash flows, which is deemed to be near term and highly probable, and approximately 45 per cent of forecasted (between 4 to 12 months in the future) cash flows. However, the hedging of its forecasted cash flows may vary between 25 per cent and 75 per cent depending on Elkem's overall assessment of the risk of currency fluctuations in that period. The board of directors approved a mandate to hedge up to 75 per cent of forecasted cash flows for 2015 and 2016, and in addition 25 per cent for 2017 and 15 per cent for 2018.

Elkem uses hedge accounting for all cash flow hedges over three months.

As at 31 December 2015 the EUR/NOK exchange rate was 9.62, a depreciation of 6 per cent from 31 December 2014. The USD/NOK was 8.81 as at 31 December 2015, a depreciation of 19 per cent from 31 December 2014. The average EUR/NOK rate was 8.95 in 2015 compared to 8.35 in 2014, a depreciation of 7 per cent. The average USD/NOK rate was 8.07 compared to 6.30 for 2014, a depreciation of 28 per cent. Weaker NOK has had a significant positive impact on Elkem's revenues in 2015, but some of this has been offset by a loss on the hedging activities.





Silicon Materials

Silicon Materials had a good year in 2015 with strong revenue growth and good results, mainly explained by strong operational performance, cost improvements and favourable market conditions. Elkem's merger with Bluestar Silicones (BSI), which now forms the Silicones division, has created an integrated industrial value chain from quartz to highly specialised silicones products.

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

Based on volumes, Elkem is the second largest merchant producer of silicon outside China with a production capacity of approximately 155,000 mt. With annual sales volumes of approximately 275,000 tonnes of Elkem Microsilica® and related products, Elkem is the world's leading supplier of microsilica. The annual expected growth rate for the silicon market is between 5 and 6 per cent.

Highlights 2015

Silicon is a key raw material for production of silicones and the acquisition of Bluestar Silicones in June 2015 has created a fully integrated value chain. Elkem and Bluestar Silicones launched a project called Bluelco already in 2012 to focus on optimising and streamlining the production processes. The merger will ensure that the Bluelco project continues to deliver synergies both upstream and downstream.

Silicon Materials reported increased revenue for 2015 based on good market conditions and higher sales volume of specialty products. The sale of Elkem Microsilica® and other products has, however, decreased following lower activity within construction and oilfield segments. All production facilities had stable and good operations throughout 2015.

Going forward

Elkem's Silicon Materials' strategy is a four-step model.

- The platform: Elkem business system (EBS) is the platform for the whole organisation and value chain.
- Secure sustainable cost position: The three plants have achieved the best cost position globally through systematic improvement work based on EBS. Cost reductions will continue in the same pace in 2016 as in 2015.
- Market positioning: Increased specialisation by developing new specialty products, while expanding the position as the leading supplier of silicon.
- Growth: Growing the business both within silicon and microsilica related products, as well as securing and developing access to high quality, sustainable raw materials including bio-carbon, which will further reduce Elkem's carbon footprint.

KEY NUMBERS	2015	2014	Share of group 2015
Revenue (NOK millions)	4,759	4,140	32%
Employed (Full-time equivalent (FTE))	793	784	22%

FACTS	
Plants:	Salten, Thamshavn and Bremanger, all in Norway.
Quartz mines:	Tana and Mårnes, both in Norway and Explotacion de Rocas Industriales y Minerals SA, Spain.
Capacity:	155,000 tons of silicon and 275,000 tonn of Elkem Microsilica® per year.
Products:	Silicon produced in different purities and sizes according to customer needs. Elkem Microsilica®, which is used in construction, refractory, oilfield and polymer industries, because of its many unique properties.

For more information: www.elkem.com/silicon-materials

Silicones

Bluestar Silicones International (BSI) was merged with Elkem in June 2015 and now forms the Silicones division. The division had record sales in 2015 and improved its result considerably. Expected synergies from the integration will improve results further.

The Silicones division produces siloxanes and a comprehensive range of silicones, which are a family of specialty, high performance products and materials, produced by reacting silicon with methyl chloride. The division trades under the Bluestar Silicones brand name.

The merger in 2015 makes Elkem the world's fifth largest producer of silicones products.

Highlights 2015

The Silicones division became part of the Elkem AS group in June 2015 when Elkem purchased all the shares in BSI, from Bluestar Silicones Investment Co. Ltd in Hong Kong, which is controlled by China National Bluestar (Group) Co. Ltd.

Silicones reported strong revenue growth in 2015, largely due to increased sales volume of speciality products and favourable development of the euro versus the US Dollar.

Going forward

Silicones is part of an industrial value chain from quartz to highly specialised silicones products. Silicon produced by the Silicon Materials division is a key raw material for the Silicones products and the cooperation between Elkem and BSI has been going on since 2012, under the name Bluelco.

The demand for the Silicones division's great variety of products stems from both increased use of silicones in industrial applications and consumer products, particularly in China and other emerging markets, but also in the rest of the world.

The strategic goal is to continue the growth within silicones specialty products. The strategy is supported by a strong R&D department in Lyon, France, and eight other locations around the world, with a total of 220 researchers. The share of specialty products was 60 per cent in 2015.

KEY NUMBERS	2015	2014	Share of group 2015
Revenue (NOK millions)	4,985	4,329	34%
Employed (Full-time equivalent (FTE))	1,499	1,409	41%

FACTS	
Plants:	Roussillon and Saint-Fons in France; Lübeck, Germany; Caronno, Italy; Santa Perpetua, Spain; York, USA; Shanghai, China; Santo Andre, Brazil.
Capacity:	Upstream capacity of more than 100,000 tonnes per year of siloxane and more than 250,000 tonnes capacity per year of intermediates and silicones.
Products:	Silicones have thousands of applications and improve the performance and reliability of millions of modern products. Silicones produced by BSI are found in products such as release coatings, rubber, textile coating, healthcare, personal care, mould making, speciality fluids, sealing and bonding and construction.

For more information: www.bluestarsilicones.com

Foundry Products

The Foundry Products division experienced strong revenue growth in 2015 and has an ambitious growth strategy going forward. A new plant is under construction in Paraguay, and is planned to start producing ferrosilicon in the third quarter of 2016.

Foundry Products provides metal treatment solutions to iron foundries and is a supplier of high quality speciality ferrosilicon to the steel industry. In the iron foundries and steelworks production errors are expensive and a waste of resources. Foundry Products produce alloys that improve production processes and reduce waste for our customers. The automotive, engineering, pipe and steel industries are important markets for the division.

Elkem is one of the world's five leading producers of ferrosilicon alloys.

Highlights 2015

A new ferrosilicon plant in Paraguay has been under construction during 2015. The project is a 50/50 joint venture with local partners and the plant will start producing in the third quarter of 2016. The sales organisation has already been established for South-America.

The Foundry Products division delivered significant revenue growth in 2015 due to higher sales volumes and favourable currency development. All production facilities had stable and good operations throughout 2015, and Chicoutimi and Bjølvefossen reached new productions records.

Going forward

The division's long-term goal is to increase its market share of alloys in all geographic areas and to increase the share of specialty products within its ferrosilicon segment.

The existing foundry plant in China will be relocated to a new and larger site in Shizuishan. Construction of the new plant will take place next year. The goal is to strengthen the Foundry Products market position in China.

KEY NUMBERS	2015	2014	Share of group 2015
Revenue (NOK millions)	3,674	3,077	25%
Employed (Full-time equivalent (FTE))	626	602	17%

FACTS	
Plants:	Elkem Bremanger and Elkem Bjølvefossen in Norway; Elkem Iceland; Elkem Chicoutimi, Canada; Elkem Foundry China (EFC), Shizuishan, China.
Capacity:	The division has a total production capacity of approximately 251,000 tonnes per year, based on its current product mix of ferrosilicon-magnesium (nodularisers), inoculants and ferrosilicon.
Products:	The division is a supplier of high quality speciality ferrosilicon and provides metal treatment solutions to iron foundries.

For more information: www.elkem.com/foundry

Carbon

Carbon is world leader in production of carbon products and the only producer with a true global footprint. A new plant in Malaysia will secure this position. Greener materials and leaner production processes will make Carbon stand out in the competition.

The Carbon division produces carbon materials. The main products are Söderberg electrode paste, lining materials, pre-baked electrodes and specialty carbon products for various metallurgical smelting processes and primary aluminium industries. Carbon is a global leading supplier of electrically calcined anthracite.

Main events

A new plant in Sarawak, Malaysia will start production in the second quarter of 2016. This is the first step to meet the local demand from several new start-ups in the metal producing industries in Sarawak, which have been established based on good access to hydropower.

Carbon has introduced the ELSEAL® Type G, a ramming paste for the aluminium industry. This the first product based on a green binder that is free from the polycyclic aromatic hydrocarbons (PAH). ELSEAL® Type G is expected to gain an attractive market share.

The Carbon division increased its revenue in 2015, mainly as a result of higher sales prices due to favourable currency development. Sales volume of specialty products were similar to last year, while sales of Söderberg electrode paste decreased due to weaker demand in South America, South Africa and China.

Going forward

Carbon's mission is to serve the metal industry worldwide. To maintain Carbon's leading position, it is considered important to have production located close to all main markets.

Carbon is in the process of installing new equipment that will reduce cost and energy consumption and increase efficiency, while at the same time improve the Carbon division's environmental performance.

Developing more environmentally friendly products is an important part of the strategy, both as part of the group's social responsibility and to stay ahead of new regulations, such as REACH, which is the European Union's regulations on chemicals.

KEY NUMBERS	2015	2014	Share of group 2015
Revenue (NOK millions)	1,388	1,277	9%
Employed (Full-time equivalent (FTE))	409	396	11%

FACTS	
Plants:	Kristiansand, Norway; Shizuishan, China; Sarawak, Malaysia; Carboindustrial and Carboderivados, Vitoria, Brazil; Ferroveld JV, eMalahleni, South Africa.
Capacity:	Carbon has an annual production capacity of approximately 230,000 tonnes of Söderberg electrode paste and approximately 100,000 tonnes of other carbon products, depending on the product mix.
Products:	Söderberg electrode paste, lining materials, pre-baked electrodes and specialty carbon products for various metallurgical smelting processes and primary aluminium industries.

For more information: www.elkem.com/carbon

Report from the board of directors for the Elkem AS group 2015

Elkem – general information

The Elkem AS group is one of the world's leading companies for environmentally responsible production of materials. Its main products are silicon, silicones, ferrosilicon, foundry alloys, carbon materials and microsilica. The group has four business areas and 3,628 employees.

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

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

Elkem AS is owned 100 per cent by Bluestar Elkem International Co. Ltd. S.A., which is under control of China National Bluestar (Group) Co. Ltd. (Bluestar).

Highlights in 2015

The Elkem AS group continued its focus on specialisation and improving operational performance during 2015, giving record results in several business units. In addition, weaker Norwegian kroner compared to euro and US Dollar, realisation of higher sales prices for silicon products, and high productivity, contributed to the financial results in 2015.

In addition to market conditions and several enhancing improvement initiatives, Elkem has continued to structure the assets and the financing of the group for further growth:

- Since 2011, Elkem is owned by Bluestar, and under common control with Bluestar Silicones International S.a.r.l. ('BSI'), one of the foremost fully integrated silicone manufacturers in the world. On 22 June 2015, Elkem and BSI were combined into one group, with silicon being one of the most important raw materials in the production of silicones. Elkem and BSI have performed a gradual operational integration over the last three years. The main purpose of the ongoing integration is to take advantage of potential cost synergies and to create a financially robust group with the ability to grow profitably across all of Elkem's business segments, while maintaining the expertise and market driven organisations that have been the basis for its historic success.

- In connections with Bluestar Elkem Investment Co. Ltd.'s acquisition of REC Solar during May 2015, Elkem AS divested its remaining 50 per cent share of Elkem Solar AS in June 2015 to Bluestar Elkem Investment Co. Ltd. This transaction was to further support the strategy of building an integrated solar value chain with REC Solar.

- In August Elkem refinanced its bank debt comprising a term loan of EUR 275 million and a revolving credit facility of EUR 200 million. In addition, in October Elkem raised a term loan of NOK 373 million from the Nordic Investment Bank. With these refinancing transactions, Elkem has established a long-term financing structure allowing the group to seek structural growth opportunities going forward.

- Elkem has invested NOK 1,067 million in 2015, whereof NOK 324 million relates to strategic growth initiatives. Elkem continued its growth projects in Paraguay and Malaysia to increase Foundry Products and Carbon capacity respectively. In addition, Elkem has carried out investments to increase energy recovery at Bjølvefossen, improve speciality sales portfolio in Silicones, reduce NO_X emissions and improve operational efficiency at plants both in Norway and internationally.

Results in 2015

Operating income for the Elkem AS group amounted to NOK 14,541 million compared to NOK 12,674 million in 2014. The operating income increased by 15 per cent due to favourable currency development and increased sales volumes of speciality products.

The **operating profit** (EBIT) for the group in 2015 was NOK 1,465 million positive compared to NOK 578 million positive in 2014. Operating profit improved due to increased sales volume for speciality products, weakening of the Norwegian krone and strong underlying operations. This was partly countered by increased operating cost relating to higher capacity utilisation and higher raw material cost. Other gains and losses had a negative effect on operating profit of NOK 66 million.

Silicon Materials delivered improved results supported by higher sales prices, favourable currency, and higher sales volume of specialty products, in addition to lower raw material prices. The sale of Elkem Microsilica® and other materials products decreased following lower activity within construction and oilfield segments. All production facilities had stable and good operations throughout 2015.

Silicones reported stronger results in 2015 compared to 2014 largely due to increased sales volume of speciality products in particular. In addition, the weakening of euro versus US Dollar contributed positively during 2015.

The Foundry Products division delivered improved results in 2015 compared to 2014 helped by weaker Norwegian krone. Sales prices fell during the year countered partly by lower raw material prices. The sales volume was considerably higher in 2015 versus 2014, of both FeSi and specialty products. This was due to a production stop in Iceland in the first half of 2014 due to power curtailment, and production stop in Chicoutimi fourth quarter of 2014 due to relining of furnace. All production facilities had stable and good operations throughout 2015.

The Carbon division's result for 2015 improved due to higher sales prices. Sales volume of specialty products were similar to last year, while sales volume of Söderberg electrode paste decreased by 9 per cent year-on-year due to weaker demand in China, South America and South Africa.

The euro strengthened itself by approximately 7 per cent against Norwegian kroner, and the US dollar strengthened itself by approximately 28 per cent against Norwegian kroner, giving a substantial positive impact on Elkem's operating results.

The consolidated profit before income tax was NOK 1,422 million (NOK 434 million in 2014) positive for the year. Net financial items was NOK 43 million negative and consist of finance income of NOK 57 million and finance expenses of NOK 154 million. Foreign exchange gain amounted to NOK 33 million. Income from associates and joint ventures amounted to NOK 21 million positive.

The consolidated profit for the year was NOK 953 million positive (NOK 22 million negative in 2014), including NOK 463 million negative in tax expense and NOK 7 million in loss for the year from discontinued operations. The loss from discontinued operations relates to Elkem's share (50 per cent) of Elkem Solar, which was sold in June 2015 to Bluestar Elkem Investment Co. Ltd.

Financial information

Cash flow from operating activities before investments was NOK 1,820 million positive (NOK 674 million in 2014) for the year. Operating profit was NOK 1,465 million positive (NOK 578 million in 2014) for continued operations. Amortisation, depreciation and impairment changes amounted to NOK 676 million. Cash flow was weakened by 171 million due to increased working capital. Higher revenues and increased capacity utilisation triggered higher working capital. Net interest expenses and taxes paid, amounted to NOK 188 million negative for the year.

The group's liquidity position is considered to be sufficient. 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 were NOK 1,067 million for the year (NOK 852 million in 2014), of which NOK 324 million were categorised as strategic investments and NOK 736 million as reinvestments.

Strategic investments were mainly related to mining rights purchase for a quartz mine in Spain, energy recovery upgrade at Bjølvefossen, a new electrode paste plant for Elkem Carbon in Malaysia, Silicones rubber expansion project and miscellaneous investments to increase speciality sales.

In addition to the above investments, Elkem is building a new ferrosilicon plant in Paraguay in a strategic joint venture with Grupo Andreani and Grupo Araújo. Start of production is expected to be during third quarter of 2016.

Risk management

Elkem is exposed to business risks related to sales and production. The group aims to manage risk in a systematic and professional manner. Policies and procedures are in place for all main areas to promote health & safety in the workplace, to prevent accidents and to secure proper management of financial risk factors.

Elkem has organised risk management and risk mitigation activities in the line of responsibility. By delegating the responsibility for risk management to the respective level in the organisation, Elkem aims to ensure clear ownership for own activities and efficient processes. Corporate management and the board of directors are updated on the overall risk picture for Elkem on a regular basis through internal business reviews.

In addition, Elkem has a well-established global insurance programme 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 materials, 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. Elkem seeks to position itself by continuous development and product specialisation to meet customer demands. Elkem aims to establish long-term customer relationships to stabilise volume and production. The length of the contracts varies within different segments, with a tendency towards short-term contracts or long-term volume contracts, which are subject to quarterly or semi-annually price adjustments.

Over many years Elkem has 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. 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. These risks are managed according to policies approved by the board of directors.

Elkem has sales revenue and operating 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 large net cost base in Norwegian kroner. Elkem has positive net cash flows in different currencies, mainly euro and US dollars. The policy is to hedge 90 per cent of the net exposure on a 0-3 month rolling basis, and between 25 and 75 per cent of expected cash flows on a 4-12 month rolling basis, in order to even out the effect of currency movements on result and cash flow. The plants in Norway have improved their relative cost position due to the weakening of the NOK during 2014 and 2015. On that basis, the board of directors approved a mandate to increase the hedging horizon for EUR and USD up to 36 months. For 2016 the hedging ratio was set to 75 per cent, for 2017 to 25 per cent and for 2018 to 15 per cent.

Elkem's interest-bearing debt is denominated in euro. The group has assets denominated in euro, which partly offset the balance sheet exposure related to the loans. Assets and liabilities belonging to the subsidiaries, and intragroup balances, may also cause currency fluctuations in both the income statement and the balance sheet. Elkem considers its ability to handle and tolerate currency exposure related to the group's balance sheet and equity as good.

Elkem has net interest bearing debt of NOK 1,928 million as of 31 December 2015. In line with its policy, the group has floating interest-rate conditions on its loans. This means that the group would be exposed if interest rates should hike substantially. Elkem will monitor its position and consider adequate measures if deemed necessary.

Elkem is actively managing its liquidity risk. The group has centralised its liquidity management and monitors the liquidity development through short- and long-term cash forecasts and daily reporting of the liquidity position. 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 measures to repatriate cash. In addition, the group has undrawn credit facilities to back up its liquidity position. The policy is to have a liquidity buffer of minimum 10 per cent of expected annual revenue. The target is that the main credit facilities should have a remaining maturity of at least 12 months to mitigate any short-term refinancing risk. Elkem complies with its internal policy targets by the end of 2015.

Counterparty risk is managed centrally and the main part of the accounts receivables is insured by a credit insurance company. For customers not covered by credit insurance, Elkem seeks to mitigate risk through payment terms or trade finance instruments. Elkem is monitoring the credit risk also for financial trading counterparties. Financial counterparties should have a credit rating of minimum A- or the equivalent from the main rating agencies, but exceptions may be made on a case-by-case basis, mainly for local banks in emerging markets. For the main financial counterparts, Elkem monitors other financial measures, such as the spread for the respective banks' Credit Default Swaps (CDS).

Capital structure

As at 31 December 2015 Elkem's equity was NOK 6,319 million. Including minority interests of NOK 123 million the equity ratio was 44 per cent.

In 2015 Elkem's capital structure has been affected by corporate transactions and dividend distributions. In June Elkem acquired the shares in BSI and divested its shares in Elkem Solar. A dividend of NOK 1,067 million was distributed to the shareholder as an extraordinary dividend (in kind) in connection with the transactions, as described under Note 1 of the consolidated financial statements, 'Establishment of the current group'. In March 2015, a dividend of NOK 750 million was distributed to the shareholder as ordinary dividend. Additionally, the group distributed an extraordinary dividend of NOK 1,150 million in December 2015. Going forward the policy is to distribute a dividend of 30-50 per cent of the group's net income for the financial year.

Elkem refinanced most of its interest-bearing debt during 2015. In August Elkem refinanced its bank debt comprising a term loan of EUR 275 million and a revolving credit facility of EUR 200 million. Both facilities expire in August 2020, however, the EUR 275 million loan will be repaid in installments of EUR 50 million in August 2018 and EUR 50 million in August 2019. In October, Elkem signed a loan agreement with Nordic Investment Bank (NIB) of NOK 373.7 million, which was drawn in EUR (EUR 40 million). The loan is repaid in semi-annual instalments ending on 31 October 2023. With these refinancing transactions, Elkem has established a sufficient, long-term financing structure.

Elkem has undrawn credit facilities to secure liquidity reserves. Undrawn credit facilities amount to approx. NOK 2.2 billion as at 31.12.2015.

Research and development (R&D)

Elkem, with more than 370 researchers, devotes considerable effort and resources to research and development (R&D), in order to create and develop innovative products, develop environmentally responsible and energy efficient production technologies and to optimize the full value chains.

Elkem's R&D activities in 2015 amounted to NOK 304 million constituting 2.1 per cent of the group's revenue base. R&D expenses including received grants amounted to NOK 140 million, development and capitalisation of expenses amounted to NOK 110 million and NOK 53 million respectively. The R&D activities include:

- Specialisation: Development of new products for higher-end markets within Silicon Materials, Silicones, Foundry Products and Carbon.
- Silicone value chain: Global optimisation between Elkem's silicon and BSI's silicones production processes.
- Si 2020: programme for fundamental improvements and increased understanding of the silicon and ferrosilicon furnace production processes, from raw materials to finished silicon and foundry products.
- Environmental challenges, with
  - Development of a novel process for carbon neutral metal production.
  - Particular focus on Elkem's NO_X and dust emissions.
  - Development of green binders for ramming paste and electrode production.
  - Cleantech initiatives on waste water treatment.

In addition, Elkem is still exploring new market segments for innovative products, such as project on the Li Battery segments for developing silicon anode.

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 group. 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 organisational participation, Elkem has achieved significant 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 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 2015 was 3.7 per cent (3.4 per cent in 2014). 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 employee lost work time injury rate (H1 = number of lost time injuries per 1,000,000 working hours) for 2015 was 1.7 at year-end (2.6 in 2014), while the employee total recordable rate (TRR = H1+H2 = total number of lost work time, medical treatment and restricted work injuries per 1,000,000 working hours) was 2.7 (5.8 in 2014). This represents a substantial improvement from 2014 to 2015.

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

Recordable contractor injuries are managed in the same manner as own employee injuries even though they are recorded in separate statistics. There were 10 contractor lost work time injuries in 2015 compared to 12 in 2014. We deeply regret that one of these was a fatality. A young electrician died in connection with electrical work at the Carboindustrial site in Brasil.

Environmental impact

Elkem is committed to environmentally responsible production and continuous improvement. Elkem creates products needed for current and future generations based on highly developed production technology, with efficient utilisation of raw materials and energy.

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. The main environmental focus during 2015 has been further reduction of dust emissions, and information collection through recipient surveillance and analysis to decide control measures to comply with the EU water directive. All identified challenges, discrepancies and observations are being managed in a timely manner in cooperation with the 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 2015, all plants in Norway have implemented and reported a system for energy management according to ISO 50001. Action plans, with or without investments, and with support from government grants result in increased energy efficiency at all plants. Elkem's production facilities had energy recovery systems connected to their furnaces recovering a total of 200 GWh/year electricity and more than 400 GWh/year steam and hot water. A major upgrade of the existing energy recovery system at the Bjølvefossen plant was completed in March 2016, and existing energy recovery systems in both Thamshavn and Chicoutimi have shown improved results in 2015. Furthermore, all plants have achieved reduced specific energy consumption and saved energy in total. New investments for energy saving and energy recovery are also in the pipeline for the coming years. According to actions plans at all plants, new improvements will be implemented according to our commitment to reduce the global climate footprint of our products.

During 2015 NO_X reduction measures similar to those implemented on the Salten furnace number 2 in 2014 were implemented on a second furnace in Salten, also this time with support from the Norwegian Business Sector's NO_X fund. This has given a substantial reduction in NO_X emissions and will also be implemented on several other furnaces in the years to come.

Total emissions of nitrogen oxides (NO_X), sulfur dioxides (SO_2) and carbon dioxides (CO_2) from Elkem plants were 8,214, 7,608 and 1,470,404 tonnes respectively.

Equality and diversity

To achieve Elkem's strategic targets of safe operations, profitability and global growth, the group is dependent on attracting, developing and retaining competent people and a corporate culture based on Elkem Business System and our values; Respect, Involvement, Precision and Continuous Improvement. Elkem Business System (EBS) is founded on people as the driving force and empowered people in Elkem exhibit the right competencies, behaviour, appreciation and total acceptance of diversity regardless of their position or geographical location. Group values and Code of conduct embrace equality and diversity of all kinds among all Elkem employees and towards our external stakeholders. Elkem strongly believes that diversity enhances the quality of decisions, the speed of improvement work and is a necessary catalyst for the continuous development of the group.

The proportion of female employees in Elkem has been slightly increasing in the recent years and is currently 26 per cent. Elkem is committed to systematic efforts to increase diversity and for example in the group's internal leadership development programmes the share of women is steadily increasing and in recent years above 30 per cent. Elkem's trainee programme has had a proportion of above 50 per cent female participants since 2000. Moving forward, Elkem continues to work on increasing the proportion of women and diversity in general.

The group provides a workplace with full equality for all employees, and has a well-established policy and practice to ensure that there is no discrimination based on gender, disability, ethnicity, nationality, race, religion or beliefs.

The policy and established practises include recruitment, compensation and benefits, working conditions, possibilities for promotion, development and protection against harassment.

Diversity and equal opportunities continued to be an important foundation for Elkem in 2015 based on the group's internal policies, standards and guidelines for Human resources, Code of conduct and group values. This foundation is aiming to ensure that Elkem globally continues to embrace diversity, equal opportunities and non-discrimination culture and practices.

Accounting principles

The consolidated financial statements for 2015 have been prepared and presented in accordance with the International Financial Reporting Standards (IFRS), as adopted by EU.

Elkem AS' separate financial statements for 2015 have been prepared and presented in accordance with Norwegian Generally Accepted Accounting Principles (NGAAP).

Allocation of profit/loss for the year

In 2015, Elkem AS posted a profit of NOK 327 million. The board of directors proposes to transfer profit to retained earnings.

Going concern

The board confirms that the group satisfies the going concern assumption, and that the 2015 annual financial statements have been prepared on this basis.

Outlook for 2016

World Economic Outlook, issued by the International Monetary Fund in January 2016, expects global growth to increase from 3.1 per cent in 2015 to 3.4 per cent in 2016, largely due to a continued but modest recovery in the advanced economies. The largest growth rates are still evident in the emerging markets and developing economies.

Economic growth forecasts in 2016 (and 2017) point upwards following forecasts of a gradual improvement of growth rates in countries currently in economic distress, notably Brazil, Russia, and some countries in the Middle East.

Risks to the global outlook remain tilted to the downside and relate to ongoing adjustments in the global economy: a generalised slowdown in emerging market economies, China's rebalancing, lower commodity prices, and the gradual exit from extraordinarily accommodative monetary conditions in the United States.

The Elkem AS group's structure is sensitive to individual factors in the macro development. During the end of 2015 and beginning of 2016 a significant price decline for silicon and ferrosilicon products was evident. Elkem expects somewhat negative effects on income from the weaker sales prices. On the contrary, a current weak Norwegian krone is favorable for Elkem's income generation.

Market conditions are, however, cyclical and rapidly changing. In a long-term perspective Elkem's business units are deemed to be well positioned in markets with attractive growth rates. Based on strong cost positions and highly specialised products: the Elkem AS group is well positioned to handle uncertain and volatile markets in the future.

Oslo, 14 April 2016

Elkem AS Board of directors

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 income

1 January - 31 December	Note	2015	2014
Amounts in NOK 1000			
Revenue	4	14 361 403	12 523 291
Other operating income	4	179 654	150 658
Total operating income		**14 541 057**	**12 673 949**
Raw materials and energy for smelting		(6 847 021)	(6 355 219)
Employee benefit expenses	5	(2 438 997)	(2 206 416)
Other operating expenses	7, 8	(3 048 051)	(2 860 582)
Gross operating profit (loss)		**2 206 988**	**1 251 732**
Amortisations and depreciations	12	(674 383)	(628 584)
Impairment losses	12	(1 813)	(730)
Other gains and losses	9	(65 779)	(44 631)
Operating profit (loss)		**1 465 013**	**577 787**
Income from associates and joint ventures	13, 14	21 327	41 690
Finance income	10	57 492	82 761
Foreign exchange gains (losses)	10	32 533	(86 502)
Finance expenses	10	(154 067)	(182 097)
Profit (loss) before income tax		**1 422 298**	**433 639**
Tax (expenses) / income	11	(462 529)	(232 534)
Profit (loss) for the year from continued operations		**959 769**	**201 105**
Profit (loss) for the year from discontinued operations	31	(7 097)	(223 554)
Profit (loss) for the year		**952 672**	**(22 449)**
Attributable to:			
Non-controlling interest's share of profit (loss)		33 373	35 017
Owners of the parent's share of profit (loss)		919 299	(57 466)

Consolidated statement of other comprehensive income

1 January - 31 December	Note	2015	2014
Amounts in NOK 1000			
Profit (loss) for the year		**952 672**	**(22 449)**
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements of post employment benefit obligation	6	18 108	(55 594)
Tax effects on remeasurements of post employment benefit obligation	11	(4 617)	14 515
Share of profit (loss) from associates and joint ventures	13, 14	47	-
		13 538	**(41 079)**
Items that may be reclassified to profit or loss in subsequent periods			
Currency translation differences		251 943	98 259
Cash flow hedges	26	(867 486)	(15 067)
Tax effects on cash flow hedges	11	203 982	4 972
Share of profit (loss) from associates and joint ventures	13, 14	45	-
Change in value of available-for-sale financial assets		-	806
		(411 516)	**88 970**
Other comprehensive income for the year, net of tax		**(397 978)**	**47 891**
Discontinued operations		**3 422**	**(3 528)**
Total comprehensive income for the year		**558 116**	**21 914**
Attributable to:			
Non-controlling interest's share of comprehensive income		42 411	45 692
Owners of the parent's share of comprehensive income		515 705	(23 778)
Total comprehensive income for the year		**558 116**	**21 914**
Total comprehensive income attributable to equity shareholders arises from:			
- Continuing operations		519 380	203 304
- Discontinued operations		(3 675)	(227 082)
Total		**515 705**	**(23 778)**

Consolidated statement of financial position

	Note	31.12.2015	31.12.2014
Amounts in NOK 1000			
ASSETS			
Property, plant and equipment	12	5 602 208	5 183 162
Goodwill	12	244 088	229 470
Other intangible assets	12	643 493	574 083
Deferred tax assets	11	323 969	405 122
Investment in joint ventures	13	67 476	960 398
Interest in associates and other companies	14	96 046	117 987
Derivatives	26	40 480	69 743
Other non-current assets	16	217 226	1 623 905
Total non-current assets		**7 234 986**	**9 163 870**
Inventories	17	3 302 196	2 896 478
Accounts receivable	18	1 864 010	1 819 299
Derivatives	26	14 332	6 844
Other current assets	19	755 737	871 935
Cash and cash equivalents	22	1 305 592	694 993
Total current assets		**7 241 867**	**6 289 549**
TOTAL ASSETS		**14 476 853**	**15 453 419**
EQUITY AND LIABILITIES			
Paid-in capital	20	3 088 203	6 055 203
Retained earnings		3 107 336	(475 659)
Non-controlling interest		123 219	95 873
Total equity		**6 318 758**	**5 675 417**
Interest-bearing non-current liabilities	22	3 051 916	1 502 887
Deferred tax liabilities	11	175 046	211 949
Pension liabilities	6	393 735	390 776
Derivatives	26	723 571	252 405
Provisions and other non-current liabilities	24	262 184	230 792
Total non-current liabilities		**4 606 452**	**2 588 809**
Accounts payable		1 448 578	1 334 169
Income tax payables	11	128 496	71 054
Interest-bearing current liabilities	22	327 981	4 544 808
Derivatives	26	615 208	246 300
Provisions and other current liabilities	25	1 031 380	992 862
Total current liabilities		**3 551 643**	**7 189 193**
TOTAL EQUITY AND LIABILITIES		**14 476 853**	**15 453 419**

Oslo, 14 April 2016

Elkem AS Board of directors

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 1 January 2014	2 000 000	3 503 413	**5 503 413**	109 660	(460 374)	(101 155)	**(451 869)**	**5 051 544**	**92 365**	**5 143 909**
Profit (loss) for the year	-	-	-	-	-	(57 466)	**(57 466)**	**(57 466)**	35 017	**(22 449)**
Other comprehensive income for the year	-	-	-	88 199	(10 093)	(44 418)	**33 688**	**33 688**	10 675	**44 363**
Total comprehensive income for the year	-	-	-	88 199	(10 093)	(101 884)	**(23 778)**	**(23 778)**	**45 692**	**21 914**
Capital increase	10 000	541 790	**551 790**	-	-	-	-	**551 790**	-	**551 790**
Dividends to equity holders	-	-	-	-	-	-	-	-	(41 472)	**(41 472)**
Changes in the composition of the group	-	-	-	-	-	(12)	**(12)**	**(12)**	(712)	**(724)**
Balance 31 December 2014	**2 010 000**	**4 045 203**	**6 055 203**	**197 859**	**(470 467)**	**(203 051)**	**(475 659)**	**5 579 544**	**95 873**	**5 675 417**

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 1 January 2015	2 010 000	4 045 203	**6 055 203**	197 859	(470 467)	(203 051)	**(475 659)**	**5 579 544**	**95 873**	**5 675 417**
Profit (loss) for the year	-	-	-	-	-	919 299	**919 299**	**919 299**	33 373	**952 672**
Other comprehensive income for the year	-	-	-	242 875	(663 504)	17 005	**(403 624)**	**(403 624)**	9 068	**(394 556)**
Total comprehensive income for the year	-	-	-	242 875	(663 504)	936 304	**515 675**	**515 675**	**42 441**	**558 116**
Conversion of liabilities[1]	-	-	-	-	-	3 082 335	**3 082 335**	**3 082 335**	-	**3 082 335**
Dividends to equity holders	-	(2 967 000)	**(2 967 000)**	-	-	-	-	**(2 967 000)**	(15 095)	**(2 982 095)**
Changes in the composition of the group[2]	-	-	-	-	-	(15 015)	**(15 015)**	**(15 015)**	**-**	**(15 015)**
Balance 31 December 2015	**2 010 000**	**1 078 203**	**3 088 203**	**440 734**	**(1 133 971)**	**3 800 573**	**3 107 336**	**6 195 539**	**123 219**	**6 318 758**

[1] 15 June 2015, a shareholder loan in BSI of EUR 352 million was converted to equity.

[2] 19 June 2015 the Elkem AS group acquired all the shares in Bluestar Silicones International S.a.r.l. (BSI group) for a purchase price of EUR 1.7 million. The Elkem AS group and BSI group are under common control by China National Bluestar (group) and historical figures are restated. See note 1 General information and basis for preparation.

Consolidated statement of cash flows

1 January - 31 December	Note	2015	2014
Amounts in NOK 1000			
Operating profit (loss) - continued operations		1 465 013	577 787
Operating profit (loss) - discontinued operations		-	(94 675)
Changes fair value power contracts		13 730	26 448
Amortisation, depreciation and impairment changes	12	676 196	675 531
Changes in net working capital		(171 001)	(312 793)
Changes in other working capital		26 644	41 589
Interest payments received		48 986	85 102
Interest payments made		(63 333)	(199 235)
Other financial items		(2 007)	(1 883)
Income taxes paid		(174 056)	(123 585)
Cash flow from operating activities		**1 820 172**	**674 286**
Investments in property, plant and equipment and intangible assets	12	(1 067 383)	(851 592)
Sale of property, plant and equipment	12	4 789	24 183
Dividend received		32 097	12 263
Acquisition of subsidiaries, net of cash acquired		(15 015)	-
Disposal of subsidiaries and other shares		-	(311 375)
Payment received on loan to associate and joint venture		1 604	66 768
Loan to associate and joint venture	28	(20 570)	(48 839)
Other investments / sales		911	-
Cash flow from investing activities		**(1 063 567)**	**(1 108 592)**
Dividends paid to non-controlling interests		(15 095)	(41 472)
Dividends paid to owner of the parent		(1 900 000)	-
Capital increase		-	551 790
New interest-bearing loans and borrowings		3 510 249	612 091
Repayment of interest-bearing loans and borrowings		(1 787 126)	(812 946)
Cash flow from financing activities		**(191 972)**	**309 463**
Change in cash and cash equivalents		564 633	(124 843)
Currency exchange differences		45 966	96 134
Cash and cash equivalents opening balance		**694 993**	**723 702**
Cash and cash equivalents closing balance	22	**1 305 592**	**694 993**

Notes to the consolidated financial statement

Amounts in NOK 1,000

1 General information and basis for presentation

The consolidated financial statements for Elkem AS (hereafter the Elkem AS group/the group), including notes, for the year 2015 were approved by the board of directors of Elkem AS on 14 April 2016. Elkem AS is a limited liability company located in Norway. Elkem AS is fully owned by Bluestar Elkem International Co. Ltd S.A., Luxembourg, which is under the control of Bluestar Elkem Investment Co. Ltd. Bluestar Elkem Investment Co. Ltd is a limited company registered and domiciled in Hong Kong, owned by China National Bluestar (Group) Co. Ltd. (Bluestar).

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

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

Basis for preparation

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

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

New entities included in the Elkem AS group

19 June 2015 the Elkem AS group purchased all the shares in Bluestar Silicones International S.a.r.l (BSI group), from Bluestar Silicones Investment Co. Ltd (BSI HK). Both the Elkem AS group and BSI group are under common control by China National Bluestar (Group) Co. Ltd. Business combinations involving entities under common control, are accounted for according to the 'pooling of interest method' and comparable figures are restated, see note 30 Business combination under common control.

Sold companies

In February 2014 the Elkem AS group reduced the group's ownership in Elkem Solar Holding S.a.r.l. from 100 per cent to 50 per cent after a share issue. On 19 June 2015 the Elkem AS group sold its remaining 50 per cent of the shares to Bluestar Elkem Investment Co. Ltd. The Elkem AS group's share of profit (loss) of Elkem Solar Holding, including gain on disposal, is included in profit (loss) for the year from discontinued operations in the statement of income, see note 31 Discontinued operations.

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

2 Significant accounting policies

The consolidated financial statement is based on a historical cost basis, with the exception of derivative financial instruments 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 recognised 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 policies and errors are recognised retrospectively by restating the comparative amounts for the prior period presented, including the opening balance of the prior year. Change in accounting estimate is recognised prospectively by including it in profit or loss in the period of the change and future periods, if the change affects both.

Business combinations

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

Business combinations involving entities under common control, are accounted for according to the 'pooling of interest method', also called 'the merger method'. This method involves the following:

- Assets and liabilities of the combining entities are reflected at their carrying amounts
- No new goodwill is recognised as a result of the combination
- The income statement reflects the result of the combining entities for the full year, irrespective of when the combination took place. Comparable figures are restated.

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

Investment in associates

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

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

Joint arrangements

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

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

The group's interest in joint operations is recognised in relation to its interest in a joint operation:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

Foreign currencies

Separate financial statements

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

Monetary items denominated in foreign currencies are presented at the exchange rate on the balance sheet date, and any gains / losses are reported in the income statement. Currency gains / losses related to operating activities, i.e. receivables, payables, bank accounts for operating purposes including short term intragroup balances, are classified as a part of Operating profit. Currency effects included in Finance income and expenses are only related to financing activities like loans, long term placements and dividends.

Foreign currency differences are recognised in Other comprehensive income for the following items:
- loans to subsidiaries treated as a part of the net investment
- a financial asset or liability designated as a cash flow hedge to the extent that the hedge is effective

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

All resulting exchange differences are booked as separate component in Other comprehensive income, (OCI)

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

Goodwill

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

Intangible assets

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

An intangible asset is derecognised on disposal, or when the group expects no future economic benefits 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 recognised in profit or loss.

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

Property, plant and equipment

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

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

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an PPE, determined as the difference between the sales proceeds and the carrying amount of the asset, is recognised 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 in order to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of fair value less the costs to sell, or its value in use. Value in use is the present value of the future cash flow expected to be derived from the asset or the cash generating unit to which it belongs, after taking into accounts all other relevant information.

The group's cash generating units are reflecting the company's business areas, which are the basis for the Management review and Monthly 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 leases. Assets held under finance leases are initially recognised as assets of the group at 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

Purchases and sales of financial assets are recognised 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 derecognised once the right to future cash flows have expired or been transferred to a third party, and once the group has transferred substantially all the risk and rewards of control of these assets.

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

Financial assets at fair value through profit or loss

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

Financial assets available for sale

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

Loans and receivables

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

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

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

Cash and cash equivalents are held for the purpose of meeting short term fluctuations in liquidity, rather than for investment purposes. 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. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above.

If there is objective evidence of impairment, or if there is a risk that the group may not recover the contractual amounts at the contractual maturity dates, an impairment loss is recognised in the 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 recognised at fair value of the amount required to settle the associated obligation, net of related costs. Subsequently and insofar, as they are not designated as liabilities at fair value through profit or loss, such liabilities are recognised at amortised cost using the effective interest rate method, and the difference between the cost and the amount of repayment being recognised in the income statement over the term of the borrowing. Commitment- and up-front fees related to bank credit facilities are recognised as part of interest expenses as incurred.

Derivative financial instruments including derivative hedging instruments and non-financial contracts with net settlements that are to be treated as financial derivatives

Derivatives are initially recognised at fair value at the date when the derivative contracts are entered into. Transaction costs that are directly attributable to the acquisition of financial assets or liabilities at fair value through profit or loss, are recognised immediately in 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 recognised 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 derecognised when they are extinguished.

Hedge accounting

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

i) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges, are recognised in 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 recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in 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 was reported in equity, is immediately transferred to the income statement.

Commodity contract within the scope of IAS 39
Non-financial commodity contracts where the relevant commodity is readily convertible to cash, and where the contracts are not for own use, fall within the scope of IAS 39 Financial instruments - recognition and measurement. Such contracts are treated as derivatives in accordance with IAS 39. The group currently has energy contracts in Norway that do not meet their own use criteria according to IAS 39.5. The contracts must be treated as derivatives and are booked at fair value through profit or loss (see also notes 9, 26 and 27). Commodity contracts within the scope of IAS 39 are classified as current assets or liabilities, unless they are expected to be realised more than 12 months after the balance sheet date. In that case, they are classified as non-current assets.

Inventories

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

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

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

Taxation

Income taxes
Current tax assets and liabilities are measured at the amount expected to be recovered or paid to the tax authorities. Current tax payable includes any adjustment to tax payable in respect of previous years. Income tax is recognised in the income statement except to the extent that it relates to items recognised 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 favour of the group and can no longer be appealed.

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

Deferred tax
Deferred tax assets and liabilities are calculated using the liability method with full allocation for all temporary differences between the tax base and the carrying amount of assets and liabilities in the consolidated financial statements, including tax losses carried forward. Deferred tax relating to items outside profit or loss are recognised in correlation with the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill. Deferred tax assets are recognised in the statement of financial position to the extent that it is more likely than not that the tax assets will be utilised against deferred tax liabilities or future taxable income. 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 realised simultaneously.

Employee retirement benefits

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

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

Multi-employer defined benefit plans where information is insufficient to be able to calculate the present obligation, are accounted for as a contribution plan. Long term employee benefits are presented as a part of Provisions.

Provisions

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

Contingent liabilities

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

Contingent assets

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

Revenue recognition

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

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

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

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

Government grants

Government grants are recognised 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 recognised as income over the lifetime of a depreciable asset by reducing the depreciation charge. Grants related to expenses are classified as Other operating income.

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 contracts for 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 is recognised as Other operating income when there is reasonable assurance that the entity will comply with the conditions attached and the grants will be received.

Statement of cash flows

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

Events after the reporting period

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

New interpretations and changes to existing standards not yet adopted

IASB has published a number of new standards and amendments to standards and interpretations that are not effective for the annual period ending 31 December 2015. Some of these will affect the Elkem AS group's financial statements when approved by EU.

The standards that could entail material changes are the new IFRS 16 Leases and IFRS 15 Recognition of Income. The new standards will not come into force until 2018/2019.

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

For IFRS 15 Recognition of Income the core principle is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expect to be entitled in exchange for those goods or services. The change will affect revenue recognition of combined deliveries. Combined deliveries means tied sales where it is difficult to distinguish between the purchased product and additional deliveries. The change is estimated to have limited effect on the Elkem AS group periodisation of revenue.

3 Accounting estimates

The preparation of the consolidated financial statements according to IFRS requires management to make judgements, 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. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Estimates and judgements are evaluated on a continually basis, and are based on historical experiences and other factors 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 amount 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 12 Property, plant and equipment and intangible assets.

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

Power contracts:
Fair value for power contracts is based on assumptions derived from observable prices for comparable instruments.
Net booked value as of 31 December 2015 is in total negative NOK 864 million (see note 26, Financial instruments for further details, and note 27 Financial risk and capital management for sensitivity).

Estimated useful life of tangible assets:

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

4 Operating income

By type	2015	2014
Revenue from sale of goods - external [1]	13 965 620	12 208 023
Revenue from sale of goods - China National Bluestar Group [2]	4 956	8 517
Other operating revenue - external	359 944	303 288
Other operating revenue - China National Bluestar Group [2]	30 882	3 463
Total revenue	14 361 403	12 523 291
Other operating income	179 654	150 658
Total operating income	**14 541 057**	**12 673 949**

[1] Included in Revenue from sale of goods is sale of power NOK 305,246 thousand in 2015 (NOK 379,511 thousand in 2014).

[2] See note 28 Related party transactions.

Total operating income by geographic market (customer location)	2015	2014
Nordic countries	1 625 423	1 459 411
United Kingdom	641 712	605 814
Germany	2 407 475	2 089 594
France	693 503	549 711
Italy	643 274	553 792
Poland	362 395	273 469
Luxembourg	336 461	343 614
Other European countries	1 524 828	1 515 589
Europe	**8 235 073**	**7 390 995**
Africa	**149 103**	**158 960**
North America	2 134 002	2 385 360
South America	632 801	156 419
America	**2 766 803**	**2 541 779**
China	973 926	769 740
Japan	632 016	466 229
South Korea	527 829	354 946
Other Asian countries	1 182 072	880 688
Asia	**3 315 843**	**2 471 603**
Rest of the world	**74 236**	**110 612**
Total	**14 541 057**	**12 673 949**

The Elkem AS group has several smaller and larger external customers, no single customer amount to 10 per cent or more of the revenues.

Details of other operating income:	2015	2014
Sale of fixed assets	1 164	20 428
Insurance settlement	1 817	20 199
Government grants [1]	176 231	100 798
Proceeds from cancellation of supply contract	-	9 233
Other	443	-
Total other operating income	**179 654**	**150 658**

[1] See note 29 Government grants.

5 Employee benefit expenses

	2015	2014
Salaries and other benefits	(1 918 408)	(1 717 644)
Employer's national insurance contribution	(396 097)	(383 305)
Employee retirement benefits [1]	(86 371)	(74 079)
Other payments / benefits	(38 121)	(31 388)
Total employee benefit expenses	**(2 438 997)**	**(2 206 416)**

[1] See note 6 Employee retirement benefits

In 2015 the number of full time employees in the Elkem AS group was 3628. In 2014 the number was 3459.

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

Compensation to members of the board	2015	2014
Payment to board members in total	(489)	(465)

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

Salary and other compensations to the CEO	2015	2014
Salary, including holiday pay	(4 676)	(3 591)
Bonus, including retention fee[1]	(3 095)	(10 288)
Free car	(130)	(129)
Other compensation	(35)	(11)
Pension cost	(475)	(436)

[1] In 2015 bonus payment included a 25 years anniversary payment of NOK 228 thousand and a ChemChina award of NOK 681 thousand. In 2014 a retention fee of NOK 8,024 thousand, equivalent to 36 months of base salary, was paid.

Retirement age for the CEO is 65-67 years. Pension from the age of 67 and other pensions regarding spouse, children and disability are paid in accordance with the general pension policy of the company. For salaries up to 12G, the pension provided by the company, is according to a defined contribution plan and will be paid according to the company's current guidelines through operations.

The CEO is also entitled to :
A performance bonus equivalent to maximum 100 per cent of the base salary, based on the company performance

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

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

6 Employee retirement benefits

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

Defined contribution plans

Defined contribution plans comprise arrangements whereby the company makes annual contributions to the employee's pension plan, and where the employee's future pension is determined by the amount of the contributions and the return on the pension plan asset. Contribution plans also comprise pension plans that are common to several companies, and where the pension premium is determined independently by the demographic profile in the individual companies (multi-employer plans). Employees in the group's Norwegian entities are primarily 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 expenses are accounted for based on received invoices from 'Fellesordningen for AFP'. The plan is accounted for as a defined contribution plan, as the plan's administrators have not been able to calculate the pension obligation for each entity participating in the plan.

Defined benefit plans

Defined benefit plans are pension plans where the group is responsible for paying pensions at a certain level, based on employees' salaries when retiring. The group has funded and unfunded benefit plans in Norway, France, Germany, UK, Canada, Japan and South Africa, distributed as follows: Norway 18 per cent, France 47 per cent, other Europe 22 per cent, Canada 10 per cent, other countries 3 per cent, based on net pension obligation per 31 December 2015. In Norway all defined benefit plans are unfunded. The pension plans comprise pension on salaries above a certain level (12G), the closed early retirement scheme (AFP, final settled in 2015) and closed individual retirement schemes. In Canada provisions are made for medical insurance as well as pension benefit plans.

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

Breakdown of net pension expenses:	2015	2014
Current service expenses	(29 152)	(22 086)
Accrued employer's national insurance contribution	(453)	(786)
General administration expenses	(587)	(397)
Net pension expenses, defined benefit plans	(30 192)	(23 269)
Defined contribution plans	(42 970)	(41 841)
Early retirement scheme AFP (Norway)	(13 209)	(8 970)
Pension contribution expenses	(56 179)	(50 811)
Net pension expenses total	**(86 371)**	**(74 080)**
In addition, interest expenses on net pension liabilities is recognised as a part of finance expenses.	9 804	10 380

Net liabilities arising from defined benefit obligations	2015	2014
Present value of funded pension obligation	(391 500)	(369 734)
Fair value of plan assets	363 632	340 166
Net funded pension obligation	(27 868)	(29 568)
Present value of unfunded pension obligation	(365 868)	(361 208)
Net value of funded and unfunded obligations	(393 735)	(390 776)
Net pension liabilities	**(393 735)**	**(390 776)**
Booked net pension assets	-	-
Booked net pension liabilities	(393 735)	(390 776)
Net pension liabilities	**(393 735)**	**(390 776)**

Note 6 continues >

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

Movement in defined benefit obligation	2015	2014
Opening balance	(730 942)	(606 206)
Current service expenses and social contribution tax	(29 605)	(22 872)
Interest expenses	(23 114)	(24 851)
Actuarial gains / (losses)	9 672	(74 975)
Benefits paid	44 229	47 718
Business combinations and disposals	-	13 790
Other changes	(935)	
Currency translation	(26 672)	(63 547)
Present value of the pension obligation as at 31 December	(757 368)	(730 942)

Movement in fair value of plan assets	2015	2014
Opening balance	340 166	280 286
Interest income	13 268	14 471
Administration cost	(587)	(397)
Actuarial gains / (losses)	8 437	19 382
Contributions from employer and plan participants	9 901	15 124
Benefits paid	(16 009)	(13 097)
Other changes	234	-
Business combinations and disposals	-	(12 073)
Currency translation	8 223	36 470
Fair value of plan assets as at 31 December	363 632	340 166

Breakdown of pension plan assets (fair value) as at 31 December:	Distribution % 2015	Fair value of plan assets 2015	Distribution % 2014	Fair value of plan assets 2014
Cash, cash equivalent and money market investments	2%	6 848	0%	360
Bonds	41%	150 286	45%	153 481
Shares	55%	198 803	53%	180 247
Property	2%	7 696	2%	6 078
Total pension fund	100%	363 632	100%	340 166

	2015		2014	
Actual return on plan assets	3.3%	**12 064**	12.3%	**33 100**

In addition, some Norwegian entities have pension contribution funds, mainly based on excess pension assets from settlement of the defined benefit plans in 2010. The pension contribution funds are classified as long-term pension funds, except next year's expected contributions which are classified as short-term, (see note 16 Other non-current assets and 19 Other current assets).

Pension contribution funds	2015	2014
Current part of contribution fund	10 912	11 492
Long-term part of contribution fund	6 160	8 860
	17 072	**20 352**

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

Net pension liabilities	2015	2014
Pension obligations	(757 368)	(730 942)
Pension plan assets	363 632	340 166
	(393 736)	**(390 776)**

Total actuarial gains / (losses) recognised in other comprehensive income this period	2015	2014
Changes in actuarial gain / (loss) in pension obligation	9 672	(74 976)
Changes in actuarial gain / (loss) in pension assets	8 437	19 382
	18 108	**(55 594)**

The principal assumptions used for the actuarial valuations in 2015 and 2014 were as follows:

	Norway		Canada		Germany		UK		France	
Discount rate	2.5%	(2.3%)	2.0%	(2.0%)	4.0%	(4.75%)	2.1%	(2.4%)	3.7%	(3.5%)
Expected rate of salary increase	2.25%	(3.0%)	2.75%	(3.0%)	3.5%	(3.5%)	3.0%	(3.0%)	3.0%	(3.0%)
Annual regulation of pensions paid	1.0%	(0.5%)	-		-		2.0%	(2.0%)	-	-
Change in public pension base rate (G)	2.25%	(3.0%)	-		-		-		-	

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

Sensitivity on pension liabilities based on 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 liabilities.

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

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
2015: Effect on the pension liability in NOK millions	(45)	50	21	(22)	23	(21)
2014: Effect on the pension liability in NOK millions	(46)	50	20	(20)	22	(20)

As the group's main pension plans are defined contribution plans, there are no group policies for funding of the defined benefit plans. This is managed locally, based on the terms and and status for the individual plan. The defined benefit plans in Norway 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	France
Contribution to be paid to defined pension plans next year	5 302	35 234	5 692	1 546	4 508
Weighted average duration of the defined benefit obligation	10 years	10 years	19 years	15 years	16 years

7 Other operating expenses

	2015	2014
Loss on disposal of fixed assets	(1 573)	(2 518)
Freight and commission expenses	(837 303)	(801 914)
Leasing expenses	(125 338)	(113 718)
External services	(1 127 936)	(1 067 641)
Insurance expenses	(65 084)	(60 464)
Impairment losses receivables	(6 018)	(6 089)
Other operating expenses	(884 799)	(808 239)
Total other operating expenses	**(3 048 051)**	**(2 860 582)**

In 2015 the Elkem AS group expensed NOK 140,303 thousand (in 2014 NOK 175,276 thousand) related to research and development, which are included in the figures above. Grants received relating to research and development amount to NOK 70,058 thousand for 2015 (for 2014 NOK 63,098 thousand) and is included in Other operating income.

Audit and other services	2015	2014
Audit fee	(15 897)	(12 581)
Other assurance services	(868)	(1 417)
Tax services	(2 442)	(1 636)
Other services	(2 813)	(317)
Total audit fees	**(22 019)**	**(15 952)**

Fees to auditors are reported exclusive of VAT.

8 Operating lease

2015	Machinery and plant	Land, buildings and other properties	Equipment, furniture, systems and vehicles	Total
Lease expenses 2015	(10 025)	(73 084)	(42 229)	**(125 338)**
Lease in accordance to contract due:				
Within one year	(2 431)	(43 148)	(34 235)	**(79 814)**
In the second to fifth year inclusive	(4 257)	(95 998)	(93 405)	**(193 660)**
Over five years	-	(54 607)	(13 157)	**(67 764)**

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

2014	Machinery and plant	Land, buildings and other properties	Equipment, furniture, systems and vehicles	Total
Lease expenses 2014	(18 242)	(56 916)	(38 560)	**(113 718)**
Lease in accordance to contract due:				
Within one year	(3 718)	(35 399)	(34 272)	**(73 390)**
In the second to fifth year inclusive	(5 043)	(85 098)	(98 619)	**(188 760)**
Over five years	-	(44 987)	(28 709)	**(73 696)**

New IFRS 16 Leases

The new standard, expected to be applicable in 2019, requires lessees to initially recognize a right-of-use asset and the associated lease liability for the lease term for all lease contracts (with an option to exclude leases with a lease term of 12 months or less and leases for which the underlying asset is of low value). The lease liability is measured at the present value of the lease payments over the lease term. Based on reported leases the effect of implementing the new standard is estimated to a capitalisation of more than NOK 0.3 billion. The effect would reduce the group's equity ratio in 2015 from 43.6 per cent to approximately 42.7 per cent. Under the current IFRS, leases classified as operational leases are presented as operating expenses. Under the new IFRS 16 the capitalised leases will be depreciated over the lease term and presented as depreciation, and the interest effect from the discounted liability will be presented as a financial item in the statement of income. Profit (loss) before income tax will not be affected by the changes, but gross operating profit (loss) and operating profit (loss) will be affected positively by the change.

9 Other gains and losses

	2015	2014
Dividend income from available for sale financial assets	830	309
Change in fair value commodity contracts	(115 202)	9 624
Net foreign exchange gains / losses – foreign exchange forward contracts	41 587	(8 700)
Operating foreign exchange gains / losses	9 954	28 235
Ineffectiveness on fair value hedges	-	2 198
Ineffectiveness on cash flow hedges, power	27 593	(67 601)
Gains / losses disposal of subsidiaries	3 107	(193)
Other gains / losses [1]	(33 648)	(8 503)
Total other gains and losses	**(65 779)**	**(44 631)**

[1] Of this, NOK 30,440 thousand relates to write down of shares in Bluestar Silicones Tianjin Co. Ltd.

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

10 Finance income and expenses

	2015	2014
Interest income [1]	56 979	81 502
Other financial income	513	1 259
Total finance income	**57 492**	**82 761**
Interest expenses borrowings [2]	(124 396)	(149 010)
Unwinding of discounted liabilities	(17 347)	(14 503)
Interest on net pension liabilities	(9 804)	(10 380)
Other financial expenses	(2 520)	(8 205)
Total finance expenses	**(154 067)**	**(182 097)**
Net foreign currency translation expenses	32 533	(86 502)
Finance income (expenses), net	**(64 042)**	**(185 838)**

[1] The decrease in interest income from 2014 to 2015 is mainly related to loans to Elkem Solar AS. The loans was sold to Bluestar Elkem Investment Co. Ltd. 19 June 2015.

[2] The decrease in interest expenses borrowings from 2014 to 2015 is mainly related to repayment and debt conversion of loans to parent companies.

11 Taxes

Income tax recognised in profit or loss	2015	2014
Profit (loss) before income tax	1 422 298	433 639
Current taxes	(222 613)	(147 079)
Deferred taxes	(239 916)	(85 455)
Total tax (expense) / income	**(462 529)**	**(232 534)**
Income taxes recognised in other comprehensive income (OCI)		
Remeasurements of post employment benefit obligation	(4 617)	14 515
Cash flow hedges	203 982	4 972
Total tax charged to OCI	**199 365**	**19 487**

Reconciliation of tax (expense) / income	2015	2014
Profit (loss) before income tax	**1 422 298**	**433 639**
Expected income taxes, 27 per cent of profit before tax	(384 020)	(117 083)
Tax effects of:		
Difference in tax rates for each individual jurisdiction	23 101	26 371
Permanent differences		
Tax effect of income from Norwegian controlled foreign companies (NOKUS)	(6 741)	(6 830)
Tax effect share of profit (loss) associates and joint ventures	4 658	11 109
Tax effect finance expenses holding companies [1]	(48 354)	-
Tax effects other permanent differences	(779)	(45 899)
Other effects		
Tax effect of not capitalised deferred tax assets this year	(2 420)	(75 869)
Tax credits utilised	1 422	-
Tax effect change in tax rate [2]	21 537	(564)
Other current tax paid	(15 657)	(23 488)
Previous year tax adjustment	(55 276)	(281)
Tax (expense) / income for the year	**(462 529)**	**(232 534)**
Effective tax rate	33%	54%

[1] The Elkem AS group has a company in Luxembourg were the only purpose is to own shares in group entities. The Elkem AS group does not have taxable income from other activities that can be utilised against taxable loss from finance and operating expenses in this entity. Accumulated tax losses from this activity is NOK 2,191 million as of 31 December 2015.

[2] The effect relates mainly to changes in tax rate from 27 per cent to 25 per cent in Norway from 2016 and from 28 per cent to 25 per cent in Spain from 2016. The changes in tax rates were approved by the governments before year end 2015.

Deferred tax assets and deferred tax liabilities	31.12.2015	31.12.2014
Hedging instruments	384 382	174 009
Property, Plant, Equipment and Intangible assets	(333 725)	(279 976)
Pension fund	109 964	105 374
Other differences	(76 857)	15 819
Accounts receivable	(742)	(1 077)
Inventories	(45 975)	(23 818)
Provisions	38 388	(15 749)
Tax losses to carry forward	403 998	464 512
Deferred tax assets (liabilities)	**479 433**	**439 094**
Not recognised deferred tax asset to Tax losses to carry forward	(330 510)	(245 921)
Net deferred tax assets (liabilities) recognised	**148 923**	**193 173**

Change in net deferred tax assets and deferred tax liabilities	2015	2014
1 January	193 173	262 385
Recognised in profit or loss for the year	(239 916)	(85 455)
Recognised in other comprehensive income	199 365	19 487
Foreign currency exchange differences	(3 699)	(3 244)
31 December	**148 923**	**193 173**

Deferred taxes	31.12.2015	31.12.2014
Deferred tax assets	323 969	405 122
Deferred tax liabilities	(175 046)	(211 949)
Net deferred tax assets (liabilities)	**148 923**	**193 173**

31.12.2015 Tax losses to carryforward	Gross tax losses to carryforward	Deferred tax asset	Not recognised deferred tax asset	Recognised deferred tax asset
France	977 019	336 077	(263 437)	72 640
Brazil	196 150	66 691	(66 535)	156
UK	2 691	538	(538)	-
Hong Kong	2 994	494	-	494
Shanghai	1 318	198	-	198
Total related to loss carryforward	**1 180 172**	**403 998**	**(330 510)**	**73 488**

31.12.2014 Tax losses to carryforward	Gross tax losses to carryforward	Deferred tax asset	Not recognised deferred tax asset	Recognised deferred tax asset
Norway	584 704	157 870	(103)	157 767
France	888 695	305 838	(245 244)	60 594
Brazil	677	230	-	230
UK	883	185	(185)	-
Turkey	1 937	389	(389)	-
Total related to loss carryforward	**1 476 896**	**464 512**	**(245 921)**	**218 591**

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

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

Pending tax issues with the tax authorities
See note 24 Provisions and other non-current liabilities.

12 Property, plant and equipment and intangible assets

Property, plant and equipment

2015	Land and other property	Buildings	Machinery and plants	Equipment, furniture and transport-vehicles	Construction in progress	Total
Opening balance Net booked value 2015	**105 008**	**1 351 826**	**3 268 149**	**112 997**	**345 181**	**5 183 162**
Additions	2 616	24 444	95 524	15 803	787 455	**925 842**
Disposals	-	(567)	(4 454)	(1 693)	-	**(6 714)**
Reclassification	(1 666)	1 550	919	(246)	-	**558**
Transferred from CiP	4 340	27 791	435 582	68 721	(536 434)	**-**
Impairment losses	-	(122)	(1 593)	(99)	-	**(1 813)**
Depreciation expenses 2015	(2 649)	(85 902)	(469 769)	(34 198)	-	**(592 518)**
Foreign currency exchange differences	2 400	12 899	79 599	(143)	(1 063)	**93 692**
Closing balance Net booked value 2015	**110 050**	**1 331 921**	**3 403 958**	**161 142**	**595 138**	**5 602 208**
Fixed assets under financial leasing						
Included in Net booked value	22 786	-	10 817	467	-	**34 070**
Historical cost	160 419	2 823 459	9 137 519	492 468	595 138	**13 209 004**
Accumulated depreciation	(39 123)	(1 486 005)	(5 633 049)	(330 707)	-	**(7 488 884)**
Accumulated impairment losses	(11 246)	(5 534)	(100 512)	(620)	-	**(117 911)**
Closing balance Net booked value 2015	**110 050**	**1 331 921**	**3 403 958**	**161 142**	**595 138**	**5 602 208**
Estimated useful life	0-50 years	5-50 years	3-50 years	3-20 years		
Depreciation plan	Straight-line	Straight-line	Straight-line	Straight-line		

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

2014	Land and other property	Buildings	Machinery and plants	Equipment, furniture and transport-vehicles	Construction in progress	Total
Opening balance Net booked value 2014	**181 184**	**1 211 875**	**2 851 142**	**103 190**	**419 610**	**4 767 000**
Additions	0	7 471	220 197	9 292	498 927	**735 886**
Disposals	(913)	(396)	(2 996)	(2 281)	(1 151)	**(7 736)**
Reclassification	(98 270)	98 270	-	-	-	**-**
Transferred from CiP	10 897	67 665	497 554	25 179	(601 294)	**-**
Impairment losses	-	-	(701)	(29)	-	**(730)**
Depreciation expenses	(2 832)	(90 066)	(443 475)	(26 664)	-	**(563 037)**
Disposal of discontinued operations	-	-	-	(113)	-	**(113)**
Foreign currency exchange differences	14 941	57 008	146 429	4 423	29 089	**251 891**
Closing balance Net booked value 2014	**105 008**	**1 351 826**	**3 268 149**	**112 997**	**345 181**	**5 183 162**
Fixed assets under financial leasing						
Included in Net booked value	24 313	-	3 843	963	-	**29 119**
Historical cost	207 666	2 790 092	8 946 970	417 807	356 199	**12 718 734**
Accumulated depreciation	(102 017)	(1 423 558)	(5 576 768)	(303 707)	-	**(7 406 050)**
Accumulated impairment losses	(641)	(14 708)	(102 052)	(1 103)	(11 018)	**(129 522)**
Closing balance Net booked value 2014	**105 008**	**1 351 826**	**3 268 149**	**112 997**	**345 181**	**5 183 162**
Estimated useful life	0-50 years	5-50 years	3-50 years	3-20 years		
Depreciation plan	Straight-line	Straight-line	Straight-line	Straight-line		

In 2014 the Elkem AS group entity Elkem Milling Services purchased assets and operations from MSC Europe GmbH. Elkem Milling Services micronises and processes silicon, primarily destined for the application in the automotive industry. The purchase price of the assets and operations is NOK 37.2 million and is allocated to machinery and plants.

Note 12 continues >

Intangible assets

2015	Goodwill	Other intangible assets	Technology and licences	Develop-ment	IT systems and programmes	Intangible assets under construction	Total other intangible assets
Opening balance Net booked value 2015	**229 470**	**32 887**	**163 737**	**133 869**	**130 765**	**112 825**	**574 083**
Additions	**-**	31 986	17 560	15 511	9 164	66 589	**140 810**
Reclassification	-	-	28	-	(586)	-	**(558)**
Transferred from CiP	-	-	-	78 173	2 214	(80 387)	**-**
Amortisation	-	(2 272)	(15 987)	(42 584)	(21 022)	-	**(81 865)**
Foreign currency exchange differences	**14 618**	1 080	3 195	4 106	271	2 371	**11 023**
Closing balance Net booked value 2015	**244 088**	**63 681**	**168 533**	**189 076**	**120 805**	**101 398**	**643 493**
Historical cost	**244 093**	121 418	451 539	419 717	302 384	101 398	**1 396 456**
Accumulated amortisation	-	(56 902)	(283 005)	(230 642)	(181 579)	-	**(752 128)**
Accumulated write-downs	**(5)**	(835)	-	-	-	-	**(835)**
Closing balance Net booked value 2015	**244 088**	**63 681**	**168 533**	**189 076**	**120 805**	**101 398**	**643 493**
Estimated useful life	Indefinite	3–10 years	3–15 years	3–16 years	3–10 years		
Amortisation plan		Straight-line	Straight-line	Straight-line	Straight-line		

The investments related to intangible assets mainly consist of development costs of NOK 52,926 thousand.

During 2015, the Elkem AS group expensed NOK 140,303 thousand as research and development related to improvement of processes and products, and partially for long-term technology and business development.

Intangible assets

2014	Goodwill	Other intangible assets	Technology and licences	Develop-ment	IT systems and programmes	Intangible assets under construction	Total other intangible assets
Opening balance Net booked value 2014	**199 694**	**26 916**	**154 257**	**103 639**	**19 452**	**183 233**	**487 497**
Additions	-	4 211	6 952	54 670	7 336	43 254	**116 423**
Disposals	-	-	-	(33)	-	-	**(33)**
Transferred from CiP	-	1 156	4 077	(5 873)	115 451	(113 663)	**1 148**
Amortisation	-	(2 038)	(13 472)	(37 444)	(12 593)	-	**(65 547)**
Foreign currency exchange differences	**29 776**	2 643	11 923	18 910	1 119	-	**34 595**
Closing balance Net booked value 2014	**229 470**	**32 887**	**163 737**	**133 869**	**130 765**	**112 825**	**574 083**
Historical cost	**479 694**	84 898	360 524	296 686	254 960	124 750	**1 121 818**
Accumulated amortisation	-	(51 223)	(196 787)	(162 817)	(124 195)	(11 925)	**(546 947)**
Accumulated write-downs	**(250 225)**	(787)	-	-	-	-	**(787)**
Closing balance Net booked value 2014	**229 470**	**32 887**	**163 737**	**133 869**	**130 765**	**112 825**	**574 083**
Estimated useful life	Indefinite	3–10 years	3–15 years	3–16 years	3–10 years		
Amortisation plan		Straight-line	Straight-line	Straight-line	Straight-line		

The investments related to intangible assets mainly consist of ERP system M3 of NOK 36,081 thousand and R&D costs of NOK 51,831 thousand.

During 2014, the Elkem AS group expensed NOK 175,276 thousand as research and development related to improvement of processes and products, and partially for long-term technology and business development.

Valuation of fixed assets, intangible assets and goodwill
Fixed assets and intangible assets are stated in the financial statement at cost less subsequent accumulated depreciation and amortisation. 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, but are tested for impairment annually. If the fair value of the assets is lower than the carrying amount, a write-down will be recognised.

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 recover- able 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.

Impairment test goodwill and intangible assets

Goodwill per entity/CGU 2015	Silicones	Foundry products	Silicon materials	Carbon	Total
Elkem Oilfield Chemical FZCO	-	-	20 562	-	**20 562**
Elkem Materials Process Services BV/Dehong JV	-	-	165	-	**165**
Elkem Participacòes Indústria e Comércio Limitada	-	-	-	9 369	**9 369**
Ferroveld JV	-	-	-	41 951	**41 951**
Elkem Carbon China Comp Ltd	-	-	-	1 000	**1 000**
NEH Inc.	-	59 792	23 072	15 316	**98 180**
Silicones	72 861	-	-	-	**72 861**
Total Goodwill	**72 861**	**59 792**	**43 799**	**67 636**	**244 088**

Goodwill per entity/CGU 2014	Silicones	Foundry products	Silicon materials	Carbon	Total
Elkem Oilfield Chemical FZCO	-	-	17 398	-	**17 398**
Elkem Materials Process Services BV/Dehong JV	-	-	165	-	**165**
Elkem Participacòes Indústria e Comércio Limitada	-	-	-	11 380	**11 380**
Ferroveld JV	-	-	-	47 716	**47 716**
Elkem Carbon China Comp Ltd	-	-	-	1 000	**1 000**
NEH Inc.	-	50 593	19 523	12 960	**83 075**
Silicones	68 736	-	-	-	**68 736**
Total Goodwill	**68 736**	**50 593**	**37 086**	**73 055**	**229 470**

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

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

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

Note 12 continues >

Discount rates: The required rate of return was calculated by the WACC method. The cost of a company's equity and liabilities, weighted to reflect its capital structure of 50:50 respectively, derive from its weighted average cost of capital. The WACC rates used in discounting the future cash flows, are based on 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 pre-tax discount rate (WACC) and sustained growth rate year 5 and forward have been used for the impairment test:

	WACC	Growth
Foundry Products	8.4%	2.5%
Silicon Materials	8.5%	2.5%
Carbon	8.8%	2.5%
Silicones	8.5%	2.8%

Sensitivity of estimated cash flows
A normal change in WACC and other key assumptions will not affect the conclusion as the Elkem AS group excluding Silicones, has a large headroom regarding the test of the recoverable amount. BSI group (Silicones) was purchased to estimated fair value as at 19 June 2015. BSI group has performed better than the budget and the impairment analyses showed a headroom in WACC of 1.6 percentage point, and in sustained growth year 5 and forward of 2.1 percentage point.

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 2015.

13 Joint arrangements

In 2014 and 2015 the Elkem AS group has interests in the following jointly controlled arrangements:

Name of entity	Business office	Country	Principal activities
Elkem Ferroveld JV (ZA)	Ferrobank Emalahleni	South Africa	Electrode paste production
Dehong Elkem Materials Co. Ltd	Dehong, Yunnan	China	Elkem Microsilica® production
Elkania DA	Hauge i Dalane	Norway	Microfine weighting material
Igazú Alloys S.A.	Montevideo	Uruguay	Production of foundry products
North Sea Container Line AS	Haugesund	Norway	Shipping services
Klafi EHF	Grundartangi, Akranes	Iceland	Transportation / harbour services
Elkem Solar Holding S.a.r.l	Luxembourg	Luxembourg	Solar technology

Name of entity	% equity interest 2015	% equity interest 2015	2015 Classification	2014 Classification
Elkem Ferroveld JV (ZA)	50%	50%	JO	JO
Dehong Elkem Materials Co. Ltd	50%	50%	JO	JO
Elkania DA	50%	50%	JO	JO
Igazú Alloys S.A.	50%	50%	JV	JV
North Sea Container Line AS	50%	50%	JV	JV
Klafi EHF	50%	50%	JV	JV
Elkem Solar Holding S.a.r.l	-	50%	-	JV

In the column for classification JO is equal to joint operations and JV is equal to joint ventures.

Elkem Solar Holding S.à.r.l was sold on 19 June 2015 to Bluestar Elkem Investment Co. Ltd. The Elkem AS group share of the loss in Elkem Solar S.à.r.l is (NOK 111,935 thousand) for the period 1 January to 18 June 2015. The sales resulted in a gain for the Elkem AS group of NOK 104,838 thousand. The net profit of NOK 7,097 thousand is presented as discontinued profit (loss). In 2014 the Elkem AS group's share of Elkem Solar S.à.r.l went from 100 per cent owned to 50 per cent owned on the 7 March. The share of profit in 2014, related to Elkem Solar, is for the period 1 March to 31 December.

There is no quoted market price for the investments.

There are limited business transactions between the consolidated joint operations and the consolidated entities within the Elkem AS group. The transactions between the joint ventures is described in note 28 Related party transactions.

The joint ventures had no other contingent liabilities or commitments as at 31 December 2015 and 2014.

For the joint venture in Paraguay, Igazú Alloys S.A., the Elkem AS group has, together with the other investor, obligations to finance the development of the foundry plant, that is under construction. The Elkem AS group have given a long-term loan of NOK 87.6 million as at 31 December 2015 (in 2014 NOK 58.0 million). Of this USD 7,000 thousand is committed to be converted to equity.

	2015			2014		
	Elkem Solar Holding S.á.r.l	Other	Total	Elkem Solar Holding S.á.r.l	Other	Total
Total interest in joint ventures 1 January	**886 737**	**69 656**	**956 393**	**-**	**52 905**	**52 905**
Acquired shares in joint ventures	-	-	-	1 194 000	4	**1 194 004**
Sale of shares in joint ventures	(883 062)	-	**(883 062)**	-	-	-
Dividend received	-	(25 000)	**(25 000)**	-	(10 000)	**(10 000)**
Share of profit continued operations	-	9 539	**9 539**	-	27 278	**27 278**
Share of profit discontinued operations	(111 935)	-	**(111 935)**	(303 735)	-	**(303 735)**
Share of other comprehensive income discontinued operations	(2 536)	-	**(2 536)**	(3 528)	-	**(3 528)**
Other comprehensive income transferred to income on disposal, discontinued	5 958	-	**5 958**	-	-	-
Gain on sale of shares in joint ventures, discontinued	104 838	-	**104 838**	-	-	-
Currency effects	-	(1 260)	**(1 260)**	-	(531)	**(531)**
Total interest in joint ventures 31 December	**-**	**52 935**	**52 935**	**886 737**	**69 656**	**956 393**
Included in investment in joint ventures	-	67 476	**67 476**	-	73 661	**960 398**
Presented as write-down on receivable/ Included in other liabilities [1)]	**-**	**(14 541)**	**(14 541)**	**-**	**(4 005)**	**(4 005)**

[1)] The amounts NOK 14,541 thousand and NOK 4,005 thousand relates to provision for investment commitments in Igazú Alloys S.A.

Note 13 continues >

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

2015	Elkem Solar Holding S.á.r.l	Other	Total
Current assets, including cash and cash equivalents NOK 643,625 thousand	-	167 562	167 562
Non-current assets	-	154 919	154 919
Current liabilities, including current financial liabilities NOK 3,503 thousand	-	36 186	36 186
Non-current liabilities, including non-current financial liabilities NOK 2,882,745 thousand	-	180 424	180 424
Net assets/Equity	-	105 870	105 870
Group's carrying amount	-	52 935	**52 935**
Total revenue	338 824	424 932	763 756
Total expenses, including depreciation and amortisation NOK 284,982 thousand	(459 121)	(407 987)	(867 108)
Financial income, including interest income NOK 9,255 thousand	4 463	1 022	5 485
Financial expenses, including interest expenses NOK 112,292 thousand	(108 037)	2 448	(105 589)
Tax expense	-	(1 337)	(1 337)
Total profit for the year continuing operations	(223 871)	19 078	(204 792)
Other comprehensive income	(5 072)	-	(5 072)
Total comprehensive income	(228 943)	19 078	(209 864)
Group's share of profit for the year	(111 935)	9 539	**(102 396)**
Group's share of other comprehensive income	(2 536)	-	**(2 536)**

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

2014	Elkem Solar Holding S.á.r.l	Other	2014
Current assets, including cash and cash equivalents NOK 685,664 thousand	980 396	182 791	1 163 187
Non-current assets	3 534 949	7 877	3 542 826
Current liabilities, including current financial liabilities NOK 242,697 thousand	404 534	45 964	450 498
Non-current liabilities, including non-current financial liabilities NOK 2,509,513 thousand	2 507 374	5 392	2 512 765
Net assets/Equity	1 603 438	139 311	1 742 749
Group's Carrying amount (including goodwill of NOK 85,018 thousand)	886 737	69 656	**956 393**
Total revenue	437 681	421 717	859 398
Total expenses, including depreciation and amortisation NOK 234,323 thousand	(748 858)	(372 775)	(1 113 621)
Financial income, including interest income NOK 11,324 thousand	10 155	5 293	15 448
Financial expenses, including interest expenses NOK 94,395 thousand	(306 370)	3 016	(303 354)
Tax expense	(78)	(2 696)	(2 774)
Total profit for the year continuing operations	(607 470)	54 555	(552 915)
Other comprehensive income	(7 055)	-	(7 055)
Total comprehensive income	(7 055)	-	(7 055)
Group's share of profit for the year	(303 735)	27 278	**(276 457)**
Group's share of other comprehensive income	(3 528)	-	**(3 528)**

14 Interest in associates and other companies

	31.12.2015	31.12.2014
Interest in associates	47 788	41 157
Interest in other companies	48 257	76 829
Total interest in associates and other companies	**96 046**	**117 987**

	2015	2014
Total interest in associates at opening balance	41 157	17 752
Share of profit	11 788	14 412
Dividend received	(7 155)	(2 263)
Acquired shares in associates [1)]	67	8 836
Other changes	1 931	2 419
Total interest in associates	**47 788**	**41 157**

[1)] The acquired shares relates to increased investment in Combined Cargo Warehousing BV and Euro Nordic Agencies Belgium NV.

As at 31 December 2015 the Elkem AS group has interest in following associates:

Name of entity	Principal activities	Country	Proportion of shares/ votes (%)	Net assets	Total operating income	Group's share of profit of associates	Carrying amount
Elkem Chartering AS	Deep sea charter services	Oslo, NO	25%	41 880	28 510	1 897	10 470
Euro Nordic Agencies Belgium NV	Ship agencies services	Antwerp, BE	50%	979	3 262	186	489
Euro Partnership BV	Ship management services	Moerdijk, NL	50%	64 449	233	7 561	32 224
Combined Cargo Warehousing BV	Warehousing	Moerdijk, NL	33%	13 954	9 690	2 144	4 605
Total interest in associates						**11 788**	**47 788**

As at 31 December 2014 the Elkem AS group has interest in following associates:

Name of entity	Principal activities	Country	Proportion of shares/ votes (%)	Net assets	Total operating income	Group's share of profit of associates	Carrying amount
Elkem Chartering AS	Deep sea charter services	Oslo, NO	25%	33 919	3 530	(49)	8 480
Euro Nordic Agencies Belgium NV	Ship agencies services	Antwerp, BE	50%	489	-	-	244
Euro Partnership BV	Ship management services	Moerdijk, NL	50%	57 862	226	13 100	28 931
Combined Cargo Warehousing BV	Warehousing	Moerdijk, NL	33%	10 613	7 466	1 361	3 502
Total interest in associates						**14 412**	**41 157**

15 Group entities

The following subsidiaries are included in the consolidated financial statements:

Company	Country of incorporation	2015 equity interest	2014 equity interest	Owner
Elkem AS	Norway	100%	100 %	Bluestar Elkem International CO. Ltd SA
Elkem Carbon AS	Norway	100%	100%	Elkem AS
Elkem Chartering Holding AS	Norway	80%	80%	Elkem AS
Elkem Distribution Center B.V.	Netherlands	100%	100%	Elkem AS
Elkem Finanz AG [3)]	Switzerland	-	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 International Trade (Shanghai) Co. Ltd	China	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	Netherlands	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 Oilfield Chemicals FZCO	Dubai	51%	51%	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 South Asia Private Limited	India	100%	100%	Elkem AS
NEH LLC	USA	100%	100%	Elkem AS
Bluestar Silicones International S.à.r.l	Luxembourg	100%	100%	Elkem AS
Nor-Kvarts AS	Norway	67%	67%	Elkem AS
Dehong Elkem Materials Co. Ltd	China	50%	50%	Elkem AS
Elkania DA	Norway	50%	50%	Elkem AS
Hoffsveien 65B Invest AS 3)	Norway	-	100%	Elkem AS
Elkem Power AS [1)]	Norway	0%	-	Elkem AS
Elkem Tana AS [1)]	Norway	0%	-	Elkem AS
Elkem Carbon Malaysia Sdn. Bhd.	Malaysia	100%	100%	Elkem Carbon AS
Elkem Carbon Singapore Pte. Ltd.	Singapore	100%	100%	Elkem Carbon AS
Elkem Participacòes Indústria e Comércio Limitada	Brazil	100%	100%	Elkem Carbon AS
Elkem Ferroveld JV	South Africa	50%	50%	Elkem Carbon AS
Elkem Carbon (China) Comp Ltd	China	100%	100%	Elkem Carbon Singapore Pte Ltd
Elkem Egypt for Industry, Contracting & Trading S.A.E	Egypt	99.99%	99.99%	Elkem International AS
Elkem Madencilik Metalurji Sanayi Ve Ticaret Ltd STI	Turkey	100%	100%	Elkem International AS
Gimtrade Ltd	England	100%	100%	Elkem Ltd
Mill Street Ltd	England	100%	100%	Elkem Ltd
Elkem Materials Inc.	USA	100%	100%	NEH LLC
Elkem Materials Delaware Inc.	USA	100%	100%	Elkem Materials Inc.
Elkem Materials South America Ltda	Brazil	100%	100%	Elkem Materials Inc.
Euro Nordic Logistics BV	Netherlands	80%	80%	Elkem Chartering Holding AS
Elkem Chartering AS [2)]	Norway	25%	25%	Elkem Chartering Holding AS
Elkem Chartering Singapore [2)]	Singapore	25%	25%	Elkem Chartering Holding AS
Elkem Chartering Rederi [2) 5)]	Norway	-	-	Elkem Chartering Holding AS
Euro Nordic Belgium BVBa	Belgium	80%	80%	Euro Nordic Logistics BV

List continues >

Company	Country of incorporation	2015 equity interest	2014 equity interest	Owner
Euro Nordic Netherlands B.V.	Netherlands	80%	80%	Euro Nordic Logistics BV
Explotacion de Rocas Industriale sy Minerales S.A. (ERIMSA)	Spain	67%	67%	Nor-Kvarts AS
Hoffsv 65B AS	Norway	-	100%	Hoffsveien 65B Invest AS
Hoffsveien 65B SLB ANS [3)]	Norway	-	100%	Hoffsv 65B AS
Bluestar Silicones France SAS [4)]	France	100%	100%	Bluestar Silicones International S.à.r.l
Bluestar Silicones Services S.à.r.l [4)]	France	100%	100%	Bluestar Silicones International S.à.r.l
Bluestar Siliconas España S.A.U [4)]	Spain	100%	100%	Bluestar Silicones International S.à.r.l
Bluestar Siliconi Italia S.r.l [4)]	Italy	100%	100%	Bluestar Silicones International S.à.r.l
Bluestar Silicones Germany GmbH [4)]	Germany	100%	100%	Bluestar Silicones International S.à.r.l
Bluestar Silicones (UK) Ltd [4)]	United Kingdom	100%	100%	Bluestar Silicones International S.à.r.l
Bluestar Silicones USA Corp. [4)]	USA	100%	100%	Bluestar Silicones International S.à.r.l
Bluestar Silicones Canada Corp. [4)]	Canada	100%	100%	Bluestar Silicones International S.à.r.l
Bluestar Silicones Brasil Ltda [4)]	Brasil	100%	100%	Bluestar Silicones International S.à.r.l
Bluestar Silicones Finland OY [4)]	Finland	100%	100%	Bluestar Silicones International S.à.r.l
Bluestar Silicones Scandinavia AS [4)]	Norway	100%	100%	Bluestar Silicones International S.à.r.l
Bluestar Silicones Poland p. z o.o [4)]	Poland	100%	100%	Bluestar Silicones International S.à.r.l
Bluestar Silicones Czech Republic s.r.o [4)]	Czech Republic	100%	100%	Bluestar Silicones International S.à.r.l
Bluestar Silicones Shanghaï Co. Limited [4)]	China	100%	100%	Bluestar Silicones International S.à.r.l
Bluestar Silicones Hong Kong Trading Co. Limited [4)]	Hong Kong	100%	100%	Bluestar Silicones International S.à.r.l

The equity interest stated is the indirect ownership for Elkem AS.

1) Elkem Power AS and Elkem Tana AS merged with Elkem AS in 2014.

2) In October 2014 the Elkem AS group sold 75 per cent of the shares in Elkem Chartering AS, including its subsidiaries Elkem Chartering Rederi AS and Elkem Chartering Singapore Ltd. Net gain on the sale NOK 5,749 thousand is recognised in other gains and losses. The sub group is, after the transaction, treated as an associate, and the Elkem AS group share of profit for the period November to December 2014 is included in income from associates and joint ventures.

3) The companies were liquidated in 2015.

4) In June 2015 the Elkem AS group purchased all the shares in Bluestar Silicones International S.à.r.l and its subsidiaries. With the purchase silicones was added as a segment in the Elkem AS group. The shares in Bluestar Silicones International S.à.r.l was previously owned by Bluestar Elkem Investment Co. Ltd's sister company and the purchase is treated according to the principle of group continuity hence the equity interests are stated for both 2015 and 2014. For more information regarding the accounting treatement of the purchase please se note 30 Business combination under common control.

5) In october 2015 Elkem Chartering Rederi AS merged with Elkem Chartering AS.

16 Other non-current assets

	31.12.2015	31.12.2014
Long-term pension contribution fund [1)]	6 160	8 860
Defined benefit pension asset [1)]	-	-
Long-term deposit pension guarantee [2)]	16 780	14 820
Restricted deposits [3)]	58 627	77 593
Other deposits	13 786	-
Loans to joint arrangements	6 943	6 773
Loans to joint ventures [4)]	74 499	1 471 356
External loans/receivables	32 068	-
Other long-term receivables	8 363	44 503
Total other non-current assets	**217 226**	**1 623 905**

[1)] See note 6 Employee retirement benefits.

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

[3)] Off the deposits NOK 67,537 thousand relates to tax litigation in the Elkem AS group's business in Brazil, see note 24 Provisions and other non-current liabilities.

[4)] See note 28 Related party transactions.

17 Inventories

	31.12.2015	31.12.2014
Finished goods	2 097 641	1 824 529
Work in progress	256 485	223 487
Raw materials	640 590	621 935
Operating materials and spare parts	307 480	226 528
Total inventories	**3 302 196**	**2 896 478**
Provisions for write down of inventories as at 31 December	59 578	46 526

18 Accounts receivables

	31.12.2015	31.12.2014
Accounts receivable	1 785 029	1 700 034
Accounts receivable, related parties	32 619	107 875
Provision for doubtful accounts	(27 466)	(28 488)
Bills receivables [1]	73 828	39 877
Total accounts receivable	**1 864 010**	**1 819 299**

[1] A bills receivable is a document that the customer formally agrees to pay at maturity date. The bills receivable document effectively replaces, for the related amount, the open debt exchanged for the bill. Bills receivables are used at the Elkem AS group's business in China.

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

	31.12.2015	31.12.2014
Not due	1 557 932	1 505 280
1–30 days	159 742	164 420
31–60 days	40 083	32 960
61–90 days	21 414	39 302
More than 90 days	38 478	65 949
Total accounts receivable	**1 817 649**	**1 807 910**

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

Movement in allowance for doubtful debts	31.12.2015	31.12.2014
Opening balance	(28 488)	(21 898)
Provisions / losses on doubtful accounts during the year	(9 835)	(10 871)
Reversed provisions	9 437	4 281
FX effect	1 420	-
Closing balance	**(27 466)**	**(28 488)**

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

Overdue by:	31.12.2015	31.12.2014
0-3 months	(830)	(1 896)
3-6 months	(56)	(1 007)
6-12 months	(3 261)	(15 920)
Over a year	(23 320)	(9 664)
Total impaired overdue receivables	**(27 466)**	**(28 488)**

19 Other current assets

	31.12.2015	31.12.2014
Pension contribution fund, short-term part [1]	10 912	11 492
Deposits, restricted	-	2 728
Prepayments	59 791	61 425
CO_2 Compensation from the Norwegian Environment Agency [2]	65 004	32 592
Government grants	261 620	176 959
VAT receivables	271 489	266 378
Corporate income tax receivables	36 564	23 960
Loans to joint ventures	-	240 000
Other receivables	50 357	56 400
Total other current assets	**755 737**	**871 935**

1) See note 6 Employee retirement benefits.

2) See note 29 Government grants.

20 Shareholder information

Elkem AS is the parent company of the Elkem AS group.
As of 31 December 2015 Elkem AS is 100 per cent owned by Bluestar Elkem International Co. Ltd S.A.
Elkem AS has its registered company address: Drammensveien 169, 0277 Oslo, Norway.

Share Capital
Share capital as at 31 December 2015 in Elkem AS is NOK 2,010 million, divided in 1 share.

21 Finance lease liabilities

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

	31.12.2015	31.12.2014
Within one year	40 149	38 631
Between 1 and 5 years	3 358	40 274
Over 5 years	-	-
Total lease payments	43 507	78 905
Less future finance charges	(2 041)	(5 376)
Present value of lease obligations	**41 466**	**73 529**
Less amount due for settlement within 12 months	38 254	35 141
Total non-current finance lease obligations	**3 212**	**38 387**
Leasing cost current year	40 542	42 903

See also note 22 Interest-bearing asset/liabilities.

22 Interest-bearing assets / liabilities

	31.12.2015	31.12.2014
Non-current interest-bearing liabilities		
Loans from other related parties within China National Bluestar group	6 700	1 381 888
Financial leases [1]	3 212	38 387
Loans from external part, other than bank	13 966	10 313
Bank financing	3 028 038	72 300
Total non-current interest-bearing liabilities	**3 051 916**	**1 502 887**
Current interest-bearing liabilities		
Loans from other related parties within China National Bluestar group	-	2 445 853
Financial leases [1]	38 254	35 141
Loans from external part, other than bank	-	3 078
Bank financing	285 975	1 228 516
Accrued interest	3 752	832 220
Total current interest-bearing liabilities	**327 981**	**4 544 808**
Total interest-bearing liabilities	**3 379 897**	**6 047 696**
Interest-bearing assets		
Cash and bank balances	1 305 592	694 993
Restricted deposits	75 407	95 141
Interest-bearing financial assets	70 057	1 727 682
Accrued interest income	377	575
Total interest-bearing assets	**1 451 434**	**2 518 390**
Net interest-bearing assets / (liabilities)	**(1 928 463)**	**(3 529 305)**

[1] See note 21 Finance lease liabilities

Interest-bearing liabilities by currency	Currency amount	NOK 31.12.2015	Currency construction	NOK 31.12.2014
EUR	335 646	3 219 952	571 528	5 172 454
USD	6 165	54 332	126 268	941 542
NOK [1]	105 588	105 588	(175 883)	(175 883)
Other currencies	-	25		109 583
Total interest-bearing liabilities		**3 379 897**		**6 047 696**

[1] The NOK currency has a negative amount in 2014 due to a net presentation of the bank accounts included in the group cash pooling arrangement. The drawn amount in USD and EUR are greater than the deposits of the other currencies.

Maturity of interest-bearing liabilities as at 31 December 2015	Loans from other related parties	Financial leases	Loans from external part, other than bank	Bank financing	Accrued interest	Total
2016	-	38 254	-	285 975	3 752	327 981
2017	-	2 734	5 164	54 134	-	62 033
2018	6 700	426	1 748	532 925	-	541 798
2019	-	52	1 473	574 972	-	576 497
2020	-	-	1 473	1 730 072	-	1 731 545
2021 and later	-	-	4 108	153 739	-	157 847
Total	**6 700**	**41 466**	**13 966**	**3 331 818**	**3 752**	**3 397 702**
Prepaid loan fees	**-**	**-**	**-**	**(17 805)**	**-**	**(17 805)**
Total interest bearing liabilities	**6 700**	**41 466**	**13 966**	**3 314 013**	**3 752**	**3 379 897**

Note 22 continues >

Maturity of interest-bearing liabilities as at 31 December 2014	Loans from other related parties	Financial leases	Loans from external part, other than bank	Bank financing	Accrued interest	Total
2015	2 445 853	35 141	3 078	1 228 516	832 220	4 544 808
2016	412 690	35 912	924	27 619	-	477 146
2017	279 199	2 148	2 296	14 629	-	298 272
2018	689 998	279	1 414	3 439	-	695 131
2019	-	49	1 414	26 612	-	28 075
2020 and later	-	-	4 263	-	-	4 263
Total	**3 827 740**	**73 529**	**13 390**	**1 300 815**	**832 220**	**6 047 696**

Credit facilities

Of total granted overdrafts and revolving credit facilities of NOK 2,343 million, the group has drawn NOK 78.4 million as of 31 December 2015. The group had drawn NOK 58 million of total granted overdrafts and revolving credit facilities of NOK 1,746 million by 31 December 2014. The drawn amounts are classified as short term bank financing.

The main revolving credit facilities are granted to Elkem AS but the facilities can be utilized by Elkem AS and its subsidiaries. The main facilities amount is EUR 200 million (NOK 1,919 million) and NOK 250 million respectively.

Loan covenant

The Elkem AS group has covenants related to its two main external interest bearing loan facilities. In addition to the covenants on these two loan facilities there are loan covenants related to the credit facilities in Elkem Metal Canada Inc. of CAD 10 million. Elkem Metal Canada Inc. is not in breach with its covenants at the end of 2005 and 2014.

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

For the covenants in the Elkem AS group please see the tables below. As the facilities are re-negotiated and/or new in 2015 the table shows exclusively the calculations for 2015.

Covenant Elkem AS group related to drawn loan of NOK 3,023 million in Elkem AS		31.12.2015	Loan covenant
Total Equity	NOK	6 318 758	
Total Assets	NOK	14 476 852	
Equity ratio		**44%**	**> 30%**
EBITDA	NOK	2 206 988	
Net finance charges	NOK	103 979	
Interest cover ratio		**21,23**	**> 4.00**

23 Pledge of assets and guarantees

Pledges

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

Mortgaged liabilities	31.12.2015
Mortgaged liabilities	187 904
Mortaged provisions	119 700

Book value mortgaged assets	31.12.2015
Building	111 961
Machinery and plant	843
Receivables	95 992
Other assets	144 859

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

Guarantee commitments	31.12.2015	31.12.2014
Guarantee commitment KLIF (Climate and Pollution Agency)	4 618	4 618
Environmental guarantee	6 386	-
Other guarantees	113	-

As a part of the share purchase agreement signed between Bluestar Silicones International S.à.r.l and Rhodia for the acquisition of the silicone business, Bluestar benefits from a right to claim for compensation, especially on tax environmental matters.
The aggregate amount of the warranty is limited to a maximum of € 73 million and is applicable until 2016.

24 Provisions and other non-current liabilities

Total provisions and other non-current liabilities	31.12.2015	31.12.2014
Total provisions	221 893	230 792
Deferred Income	40 291	0
Total provisions and other non-current liabilities	**262 184**	**230 792**

Provisions include the following:	Contingencies due to litigations	Site restoration	Currency effects bond loan	Employee benefits	Other provisions	Total Provisions
Balance 1 January 2015	**350 787**	**75 867**	**5 633**	**72 755**	**4 159**	**509 200**
Additional provisions recognised	55 668	2 695	0	7 573	1 860	67 796
Used during the year	(134 176)	(11 746)	(2 939)	(11 108)	0	(159 968)
Foreign currency exchange differences	(9 881)	410	0	4 432	389	(3 650)
Balance 31 December 2015	**262 398**	**68 227**	**2 694**	**73 652**	**6 407**	**413 378**
Hereof classified as provisions and other non-current liabilities	90 918	53 194	2 694	69 068	6 020	221 893
Hereof classified as provisions and other current liabilities	171 480	15 033	0	4 584	388	191 485
	262 398	**68 227**	**2 694**	**73 652**	**6 407**	**413 378**

Note 24 continues >

Provisions include the following:	Contingencies due to litigations	Site restoration	Currency effects bond loan	Employee benefits	Other provisions	Total Provisions
Balance 1 January 2014	**319 132**	**54 755**	**8 572**	**57 680**	**2 972**	**443 110**
Additional provisions recognised	19 620	16 511	-	13 903	1 139	51 174
Used during the year	(14 151)	(306)	(2 939)	(4 320)	(461)	(22 176)
Foreign currency exchange differences	26 186	4 907	-	5 491	509	37 093
Balance 31 December 2014	**350 787**	**75 867**	**5 633**	**72 755**	**4 159**	**509 200**
Hereof classified as other non-current liabilities	110 734	42 606	5 633	67 659	4 159	230 792
Hereof classified as other current liabilities	240 053	33 261	0	5 095	0	278 409
	350 787	**75 867**	**5 633**	**72 755**	**4 159**	**509 200**

Litigations

One of the entities organised under the Silicones division, Bluestar Silicones France (BSF), is currently subject to tax reassessment proceedings in France regarding VAT due for the period 2008–2011. The disputed VAT amount relates to the VAT stated on invoices from BSF's platinum supplier which was deducted by BSI. BSF received a VAT reassessment claim with a principal amount of EUR 14.1 million, interest and a 40 per cent penalty of EUR 5.6 million and a tax fine of EUR 0.3 million, totalling EUR 20.1 million. The tax reassessment proceedings have been challenged by BSF based on legal and factual arguments, but the arguments were denied by the French tax authorities. On such basis, BSF initiated civil legal proceedings, which were dismissed by the French Administrative Court of Montreuil. BSF has, however, lodged an appeal against these judgements and the proceedings are ongoing.

BSF has also launched a civil action against its former platinum supplier, which was denied on the basis of an absence of direct prejudice. The court did, however, decide to launch additional investigations in order to check whether BSF could be deemed to be party to the fraudulent scheme set up by the former supplier.

BSF lodged an appeal against the judgement dismissing its civil action before the Court of Appeal of Paris, and in a judgement dated 7 May 2015, the Court of Appeal of Paris admitted BSF's civil action, stating that notwithstanding the fact that the platinum was bought with a significant rebate by BSF, the criminal proceedings do not indicate that BSF could have deliberately and knowingly taken part in the fraudulent scheme. And secondly, that BSF may actually be deemed a victim of the supplier's fraudulent scheme. The group is of the opinion that the judgement strengthens BSF arguments in the pending tax reassessment proceedings and creates grounds for reinitiating a negotiation process with the French tax authorities. The aim of such negotiations would be that the penalty amount, approximately EUR 5 million, is relinquished.

The group has a provision of EUR 12.5 million (NOK 119.3 million) as at 31 December 2015 to cover the potential fine including accrued interest. In 2015 the group has made an advance payment of EUR 7.6 to French authorities related to the claim.

In December 2015, an entity organized under the Silicones division, Bluestar Siliconi Italia, received tax assessments and penalties notices pertaining to an audit of its 2010 payments of dividend and interests to its parent company were the entity did not apply any withholding tax. The tax authorities claim that withholding tax should have been paid. The group has a provision of EUR 3 million (NOK 28.4 million) as at 31 December 2015 to cover the potential fine including accrued interest.

In December 2015, Bluestar Silicones France (BSF) in the Silicones division lost a tax court case, instructing the entity to pay EUR 1.9 million. The case relates to intercompany business transactions in 2007-2009. The group disputes the claim. Based on internal and external assessment, a provision of EUR 3.2 million is recorded. The accrued amount includes other minor tax cases in France.

The Elkem AS group is involved in various tax cases related to various types of taxes. The majority of disputed cases relates to taxes in Brazil. These cases can take substantial time for resolution. The Elkem AS group has provided information for tax cases where the risk of loss is considered above 50 per cent. One case in Brasil concerns employee and tax litigations, were the Elkem AS group has recorded a provision of NOK 90.8 million. The time of settlement is uncertain. In accordance with Brazilian regulations, an amount have been transferred to a restricted bank account and are adjusted for interest rates on an annual basis. The restricted cash is included in other non-current assets, see note 16 Other non-current assets.

Site restoration

The Elkem AS group has worldwide operations representing potential exposure towards environmental consequences. The Elkem AS group has established clear procedures to minimise environmental emissions, well within public emission limits. However, in some cases the Elkem AS group faces potential claims regarding environmental issues.

Currency effects bond loan
The Elkem AS group has participated in the Central Bank of Iceland's 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 recognised as deferred income and will be amortised over the required ownership period.

Employee benefits
Employee benefits consist of provisions related to jubilee / long-service benefits, mainly in the Silicones segment.

25 Provisions and other current liabilities

	31.12.2015	31.12.2014
Employee withholding taxes, social security, vacation pay, etc.	575 525	483 962
VAT payable	84 177	64 339
Deferred income	34 029	25 394
Liability joint arrangements (Yguazu)	-	4 005
Liability acquisition land use rights	29 020	-
Provisions, short term part [1]	191 485	278 409
Accrued expenses	111 217	86 150
Other current liabilities	5 928	50 603
Provisions and other current liabilities	**1 031 380**	**992 862**

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

26 Financial instruments

Financial assets and liabilities by category 31 December 2015

	Note	Assets at fair value through profit or loss	Derivatives used for hedging	Financial assets available for sale	Loans and receivables	Non-financial assets	Total
Interest in associated and other companies	14	-	-	48 257	-	47 789	**96 046**
Derivatives, non-current		38 860	1 620	-	-	-	**40 480**
Other non-current assets	16	-	-	-	202 703	14 523	**217 226**
Accounts receivable	18	-	-	-	1 864 010	-	**1 864 010**
Derivatives, current		14 332	-	-	-	-	**14 332**
Other current assets	19	-	-	-	326 624	429 113	**755 737**
Cash and cash equivalents	22	-	-	-	1 305 592	-	**1 305 592**
Total		**53 192**	**1 620**	**48 257**	**3 698 929**	**491 425**	

	Note	Liabilities at fair value through profit or loss	Derivatives used for hedging	Financial liabilities at amortised cost	Non-financial liabilities	Total
Interest-bearing liabilities, non-current	22	-	-	3 051 916	-	**3 051 916**
Derivatives, non-current		(226 250)	949 821	-	-	**723 571**
Provisions and other non-current liabilities	24	-	-	-	262 184	**262 184**
Accounts payable		-	-	1 448 578	-	**1 448 578**
Interest-bearing liabilities, current	22	-	-	327 981	-	**327 981**
Derivatives, current		7 121	608 088	-	-	**615 208**
Other current liabilities	25	-	-	29 019	1 002 361	**1 031 380**
Total		**(219 129)**	**1 557 909**	**4 857 493**	**1 264 545**	

Note 26 continues >

Financial assets and liabilities by category 31 December 2014

	Note	Assets at fair value through profit or loss	Derivatives used for hedging	Financial assets available for sale	Loans and receivables	Non-financial assets	Total
Interest in associated and other companies	14	-	-	76 829	-	41 158	**117 987**
Derivatives, non-current		41 083	28 660	-	-	-	**69 743**
Other non-current assets	16	-	-	-	1 613 831	10 074	**1 623 905**
Accounts receivable	18	-	-	-	1 819 299	-	**1 819 299**
Derivatives, current		6 844	-	-	-	-	**6 844**
Other current assets	19	-	-	-	438 988	432 947	**871 935**
Cash and cash equivalents	22	-	-	-	694 993	-	**694 993**
Total		**47 927**	**28 660**	**76 829**	**4 567 111**	**484 179**	

	Note	Liabilities at fair value through profit or loss	Derivatives used for hedging	Financial liabilities at amortised cost	Non-financial liabilities	Total
Interest-bearing liabilities, non-current	22	-	-	1 502 887	-	**1 502 887**
Derivatives, non-current		(254 788)	507 193	-	-	**252 405**
Provisions and other non-current liabilities	24	-	-	-	230 792	**230 792**
Accounts payable		-	-	1 334 169	-	**1 334 169**
Interest-bearing liabilities, current	22	-	-	4 544 808	-	**4 544 808**
Derivatives, current		8 478	237 823	-	-	**246 300**
Other current liabilities	25	-	-	-	992 862	**992 862**
Total		**(246 310)**	**745 016**	**7 381 864**	**1 223 653**	

Fair value measurement

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

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

The Elkem AS group's assets and liabilities measured at fair value as at 31 December 2015:	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	-	14 332	38 860	**53 192**
Derivatives designated in a hedging relationship	-	1 620	-	**1 620**
Financial assets available for sale	2 900	-	45 357	**48 257**
Total assets	**2 900**	**15 952**	**84 217**	**103 069**
Financial liabilities at fair value through profit or loss	-	(5 082)	(214 047)	**(219 129)**
Derivatives designated in a hedging relationship	-	543 025	1 014 884	**1 557 909**
Total liabilities	**-**	**537 943**	**800 837**	**1 338 780**

The Elkem AS group's assets and liabilities measured at fair value as at 31 December 2014:	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	-	2 923	45 004	**47 927**
Derivatives designated in a hedging relationship	-	28 660	-	**28 660**
Financial assets available for sale	3 895	-	72 933	**76 828**
Total assets	**3 895**	**31 583**	**117 937**	**153 416**
Financial liabilities at fair value through profit or loss	-	17 771	(264 081)	**(246 310)**
Derivatives designated in a hedging relationship	-	215 634	529 382	**745 016**
Total liabilities	**-**	**233 405**	**265 301**	**498 706**

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

Level 2:
Financial assets and liabilities measured at level 2 applies to forward foreign exchange contracts, power and platinum commodity 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 booked as an adjustment of the sales revenues. The power commodity contracts are designated as hedging instruments in a cash flow hedge of highly probable future purchases. Hence, the effective part of change in fair value is booked against OCI, and then booked as an adjustment of the power cost (part of COGS) when realised. Any ineffectiveness is booked as other gains / losses. The platinum contracts are recognised at fair value through profit or loss, classified as change in fair value commodity contracts under other gains and losses.

Level 3:
The financial assets and liabilities at fair value through profit or loss measured at level 3, consist of two power contracts; a contract with Statkraft bought from Norske Skog in 2010, and a contract called '30-øringen' 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 '30-øringen' contract is restricted to be used at the Elkem AS group plants. The contracts are assessed to be settled net in cash and are within the scope of IAS39 and recognised as financial instruments. In addition, shares in unlisted companies are included in this category.

Valuation of the power contracts is based on observable data, such as power price, currency, CPI and CfD, when available. The power prices for long-term electricity contracts in Norway are not directly observable in the market during the entire length of the contracts. Power prices are observable until 2023, CfD to 2016 and the currency rates are observable until 2020. Valuation for the remaining periods is based on the latest observable data adjusted for CPI, if relevant.

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

Assessment of fair value of contract with Statkraft:
The Elkem AS group pays a fixed power price to Statkraft, specified for each year in the contract lasting until 31 December 2020.

Assumptions for valuation of the contract:
- Discount rate: 1.68 per cent (1.85 per cent) This is estimated based on our contract counterparty's assumed cost of capital.
- Power prices: Market prices per 31 December 2015 for the duration of the contract.
- CfD's: Four year average historic CfD prices based on Nord Pool Spot prices
- Currency rate EUR: Market prices tradable for the group as of 31 December 2015 for the duration of the contract.

Assessment of fair value of the '30-øringen' contract:
The '30-øringen' power contract lasts until 31 December 2030.
For the years 2015–2020 the price under the contract is fixed except if the spot price at the relevant grid points exceeds a certain threshold, in which case the price equals the spot price. For the last 10 years of the contract the price is fixed based on the average spot price the preceding four years, adjusted for inflation. The fixed price and the threshold price are based on a start date and adjusted for inflation annually thereafter.

Note 26 continues >

Assumptions for valuation of the contracts:

- Discount rate: 3.6 per cent. 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: 2.0 per cent, (2.5 per cent).
- Power prices: Market prices per 31 December 2015 until 2025, thereafter prices are based on 2025, adjusted with inflation rate.
- CfD's: Four year average historic CfD prices based on Nord Pool Spot prices.
- Currency rate EUR: Market prices tradable for the group as of 31 December 2015 until 2020, thereafter prices equal to 2020 rates.

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

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

Specification of movements in measurement on level 3	2015	2014
Opening balance 01.01	(147 362)	26 029
Transfer to / from other levels	-	-
Change in fair value recognised in OCI	(679 510)	(189 759)
Settlement	200 131	92 395
Disposal	(765)	(26 257)
Acquisition	235	-
Other changes in fair value through profit or loss	(92 743)	(53 047)
Translation effects	3 393	3 277
Closing balance 31.12	**(716 621)**	**(147 362)**

DETAILS OF FINANCIAL INSTRUMENTS

Details of foreign exchange contracts as at 31 December 2015

Purchase currency	Purchase ccy 1000	Sale currency	Sale ccy 1000	Type of instrument	Currency deal rate	Due	Fair value in NOK	Notional amount in NOK [1]
USD	616	JPY	75 087	Fwd	0.0082	2016	(60)	5 429
NOK	1 209	AUD	200	Fwd	6.0465	2016	(78)	1 289
CAD	6 688	EUR	4 800	Fwd	1.3932	2016	(3 712)	46 048
NOK	2 710 039	EUR	300 300	Fwd	9.0244	2016	(187 922)	2 880 864
CAD	4 392	GBP	2 160	Fwd	2.0333	2016	(345)	28 221
NOK	46 114	GBP	3 780	Fwd	12.1995	2016	(3 313)	49 387
NOK	73 236	JPY	1 118 000	Fwd	0.0655	2016	(9 244)	81 861
NOK	510 653	USD	65 950	Fwd	7.7430	2016	(70 544)	581 184
NOK	929 152	EUR	100 400	Fwd	9.2545	2017	(51 528)	963 166
NOK	54 332	JPY	848 000	Fwd	0.0641	2017	(9 101)	62 091
NOK	167 423	USD	22 050	Fwd	7.5929	2017	(25 849)	194 316
NOK	524 796	EUR	58 000	Fwd	9.0482	2018	(46 910)	556 411
NOK	101 569	USD	13 000	Fwd	7.8130	2018	(11 809)	114 563
Total fair value currency forward contracts							**(420 416)**	

[1] Notional value of underlying asset.

Details of foreign exchange contracts as at 31 December 2014

Purchase currency	Purchase ccy 1000	Sale currency	Sale ccy 1000	Type of instrument	Currency deal rate	Due	Fair value in NOK	Notional amount in NOK [1]
NOK	807	AUD	150	Fwd	5.3793	2015	(105)	916
CAD	27 760	EUR	18 780	Fwd	1.4782	2015	7 715	169 963
NOK	2 419 941	EUR	276 520	Fwd	8.7514	2015	(97 205)	2 502 566
NOK	86 110	GBP	8 220	Fwd	10.4757	2015	(9 642)	95 521
NOK	59 763	JPY	990 000	Fwd	0.0604	2015	(2 309)	61 734
NOK	321 690	USD	46 000	Fwd	6.9933	2015	(22 707)	343 008
SEK	2 514	AUD	400	Fwd	6.2857	2015	(8)	2 442
EUR	13 277	USD	10 800	Fwd	0.8134	2015	(882)	79 506
NOK	883 384	EUR	94 000	Fwd	9.3977	2016	18 615	850 720
NOK	28 742	JPY	468 000	Fwd	0.0614	2016	(1 044)	29 183
NOK	126 335	USD	17 000	Fwd	7.4315	2016	(662)	126 764
NOK	552 219	EUR	58 400	Fwd	9.4558	2017	9 069	528 533
NOK	29 420	JPY	468 000	Fwd	0.0629	2017	(786)	29 183
NOK	79 704	USD	10 800	Fwd	7.3800	2017	(454)	80 532
Total fair value currency forward contracts							**(100 404)**	

[1] Notional value of underlying asset.

Details of contracts within the scope of IAS39 as at 31 December 2015

	Volume GWh/Oz	Due	Fair value in NOK	Notional amount in NOK [1]
Forward commodity contracts power, NASDAQ commodity	422	2016	(76 111)	199 013
Forward commodity contracts power, other financial institutions	479	2016	(35 701)	77 118
Forward commodity contracts power, other financial institutions	166	2017	1 077	32 951
Commodity contracts '30-øringen'	501	2016	(46 971)	138 462
Commodity contracts '30-øringen'	7014	2017-2030	38 860	1 374 436
Commodity contract Statkraft	1500	2016	(175 492)	427 440
Commodity contract Statkraft	6000	2017-2020	(578 374)	1 810 380
Commodity contracts related party	220	2016	14 332	53 893
Commodity contracts related party	26	2017	543	5 925
Commodity contracts Platinum	5331	2016	(5 715)	47 650
Fair value contracts within scope of IAS39			**(863 552)**	

[1] Notional value of underlying asset

Note 26 continues >

Details of contracts within the scope of IAS39 as at 31 December 2014

	Volume GWh/Oz	Due	Fair value in NOK	Notional amount in NOK [1]
Forward commodity contracts power, NASDAQ Commodity	806	2015	(66 313)	284 358
Forward commodity contracts power, NASDAQ Commodity	422	2016	(31 043)	143 654
Forward commodity contracts power, other financial institutions	138	2015	(7 081)	44 119
Forward commodity contracts power, other financial institutions	202	2016	439	53 134
Commodity contract '30-øringen'	501	2015	(6 612)	137 081
Commodity contract '30-øringen'	501	2016	(7 986)	70 254
Commodity contract '30-øringen'	501	2017	(9 066)	144 020
Commodity contract '30-øringen'	6513	2018-2030	62 055	1 553 889
Commodity contract Solar	(219)	2015	6 844	68 448
Commodity contract Statkraft	1498	2015	(36 888)	417 825
Commodity contract Statkraft	7498	2016-2020	(221 801)	2 237 820
Commodity contracts Platinum	12 692	2015	(4 264)	118 757
Fair value contracts within scope of IAS39			**(321 714)**	

[1] Notional value of underlying asset

Hedge Accounting
The Elkem AS group is applying hedge accounting for parts of the foreign exchange forward contracts and for some power contracts. The currency exchange contracts are designated in a cash flow hedge to hedge currency fluctuations in highly probable future sales, mainly in USD and EUR. Realised effects from these contracts, a loss of NOK 150.9 million (negative NOK 127.4 million), is booked as an adjustment of the sales revenue. Effects from other currency forward contracts, both unrealised and realised, are booked directly to Other gains/losses.
The commodity power contracts are designated in a cash flow hedge to hedge power price fluctuations in highly probable future power purchases. Hence, the effective part of change in fair value is booked against OCI, and booked as a adjustment of the power cost (part of COGS) when realised. The realised effects for these contracts was in 2015 a loss of 314.0 million (loss of 180.8 million). An ineffectiveness of NOK 27.6 million (negative 67.6 million) is booked as Other gains and losses.

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

Derivative financial instruments	2015 Assets fair value	2015 Liabilities fair value	2014 Assets fair value	2014 Liabilities fair value
Forward foreign exchange contracts - cash flow hedges	-	445 545	28 660	118 480
Forward power contract Statkraft - cash flow hedges	-	1 014 884	-	529 382
Forward power contracts cash flow hedges	1 620	97 480	-	97 154
Total derivative instruments	**1 620**	**1 557 909**	**28 660**	**745 016**
Less non-current portion:				
Forward foreign exchange contracts - cash flow hedges	-	145 198	28 660	-
Forward power contract Statkraft - cash flow hedges	-	804 623	-	476 589
Forward power contracts cash flow hedges	1 620	-	-	30 604
Current portion of derivative instruments	**-**	**608 087**	**-**	**237 823**

[1] Contracts with Nasdaq and other financial institutions

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

Derivative financial instruments recognised against OCI	Opening balance 2015	Net change in fair value	Reclassified to P&L	Closing balance 2015
Change in FV derivatives designated as a hedge of future need for power [1]	(94 548)	(146 255)	145 286	(95 518)
Change in FV derivatives designated as a hedge of future need for power [2]	(460 112)	(679 510)	168 723	(970 899)
Change in FV derivatives designated as a hedge of future purchase of RM	-	-	-	-
Change in FV derivatives designated as a hedge of future sales	(89 821)	(506 608)	150 878	(445 551)
Total gains / losses (before tax) in OCI 31.12.	**(644 481)**	**(1 332 373)**	**464 887**	**(1 511 967)**

1) Contracts with Nasdaq and other financial institutions

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

Accumulated gains / losses from cash flow hedges recognised in OCI are expected to be recycled to profit or loss in the period of 2016–2020, see further details in the tables above specifying financial instruments by due date.

Derivative financial instruments recognised against OCI	Opening balance 2014	Net change in fair value	Reclassified to P&L	Closing balance 2014
Change in FV derivatives designated as a hedge of future need for power [1]	(150 583)	(41 095)	97 130	(94 548)
Change in FV derivatives designated as a hedge of future need for power [2]	(353 983)	(189 759)	83 631	(460 112)
Change in FV derivatives designated as a hedge of future purchase of RM	44 701	(44 701)	-	-
Change in FV derivatives designated as a hedge of future sales	(169 549)	(47 667)	127 395	(89 821)
Total gains / losses (before tax) in OCI 31.12.	**(629 413)**	**(323 223)**	**308 156**	**(644 481)**

1) Contracts with Nasdaq and other financial institutions

2) Contract with Statkraft

Offsetting

The Elkem AS group recognises derivatives net if they are to be settled net against the same counterparty and there is a legally enforced right to set off the recognised amount. Contracts that are due within twelve months are classified as short term.

27 Financial risk and capital management

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

FINANCIAL RISK FACTORS

(a) Market risk

(i) Currency risk

Transaction risk - cash flow hedge
The Elkem AS group has sales revenue and operating costs in various currencies. The prices of finished goods are to a large extent determined in international markets, primarily in US Dollar and euro. This is partly offset by purchase of raw materials denominated in the same currencies. The Elkem AS group has net positive cash flows in most currencies, but has a net cost position mainly in Norwegian Krone.

The Elkem AS group's policy is to hedge foreign exchange risk against functional currency to even out fluctuations in result and cash flow. The target is to hedge net cash flow for 0–3 months on a 90 per cent hedging ratio. Net cash flow for 4–12 months should be hedged on a rolling basis based on a 45 per cent hedging ratio target. The hedging ratio for 4–12 months may vary between 25 per cent and 75 per cent. In 2015, the Elkem AS group realised a loss of NOK 151 million from this hedging programme (in 2014 a loss of NOK 127 million). In Q2 2015 a mandate was given from the board to increase the hedging horizon for EUR and USD up to 36 months. For 2016 the hedging ratio was set to 75 per cent, for 2017 to 25 per cent and for 2018 to 15 per cent. The Elkem AS group uses hedge accounting for all cash flow hedges over 3 months.

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

In 2015 the Elkem AS group had a gain of NOK 32.5 million (in 2014 a loss of NOK 86.5 million) on foreign exchange recognised in profit and loss in financial items.

Sensitivity on profit and loss from financial instruments: The sensitivity related to financial instruments on the Elkem AS group's profit or loss, is based on a strengthening / weakening of all currencies by 10 per cent against the Norwegian Krone, which is the presentation currency for the Elkem AS group. If the Norwegian Krone is strengthened by 10 per cent against all other currencies, the isolated effect on financial instruments would have been a reduced profit before tax of approximately NOK 582 million (NOK 521 million in 2014).

Sensitivity on balance sheet from financial instruments: The sensitivity related to financial instruments on the Elkem AS group's balance sheet is based on a weakening / strengthening of all currencies by 10 per cent against the Norwegian Krone, which is the presentation currency for the Elkem AS group. If the Norwegian Krone is strengthened by 10 per cent against all other currencies, the isolated effect on financial instruments would have given an increased equity of NOK 64 million (NOK 40 million in 2014). This effect does not include the effects from the sensitivity on profit or loss as calculated above.

(ii) Price risk

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

The investment portfolio is limited, see note 13 Joint arrangements (joint ventures) and note 14 Interest in associates and other companies.

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

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

Power
Some of the Elkem AS group's purchase contracts are within the scope of IAS 39, and thus for financial reporting purposes treated as financial instruments. These financial instruments are measured in the balance sheet at fair value with value changes recognised

through profit or loss. These contracts are either financial contracts for the purpose of hedging, or physical commodity contracts that does not meet the criteria for own use according to IFRS.

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

The Elkem AS group's portfolio of commodity contracts consists mostly of physical energy contracts. Electric power is a key input factor for the Elkem AS group. The Elkem AS group's estimated future power exposure is partly hedged by long-term power contracts in addition to several contracts in the medium-term. Optimisation of 24-hour-, seasonal- and capacity utilisation variations are solved through utilising financial and physical contracts that are traded bilaterally, or at Nasdaq. 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:
The Elkem AS group has a power contract (1.5 TWh/year) with Statkraft, which is physically delivered in NO_2. The deliveries under the contract started 1 January 2011 and ends 31 December 2020. The Elkem AS group pays a fixed power price specified for every year in the contract to Statkraft.

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

Estimated fair value of the contract as at 31 December 2015 was negative of NOK 754 million based on market prices (negative of NOK 259 million in 2014).

The '30-øringen' power contract:
The Elkem AS group has a power contract (501 GWh/year) which is delivered in NO_2, but the power is physically delivered in NO_5. The contract last until 31 December 2030. For the last 10 years of the contract, the price is fixed based on the average spot price for the preceding 5 years, adjusted for inflation.

For the years before 31 December 2020, the price under the contract is fixed except if the spot price at the relevant grid point exceed a certain threshold, in which case the price equals to the spot price. The fixed price and the threshold price are based on one start date and adjusted for inflation annually thereafter.

Restrictions: The contract can only be used by plants owned by the Elkem AS group.

Estimated fair value of the contract as at 31 December 2015 was negative NOK 8 million (in 2014 the contract was valued at NOK 39 million).

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

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

30-Øre contracts		Fair value 31.12.2015	Adjusted NPV
WACC (used 3.6%)	change to 0%	(8)	50
WACC (used 3.6%)	change to 5%	(8)	(24)
KPI (used 2%)	change to 1%	(8)	46
KPI (used 2%)	change to 3%	(8)	(67)
Power price	decrease -10%	(8)	(67)
Power price	increase + 10%	(8)	(48)

Statkraft contract		Fair value 31.12.2015	Adjusted NPV
Power price	decrease -10%	(754)	(904)
Power price	increase + 10%	(754)	(604)
WACC (used 1.85%)	change to 0%	(754)	(785)
WACC (used 1.85%)	change to 5%	(754)	(698)

Note 27 continues >

(iii) Interest rate risks

The Elkem AS group's interest rate risk arises from borrowings from external financial institutions. The Elkem AS group's liabilities is mainly drawn in EUR.

The Elkem AS group is exposed to fluctuating interest rates. Elkem have a floating interest rate policy. Industry conditions are cyclical and prices and sales volumes for the Elkem AS group's products tend to correlate with general economic conditions. During an economic downturn sales prices and volumes are expected to go down, while prices and volumes tend to go up during an economic upturn. Interest rates have historically shown a similar pattern. 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 December 2015 the Elkem AS group has the following interest-bearing assets and liabilities:

	Floating	Fixed	Total
Interest-bearing liabilities	3 379 897	-	3 379 897
Interest-bearing assets	1 451 434	-	1 451 434
Net exposure	**1 928 463**	**-**	**1 928 463**

Sensitivity
The interest rate sensitivity is based on a parallel shift in the interest rates that the Elkem AS group is exposed to. If interest rates had been 50 basis points higher for a full year, based on net debt as at 31 December 2015, with all other variables held constant, the profit after tax would have been NOK 7.0 million lower (NOK 12.9 million in 2014). An overview of Elkem's debt portfolio is presented in note 22 Interest-bearing assets / liabilities.

(b) Counterparty credit risk

Credit risk is the risk of financial losses to the group if customer or counterparty fail to meet contractual obligations. For the Elkem AS group this arises 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 receivables are monitored at the Elkem AS group level. For customers where credit insurance cannot be obtained, other methods are generally used to secure the sales proceeds, such as prepayment, letter of credit, documentary credit or guarantees. In particular, when sales are made in countries with a high political risk, or to remote customers, trade finance products are used to reduce the credit risk. Approximately 90 per cent of the Elkem AS group's turnover is covered by credit insurance, trade finance or prepayments. The Elkem AS group realised credit losses of NOK 6.0 million in 2015 (NOK 6.4 million in 2014). The maximum exposure to credit risk for the group is NOK 1,978 million per 31 December 2015 (NOK 3,297 million per 31 December 2014).

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, but exceptions may be made on a case-by-case basis, mainly for local banks in emerging markets.
the Elkem AS group has not had any losses in 2015 or 2014 related to financial counterparties.

(c) Liquidity risk

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

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

On 26 August 2015 the Elkem AS group refinanced its group's bank liabilities comprising a long-term loan of EUR 275 million and a revolving credit facility of EUR 200 million, which were used to refinance the group's prior bilateral revolving credit facilities and certain loan facilities for BSI.

The loan facilities agreement contains two financial covenants. The ratio of EBITDA to consolidated net Interest payable, as defined herein, for each measurement period, where the period is calculated as the 12 months ending on the last day of a financial quarter, must exceed 4.0:1. Additionally, the ratio of total equity to total assets must be more than 30 per cent at all times. Elkem comply with these covenants as of 31 December 2015.

In order to mitigate the operational liquidity risk, the Elkem AS group has cash and revolving credit facilities with banks. As at 31 December 2015 the Elkem AS group has unrestricted cash of NOK 1,305 million (in 2014 NOK 695 million). In addition, revolving credit facilities amount to NOK 2,342.7 million (in 2014 NOK 3,778.3 million), of which NOK 2,264.3 million is undrawn (in 2014 NOK 2,366.4 million).

The policy is to have cash and available credit facilities amounting to at least 10 per cent of annual turnover. In addition, the policy is to ensure that the main credit facilities have a remaining maturity of at least 12 months. The maturity profile of the credit facilities per 31 December 2015 for the Elkem AS group is shown in the table below.

Year / maturity	2016	> 2020	Total
Total amount of credit facilities	424	1 919	2 343

The table below analyses the group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the 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.

At 31 December 2015	Less than 6 months	6 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over years
Interest-bearing liabilities	190 322	99 405	59 298	2 849 363	157 847
Financial lease	19 127	19 127	2 734	477	-

At 31 December 2014	Less than 6 months	6 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over years
Interest-bearing liabilities	1 227 668	3 281 998	441 234	1 018 135	5 131
Financial lease	17 569	17 573	35 912	2 476	-

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

CAPITAL MANAGEMENT
As of 31 December 2015, Elkem's equity was NOK 6,318 million. Including minority interests of NOK 123 million the equity ratio was 44 per cent.

In 2015, Elkem's capital structure has been affected by corporate transactions and dividend distributions. In June Elkem acquired the shares in BSI and divested its shares in Elkem Solar.

A dividend of NOK 1,067 million was distributed to the shareholder as an extraordinary dividend (in kind) in connection with the transactions. In March 2015, a dividend of NOK 750 million was distributed to the shareholder as ordinary dividend. Additionally, the company distributed an extraordinary dividend of NOK 1,150 million in December 2015. Going forward the policy is to distribute a dividend of 30-50 per cent of the group's net income for the financial year.

The Elkem AS group's policy is to have an equity ratio for the group which exceeds 40 per cent. The Elkem AS group is managing its financing and liquidity position to reduce liquidity risk and to ensure that the company can meet its financial obligations at all times. With the refinancing transactions in 2015, Elkem has established a good, long-term financing structure.

28 Related party transactions

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

2015	Trade sales	Trade purchases [1]	Sale of services	Purchase of services	Interest income	Interest expenses
Bluestar Elkem International Co. Ltd S.A.	-	-	893	-	-	-
Joint arrangements and associates	-	-	3	(155 097)	3 129	-
Other related parties within China National Bluestar group	145 394	(243 596)	100 845	(11 340)	30 905	(48 336)
Total	**145 394**	**(243 596)**	**101 741**	**(166 437)**	**34 034**	**(48 336)**

[1] Included in trade purchases from joint ventures and associates is purchase of fixed assets of NOK 30 million (Elkem Solar AS).

2014	Trade sales	Trade purchases	Sale of services	Purchase of services	Interest income	Interest expenses
Bluestar Elkem International Co. Ltd S.A.	-	-	134	-	-	-
Joint arrangements and associates	97 374	-	39 339	(197 480)	-	60 735
Other related parties within China National Bluestar group	16 997	(44 672)	23 842	-	(107 851)	-
Total	**114 371**	**(44 672)**	**63 315**	**(197 480)**	**(107 851)**	**60 735**

Loans from / to related parties	31.12.2015	31.12.2014
Loans to joint arrangements	81 442	1 718 129
Loans from other related parties within China National Bluestar group	(6 693)	(3 827 740)
Accrued interest on loans from other related parties within China National Bluestar group	-	(805 375)
Receivables from Bluestar Elkem International Co. Ltd S.A	400	154
Payables to joint arrangements and associates	(9 070)	(23 650)
Receivables from joint arrangements and associates	-	17 469
Payables to other related parties within China National Bluestar group	(50 569)	-
Receivables from other related parties within China National Bluestar group	51 535	25 795

Information about transactions between related parties outside the Elkem AS group

The main transactions between the Elkem AS group and parties outside the Elkem AS group are:

- Sale of management and technology services to Elkem Solar AS
- Power supply and sale of raw materials to Elkem Solar AS
- Purchase of short and deep sea transport from North Sea Containerline AS and Elkem Chartering AS
- Purchase of warehousing for Combined Cargo Warehousing BV
- Sale of silicone to companies within China National Bluestar group

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

- Bluestar Silicones Investment Co. Ltd

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

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

One-time transactions with related parties
On 19 June 2015 the Elkem AS group sold 50 per cent of its shares in the Joint Venture Elkem Solar AS at a proceed of NOK 820 million together with a loan receivable of NOK 1,624 million against Elkem Solar AS. The sales resulted in a gain for the Elkem AS Group of NOK 104,838 thousand. The gain is presented as part of discontinued profit (loss).

In June 2015 the Elkem AS group purchased fixed assets at the Fiskaa plant in Kristiansand, Norway, from Elkem Solar AS. For the rest of 2015, included in sale of services to other related parties within China National Bluestar group, Elkem Solar AS pay a rent and service fee's to the Elkem AS group.

Commitments with related parties
For the joint venture in Paraguay, Igazú Alloys S.A., the Elkem AS group has, together with the other investor, obligations to finance the development of the foundry plant, that is under construction. The Elkem AS group have given a long-term loan of NOK 87.6 million (NOK 58 million) as at 31 December 2015. Of this USD 7,000 thousand is committed to be converted to equity.

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

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

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

1. Buy-sell of products
    a. Supply of raw materials to manufacturers (sales from sourcing companies)
    b. Sale/supply of finished goods from one Elkem manufacturer to another Elkem manufacturer (as in-bound to further production)
    c. Distribution of manufactured goods (directly from the plant or indirectly for resale by distributors)
    d. Flow-through (products are sold to and from Elkem AS due to treatment of indirect taxes)

2. Services
    a. Sales agent/commissionaire services
    b. Order handling services performed for a large part of the companies by one service company (EDC)
    c. General services (cost plus)
        i. Sourcing services
        ii. Technical support services (assistance from one company to another)
        iii. Management services / Divisional management services / Cash management services
    d. Toll manufacturing services (milling services)

3. Financial services
    a. Cash pool
    b. Group loans

29 Government grants

The Elkem AS group has received the following grants:	2015	2014
Funding from the Norwegian government R&D	23 548	17 569
Funding from the French government R&D	46 509	45 529
Funding from the Canadian government, related to energy recovery	13 877	31 907
CO_2 Compensation from the Norwegian Environment Agency	93 978	32 592
Enova, related to energy recovery	17 134	13 676
NHO NO_X fund, related to reduce emission	66 755	13 786
Other grants	7 353	3 932
Total grants received	**269 154**	**158 991**
Grants received is included in the financial statement as follows:		
Other operating income	176 231	100 798
Deduction of carrying amount of fixed assets	92 923	58 193
Total	269 154	158 991
Receivables related to government grants	326 624	209 551
Deferred income related to government grants	(9 837)	(1 376)

In 2015 the Elkem group AS has received NOK 28,974 thousand in CO_2 compensation which relates to the year 2014. The current CO_2 compensation programme will end in 2020.

30 Business combination under common control

19 June 2015 the Elkem AS group purchased all the shares in Bluestar Silicones International S.a.r.l (BSI group) for a purchase price of EUR 1.7 million, from Bluestar Silicones Investment Co. Ltd (BSI). Both the Elkem AS group and BSI group are under common control by China National Bluestar (group) Co. Ltd. Business combinations involving entities under common control, are accounted for according to the 'pooling of interest method' and comparable figures are restated. Below you find an overview of the effects of the restatement.

BSI group made a provision of EUR 21.7 million in 2014 mainly related to VAT audit for the period 2008-2011, the provision has been adjusted in the opening balance 1 January 2014, in the column BSI Group, in the comparable figures.

Income statement 1.1-31.12	Financial statement 2014	BSI Group	Re-classification[1]	Elimination	31.12.2014
Total operating income	8 652 352	4 329 415	15 291	(323 109)	12 673 949
Total operating expenses	(7 987 780)	(4 367 317)	(15 291)	318 857	(12 051 531)
Other gains and losses	(53 155)	8 524	-	-	(44 631)
Operating profit (loss)	**611 417**	**(29 378)**	**-**	**(4 252)**	**577 787**
Finance expenses net	42 953	(228 790)	-	-	(185 837)
Income from associates and joint ventures	(262 045)	-	303 735	-	41 690
Tax (expense) / income	(169 802)	(62 733)	-	-	(232 535)
Profit (loss) for the year from discontinued operations	80 181	-	(303 735)	-	(223 554)
Profit (loss) for the year	**302 704**	**(320 901)**	**-**	**(4 252)**	**(22 449)**
Other comprehensive income:					
Items that will not be reclassified to profit or loss	(26 107)	(15 078)	-	-	(41 185)
Items that may be reclassified to profit or loss in subsequent periods	273 853	(188 305)	-	-	85 548
Total comprehensive income for the year	**550 450**	**(524 284)**	**-**	**(4 252)**	**21 914**

[1] Share of loss in Elkem Solar is reclassified to discontinued operations, se note 31 Discontinued operations

Balance sheet 31.12	Financial statement 2014	BSI Group	BSI Group	31.12.2014
Property, plant and equipment	3 294 636	1 888 526	-	5 183 162
Goodwill	160 734	68 736	-	229 470
Other intangible assets	160 884	413 199	-	574 083
Deferred tax assets	320 882	84 240	-	405 122
Investment in joint ventures	960 398	-	-	960 398
Interest in associated and other companies	53 741	64 246	-	117 987
Derivatives, non-current	69 743	-	-	69 743
Other non-current assets	1 582 274	41 631	-	1 623 905
Inventories	2 086 604	825 133	(15 259)	2 896 478
Accounts receivable	1 275 377	587 288	(43 366)	1 819 299
Derivatives	6 844	-	-	6 844
Other current assets	506 421	365 514	-	871 935
Cash and cash equivalents	546 114	148 879	-	694 993
Total assets	**11 024 652**	**4 487 392**	**(58 625)**	**15 453 419**
Total equity	8 757 443	(3 066 767)	(15 259)	5 675 417
Non-current interest-bearing liabilities	14 520	1 488 367	-	1 502 887
Deferred tax liabilities	56 595	155 354	-	211 949
Pension liabilities	204 450	186 326	-	390 776
Derivatives	252 405	-	-	252 405
Provisions and other non-current liabilities	157 838	72 954	-	230 792
Accounts payable	831 317	546 218	(43 366)	1 334 169
Income tax payables	43 370	27 684	-	71 054
Interest-bearing current liabilities	66 425	4 478 383	-	4 544 808
Derivatives	241 155	5 145	-	246 300
Provisions and other current liabilities	399 134	593 728	-	992 862
Total equity and liabilities	**11 024 652**	**4 487 392**	**(58 625)**	**15 453 419**

Note 30 continues >

Cash Flow	Restated 31.12.2014	BSI Group	31.12.2014
Cash flow from operating activities	645 015	29 271	674 286
Cash flow from investing activities	(802 067)	(306 525)	(1 108 592)
Cash flow from financing activities	35 241	274 222	309 463

Balance sheet 1.1.2014	Financial statement	BSI Group	Elimination	Restated
Property, plant and equipment	3 100 763	1 666 237	-	4 767 000
Goodwill	136 137	63 557	-	199 694
Other intangible assets	121 803	365 694	-	487 497
Deferred tax assets	338 004	100 035	-	438 039
Investment in joint ventures	52 905	-	-	52 905
Interest in associated and other companies	28 250	60 955	-	89 205
Derivatives, non-current	40 727	-	-	40 727
Other non-current assets	112 650	26 077	-	138 727
Inventories	1 715 245	774 634	(8 067)	2 481 812
Accounts receivable	1 066 997	524 812	(25 881)	1 565 928
Derivatives	284 187	-	-	284 187
Other current assets	1 254	375 738	-	376 992
Cash and cash equivalents	627 479	96 223	-	723 702
Asset classified as held-for-sale	4 041 698	-	-	4 041 698
Total assets	**11 668 099**	**4 053 962**	**(33 948)**	**15 688 113**
Total equity	7 697 399	(2 545 423)	(8 067)	5 143 909
Non-current interest-bearing liabilities	18 737	1 648 317	-	1 667 054
Deferred tax liabilities	35 073	140 581	-	175 654
Pension liabilities	167 940	213 069	-	381 009
Derivatives	133 580	-	-	133 580
Provisions and other non-current liabilities	142 724	8 619	-	151 343
Accounts payable	673 358	558 094	(25 881)	1 205 571
Income tax payables	37 711	17 983	-	55 694
Interest-bearing current liabilities	570 130	3 509 040	-	4 079 170
Derivatives	215 876	340	-	216 216
Provisions and other current liabilities	448 413	503 342	-	951 755
Liabilities classified as held-for-sale	1 527 158	-	-	1 527 158
Total equity and liabilities	**11 668 099**	**4 053 962**	**(33 948)**	**15 688 113**

31 Discontinued operations

The Elkem AS group's ownership in Elkem Solar Holding S.a.r.l was reduced from 100 per cent to 50 per cent with effect from 7 March 2014 after a share issue.

19 June 2015 the Elkem AS group sold the remaining 50 per cent of its shares in Elkem Solar AS at a proceed of NOK 820 million together with a loan receivable of NOK 1,624 million. The shares and the receivables were transferred to the acquirer, Bluestar Elkem Investment Co. Ltd, and then netted towards shareholder loans of NOK 1,440 million. The remaining receivables of NOK 1,067 million were distributed as dividend. The Elkem AS group share of profit (loss) of Elkem Solar Holding, including gain on disposal, is included in Profit (loss) for the year from discontinued operations in the statement of income. Below is an overview of the effects from disposal of Elkem Solar Holding.

Excerpt of the income statement for discontinued operations	2015	2014
Revenue (external)	-	27 603
Operating expenses (external)	-	(122 778)
Operating profit	-	(94 675)
Finance expenses (external)	-	10 976
Profit before tax of discontinued operations	-	(83 699)
Tax	-	-
Profit after tax of discontinued operations	**-**	**(83 699)**
Pre-tax gain / (loss) recognised on the re-measurement of assets of disposal group	104 838	163 880
Tax	-	-
After tax gain / (loss) recognised on the re-measurement of assets of disposal group	104 838	163 880
Share of profit equity method [1]	(111 935)	(303 735)
Profit for the year from discontinued operations	**(7 097)**	**(223 554)**

[1] See note 13 Joint arrangement

Consolidated statement of cash flows	2014
Operating cash flows	(37 432)
Investing cash flows	(1 151)
Financing cash flows	-
Total cash flows	**(38 583)**

The cash flow for period January and February 2014 is fully consolidated and included in the Statement of Cash Flows. Cash at NOK 302,162 thousand was deconsolidated due to the change in ownership and included in item Disposal of subsidiaries and other shares in the consolidated statement of cash flows.

Financial statement Elkem AS

Income statement – Elkem AS

1 January - 31 December	Note	2015	2014
Amounts in NOK 1000			
Revenue	4	7 155 256	6 450 525
Other operating income	4	123 166	72 496
Total operating income		**7 278 422**	**6 523 021**
Raw materials and energy for smelting		(3 970 252)	(3 864 619)
Employee benefit expenses	5,6	(902 483)	(835 590)
Amortisations and depreciations	12	(309 465)	(286 275)
Impairment losses	12	(1 814)	550 846
Currency gains/losses related to operating activities	9	(442 276)	(84 443)
Other operating expenses	7,8	(1 436 560)	(1 317 040)
Total operating expenses		**(7 062 850)**	**(5 837 121)**
Operating profit		**215 572**	**685 900**
Income from subsidiaries	13	137 315	213 414
Income from joint ventures	14	(7 097)	(303 735)
Write down on shares in subsidiaries	13	-	4 000
Net loss from investments		130 218	(86 321)
Finance income	10	85 202	91 130
Foreign exchange gain (loss)	10	142 031	16 184
Finance expenses	10	(128 941)	(45 083)
Profit before income tax		**444 082**	**661 810**
Tax income / (expenses)	11	(117 337)	(230 311)
Profit for the year		**326 745**	**431 499**

Balance sheet – Elkem AS

	Note	31.12.2015	31.12.2014
Amounts in NOK 1000			
ASSETS			
Property, plant and equipment	12	1 867 784	1 683 756
Intangible assets	12	523 698	609 207
Deferred tax assets	11	-	83 650
Investments in subsidiaries	13	1 184 829	1 170 030
Investments in joint ventures	14	-	886 737
Investments in associates and other companies	15	14 254	15 811
Derivatives	27	40 480	-
Other non-current assets	16	3 280 308	1 713 672
Total non-current assets		**6 911 353**	**6 162 863**
Inventories	17	1 252 663	1 247 440
Accounts receivables	18	800 948	919 933
Other current assets	19	456 377	493 774
Derivatives	27	20 730	15 391
Cash and cash equivalents	20	723 569	99 293
Total current assets		**3 254 287**	**2 775 831**
TOTAL ASSETS		**10 165 640**	**8 938 694**
EQUITY AND LIABILITIES			
Paid-in capital	21	3 088 203	5 305 203
Retained earnings	21	706 346	380 518
Total equity		**3 794 549**	**5 685 721**
Non-current interest-bearing liabilities	23	3 090 450	89 701
Deferred tax liabilities	11	17 118	-
Pension liabilities	6	66 532	65 559
Derivatives	27	145 198	55 343
Provisions and other non-current liabilities	25	25 099	27 658
Total non-current liabilities		**3 344 397**	**238 261**
Accounts payable		660 470	618 929
Income tax payables		16 373	-
Current interest-bearing liabilities	23	1 578 381	1 231 648
Derivatives	27	433 941	152 418
Dividend		-	750 000
Other current liabilities	26	337 529	261 717
Total current liabilities		**3 026 694**	**3 014 712**
TOTAL EQUITY AND LIABILITIES		**10 165 640**	**8 938 694**

Oslo, 14 April 2016

Elkem AS Board of directors

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

1 January - 31 December	Note	2015	2014
Amounts in NOK 1000			
Operating profit		160 011	685 900
Changes fair value power contracts	9	(5 867)	(37 898)
Amortisation, depreciation and impairment changes	12	311 279	(264 571)
Changes in net working capital		495 120	(195 684)
Interest payments received		76 300	107 514
Interest payments made		(48 606)	(50 237)
Income taxes paid		(1 348)	357
Cash flow from operating activities		**986 889**	**245 381**
Investments in property, plant and equipment and intangible assets	12	(448 093)	(198 436)
Sale of property, plant and equipment	12	545	14 868
Cash effect from merged companies		0	7 972
Acquisition of subsidiary and associated companies		(15 215)	(20 668)
Sale of subsidiary and associated companies		903	0
Increase / decrease in loans to joint ventures		0	60 000
Increase / decrease in loans to subsidiaries		(930 506)	(190 504)
Dividend		18 530	46 141
Cash flow from investing activities		**(1 373 836)**	**(280 627)**
Dividend	21	(1 900 000)	0
New equity	21	0	551 790
New loans raised		3 470 933	288 938
Repayment of loans		(559 896)	(799 381)
Cash flow from financing activities		**1 011 037**	**41 347**
Change in cash and cash equivalents		**624 090**	**6 101**
Currency exchange differences		186	325
Net change in cash and cash equivalents		**624 276**	**6 426**
Cash and cash equivalents Opening balance	**20**	**99 293**	**92 867**
Cash and cash equivalents Closing balance	**20**	**723 569**	**99 293**

Notes to the financial statement – Elkem AS

Amounts in NOK 1000

1 General information

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

2 Significant accounting policies

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

Changes in accounting policies

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

Accounting estimates

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

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. 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.

Revenue recognition

Sales revenues are presented net of VAT and discounts. Revenues 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 in the profit and loss when there is reasonable assurance Elkem AS will receive the compensation. Interest income is recognised on accrual basis. Dividend is recognised when a shareholder's right to receive dividend is resolved by the shareholders' meeting.

Investment in subsidiaries, associates and jointly controlled entities

Subsidiaries are companies in which Elkem AS has controlling interests, normally obtained when Elkem AS owns more than 50 per cent 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 per cent and 50 per cent of the voting power of another entity. Jointly controlled entities are those entities over whose activities Elkem AS has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

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

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

Joint ventures
Elkem AS' interests in jointly controlled entities, which operates within Elkem AS business areas (silicon, ferrosilicon and microsilica), are accounted for by proportionate consolidation. Elkem AS combines its share of the Joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the financial statements.

Elkem AS' interests in joint controlled entities, which do not operates within Elkem AS business areas, are accounted for using the equity method. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

Intangible assets

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

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

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

Property, plant and equipment

Property, plant and equipment are presented at cost, less accumulated depreciations and any accumulated impairment losses. Construction in progress are carried at cost, less any recognised impairment loss. Such assets are classified to the appropriate class of property, plant and equipment when completed and ready for its intended use. Significant parts of an item of property, plant and equipment which have different useful 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 labour, 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 capitalised borrowing costs.

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

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

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

Impairment of tangible and intangible assets

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

Leasing

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

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

Non-derivative financial assets and liabilities

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

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

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

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

Loans and Receivables

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

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

Trade and other receivables

Trade and other receivables are recognised at nominal value less provisions for doubtful accounts.

Cash and cash equivalents

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date into which derivative contracts are entered, 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 recognised 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 plant's 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 recognised in profit or loss immediately together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges, are recognised in the equity and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains / losses recognised in the equity are reclassified into 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 recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Inventories

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

Taxation

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

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

Deferred tax
Deferred tax assets and liabilities are calculated using the liability method with full allocation for all temporary differences between the tax base and the carrying amount of assets and liabilities in the financial statements, including tax losses carried forward. Deferred tax relating to items outside profit or loss is recognised outside profit and loss. Deferred tax items are recognised in correlation to the underlying transaction either in other profit and loss or directly in equity.

If the temporary difference arises from the initial recognition of goodwill, the deferred tax assets and liabilities are not recognised.

Deferred tax assets are recognised in the 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

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 constitutes from 4 per cent to 8 per cent of the basic salary between 1 and 12G (G stands for the Norwegian Public Pension Base Rate, which is adjusted annually. In 2015 1G was equal to NOK 89,502). A separate contribution plan is established for salaries above 12G. Payments related to the contribution plans are expensed as incurred, as a part of Employee benefit expenses.

Defined benefit plans

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

Provisions

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

Government grants

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

Contingent assets and liabilities

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

Events after the reporting period

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

3 Accounting estimates

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

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

Power contracts:
Fair value for power contracts is based on assumptions derived from observable prices for comparable instruments.
Net booked value as of 31 December 2015 is in total negative NOK 104 million (see note 27 Financial instruments).

Estimated useful life of tangible assets:
The estimated useful lives, residual values (if any) and depreciation method is reviewed, and if necessary adjusted, at least annually.

4 Operating income

By type	2015	2014
Revenue from sale of goods	5 817 613	5 212 892
Revenue from sale of goods - group	1 050 606	1 021 537
Other operating revenue	176 392	119 876
Other operating revenue - group	110 645	96 220
Total revenue	7 155 256	6 450 525
Other operating income	123 166	72 496
Total operating income	**7 278 422**	**6 523 021**

Operating income by geographic market	2015	2014
Nordic Countries	1 188 335	1 222 843
Great Britain	346 035	367 186
Germany	1 607 258	1 395 425
France	561 789	473 593
Italy	367 575	261 994
Poland	9 895	191 020
Luxembourg	79 523	357 812
Switzerland	183 433	9 973
Netherlands	433 827	65 750
Other European countries	598 221	517 872
Europe	**5 375 891**	**4 863 468**
Africa	**16 246**	**9 827**
North America	549 211	541 865
South America	24 644	24 035
America	**573 855**	**565 900**
China	78 321	97 114
Japan	419 751	327 371
South Korea	314 405	241 968
Other Asian countries	492 328	386 805
Asia	**1 304 805**	**1 053 259**
The rest of the world	**7 625**	**30 567**
Total operating income	**7 278 422**	**6 523 021**

Details of other operating income:	2015	2014
Sale of fixed assets	440	14 650
Insurance settlement	1 512	20 171
Government grants [1)]	121 214	37 675
Total other operating income	**123 166**	**72 496**

[1)] See note 28 Government grants

5 Employee benefit expenses

By type	2015	2014
Wages/salaries	(767 538)	(706 298)
Social security tax	(89 771)	(88 805)
Pension expenses[1)]	(42 066)	(37 405)
Other employee related expenses	(3 108)	(3 082)
Salary, wages and other compensation	**(902 483)**	**(835 590)**

[1)] See note 6 Retirement benefits

In 2015 the number of full time employees in Elkem AS was 1053. In 2014 the number was 1052.

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

Compensation to members of the board	2015	2014
Payment to board members in total	(489)	(465)

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

Salary and other compensations to the CEO	2015	2014
Salary, including holiday pay	(4 676)	(3 591)
Bonus, including retention fee[1)]	(3 095)	(10 288)
Free car	(130)	(129)
Other compensation	(35)	(11)
Pension cost	(475)	(436)

[1)] A retention fee of NOK 8,024 thousand, equivalent to 36 months of base salary, was paid in Q2 2014. In 2015 bonus payment included a 25 years anniversary payment of NOK 228 thousand and a ChemChina award of NOK 681 thousand.

Retirement age for the CEO is 65-67 years. Pension from the age of 67 and other pensions regarding spouse, children and disability are paid in accordance with the general pension policy of the company. For salaries up to 12G, the pension provided by the company is according to a defined contribution plan and will be paid according to the company's current guidelines through operations.

As of January 2016 the CEO is also entitled to :
A performance bonus equivalent to maximum 100 per cent of the base salary, based on the company performance.

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

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

6 Retirement benefits

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

Defined contribution plans comprise arrangements whereby the company makes annual contributions to the employees' pension plans, and where the future pension is determined by the amount of the contributions and the return on the individual 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 expenses are accounted for based on annual premiums from 'Fellesordningen for AFP' (separate legal entity). The plan is accounted for as a defined contribution plan, as the plan's administrator has not been able to calculate the pension obligation for each entity participating in the plan.

All defined benefit plans are unfunded and relate to closed retirement schemes ('gammel AFP-ordning' settled in 2015), closed individual retirement schemes and pension on salary above 12G.

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

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

Breakdown of net pension expenses	2015	2014
Current service expenses	(1 735)	(1 594)
Accrued employer's national insurance contribution	(390)	(703)
Net pension expenses, defined benefit plan	**(2 125)**	**(2 297)**
Defined contribution plan	**(28 223)**	**(27 341)**
Early retirement scheme (AFP)	**(11 718)**	**(7 767)**
Total pension expenses	**(42 066)**	**(37 405)**

Calculated pension obligation	2015	2014
Present value of pension obligation (PBO)	(66 532)	(65 559)
Fair value of plan assets	0	0
Net unfunded pension obligation	**(66 532)**	**(65 559)**
Active participants in pension scheme for salary above 12G	50	51
Participants in closed pension scheme for early retirement (AFP)/Top-hat early retirement	66	103

Summary of pension obligation and actuarial gain / losses:	2015	2014
Pension obligations	(66 532)	(65 559)
Changes in actuarial gains / (losses) in pension obligation recognised in Equity / Deferred tax	(2 602)	(1 452)
Additional merged companies	0	(43)
Total actuarial gains / (losses) recognised in Equity / Deferred tax as of 31 December	**(11 459)**	**(8 857)**

Economical assumptions	2015	2014
Discount rate[1)]	2.5%	2.25%
Expected rate of salary increase	2.25%	3%
Change in public pension rate (G)	2.25%	3%
Annual regulation of pensions paid	1.0%	0,5%

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

The company's chosen assumptions are in line with 'Guide to Pension Assumptions' published by The Norwegian Accounting Standard Board, January 2015.

7 Other operating expenses

	2015	2014
Travel expenses	(42 940)	(36 001)
Machinery, tools, fixtures and fittings	(254 204)	(240 147)
Repair, maintenance and other operating expenses	(123 146)	(111 177)
Other external expenses (fees, transport, IT services, etc.)	(231 687)	(199 771)
Loss on accounts receivables	(983)	(527)
Other energy and fuel expenses	(56 266)	(53 234)
Commission expenses	(79 650)	(79 006)
External distribution expenses	(436 617)	(452 670)
Rental/leasing expenses[1)]	(50 300)	(49 053)
Miscellaneous manufacturing, administration and selling expenses	(160 767)	(95 454)
Total other operating expenses	**(1 436 560)**	**(1 317 040)**

[1)] See note 8 Operating lease

In 2015 Elkem AS expensed NOK 79,177 thousand (in 2014 NOK 86,544 thousand) related to research and development, which are included in the figures above. Grants received relating to research and development amount to NOK 19,232 thousand for 2015 (for 2014 NOK 17,569 thousand) and is included in other operating income.

Audit and other services	2015	2014
Audit fee	(3 180)	(3 764)
Other assurance services	(719)	(1 139)
Other Services	(144)	-
Audit fee, others	(6)	(630)
Total audit fees	**(4 049)**	**(5 533)**

Fees to auditors are reported exclusive of VAT.
Audit fee, others' are expenses related to other audit companies than the elected auditor PriceWaterhouseCooper.

8 Operating lease

2015	Machinery and plant	Land, buildings and other properties	Equipment, furniture, systems and vehicles	Total
Lease expenses 2015	(7 560)	(38 405)	(4 335)	**(50 300)**
Lease in accordance with contract due:				
Within one year	(1 140)	(15 303)	(926)	**(17 369)**
In the second to fifth year inclusive	(1 463)	(46 284)	(2 404)	**(50 151)**
Over five years	-	(48 180)	-	**(48 180)**

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

2014	Machinery and plant	Land, buildings and other properties	Equipment, furniture, systems and vehicles	Total
Lease expenses 2014	(14 754)	(31 588)	(2 711)	**(49 053)**
Lease in accordance with contract due:				
Within one year	(2 081)	(13 849)	(974)	**(16 904)**
In the second to fifth year inclusive	(1 701)	(36 522)	(1 239)	**(39 462)**
Over five years	-	(40 625)	(298)	**(40 923)**

9 Currency gains / losses related to operating activities

	2015	2014
Currency gains / (losses) from forward contracts[1]	(437 698)	(87 310)
Ineffectiveness on cash flow hedges power	2 244	1 669
Other currency gains / (losses) operational	(6 822)	1 198
Currency gains / (losses) operational, net	**(442 276)**	**(84 443)**

[1] See note 27 Financial instruments

10 Finance income and expenses

	2015	2014
Interest income[1]	43 071	61 346
Interest income - group[2]	42 053	27 482
Dividend	75	79
Other financial income	3	2 223
Total finance income	85 202	91 130
Interest expenses[3]	(50 886)	(19 258)
Interest expenses - group	(17 695)	(20 043)
Interest expenses net pension liabilities	(1 821)	(2 367)
Loss from change in fair value of financial assets	(55 561)	(1 098)
Other financial expenses	(2 978)	(2 317)
Total finance expenses	(128 941)	(45 083)
Net foreign currency exchange gain/loss[4]	142 031	16 184
Finance income / (expenses), net	**98 292**	**62 231**

[1] The change in interest income from 2014 to 2015 is mainly related to the sale of receivable on Elkem Solar AS on 19 June 2015.

[2] The change in interest income - group from 2014 to 2015 is manly related to new group loans to the new subsidiary Bluestar Silicones International Co. Ltd S.à.r.l.

[3] The change in interest expenses from 2014 to 2015 is manly related to the new external long-term loans entered into in September and November 2015.

[4] Foreign exchange gain / loss in 2015 is mainly related to gains on the new group loans to Bluestar Silicones International Co. Ltd S.à.r.l. and loss on the bank loans in EUR.

11 Taxes

Income tax recognised in profit or loss	2015	2014
Current tax expenses	(16 417)	(3 338)
Previous year tax adjustment	(1 305)	-
Deferred tax	(99 615)	(226 973)
Total tax expenses recognised in profit	**(117 337)**	**(230 311)**

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

	2015	2014
Profit before tax	**444 082**	**661 810**
Applicable tax rate Norway	27 %	27 %
Tax expense at applicable tax rate	(119 902)	(178 689)
Permanent differences		
Tax effect of income from Norwegian controlled foreign companies (NOKUS)	(6 741)	(6 818)
Ext. gain / loss on shares within the Tax Exemption Method	2 824	(9)
Dividend	5 172	43 148
Tax effects share of profit joint ventures	-	(82 008)
Impairment of shares / reversal of impairment	(269)	739
Tax effects other permanent differences	619	(1 358)
Other effects		
Previous year tax adjustment	(1 229)	(1 979)
Tax effect change in corporate tax rate[1)]	3 494	-
Other current tax paid	(1 305)	(3 338)
Income tax for the year	**(117 337)**	**(230 311)**

[1)] The effect relates mainly to change in tax rate from 27 per cent to 25 per cent from 2016. The changes in tax rates were approved by the governments before year end 2015.

Effective tax rate	26%	35%

Deferred tax assets and deferred tax liabilities	31.12.2015	31.12.2014
Hedges recognised in equity	23 879	26 672
Property, plant, equipment and intangible asset	(112 214)	(95 963)
Pension fund	15 197	12 426
Other differences	114 361	28 443
Accounts receivable	7	3
Inventory	(53 025)	(39 740)
Provisions	(5 323)	9 319
Tax losses to carry forward	-	142 490
Deferred tax assets (liabilities)	**(17 118)**	**83 650**

Deferred tax	31.12.2015	31.12.2014
Opening balance - net deferred tax assets (liabilities)	83 650	125 840
Charged to Profit and Loss	(99 615)	(226 973)
Ch. def. tax hedges charge to equity	(1 648)	(15 129)
Ch. Actuary gains/losses charged to equity	475	-
Change due to merger	-	199 520
Other items charged to equity	20	393
Net deferred tax assets (liabilities)	**(17 118)**	**83 650**

12 Property, plant and equipment and intangible assets

Property, plant and equipment

2015	Land and other property	Buildings	Machinery and plants	Equipment, furniture and transport-vehicles	Construction in progress	Total
Opening balance Net booked value 2015	**22 166**	**454 639**	**1 021 761**	**45 491**	**139 699**	**1 683 756**
Additions	259	-	1 793	1 258	396 217	399 527
Disposals	-	(411)	(34)	(122)	-	(567)
Transferred from CiP	3 494	33 959	214 763	6 644	(258 860)	-
Impairment losses	-	(122)	(1 593)	(99)	-	(1 814)
Depreciation expenses	(2 799)	(43 478)	(157 033)	(9 824)	-	(213 134)
Foreign currency exchange differences	-	-	20	(4)	-	16
Closing balance Net booked value 2015	**23 120**	**444 587**	**1 079 677**	**43 344**	**277 056**	**1 867 784**
Fixed assets under financial leasing included in Net booked value	24 313	-	-	-	-	24 313
Historical cost	63 388	1 143 137	3 286 202	116 733	277 056	**4 886 516**
Accumulated depreciation	(39 124)	(694 055)	(2 142 868)	(73 263)	-	**(2 949 310)**
Accumulated impairment losses	(1 144)	(4 494)	(63 658)	(126)	-	**(69 422)**
Closing balance Net booked value 2015	**23 120**	**444 588**	**1 079 676**	**43 344**	**277 056**	**1 867 784**
Estimated useful life	0-50 years	5-40 years	3-30 years	3-20 years		
Depreciation plan	Straight-line	Straight-line	Straight-line	Straight-line		

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

2014	Land and other property	Buildings	Machinery and plants	Equipment, furniture and transport-vehicles	Construction in progress	Total
Opening balance Net booked value 2014	**19 712**	**454 726**	**1 045 226**	**40 704**	**160 007**	**1 720 375**
Additions	-	-	2 028	68	153 160	155 256
Additional merged companies	1 087	1 032	12 115	1 336	1 139	16 709
Disposals	(913)	(259)	(1 652)	(270)	-	(3 094)
Transferred from CiP	5 627	43 332	110 949	14 699	(174 607)	0
Impairment losses	-	-	(701)	(29)	-	(730)
Depreciation expenses	(3 347)	(44 188)	(146 232)	(11 031)	-	(204 798)
Foreign currency exchange differences	-	(4)	28	14	-	38
Closing balance Net booked value 2014	**22 166**	**454 639**	**1 021 761**	**45 491**	**139 699**	**1 683 756**
Fixed assets under financial leasing included in Net booked value	24 313	-	-	54	-	24 367
Historical cost	59 782	1 142 782	3 094 156	131 894	139 699	4 568 314
Accumulated depreciation	(36 472)	(683 771)	(2 009 081)	(86 311)	-	(2 815 635)
Accumulated impairment losses	(1 144)	(4 372)	(63 314)	(92)	-	(68 922)
Closing balance Net booked value 2014	**22 166**	**454 639**	**1 021 761**	**45 491**	**139 699**	**1 683 756**
Estimated useful life	0-50 years	5-40 years	3-30 years	3-20 years		
Depreciation plan	Straight-line	Straight-line	Straight-line	Straight-line		

Intangible assets

2015	Other intangible assets	IT systems and programmes	Intangible assets under construction	Total intangible assets
Opening Balance Net Booked Value 2014	**482 386**	**117 698**	**9 123**	**609 207**
Additions	279	8 089	2 454	10 822
Reclassification / Transferred from CiP	-	753	(753)	-
Reversal of impairment losses	-	-	-	-
Amortisation	(80 441)	(15 890)	-	(96 331)
Closing balance Net booked value 2015	**402 224**	**110 650**	**10 824**	**523 698**
Historical cost	805 340	207 169	10 824	1 023 333
Accumulated amortisation	(403 116)	(96 519)	-	(499 635)
Closing balance Net booked value 2015	**402 224**	**110 650**	**10 824**	**523 698**
Estimated useful life	3-10 years	3-10 years		
Amortisation plan	Straight-line	Straight-line		

The book value of the power contract against Statkraft of 1.5 TWh. as of 31 December 2015 is NOK 400 million and the notional amount is NOK 2,238 million.

2014	Other intangible assets	Development	IT systems and programmes	Intangible assets under construction	Total intangible assets
Opening Balance Net Booked Value 2014	**77**	**9 123**	**14 818**	**70 408**	**94 426**
Additions	-	-	23	43 161	43 184
Additional merged companies	1 498	-	-	-	1 498
Reclassification / Transferred from CiP	1 097	(9 123)	112 472	(104 446)	-
Reversal of impairment losses	551 576	-	-	-	551 576
Amortisation	(71 862)	-	(9 615)	-	(81 477)
Closing balance Net booked value 2014	**482 386**	**-**	**117 698**	**9 123**	**609 207**
Historical cost	805 059	11 925	199 012	9 123	1 025 119
Accumulated amortisation	(322 673)	(11 925)	(81 314)	-	(415 912)
Closing balance Net booked value 2014	**482 386**	**0**	**117 698**	**9 123**	**609 207**
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 consists of ERP system M3 of NOK 36,081 thousand.

Reversal of impairment losses relates to value of power contract against Statkraft of 1.5 TWh. Book value of the contract as of 31 December 2014 is NOK 480 million and the notional amount is NOK 2,656 million..

13 Investments in subsidiaries

Investment in subsidiaries of Elkem AS as of 31 December 2015:

Owned by Elkem AS	Country	Owner share Vote rights (%)	Equity 31.12.15	Profit 31.12.15	Book value 31.12.15
Elkem Carbon AS	Norway	100%	510 969	196 124	112 915
Elkem Chartering Holding AS	Norway	80%	26 787	25 359	747
Elkem Distribution Center B.V.	Netherland	100%	18 227	1 148	186
Elkem Foundry Invest AS	Norway	100%	78 102	9 165	70 119
Elkem GmbH	Germany	100%	12 788	5 969	1 309
Elkem Iberia SLU	Spain	100%	5 622	1 259	476
Elkem Iceland Ltd.	Iceland	100%	1 612 262	139 610	783 790
Elkem International AS	Norway	100%	57 793	11 414	5 427
Elkem Japan K.K	Japan	100%	75 468	4 912	15
Elkem Ltd	England	100%	24 772	9 294	21 840
Elkem Materials Processing (Tianjin) Co.,Ltd	China	100%	2 665	168	793
Elkem Materials Processing Services BV	Netherland	100%	6 053	1 430	962
Elkem Metal Canada Inc	Canada	100%	732 316	105 810	5 870
Elkem Milling Services GmbH	Germany	100%	19 945	3 421	12 486
Elkem Nordic A.S.	Denmark	100%	7 540	2 105	5 139
Elkem Oilfield Chemicals FZCO	Dubai	51%	94 793	49 229	12 546
Elkem S.a.r.l.	France	100%	12 989	1 715	0
Elkem International Trade (Shanghai) Co. Ltd	China	11%	142 435	8 507	558
Elkem S.r.l.	Italy	100%	27 657	2 675	6 397
Elkem Singapore Materials Pte. Ltd	Singapore	100%	23 588	6 490	46
Elkem South Asia Private Limited	India	100%	84 080	11 901	2 025
NEH LLC	USA	100%	304 262	11 681	97 506
Nor-Kvarts AS	Norway	67%	37 518	72	28 586
Elkem Madencilik Metalurji Sanayi Ve Ticaret Ltd STI[1)]	Turkey	1%	6 053	1 430	77
Bluestar Silicones International S.à.r.l	Luxembourg	100%	1 313 483	(73 326)	15 015
Total subsidiaries					**1 184 829**

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

Income on investments in subsidiaries	2015	2014
Dividend from subsidiaries	19 758	162 037
Income on disposal [1)]	17 557	-
Group contribution received	100 000	51 377
Total income	**137 315**	**213 414**

[1)] In January 2015 Hoffsveien 65 B AS was liquidated. The liquidation resulted in a gain of NOK 8,989 thousand. In August Finanz AG was liquidated and resulted in a gain of NOK 8,568 thousand.

Write-down / reversal of write-down on investments in subsidiaries	2015	2014
Write-down subsidiaries[1)]	-	4 000
Total write-down	**-**	**4 000**
Net gain/loss from investments in subsidiaries	**137 315**	**217 414**

[1)] In 2014 NOK 4 million of the write down of Elkem Solar AS was reversed.

14 Investments in joint ventures

	Company Company address	Country	Owner share Voting rights 2015	Owner share Voting rights 2014	Accounting method
Elkania DA	Hauge i Dalane	Norway	50%	50%	Proportionate
Dehong Ltd	Wanding, Dehong	China	50%	50%	Proportionate
Elkem Solar Holding S.á.r.l [1)]	Luxembourg	Luxembourg	-	50%	Equity method

1) Elkem Solar Holding S.a.r.l went from 100 per cent owned on 7 March 2014 to 50 per cent owned. Share of profit in 2014 is for the period 1 March to 31 December 2014. In 2015 the last 50 per cent share was sold on 19 June 2015 to Bluestar Elkem Investment Co. Ltd. Elkem AS share of the loss (NOK 111,935 thousand) in Elkem Solar S.à.r.l is for the period from 1 January to 18 June 2015. The sales resulted in a gain for the Elkem AS group of NOK 104,838 thousand. The net profit of NOK 7,097 thousand is presented as Income from joint ventures.

Main figures for the investments accounted for by equity method. The figures are Elkem AS portion.

	2015	2014
Total interest in joint ventures 1 January	**886 737**	**-**
Acquired shares in Joint ventures/change of ownership	-	1 194 000
Sale of shares in joint ventures	(883 062)	
Share of profit	(111 935)	(303 735)
Share of other comprehensive income	(2 536)	(3 528)
Other comprehensive income transferred to income on disposal	5 958	-
Gain on sale of shares in joint ventures	104 838	-
Total interest in joint ventures 31 December	**-**	**886 737**

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

	Dehong Elkem Materials Co. Ltd	Elkania DA	Total 2015
Current assets	1 948	11 352	13 300
Non-current assets	161	5 628	5 789
Current liabilities	(793)	13 383	12 590
Non-current liabilities	(178)	7 313	7 135
Net assets	3 081	(3 716)	(635)
Total revenue	1 426	3 348	4 774
Total expenses	(1 287)	(5 893)	(7 180)
Financial items	-	(189)	(189)
Tax	(30)	(90)	(120)
Total profit for the year	109	(2 824)	(2 715)

	Dehong Elkem Materials Co. Ltd	Elkania DA	Total 2014
Current assets	2 543	4 627	7 170
Non-current assets	180	6 172	6 352
Current liabilities	306	6 784	7 090
Non-current liabilities	(158)	7 119	6 961
Net assets	2 574	(3 104)	(530)
Total revenue	1 426	3 348	4 774
Total expenses	(1 287)	(5 893)	(7 180)
Financial items	-	(189)	(189)
Tax	(30)	(90)	(120)
Total profit for the year	109	(2 824)	(2 715)

15 Investments in associates and other companies

	Ownership (%)	Book value 31.12.2015
Elkem Chartering AS	25.0%	8 529
Alcoa	0.4%	2 900
Teknova AS	5.9%	1 583
LEAN Senteret Helgeland AS	18.5%	200
Indre Salten vekst	-	139
Lyngenveien Barnehage	-	177
Other companies	-	727
Total investments in associates and other companies		**14 254**

16 Other non-current assets

	31.12.2015	31.12.2014
Long-term deposit pension guarantee	16 780	14 820
Pension Contribution Fund, long-term	6 160	8 860
Loans to joint arrangements[1]	6 943	1 417 883
Non-current interest-bearing receivable - group[2]	3 249 207	271 224
Other non-current assets	1 218	885
Total other non-current assets	**3 280 308**	**1 713 672**

[1] Hereof interest-bearing loan to Elkem Solar AS of NOK 1.4 million . The loan was sold on 19 June 2015. At 31.12.2015 the item consists solely of loan to Elkania DA.

[2] See note 28 Related party transactions

17 Inventories

	31.12.2015	31.12.2014
Finished goods	677 226	729 992
Work in progress	226 015	191 304
Raw materials	210 013	193 150
Operating materials and spare parts	139 409	132 994
Total inventories	**1 252 663**	**1 247 440**

Inventories are valued at the lower of cost and fair value (i.e. net realizable value).
As of 31 December 2015 inventories were written down by NOK 2,069 thousand
As of 31 December 2014 inventories were written down by NOK 3,202 thousand

18 Receivables

	31.12.2015	31.12.2014
Accounts receivables	621 728	630 752
Short-term receivables - group	179 920	289 390
Provision for doubtful accounts	(700)	(209)
Total receivables	**800 948**	**919 933**

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

	31.12.2015	31.12.2014
Not due	710 333	838 006
1 - 30 days	69 438	62 318
31 - 60 days	11 983	3 768
61 - 90 days	2 549	3 436
More than 90 days	7 345	12 614
Total accounts receivables	**801 648**	**920 142**

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

Movement in allowance for doubtful debts	31.12.2015	31.12.2014
Opening balance	(209)	(1 895)
Impairment losses recognised on receivables	(700)	(209)
Reversed impairment losses	209	1 895
Balance as of 31 December	**(700)**	**(209)**

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

Overdue by:	31.12.2015	31.12.2014
less than 90 days	(13)	-
61 - 90 days	-	-
more than 90 days	(687)	(209)
Total receivables written-down	**(700)**	**(209)**

19 Other current assets

	31.12.2015	31.12.2014
Pension contribution fund, short term part[1)]	10 120	10 678
Loan to Elkem Solar AS	-	240 000
CO_2 Compensation from Norwegian Environment Agency[2)]	65 004	32 592
Government grants[2)]	68 912	-
VAT receivables	71 015	57 253
Prepayments	30 206	19 161
Receivable group entities related to Group Bank Accounts	102 379	80 746
Receivable group contribution	100 000	48 000
Other current assets	8 741	5 344
Total other current assets	**456 377**	**493 774**

1) See note 6 Retirement benefits

2) See note 29 Government grants

20 Cash and cash equivalents

	31.12.2015	31.12.2014
Cash and bank balances	723 569	96 563
Restricted deposits[1]	-	2 730
Cash and cash equivalents	**723 569**	**99 293**

1) Deposits against NASDAQ OMX related to power trading. The deposit was settled in March 2015.

21 Equity

Changes in equity

2015	Share capital	Other paid in capital	Total paid in capital	Fund	Other equity	Total retained earnings	Total equity
Equity 31.12.14	**2 010 000**	**3 295 203**	**5 305 203**	**1 903**	**378 615**	**380 518**	**5 685 721**
Hedging	-	-	-	-	(2 619)	**(2 619)**	**(2 619)**
Actuarial gain / loss	-	-	-	-	(2 127)	**(2 127)**	**(2 127)**
Currency translation joint ventures	-	-	-	408	-	**408**	**408**
Other equity transactions joint venture[1]	-	-	-	-	3 422	**3 422**	**3 422**
Dividend	-	(2 217 000)	**(2 217 000)**	-	-	-	**(2 217 000)**
Profit for the year	-	-	-	-	326 745	**326 745**	**326 745**
Equity 31.12.15	**2 010 000**	**1 078 203**	**3 088 203**	**2 311**	**704 035**	**706 346**	**3 794 549**

[1] See note 14 Joint ventures

Fund

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

Shareholders

Elkem AS is the parent company of the Elkem AS group. As of 31 December 2015 Elkem AS was 100 per cent owned by Bluestar Elkem International Co. Limited S.A. Elkem AS has its registered company address: Drammensveien 169, 0277 Oslo, Norway.

Share capital

Share capital as of 31 December 2015 in Elkem AS is NOK 2,010 million, divided in 1 share.

Changes in equity

2014	Share capital	Other paid in capital	Total paid in capital	Fund	Other equity	Total retained earnings	Total equity
Equity 31.12.13	**2 000 000**	**3 503 413**	**5 503 413**	**1 418**	**(14 527)**	**(13 109)**	**5 490 304**
Capital increase	10 000	541 790	**551 790**	-	-	**-**	**551 790**
Merger[1]	-	-	-	-	(74 673)	**(74 673)**	**(74 673)**
Hedging	-	-	-	-	40 906	**40 906**	**40 906**
Actuarial gain / loss	-	-	-	-	(1 062)	**(1 062)**	**(1 062)**
Currency translation joint ventures	-	-	-	485	-	**485**	**485**
Other equity transactions joint venture[2]	-	-	-	-	(3 528)	**(3 528)**	**(3 528)**
Dividend	-	(750 000)	**(750 000)**	-	-	**-**	**(750 000)**
Profit for the year	-	-	-	-	431 499	**431 499**	**431 499**
Equity 31.12.14	**2 010 000**	**3 295 203**	**5 305 203**	**1 903**	**378 615**	**380 518**	**5 685 721**

[1] See note 30 Merger Elkem AS and subsidiaries

[2] See note 14 Joint ventures

22 Finance lease liabilities

Elkem AS leases some of its manufacturing equipment under a finance lease. Interest rates range from 3.50 per cent to 6.99 per cent. Elkem AS' obligations under a finance lease are secured by the lessor's title to the leased assets. Elkem AS has the right to prolong some leasing agreements, and the right to keep the leased equipment after the closed leasing period for some leasing agreements.

Overview of finance lease	31.12.2015	31.12.2014
Within one year	4 453	4 247
Between 1 and 5 years	2 682	5 965
Over 5 years	-	-
Total lease payments	7 135	10 212
Less future finance charges	(246)	(494)
Present value of lease obligations	**6 889**	**9 718**
Less amount due for settlement within 12 months	4 299	3 950
Total non-current finance lease obligations	**2 590**	**5 767**
Leasing cost current year	4 333	8 077

23 Net interest-bearing assets / liabilities

	31.12.2015	31.12.2014
Non-current interest-bearing liabilities		
Financing from subsidiaries	102 327	77 474
Financial leases[1]	2 590	5 767
Loans from external part, other than bank	6 459	6 460
Bank financing and other liabilities[2]	2 979 074	-
Total non-current interest-bearing liabilities	**3 090 450**	**89 701**
Current interest-bearing liabilities		
Financing from subsidiaries	1 475 398	1 170 032
Financial leases[1]	4 299	3 950
Bank financing	95 219	56 013
Accrued interest	3 466	1 654
Total current interest-bearing liabilities	**1 578 381**	**1 231 648**
Total interest-bearing liabilities	**4 668 831**	**1 321 349**
Interest-bearing assets		
Cash and bank balances	723 569	96 563
Restricted deposits	16 780	2 730
Non-current loans to subsidiaries[3]	3 249 206	271 224
Non-current loans to joint arrangements[4]	6 943	1 417 883
Current loans to subsidiaries	61 971	80 746
Current loans to joint arrangements	-	240 000
Financial assets[5]	295	24 360
Total interest-bearing assets	**4 058 763**	**2 133 506**
Net interest-bearing assets / (liabilities)	**(610 068)**	**812 156**

[1] See note 22 Finance lease liabilities

[2] The increase in bank financing is related to the two new term loans entered into in September and November 2015 of respectively EUR 275 million and EUR 37 million.

[3] The increase in non-current loans to subsidiaries from 2014 to 2015 is manly related to new loans to Bluestar Silicones International S.à.r.l.

[4] The decrease in loans to joint arrangements from 2014 to 2015 is manly related to the sale of receivables towards Elkem Solar AS.

[5] The decrease in financial assets is mainly related to changed presentation of long term pension contribution funds and deposit guarantees in 2015 compared to 2014.

Interest-bearing liabilities by currency	Currency amount	NOK 31.12.2015	Currency construction	NOK 31.12.2014
EUR	333 464	3 199 017	29 832	269 988
USD	30 522	268 971	30 548	227 790
NOK	604 513	604 513	154 492	154 492
Other currencies	-	596 330	-	669 079
Total interest-bearing liabilities		**4 668 831**		**1 321 349**

Maturity of interest-bearing liabilities at 31.12.2015	Group financing	Financial leases	Loans from external part other than bank	Bank financing	Accrued interest	Total
2016	1 475 398	4 299	-	95 219	3 466	1 578 381
2017	-	2 460	-	51 246	-	53 706
2018	-	130	-	530 911	-	531 041
2019	-	-	-	530 911	-	530 911
2020	-	-	-	1 730 072	-	1 730 072
2021 and later	102 327	-	6 459	153 739	-	262 525
Total	**1 577 725**	**6 889**	**6 459**	**3 092 098**	**3 466**	**4 686 636**
Prepaid loan fees				(17 805)		(17 805)
Total interest bearing liabilities	**1 577 725**	**6 889**	**6 459**	**3 074 293**	**3 466**	**4 668 831**

Maturity of interest-bearing liabilities at 31.12.2014	Group financing	Financial leases	Loans from external part other than bank	Bank financing	Accrued interest	Total
2015	1 170 032	3 950	-	56 013	1 654	1 231 648
2016	-	3 878	-	-	-	3 878
2017	-	1 889	-	-	-	1 889
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020 and later	77 474	-	6 459	-	-	83 933
Total	**1 247 506**	**9 718**	**6 459**	**56 013**	**1 654**	**1 321 349**

Elkem AS is granted credit facilities of EUR 200 million (NOK 1,919 million) and NOK 250 million, a total of NOK 2,168 million in granted credit facilities. Both facilities remain undrawn at 31 December 2015. In 2014 the total granted credit facilities was NOK 1,746 million where of NOK 58 million was drawn at 31 December 2014.

The credit facilities and the term loans in Elkem AS contain financial covenants. The financial covenants and the calculations for 2015 is described below:

Covenant Elkem AS group related to drawn loan of NOK 3,023 million in Elkem AS		31.12.2015	Loan covenant
Total Equity	NOK	6 318 758	
Total Assets	NOK	14 476 852	
Equity ratio		**44%**	**> 30%**
EBITDA	NOK	2 206 988	
Net finance charges	NOK	103 979	
Interest cover ratio		**21,23**	**> 4.00**

24 Guarantees

Guarantee commitments	31.12.2015	31.12.2014
Guarantees given on behalf of subsidiaries regarding environmental obligations	4 618	4 618
Guarantees given on behalf of subsidiaries regarding financing	66 308	-

25 Provisions and other non-current liabilities

	31.12.2015	31.12.2014
Currency effects bond loan	2 694	5 633
Other non-current liabilities group companies	270	266
Site restoration	22 136	21 759
Provisions	**25 099**	**27 658**

Currency effects bond loan
Elkem participated in the Central Bank of Iceland's 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 recognised as deferred income and will be amortised over the required ownership period.

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

26 Other current liabilities

	31.12.2015	31.12.2014
Value added tax, vacation pay and employee tax payable	83 814	52 259
Current payroll and social security payables	142 643	119 496
Payables to subsidiaries	22 152	-
Other short-term liabilities	88 920	89 962
	337 529	**261 717**

27 Financial instruments

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

Foreign exchange forward contracts
Elkem AS' Treasury department enters into to foreign forward contracts to meet Elkem groups foreign currency exposure. Hedge accounting is not applied for these contracts, they are classified as held for trading and booked at fair value through profit and loss.

Elkem AS' Treasury department also 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 recognised through profit and loss.

Effects from foreign exchange forward contracts	2015	2014
Realised effects	(118 956)	(104 120)
Change in fair value, unrealised effects	(318 742)	14 612
Ineffective part of change in fair value of hedging instruments	-	2 198
Total effects through from fx contracts through Profit or Loss	**(437 698)**	**(87 310)**

Details of foreign exchange contracts as of 31 December 2015

Purchase Currency	Purchase ccy 1000	Sale Currency	Sale ccy 1000	Type of instrument	Currency rate	Due	Fair value in NOK 1000	Notional amount in NOK 1000[1)]
NOK	1 209	AUD	200	Fwd	6.0465	2016	(78)	1 289
CAD	6 688	EUR	4 800	Fwd	1.3932	2016	(3 712)	46 048
NOK	2 710 039	EUR	300 300	Fwd	9.0244	2016	(187 922)	2 880 864
CAD	4 392	GBP	2 160	Fwd	2.0333	2016	(345)	28 221
NOK	46 114	GBP	3 780	Fwd	12.1995	2016	(3 313)	49 387
NOK	73 236	JPY	1 118 000	Fwd	0.0655	2016	(9 244)	81 861
NOK	510 653	USD	65 950	Fwd	7.7430	2016	(70 544)	581 184
NOK	929 152	EUR	100 400	Fwd	9.2545	2017	(51 528)	963 166
NOK	54 332	JPY	848 000	Fwd	0,.0641	2017	(9 101)	62 091
NOK	167 423	USD	22 050	Fwd	7.5929	2017	(25 849)	194 316
NOK	524 796	EUR	58 000	Fwd	9.0482	2018	(46 910)	556 411
NOK	101 569	USD	13 000	Fwd	7.8130	2018	(11 809)	114 563
USD	20 000	CAD	26 693	Fxt	0.7493	2016	6 398	175 988
Total fair value currency forward contracts							**(413 957)**	

Note 27 continues >

Details of foreign exchange contracts as of 31 December 2014

Purchase Currency	Purchase ccy 1000	Sale Currency	Sale ccy 1000	Type of instrument	Currency rate	Due	Fair value in NOK 1000	Notional amount in NOK 1000[1]
NOK	807	AUD	150	Fwd	6.0809	2015	(105)	916
CAD	27 760	EUR	18 780	Fwd	1.4782	2015	7 715	169 963
NOK	2 419 941	EUR	276 520	Fwd	8.7514	2015	(97 205)	2 502 566
NOK	86 110	GBP	8 220	Fwd	10.4757	2015	(9 642)	95 521
NOK	59 763	JPY	990 000	Fwd	0.0604	2015	(2 309)	61 734
NOK	321 690	USD	46 000	Fwd	6.9933	2015	(22 707)	343 008
SEK	2 514	AUD	400	Fwd	6.0904	2015	(8)	2 442
USD	30 000	CAD	33 712	Fxt	1.1237	2015	8 547	224 925
NOK	(-17 450)	GBP	1 860	Fxt	9.3815	2015	(4 241)	21 691
NOK	883 384	EUR	94 000	Fwd	9.3977	2016	18 615	850 720
NOK	28 742	JPY	468 000	Fwd	0.0614	2016	(1 044)	29 183
NOK	126 335	USD	17 000	Fwd	7.4315	2016	(662)	126 764
NOK	552 219	EUR	58 400	Fwd	9.4558	2017	9 069	528 533
NOK	29 420	JPY	468 000	Fwd	0.0629	2017	(786)	29 183
NOK	79 704	USD	10 800	Fwd	7.3800	2017	(454)	80 532
Total fair value currency forward contracts							**(95 216)**	

[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

Energy contracts booked at fair value

Elkem AS enters into forward power contracts to meet its need for power at the plants. The contracts are designated in a hedging relationship and the effective portion of changes in fair values is booked temporarily in equity. Realised effects are booked as a part of the energy cost under cost of raw materials and other input factors. Ineffective effects are booked as a part of currency gains / losses related to operating activities. Realised effects from the hedging of power in 2015 is a loss of NOK 145,286 thousand. In addition a gain of NOK 2,244 thousand representing the ineffective part of the hedging relationship is also booked through profit and loss.

Details of energy contracts booked at fair value as of 31 December 2015

	Volume GWh	Due	Fair value in NOK 1000	Notional amount in NOK 1000[1]
Forward contracts NASDAQ OMX Commodity	422	2016	(76 111)	199 013
Forward contracts financial institutions	479	2016	(35 701)	77 118
Forward contracts financial institutions	166	2017	1 077	32 951
Commodity contract Solar	(220)	2016	14 332	53 893
Commodity contract Solar	(26)	2017	543	5 925
Commodity contracts '30-øringen'	501	2016	(46 971)	138 462
Commodity contracts '30-øringen'	7 014	2017-2030	38 860	1 374 436
Fair value energy contracts at fair value			**(103 971)**	

[1] Notional value of underlying asset

Details of energy contracts booked at fair value as of 31 December 2014

	Volume GWh	Due	Fair value in NOK 1000	Notional amount in NOK 1000[1)]
Forward contracts NASDAQ OMX Commodity	806	2015	(66 313)	286 766
Forward contracts NASDAQ OMX Commodity	422	2016	(31 043)	146 516
Forward contracts financial institutions	138	2015	(7 081)	11 997
Forward contracts financial institutions	202	2016	439	32 266
Commodity contract Elkem Solar AS	(219)	2015	6 844	69 028
Fair value energy contracts at fair value			**(97 154)**	

[1)] Notional value of underlying asset

Fair value of the power contracts are based on observable nominal values for similar contracts, adjusted for interest effects.
In addition to the power contracts booked at fair value Elkem AS holds several energy contracts booked at the lower of cost and fair value.

28 Related party transactions

100 per cent of shares in Elkem AS is held by Bluestar Elkem International Co., Ltd S.A. Details of transactions between the Elkem AS and other related parties are disclosed below.

2015	Trade sales	Trade purchases	Services sales	Services purchases	Interest income	Interest expenses
Bluestar Elkem International Co., Ltd S.A.	-	-	893	-	-	-
Other related parties within China National Bluestar group	67 502	(59 311)	69 185	(3 961)	30 905	-
Subsidiaries	1 050 605	(1 556 039)	108 277	(159 769)	42 053	(17 695)
Joint arrangements and associates	-	-	3	(110 365)	170	-
Total	**1 118 107**	**(1 615 350)**	**178 358**	**(274 094)**	**73 128**	**(17 695)**

2014	Trade sales	Trade purchases	Services sales	Services purchases	Interest income	Interest expenses
Bluestar Elkem International Co., Ltd S.A.	-	-	134	-	-	-
Other related parties within China National Bluestar group	319 951	-	925	-	-	-
Subsidiaries	692 151	(1 451 880)	91 044	(148 002)	16 906	(20 044)
Joint arrangements and associates	56 848	(147 907)	39 339	-	59 699	-
Total	**1 068 950**	**(1 599 787)**	**131 442**	**(148 002)**	**76 605**	**(20 044)**

Note 28 continues >

Loans from/to related parties	31.12.2015	31.12.2014
Non-current loans from subsidiaries	(102 327)	(77 475)
Current loans from subsidiaries	(611 607)	(631 725)
Non-current deposit subsidiaries	3 249 206	271 223
Other receivables from subsidiaries	140 408	48 000
Non-current loans to joint arrangements and associates	6 943	240 000
Current loans to joint arrangements and associates	-	1 417 883
Accounts receivables Bluestar Elkem International Co., Ltd. S.A.	400	154
Accounts receivables other related parties within China National Bluestar group	10 609	55 422
Accounts receivables subsidiaries	179 232	234 810
Accounts receivables joint arrangements and associates	-	5 254
Accounts payables from other related parties within China National Bluestar group	(2 164)	-
Accounts payables from subsidiaries	(270 489)	(274 172)
Accounts payables from joint arrangements and associates	(8 455)	(13 159)

Information about transactions between related parties

Elkem follows internationally accepted principles for transactions between related parties. In general, Elkem seeks to use transaction based methods (comparable uncontrolled price, cost plus and resale price method) in order to set the price for the transaction. The majority of the transactions between related parties, relate to products involving:

- Raw materials (quartz) from quarries to plants
- Electrode paste from Carbon plants to FeSi and Silicon plants
- Surplus raw materials between plants
- Ad-hoc supplies of finished goods to Elkem's internal distributors
- Purchase of short and deep sea transport
- Sale of management and technology services
- Sale of power supply
- Rent of plant facilities and related services

Elkem's set-up for sales is based on an agent structure, rather than a distribution network. Elkem has also sourced companies that purchase key raw materials and other supplies from selected suppliers world-wide. In both activities above, the transaction between the related parties is a delivered service, either sales-service or sourcing-service. Additionally, Elkem has internal help chains that are established to serve several operating units more efficiently.

Elkem AS also have both long term receivables and long term payables to related parties.
The group loans are normally interest bearing and interest is calculated based on interbank rates (for example NIBOR) and a margin.

One-time transactions with related parties

On 19 June 2015 Elkem AS sold 50 per cent of its shares in the Joint Venture Elkem Solar AS at a proceed of NOK 820 million together with a loan receivable of NOK 1,624 million against Elkem Solar AS. The sales resulted in a gain for Elkem AS of NOK 104,838 thousand. The gain is presented as part of income from Joint ventures.

In June 2015 Elkem AS purchased fixed assets at the Fiskaa plant in Kristiansand, Norway, from Elkem Solar AS. For the rest of 2015, included in sale of services to other related parties within China National Bluestar group, Elkem Solar AS pay a rent and service fee's to the Elkem AS group.

Commitments with related parties

Elkem AS have no commitments to related parties.

Transactions with key management personnel

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

29 Government grants

Elkem has received the following grants:	2015	2014
Funding from the Norwegian government R&D	19 232	17 569
CO_2 Compensation from the Norwegian Environment Agency	93 978	32 592
Enova, related to energy recovery	17 134	8 432
NHO NO_X fund, related to reduce emission	66 755	13 786
Other	823	616
Total grants received	**197 922**	**72 995**
Grants received is included in the financial statement as follows:		
Other operating income	121 214	37 675
Deduction in other operating expenses	-	12 702
Deduction of carrying amount of fixed assets	76 708	22 618
Total	197 922	72 995
Receivables related to government grants	133 916	32 592
Deferred income related to government grants	(9 837)	(1 376)

In 2015 Elkem AS have received NOK 28,974 thousand in CO_2 compensation which relates to the year 2014.
The current CO_2 compensation programme will end in 2020.

30 Merger Elkem AS and subsidiaries

In 2014, Elkem AS was merged with two of its subsidiaries; Elkem Power AS and Elkem Tana AS.
Elkem Power AS is an administrative unit for all of Elkem AS' power supply and is located in Oslo (eastern Norway).
Elkem Tana is a mine located in Tana (northern Norway), and main business is part of Elkem Silicon Material Division.

The merged subsidiaries were 100 per cent fully owned by Elkem AS and the merger was effective from December 2014 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 were included in Elkem AS retrospectively as of 1 January 2014.

Details on the merged balances are outlined below:

Net assets	Note	TOTAL
Property, plant and equipment	12	16 710
Intangible assets	12	1 498
Deferred tax assets	11	199 520
Investments in subsidiaries	13	(314 300)
Inventories	17	4 195
Accounts receivables	18	12 134
Other current assets (reduced assets)	19	(36 177)
Cash and cash equivalents	20	7 972
Total Assets		(108 448)
Pension liabilities	6	30
Derivatives, non current	27	71 518
Provisions and other non-current liabilities	25	16 984
Accounts payables (reduced payables)		(87 865)
Derivatives, current	27	83 303
Other current liabilities (reduced liabilities)	26	(117 745)
Total liabilities		(33 775)
Net assets / Equity contributed in the merger		**(74 673)**

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 2015, 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 2015, 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.

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

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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 2015, 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 are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position of the group Elkem AS as at 31 December 2015, 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 the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 14 April 2016
PricewaterhouseCoopers AS

Anders Ellefsen

Anders Ellefsen
State Authorised Public Accountant (Norway)

(2)

The history of Elkem

Elkem's history starts in 1904 when industry entrepreneur Sam Eide (1866–1940) established the company. The goal was to become a major industrial company with a global outlook based on Norwegian natural resources, hydropower and know-how.

1904: Elkem is founded by Sam Eyde, brothers Magnus and Knut Wallenberg and Knut Tillberg.

1917: Elkem patents the Söderberg electrode, which is still in use in about 75 per cent of the world's smelting plants today.

1919: 51 different companies belong to the Elkem sphere, including Norsk Hydro (later Yara), Kristiansand Nikkelraffineringsverk (later Xstrata).

1920s and 1930s: The Great Depression: almost all of Elkem's companies are sold.

1954: Rhône-Poulenc starts up Rhodorsil Silicones from GE and Dow Corring technologies (forerunner of BSI).

1958: Elkem becomes an aluminium producer.

1963: Elkem joins forces with Alcoa as a partner.

1965: Elkem helps to found Norway's first oil company, NOCO.

1972: Elkem merges with Christiania Spikerverk, becomes Norway's largest industrial company and helps to found 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 per cent of REC.

2005: Orkla acquires Elkem.

2007: Bluestar Silicones International is established, following the acquisition of Rhodia Silicones by China National Bluestar Corporation.

2009: Elkem ceases its aluminium production. Alcoa takes over the plants.

2011: China National Bluestar buys Elkem from Orkla.

2015: Elkem acquires Bluestar Silicones International.

Our owner

The China National Bluestar (Group) Co., Ltd. (Bluestar) is centered on the chemical industry with main focus on new chemical materials, basic chemical engineering, animal nutrition and environmental science sectors. Bluestar is part of China National Chemical Corporation (ChemChina), which is state-owned and one of China's leading chemical companies.

Bluestar has been the owner of Elkem since 2011. In addition, Bluestar has been the owner of BSI since 2007. In June 2015, BSI became part of Elkem and now constitutes the Elkem AS group's Silicones division.

Elkem is part of Bluestar's New Chemical Materials division.

Elkem divested its shares in Elkem Solar in 2015, but Elkem Solar still remains part of the Bluestar group. In May 2015, Bluestar acquired the shares in REC Solar ASA to strengthen its position in the solar industry and to create a fully integrated value chain.

New chemical materials

Silicon and polysilicon
Organic silicones

- High-performance materials
- Epoxy resin
- Polyphenyl ether & polyether
- PVC paste resin
- Specialty fiber
- Other modified engineering plastics

Nutritional science

- Methionine
- Vitamins
- Enzymes
- Ruminant products

BLUESTAR

Performance chemicals & intermediates

- Primary refinery products
- Organic raw materials
- Polyethylene
- Acrylic acid and esters

Environmental science

- Desalination, industrial and municipal waste water reuse
- Ion-exchange membrane electrolysers and membrane reactors
- Industrial cleaning & services

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