



Second quarter and half year results 2023



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Highlights 2nd quarter 2023

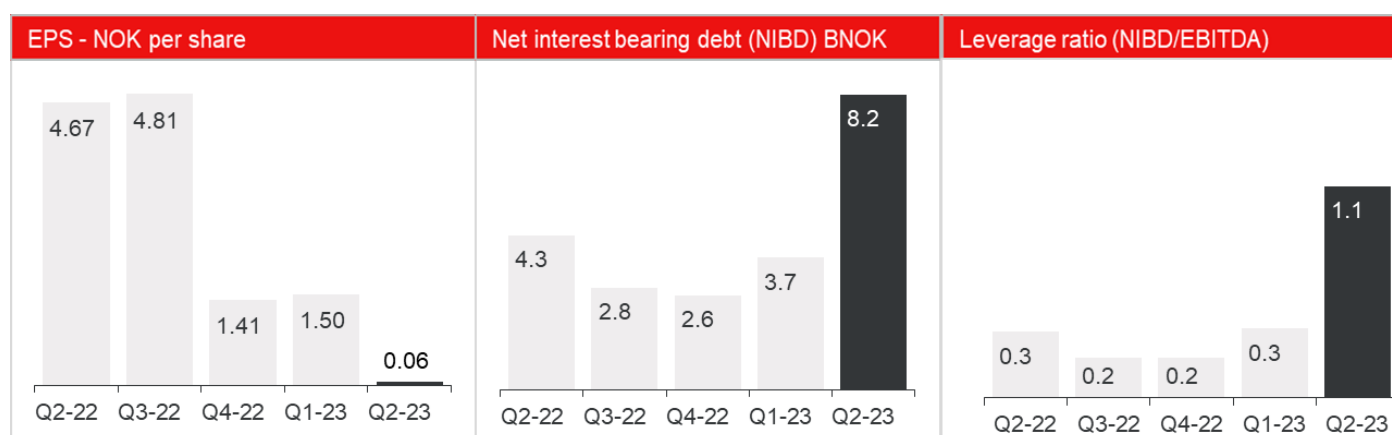
- Elkem delivered an EBITDA of NOK 1,039 million in the second quarter 2023. The result was negatively impacted by NOK 250 million related to one-offs.
- Silicon Products and Carbon Solutions continue to deliver strong results, based on superior cost and markets positions.
- Weak results for the Silicones division, impacted by challenging markets, inventory write down, and maintenance stop in China.
- Elkem well positioned for demand recovery and improved market conditions, based on maintenance and growth investments.
- Acquisition of VUM, a Slovak producer of carbon materials, in second quarter to further increase Elkem's capacity in attractive markets.

Key figures

<i>(NOK million, except where specified)</i>	2Q 2023	2Q 2022	YTD 2023	YTD 2022	FY 2022
Total operating income	9,258	12,326	19,192	24,201	45,898
EBITDA	1,039	3,924	2,604	7,798	12,925
EBITDA margin (%)	11 %	32 %	14 %	32 %	28 %
EBIT ⁽¹⁾	469	3,428	1,494	6,827	10,898
Profit (loss) for the period ⁽²⁾	36	2,962	989	5,621	9,561
Earning per share (EPS) <i>(NOK per share)</i>	0.06	4.67	1.56	8.87	15.09
Equity ratio (%)	50 %	52 %	50 %	52 %	55 %
Net interest-bearing debt (NIBD)	8,191	4,051	8,191	4,051	2,615
Cash flow from operations	607	2,809	1,244	5,606	9,551
ROCE - annualised (%)	6 %	50 %	9 %	51 %	39 %

(1) Operating profit before other items and hedge adjustments

(2) Owners of the parent's share of profit (loss)



An overall good performance in weak markets

In the second quarter 2023, Elkem delivered an overall good result, with continued strong performance in the Silicon Products division and the Carbon Solutions division. The result for the Silicones division was weak, impacted by challenging market conditions, maintenance stop, and inventory write down.

Elkem's total operating income for the second quarter 2023 was NOK 9,258 million, which was down from the corresponding quarter in 2022, mainly explained by lower sales prices and lower sales volumes. Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to NOK 1,039 million in the quarter, compared an all-time high EBITDA of NOK 3,924 million in second quarter last year. Earnings per share (EPS) was NOK 0.06 in the quarter and NOK 1.56 year-to-date.

The Silicon Products and Carbon Solutions divisions continue to deliver strong results, based on superior cost and market positions. The result for Silicon Products was negatively impacted by maintenance stops at Thamshavn and Rana, estimated to NOK 80 million. The result for the Silicones division was weak, impacted by lower sales prices and lower sales volumes. In addition, the result for the Silicones division was negatively impacted by maintenance stop in China of NOK 100 million and inventory write down of NOK 70 million.

In the second quarter, Elkem ASA acquired VUM, a Slovak producer of carbon materials. The transaction will further increase Elkem's capacity and competence in attractive specialty markets. Elkem expects the acquisition to contribute with additional annual sales of around NOK 360 million. The acquisition was part of Elkem's strategy of growth and specialisation and will improve the flexibility to handle different raw materials and provide synergies to Elkem's existing operations.

In addition, Elkem is investing in upgrades and digitalisation to enhance efficiency and cost improvements. The maintenance and improvement projects at the Thamshavn and Rana plants in Norway were successfully completed in the second quarter. Both plants have restarted production and are well positioned for future demand recovery, with enhanced competitive positions. In Bremanger, Norway, a new state-of-the-art control room has been opened and in Lyon, France, Elkem is developing a complete digital chain leveraging on advances in digitalisation and AI.

Due to weak results in the Silicones division, Elkem is taking measures to counter the challenging market conditions. A systematic improvement work is organised along several dimensions with focus on fixed cost reductions, capacity optimisation, increased waste recycling and by-product values, and capex optimisation.

The group's equity as at 30 June 2023 amounted to NOK 26,109 million, which gave a ratio of equity to total assets of 50%. Net interest-bearing debt was NOK 8,191 million, which gave a ratio of net interest-bearing debt to EBITDA of 1.1x. Elkem had cash and cash equivalents of NOK 6,609 million as at 30 June 2023 and undrawn credit lines of more than NOK 6,000 million.

There is a continued weak market sentiment going into the third quarter. Elkem is however, well positioned to benefit from a recovery due to strong market positions and robust financials. The Silicones markets are expected to remain challenging, and Elkem plans to run at reduced capacity to optimise product mix. Prices for Silicon Products are in a downward trajectory going into third quarter, but this is partially countered by lower raw material costs. The capacity utilisation is expected to be higher, following completion of the maintenance projects in Norway. Carbon Solutions' result is expected to remain at a good level, despite weak markets.

Financial review

Group results

KEY FIGURES	2Q 2023	2Q 2022	YTD 2023	YTD 2022	FY 2022
Total operating income	9,258	12,326	19,192	24,201	45,898
EBITDA	1,039	3,924	2,604	7,798	12,925
EBIT	469	3,428	1,494	6,827	10,898
Other items	37	465	590	552	2,151
Net financial items	-182	10	-291	42	-161
Profit (loss) before income tax	255	3,773	1,640	7,174	12,236
Tax	-193	-790	-596	-1,522	-2,594
Profit (loss) for the period	61	2,982	1,044	5,652	9,642

Quarter

Elkem group had total operating income of NOK 9,258 million in 2Q-2023, which was down 25% from NOK 12,326 million in 2Q-2022. Lower operating income was mainly explained by lower sales prices and lower sales volumes in Silicones and Silicon Products. Carbon Solutions delivered increased operating revenue despite lower volumes.

The group's EBITDA for 2Q-2023 was NOK 1,039 million, down 74% from NOK 3,924 million in the corresponding quarter last year. Lower EBITDA was mainly explained by lower sales prices and lower sales volumes. The Silicon Products and Carbon Solutions divisions continue to deliver strong results, based on superior cost and market positions. The result for Silicon Products was negatively impacted by maintenance stops at Thamshavn and Rana, estimated to NOK 80 million. The result for the Silicones division was weak, impacted by lower sales prices and lower sales volumes. In addition, the result for the Silicones division was negatively impacted by maintenance stop in China of NOK 100 million and inventory write down of NOK 70 million.

EBIT for 2Q-2023 was NOK 469 million, down from NOK 3,428 million in 2Q-2022.

Other items include fair value changes from commodity contracts, gains (losses) on embedded derivatives in power contracts, value changes from currency forward contracts and other income and expenses. Other items amounted to NOK 37 million in 2Q-2023, mainly consisting of loss on power and currency derivatives NOK -86 million, offset by currency gains on working capital items NOK 129 million. Other amounted to NOK -6 million.

Net financial items were NOK -182 million in 2Q-2023, compared to NOK 10 million in 2Q-2022. Net interest expenses amounted to NOK -124 million, which was an increase compared to NOK -53 million in the corresponding quarter last year, explained by higher interest rates. Losses on foreign exchange amounted to NOK -53 million, compared to gains of NOK 71 million in 2Q-2022. The foreign exchange losses in 2Q-2023 were mainly explained by negative translation effects on loans in EUR, partly offset by positive translations effects on shareholder loans in EUR. Other financial expenses amounted to NOK -5 million.

Profit before income tax was NOK 255 million in 2Q-2023 compared to NOK 3,773 million in 2Q-2022.

Tax expenses in the quarter was NOK -193 million, resulting in a tax rate of 76% for the second quarter 2023. The high tax rate was explained by low results in France and China where losses are not capitalised as deferred tax assets.

Profit for the period was NOK 61 million, compared to NOK 2,982 million in 2Q-2022. Owners of the parent's share of profit was NOK 36 million, which gave earnings per share (EPS) of NOK 0.06 in 2Q-2023.

Year to date

The group's total operating income was NOK 19,192 million YTD-2023, which was down 21% compared to YTD-2022. EBITDA YTD-2023 amounted to NOK 2,604 million, which was down 67% from NOK 7,798 million YTD-2022. Lower results were mainly explained by reduction of sales prices and sales volumes in Silicones and Silicon Products. Earnings per share (EPS) was NOK 1.56 YTD-2023.

Cash flow

CASH FLOW FROM OPERATIONS	2Q 2023	2Q 2022	YTD 2023	YTD 2022	FY 2022
EBIT	469	3,428	1,494	6,827	10,898
Amortisation, depreciation and impairment	570	496	1,110	972	2,027
Changes in working capital	298	-722	-307	-1,526	-1,583
Reinvestments	-729	-366	-1,059	-622	-1,682
Equity accounted investments	-1	-28	6	-45	-108
Cash flow from operations	607	2,809	1,244	5,606	9,551
Other cash flow items	-5,145	-3,231	-4,211	-4,919	-7,540
Change in cash and cash equivalents	-4,538	-422	-2,967	688	2,011

Elkem's internal cash flow measure is defined and described in the APM appendix to the report.

Quarter

Cash flow from operations was NOK 607 million in 2Q-2023, compared to NOK 2,809 million in 2Q-2022. The reduction in cash flow from operations was mainly explained by lower EBIT. Working capital was reduced by NOK 298 million, mainly explained by lower trade receivables and lower inventories.

Reinvestments were NOK 729 million in 2Q-2023, which amounted to 128% of depreciation and amortisation (D&A). High reinvestments were mainly explained by the major maintenance projects in Norway and China. Strategic investments were included in other cash flow items and amounted to NOK 733 million, up from NOK 497 million in 2Q-2022. The strategic investments were mainly related to the Silicones expansion and specialisation projects in China and France. Other cash flow items also include dividend payment for 2022 of NOK 3,815 million.

Change in cash and cash equivalents was NOK -4,538 million in 2Q-2023, mainly explained by the dividend payment for 2022. Currency exchange differences were NOK 9 million. As at 30 June 2023, the total cash and cash equivalents amounted to NOK 6,609 million.

Year to date

Cash flow from operations amounted to NOK 1,244 million YTD-2023, down from NOK 5,606 million YTD-2022, mainly explained by lower EBIT. Elkem's reinvestment target is 80-90% of depreciation and amortisation (D&A). Reinvestments YTD-2023 were NOK 1,059 million, which amounted to 96% of D&A. High reinvestments were explained by major maintenance projects in Norway and China. Strategic investments ex. M&A amounted to NOK 1,494 million.

Financial position

FINANCIAL POSITION	2Q 2023	2Q 2022	FY 2022
Total equity (NOK million)	26,109	25,870	28,773
Equity ratio (%)	50 %	52 %	55 %
EPS (NOK per share)	0.06	4.67	15.09
Net interest bearing debt (NOK million) ⁽¹⁾	8,191	4,290	2,615
Leverage ratio based on LTM EBITDA (ratio)	1.1	0.3	0.2

¹⁾ Excluding receivables from related parties, loans to external parties, accrued interest income and non-current other restricted deposits

Quarter and year to date

Elkem's equity as at 30 June 2023 was NOK 26,109 million, down NOK 2,665 million from 31 December 2022. The reduction was mainly explained by dividend payments of NOK 3,867 million. Profit for the period YTD-2023 was NOK 1,044 million, while other changes in equity were NOK 158 million, mainly consisting of effects recognised through other comprehensive income (OCI).

The equity ratio as at 30 June 2023 was 50%. Compared to year-end 2022, the equity ratio was down from 55%, mainly explained by the dividend payment for 2022.

Net-interest bearing debt as at 30 June 2023 was NOK 8,191 million, which was an increase of NOK 5,576 million from 31 December 2022. The increase was mainly explained dividend payment and high investments. The leverage ratio was 1.1x as at 30 June 2023.

Segments

Silicones

KEY FIGURES	2Q 2023	2Q 2022	YTD 2023	YTD 2022	FY 2022
<i>MNOK except where indicated otherwise</i>					
Total operating income	3,454	5,211	7,643	10,444	19,288
EBITDA	-374	743	-405	1,563	2,022
EBITDA margin	-11 %	14 %	-5 %	15 %	10 %
Sales volume (thousand mt)	78	100	176	199	394

Quarter

The Silicones division had total operating income of NOK 3,454 million in 2Q-2023 down 34% from NOK 5,211 million in 2Q-2022. Lower operating income was mainly explained by lower sales prices and lower sales volumes.

EBITDA for 2Q-2023 was NOK -374 million, clearly down from the second quarter last year. Lower EBITDA was mainly explained by lower sales prices and lower sales volumes. In addition, the result was negatively impacted by maintenance stop in China of NOK 100 million and inventory write down NOK 70 million.

Lower sales volumes in the quarter were explained by weak demand and reduced production due to maintenance stop.

Year to date

The Silicones division reported total operating income of NOK 7,643 million YTD-2023, which was 27% lower than YTD-2022. The EBITDA was NOK -405 million YTD-2023, significantly weaker than NOK 1,563 million YTD-2022. The weak result YTD-2023 was explained by lower sales prices and lower sales volumes, but also impacted by maintenance stop and inventory write down in second quarter 2023.

Silicon Products

KEY FIGURES	2Q 2023	2Q 2022	YTD 2023	YTD 2022	FY 2022
<i>MNOK except where indicated otherwise</i>					
Total operating income	4,941	6,520	10,075	12,954	24,489
EBITDA	1,120	2,967	2,377	6,241	10,226
EBITDA margin	23 %	45 %	24 %	48 %	42 %
Sales volume (thousand mt) ¹⁾	112	135	232	276	522

1) Excluding Microsilica and quartz

Quarter

Silicon Products had total operating income of NOK 4,941 million in 2Q-2023, which was down 24% from NOK 6,520 million in 2Q-2022. Lower operating income was explained by lower sales prices and lower sales volumes.

The EBITDA for Silicon Products was NOK 1,120 million in 2Q-2023, down 62% from second quarter last year. Lower EBITDA was explained by lower sales prices and lower sales volumes. A strong performance in speciality segments and lower costs were partly offsetting negative price and volume effects. The EBITDA was negatively impacted by maintenance stops at Thamshavn and Rana, estimated to NOK 80 million.

The sales volumes were down due to weaker demand and destocking effects. It should be noted that historic sales volumes have been restated. The main change is that externally sourced materials have been included, i.e. not only Elkem's own production.

Year to date

The Silicon Products division reported total operating income of NOK 10,075 million YTD-2023, which was 22% lower than YTD-2022. The division reported an EBITDA of NOK 2,377 million, down 62% from NOK 6,241 million YTD-2022, due to lower sales prices and lower sales volumes.

Carbon Solutions

KEY FIGURES	2Q 2023	2Q 2022	YTD 2023	YTD 2022	FY 2022
<i>MNOK except where indicated otherwise</i>					
Total operating income	1,162	906	2,275	1,633	3,752
EBITDA	354	268	728	462	1,166
EBITDA margin	30 %	30 %	32 %	28 %	31 %
Sales volume (thousand mt)	73	78	145	157	302

Quarter

Carbon Solutions reported total operating income of NOK 1,162 million in 2Q-2023, up 28% from NOK 906 million in 2Q-2022. New all-time high operating income was explained by high sales prices and inclusion of the newly acquired plant in Slovakia.

The EBITDA for 2Q-2023 amounted to NOK 354 million, up 32% from NOK 268 million in the corresponding quarter last year. Strong EBITDA was mainly explained by good sales prices but countered by high raw material costs.

Sales volumes were lower than second quarter last year, due to weak markets.

Year to date

Carbon Solutions reported total operating income of NOK 2,275 million YTD-2023, which was 39% higher than YTD-2022. EBITDA YTD-2023 was NOK 728 million, up 58% from NOK 462 million YTD-2022. The improvement was mainly due to higher sales prices.

Outlook for the third quarter 2023

There is a continued weak market sentiment going into the third quarter. Elkem is however, well positioned to benefit from a recovery due to strong market positions and robust financials. The Silicones markets are expected to remain challenging, and Elkem plans to run at reduced capacity to optimise product mix. Prices for Silicon Products are in a downward trajectory going into third quarter, but this is partially countered by lower raw material costs. The capacity utilisation is expected to be higher, following completion of the maintenance projects in Norway. Carbon Solutions' result is expected to remain at a good level, despite weak markets.

Declaration by the Board of Directors

We confirm, to the best of our knowledge, that the unaudited, condensed interim financial statements for the period 1 January to 30 June 2023 have been prepared in conformity with IAS 34 Interim Financial Reporting and that the information in the financial statements provides a fair view of the enterprise and the group's assets, liabilities, financial position and overall results, and that the half-year report provides a fair overview of the information specified in section 5-6, fourth paragraph, of the Norwegian Securities Trading Act.

Elkem ASA

Oslo, 13 July 2023

Zhigang Hao
Chair of the board

Dag Jakob Opedal
Deputy chair

Yougen Ge
Board member

Olivier Tillette de Clermont-Tonnerre
Board member

Nathalie Brunelle
Board member

Marianne E. Johnsen
Board member

Grace Tang
Board member

Jingwan Wu
Board member

Terje Andre Hanssen
Board member

Marianne Færøyvik
Board member

Thomas Eggen
Board member

Helge Aasen
CEO

Condensed consolidated statement of comprehensive income (unaudited)

Amounts in NOK million	Second quarter		Year to date		Year
	2023	2022	2023	2022	2022
Profit (loss) for the period	61	2,982	1,044	5,652	9,642
Remeasurement of defined benefit pension plans	-	-	-	-	146
Tax effects on remeasurements of defined benefit pension plans	-	-	-	-	(33)
Changes in fair value of equity instruments	1	3	1	3	(4)
Total items that will not be reclassified to profit or loss	1	3	1	3	109
Currency translation differences	36	1,315	1,305	1,213	765
Hedging of net investment in foreign operations	(88)	(171)	(331)	(93)	(142)
Tax effects hedging of net investment in foreign operations	19	38	73	21	31
Cash flow hedges	75	977	(1,205)	1,379	568
Tax effects on cash flow hedges	(17)	(215)	265	(303)	(125)
Share of other comprehensive income (loss) from equity accounted investments	3	-	9	20	28
Total items that may be reclassified to profit or loss	28	1,943	116	2,236	1,125
Other comprehensive income, net of tax	29	1,946	118	2,239	1,234
Total comprehensive income	91	4,928	1,161	7,890	10,876
Attributable to:					
Non-controlling interests' share of comprehensive income	28	28	66	38	86
Owners of the parent's share of comprehensive income	62	4,900	1,096	7,852	10,790
Total comprehensive income	91	4,928	1,161	7,890	10,876

Condensed consolidated statement of financial position (unaudited)

Amounts in NOK million	Note	30 June 2023	30 June 2022	31 December 2022
ASSETS				
Property, plant and equipment	4	21,955	17,792	19,520
Right-of-use assets	5	791	770	779
Other Intangible assets	6	1,472	1,421	1,385
Goodwill	6	1,130	1,002	984
Deferred tax assets		166	106	151
Equity accounted investments		1,316	243	1,039
Derivatives	11	1,206	1,449	1,562
Other assets		726	561	716
Total non-current assets		28,763	23,343	26,136
Inventories	7	10,401	8,951	10,325
Trade receivables		3,928	5,369	4,248
Derivatives	11	493	735	711
Other assets		1,989	2,082	1,698
Restricted deposits	10	465	492	408
Cash and Cash equivalents	10	6,609	8,055	9,255
Total current assets		23,886	25,684	26,645
Assets classified as held-for sale		-	705	-
TOTAL ASSETS		52,649	49,732	52,781
EQUITY AND LIABILITIES				
Paid-in capital	12	3,505	6,217	6,228
Retained earnings		22,455	19,529	22,412
Non-controlling interests		148	124	134
Total equity		26,109	25,870	28,773
Interest-bearing liabilities	10	12,380	9,274	10,331
Deferred tax liabilities		886	902	1,123
Employee benefits obligations		535	612	489
Derivatives	11	426	62	-
Provisions and other liabilities		257	168	232
Total non-current liabilities		14,484	11,018	12,175
Trade payables		5,149	4,642	5,335
Income tax payables		1,540	1,994	1,903
Interest-bearing liabilities	10	969	1,637	204
Bills payable	10	1,916	1,687	1,742
Employee benefit obligations		882	872	994
Derivatives	11	320	156	109
Provisions and other liabilities		1,280	1,553	1,545
Total current liabilities		12,056	12,540	11,832
Liabilities classified as held-for sale		-	304	-
TOTAL EQUITY AND LIABILITIES		52,649	49,732	52,781

Condensed consolidated statement of cash flows (unaudited)

Amounts in NOK million	Note	Second quarter		Year to date		Year
		2023	2022	2023	2022	2022
Operating profit (loss)		454	3,762	1,972	7,138	12,414
Amortisation, depreciation and impairment	4,5,6	570	496	1,110	972	2,027
Changes in working capital		298	(722)	(307)	(1,526)	(1,583)
Equity accounted investments		(1)	(28)	6	(45)	(108)
Changes fair value of derivatives		123	(14)	5	(120)	(1,139)
Changes in provisions, bills receivables and other		223	(570)	232	(708)	(697)
Interest payments received		44	14	87	27	66
Interest payments made		(190)	(118)	(306)	(163)	(319)
Income taxes paid		(385)	(253)	(955)	(497)	(1,345)
Cash flow from operating activities		1,136	2,568	1,845	5,078	9,314
Investments in property, plant and equipment and intangible assets	4,5,6	(1,263)	(833)	(2,486)	(1,744)	(4,058)
Acquisition of subsidiaries, net of cash acquired		(149)	(24)	(149)	(108)	(108)
Disposal of subsidiaries, net of cash		-	-	-	-	151
Payment of contingent consideration related to acquisitions (IFRS 3)		-	(176)	-	(176)	(176)
Acquisition/capital contribution of/to joint ventures		(303)	-	(303)	-	(292)
Other investments / sales		51	19	54	32	79
Cash flow from investing activities		(1,664)	(1,015)	(2,885)	(1,996)	(4,404)
Dividends paid to non-controlling interests		(30)	-	(52)	-	(38)
Dividends paid to owners		(3,815)	(1,900)	(3,815)	(1,900)	(1,900)
Net sale (purchase) of treasury shares	12	-	12	35	20	(38)
Net changes in bills payable and restricted deposits		(102)	(536)	122	(372)	(218)
Payment of lease liabilities		(32)	(34)	(62)	(58)	(116)
New interest-bearing loans and borrowings		10	5,156	1,895	5,438	6,648
Payment of interest-bearing loans and borrowings		(40)	(4,673)	(51)	(5,521)	(7,237)
Cash flow from financing activities		(4,010)	(1,975)	(1,927)	(2,394)	(2,899)
Change in cash and cash equivalents		(4,538)	(422)	(2,967)	688	2,011
Currency exchange differences		9	350	321	328	205
Cash and cash equivalents opening balance		11,138	8,127	9,255	7,040	7,040
Cash and cash equivalents closing balance		6,609	8,055	6,609	8,055	9,255

Condensed consolidated statement of changes in equity (unaudited)

Amounts in NOK million	Total paid in capital	Total retained earnings	Total owners share	Non-controlling interests	Total
Closing balance 31 December 2022	6,228	22,412	28,639	134	28,773
Profit (loss) for the period	-	989	989	55	1,044
Other comprehensive income	-	107	107	10	118
Total comprehensive income	-	1,096	1,096	66	1,161
Share-based payments	5	-	5	-	5
Net movement treasury shares (note 12)	7	29	35	-	35
Dividends to equity holders	(2,734)	(1,081)	(3,815)	(52)	(3,867)
Closing balance 30 June 2023	3,505	22,455	25,961	148	26,109

Amounts in NOK million	Total paid in capital	Total retained earnings	Total owners share	Non-controlling interest	Total
Closing balance 31 December 2021	8,097	11,692	19,789	86	19,874
Adjustment accounting policy	-	(31)	(31)	-	(31)
Opening balance 1 January 2022	8,097	11,661	19,758	86	19,843
Profit (loss) for the period	-	5,621	5,621	31	5,652
Other comprehensive income	-	2,232	2,232	7	2,239
Total comprehensive income	-	7,852	7,852	38	7,890
Share-based payments	16	-	16	-	16
Net movement treasury shares (note 12)	5	16	20	-	20
Dividends to equity holders	(1,900)	-	(1,900)	-	(1,900)
Closing balance 30 June 2022	6,217	19,529	25,746	124	25,870

Amounts in NOK million	Total paid in capital	Total retained earnings	Total owners share	Non-controlling interests	Total
Closing balance 31 December 2021	8,097	11,692	19,789	86	19,874
Adjustment accounting policy	-	(24)	(24)	-	(24)
Opening balance 1 January 2022	8,097	11,668	19,764	86	19,850
Profit (loss) for the period	-	9,561	9,561	80	9,642
Other comprehensive income	-	1,228	1,228	6	1,234
Total comprehensive income	-	10,790	10,790	86	10,876
Share-based payments	24	-	24	-	24
Net movement treasury shares (note 12)	7	(46)	(38)	-	(38)
Dividends to equity holders	(1,900)	-	(1,900)	(38)	(1,938)
Closing balance 31 December 2022	6,228	22,412	28,639	134	28,773

Notes to the condensed consolidated financial statements

Note 1 General information, basis for preparation and judgements, estimates and assumptions

Elkem ASA is a limited liability company located in Norway and whose shares are publicly traded at Oslo Stock Exchange. Elkem ASA's condensed consolidated financial statements for the second quarter of 2023 were approved at the meeting of the board of directors on 13 July 2023.

Basis for preparation

The condensed consolidated interim financial statements comprise Elkem ASA and its subsidiaries (Elkem/the Group) and the Group's investments in associates and interests in joint arrangements.

Elkem's interim financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union. The condensed interim statements are prepared in compliance with the International Accounting Standard (IAS) 34 Interim Financial Reporting and should be read in conjunction with the consolidated financial statements in Elkem's Annual Report for 2022. The accounting policies applied are consistent with those applied in the annual consolidated financial statements 2022. Presentation of realised hedge ineffectiveness was changed from raw materials and energy for production to other items in the statement of profit and loss in the 2022 Annual report. Comparable figures were restated. See note 34 Changes in accounting policies in the 2022 Annual report for further information.

The interim financial statements are unaudited. The presentation currency of Elkem is NOK (Norwegian krone). All financial information is presented in NOK million, unless otherwise stated. One or more columns included in the interim report may not add up to the total due to rounding.

Judgements, estimates and assumptions

The preparation of consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions each reporting period.

The main judgements, estimates and assumptions are described in the annual consolidated financial statements for 2022 (note 3).

Note 2 Operating segments

Elkem has three reportable segments; Silicones, Silicon Products and Carbon Solutions.

- **The Silicones division** produces and sells a range of silicone-based products across various sub-sectors including release coatings, engineering elastomers, healthcare products, specialty fluids, emulsions and resins.
- **The Silicon Products division** produces various grades of metallurgical silicon, ferrosilicon, foundry alloys and microsilica for use in a wide range of end applications.
- **The Carbon Solutions division** produces carbon electrode materials, lining materials and specialty carbon products for metallurgical processes for the production of a range of metals.
- **Other** comprise Elkem group management and centralised functions within finance, logistics, power purchase, technology, digital office and strategic projects such as biocarbon.
- **Eliminations** comprise intersegment sales and profit. Transactions between operating segments are conducted on an arm's length basis in a manner similar to transactions with third parties.

From the first quarter of 2023, Elkem changed its internal reporting to management, impacting the composition of Elkem's operating and reportable segments. Elkem Distribution Center that handles parts of the logistics for Silicon Products division was previously included in the segment Other. From 1 January 2023 the entity is included in the segment Silicon Products. Comparable figures were restated.

Elkem identifies its segments according to the organisation and reporting structure used by group management. Segments' performance are evaluated based on EBITDA and EBIT. EBITDA is defined as Elkem's profit (loss) for the period, less income tax (expenses) benefits, finance expenses, foreign exchange gains (losses), finance income, share of profit from equity accounted financial investments, other items excluding hedge adjustments, impairment loss and amortisation and depreciation. Hedge adjustments are realised effects from the part of commodity derivative instruments that initially are designated as hedging instruments, but where the realised effects are recognised in other items due to e.g., hedge ineffectiveness.

EBIT is defined as Elkem's profit (loss) for the period, less income tax (expenses) benefits, finance expenses, foreign exchange gains (losses), finance income, share of profit from equity accounted financial investments and other items excluding hedge adjustments. Hedge adjustments are realised effects from the part of commodity derivative instruments that initially are designated as hedging instruments, but where the realised effects are recognised in other items due to e.g., hedge ineffectiveness. Elkem's definition of EBITDA and EBIT may be different from other companies.

Elkem's financing and taxes are managed on a group basis and are not allocated to operating segments.

Second quarter 2023	Silicones	Silicon Products	Carbon Solutions	Other	Eliminations	Total
Revenue from sale of goods	3,455	4,501	1,018	(128)	-	8,845
Other revenue	10	23	4	56	-	93
Other operating income	31	278	2	4	-	315
Share of profit from equity accounted investments	-	-	-	5	-	5
Total operating income from external customers	3,496	4,802	1,024	(63)	-	9,258
Operating income from other segments	(42)	139	138	112	(347)	-
Total operating income	3,454	4,941	1,162	49	(347)	9,258
Operating expenses	(3,828)	(3,822)	(808)	(222)	461	(8,219)
EBITDA	(374)	1,120	354	(174)	113	1,039
EBIT	(732)	950	325	(187)	113	469

Second quarter 2022	Silicones	Silicon Products¹⁾	Carbon Solutions	Other¹⁾	Eliminations	Total
Revenue from sale of goods	5,161	6,081	817	(22)	-	12,037
Other revenue	8	20	6	34	-	69
Other operating income	28	144	1	14	-	188
Share of profit from equity accounted investments	-	-	-	33	-	33
Total operating income from external customers	5,198	6,245	824	59	-	12,326
Operating income from other segments	13	276	82	95	(466)	-
Total operating income	5,211	6,520	906	154	(466)	12,326
Operating expenses	(4,468)	(3,554)	(638)	(170)	428	(8,402)
EBITDA	743	2,967	268	(16)	(38)	3,924
EBIT	431	2,821	242	(28)	(38)	3,428

Year to date 30 June 2023	Silicones	Silicon Products	Carbon Solutions	Other	Eliminations	Total
Revenue from sale of goods	7,519	9,045	2,018	(221)	-	18,360
Other revenue	19	57	9	146	-	231
Other operating income	63	498	4	7	-	572
Share of profit from equity accounted investments	-	-	-	29	-	29
Total operating income from external customers	7,601	9,600	2,030	(40)	-	19,192
Operating income from other segments	42	475	245	205	(967)	-
Total operating income	7,643	10,075	2,275	165	(967)	19,192
Operating expenses	(8,048)	(7,699)	(1,547)	(452)	1,158	(16,588)
EBITDA	(405)	2,377	728	(287)	191	2,604
EBIT	(1,104)	2,048	672	(313)	191	1,494

Year to date 30 June 2022	Silicones	Silicon Products¹⁾	Carbon Solutions	Other¹⁾	Eliminations	Total
Revenue from sale of goods	10,346	11,833	1,480	(23)	-	23,636
Other revenue	14	42	11	85	-	152
Other operating income	57	279	2	18	-	356
Share of profit from equity accounted investments	-	-	-	57	-	57
Total operating income from external customers	10,417	12,154	1,493	137	-	24,201
Operating income from other segments	27	800	139	198	(1,164)	-
Total operating income	10,444	12,954	1,633	335	(1,164)	24,201
Operating expenses	(8,881)	(6,712)	(1,171)	(429)	790	(16,403)
EBITDA	1,563	6,241	462	(94)	(374)	7,798
EBIT	953	5,951	414	(118)	(374)	6,827

Year 2022	Silicones	Silicon Products ¹⁾	Carbon Solutions	Other ¹⁾	Eliminations	Total
Revenue from sale of goods	18,994	22,361	3,393	(87)	-	44,660
Other revenue	66	72	21	199	-	358
Other operating income	150	542	5	48	-	746
Share of profit from equity accounted investments	-	(0)	(0)	135	-	135
Total operating income from external customers	19,210	22,974	3,419	295	-	45,898
Operating income from other segments	78	1,515	333	392	(2,319)	-
Total operating income	19,288	24,489	3,752	688	(2,319)	45,898
Operating expenses	(17,266)	(14,263)	(2,586)	(920)	2,062	(32,973)
EBITDA	2,022	10,226	1,166	(233)	(257)	12,925
EBIT	743	9,632	1,063	(283)	(257)	10,898

¹⁾ 2022 figures were restated, see text above

Note 3 Changes in composition of the group

31 May 2023 Elkem acquired VUM a.s, a Slovak producer of carbon materials. The transaction will further increase Elkem's capacity and competence in attractive specialty markets and increase its flexibility in the supply chain.

The final purchase price is dependent on the outcome of an ongoing review of the closing accounts.

	Year-to-date 2023
Net cash outflow	
Cash transferred on acquisition	(149)
Cash and cash equivalents of the acquiree	0
Acquisition of subsidiaries, net of cash acquired	(149)

The table below summarise the total consideration and the provisional amounts recognised for assets acquired and liabilities assumed after the business combination:

Consideration	
Cash transferred on acquisition	149
Total consideration	149

	Carrying amount	Excess value	Fair value
Non-current assets	14	-	14
Current assets	107	-	107
Non-current liabilities	(1)	-	(1)
Current liabilities	(67)	-	(67)
Total identifiable net assets	54		54
Goodwill	-	-	95
Total recognised	54	-	149

In the provisional purchase price allocation the full excess value is allocated to goodwill.

Note 4 Fixed assets

	Land	Plant, buildings and other property	Machinery, equipment and motor vehicles	Office and other equipment	Construction in progress	Total
30 June 2023						
Cost						
Opening balance	233	8,957	25,406	1,078	5,022	40,696
Additions	-	4	15	10	2,471	2,500
Transferred to/from CiP	9	150	436	73	(668)	-
Reclassification	(1)	8	(14)	7	(22)	(22)
Business combinations	2	5	4	-	2	14
Disposals	-	(49)	(10)	(0)	(7)	(66)
Exchange differences	22	387	1,151	73	212	1,844
Closing balance	266	9,461	26,988	1,241	7,009	44,965
Accumulated depreciation						
Opening balance		(3,322)	(14,437)	(580)		(18,339)
Addition		(154)	(709)	(81)		(944)
Reclassification		1	3	(4)		-
Disposals		24	8	0		33
Exchange differences		(119)	(659)	(40)		(818)
Closing balance		(3,570)	(15,793)	(705)		(20,068)
Impairment losses						
Opening balance	(11)	(435)	(2,358)	(1)	(30)	(2,836)
Addition	-	(1)	(2)	-	(0)	(3)
Disposals	-	0	1	-	0	1
Exchange differences	(1)	(16)	(85)	(0)	(1)	(103)
Closing balance	(13)	(451)	(2,445)	(1)	(31)	(2,942)
Carrying amount						
Closing balance	253	5,440	8,750	535	6,978	21,955

	Land	Plant, buildings and other property	Machinery, equipment and motor vehicles	Office and other equipment	Construction in progress	Total
30 June 2022						
Cost						
Opening balance	217	8,064	23,043	866	2,819	35,009
Additions	2	2	8	6	1,274	1,291
Transferred to/from CiP	-	68	462	44	(574)	-
Reclassification	-	0	1	(0)	(76)	(75)
Business combinations	1	186	749	0	7	943
Classified as held-for sale	-	-	-	-	(24)	(24)
Disposals	-	(3)	(166)	(1)	(7)	(178)
Exchange differences	11	374	1,022	49	176	1,631
Closing balance	229	8,690	25,119	964	3,594	38,596
Accumulated depreciation						
Opening balance		(2,999)	(13,085)	(430)		(16,514)
Addition		(125)	(632)	(68)		(825)
Reclassification		(0)	-	0		0
Disposals		2	110	1		114
Exchange differences		(103)	(529)	(22)		(655)
Closing balance		(3,225)	(14,136)	(519)		(17,880)
Impairment losses						
Opening balance	(11)	(419)	(2,315)	(1)	(28)	(2,774)
Addition	-	(3)	(1)	(0)	(1)	(5)
Disposals	-	0	31	0	1	32
Exchange differences	(0)	(28)	(148)	(0)	(2)	(178)
Closing balance	(11)	(449)	(2,432)	(1)	(31)	(2,925)
Carrying amount						
Closing balance	218	5,015	8,551	444	3,563	17,792

31 December 2022	Land	Plant, buildings and other property	Machinery, equipment and motor vehicles	Office and other equipment	Construction in progress	Total
Cost						
Opening balance	217	8,064	23,043	866	2,819	35,009
Additions	1	13	34	5	4,091	4,143
Transferred to/from CiP	2	475	1,271	181	(1,929)	-
Reclassification	-	1	1	(6)	(40)	(43)
Business combinations	1	185	749	0	7	942
Disposals of subsidiaries	-	-	-	-	(29)	(29)
Disposals	(0)	(10)	(384)	(9)	(12)	(415)
Exchange differences	13	229	691	40	116	1,088
Closing balance	233	8,957	25,406	1,078	5,022	40,696
Accumulated depreciation						
Opening balance		(2,999)	(13,085)	(430)		(16,514)
Addition		(263)	(1,293)	(137)		(1,693)
Reclassification		0	(1)	1		0
Disposals		8	306	6		321
Exchange differences		(68)	(365)	(20)		(453)
Closing balance		(3,322)	(14,437)	(580)		(18,339)
Impairment losses						
Opening balance	(11)	(419)	(2,315)	(1)	(28)	(2,774)
Addition	-	(10)	(13)	(0)	(5)	(28)
Reclassification	-	6	(6)	(0)	-	(0)
Disposals	-	0	44	0	4	48
Exchange differences	(1)	(13)	(68)	(0)	(1)	(82)
Closing balance	(11)	(435)	(2,358)	(1)	(30)	(2,836)
Carrying amount						
Closing balance	222	5,200	8,610	497	4,991	19,520

Note 5 Right of use assets

30 June 2023	Land	Plant and buildings	Machinery, equipment and motor vehicles	Office and other equipment	Total
Cost					
Opening balance	326	659	150	2	1,138
Additions/lease modifications	0	38	24	-	62
Disposals	-	(26)	(38)	-	(64)
Exchange differences	13	25	14	0	52
Closing balance	339	696	150	2	1,188
Accumulated depreciation					
Opening balance	(70)	(191)	(96)	(1)	(359)
Additions/lease modifications	(4)	(45)	(16)	(0)	(65)
Disposals	-	26	24	-	50
Exchange differences	(3)	(10)	(9)	(0)	(23)
Closing balance	(77)	(220)	(97)	(1)	(397)
Impairment losses					
Opening balance	-	-	-	-	-
Closing balance	-	-	-	-	-
Carrying amount					
Closing balance	262	476	53	0	791

30 June 2022	Land	Plant and buildings	Machinery, equipment and motor vehicles	Office and other equipment	Total
Cost					
Opening balance	432	730	138	11	1,310
Additions/lease modifications	1	38	7	0	46
Classified as held-for sale	(118)	(145)	-	-	(264)
Disposals	-	(25)	(5)	-	(31)
Exchange differences	20	20	4	1	45
Closing balance	335	617	143	11	1,106
Accumulated depreciation					
Opening balance	(66)	(143)	(75)	(5)	(288)
Addition	1	(40)	(15)	(1)	(55)
Reclassification	(6)	-	-	-	(6)
Classified as held-for sale	7	8	-	-	15
Disposals	-	13	5	-	19
Exchange differences	(4)	(7)	(3)	(0)	(14)
Closing balance	(69)	(169)	(88)	(6)	(331)
Impairment losses					
Opening balance	-	(1)	-	(4)	(5)
Exchange differences	-	(0)	-	(0)	(0)
Closing balance	-	(1)	-	(4)	(5)
Carrying amount					
Closing balance	266	447	56	1	770

31 December 2022	Land	Plant and buildings	Machinery, equipment and motor vehicles	Office and other equipment	Total
Cost					
Opening balance	432	730	138	11	1,310
Additions/lease modifications	4	105	21	0	131
Disposals of subsidiaries	(118)	(145)	-	-	(264)
Disposals	(0)	(46)	(15)	(9)	(71)
Exchange differences	9	15	7	1	31
Closing balance	326	659	150	2	1,138
Accumulated depreciation					
Opening balance	(66)	(143)	(75)	(5)	(288)
Additions/lease modifications	(8)	(79)	(32)	(1)	(119)
Reclassification	(3)	(7)	-	-	(10)
Disposals of subsidiaries	8	10	-	-	18
Disposals	0	32	15	5	53
Exchange differences	(2)	(6)	(4)	(0)	(12)
Closing balance	(70)	(191)	(96)	(1)	(359)
Impairment losses					
Opening balance	-	(1)	-	(4)	(5)
Disposals	-	1	-	4	5
Exchange differences	-	(0)	-	(0)	(0)
Closing balance	-	(0)	-	-	0
Carrying amount					
Closing balance	256	468	55	1	779

Note 6 Intangible assets

30 June 2023	Goodwill	Land use rights	Technology and licences	Software	Development	Other intangible	Intangible assets under construction	Total other intangible assets
Cost								
Opening balance	984	108	868	627	880	350	377	3,209
Additions	-	-	-	1	-	-	53	54
Transferred to/from CiP	-	-	-	5	23	-	(28)	-
Reclassification	-	-	0	16	-	(0)	7	22
Business combinations	95	-	-	0	-	-	0	0
Disposals	-	-	-	(1)	-	-	-	(1)
Exchange differences	51	12	75	32	101	15	35	271
Closing balance	1,130	121	942	681	1,004	365	444	3,557
Accumulated depreciation								
Opening balance	-	(59)	(579)	(457)	(606)	(122)	-	(1,824)
Addition	-	(0)	(21)	(28)	(31)	(18)	-	(98)
Reclassification	-	-	-	(0)	-	0	-	-
Disposals	-	-	-	1	-	-	-	1
Exchange differences	-	(7)	(58)	(21)	(70)	(6)	-	(162)
Closing balance	-	(66)	(659)	(506)	(707)	(145)	-	(2,083)
Impairment losses								
Opening balance	-	(1)	-	-	-	-	-	(1)
Exchange differences	-	(0)	-	-	-	-	-	(0)
Closing balance	-	(1)	-	-	-	-	-	(1)
Carrying amount								
Closing balance	1,130	53	284	176	296	220	444	1,472

30 June 2022	Goodwill	Leasehold land and land use rights	Technology and licences	Software	Development	Other intangible	Intangible assets under construction	Total other intangible assets
Cost								
Opening balance	941	103	828	567	775	335	568	3,175
Additions	-	-	0	7	-	-	162	169
Transferred to/from CiP	-	-	-	0	42	-	(43)	-
Reclassification	-	-	0	18	-	(1)	65	82
Business combinations	-	-	0	-	-	-	-	0
Classified as held-for sale	-	-	-	-	-	-	(422)	(422)
Disposals	-	-	-	(0)	-	-	-	(0)
Exchange differences	61	3	38	21	33	19	25	140
Closing balance	1,002	106	867	613	850	352	355	3,143
Accumulated depreciation								
Opening balance	-	(55)	(513)	(398)	(519)	(87)	-	(1,572)
Addition	-	(0)	(20)	(23)	(27)	(16)	-	(86)
Re-classification	-	-	-	(1)	-	1	-	(0)
Disposals	-	-	-	0	-	-	-	0
Exchange differences	-	(2)	(21)	(15)	(21)	(5)	-	(64)
Closing balance	-	(57)	(554)	(437)	(567)	(107)	-	(1,721)
Impairment losses								
Opening balance	-	(1)	-	-	-	-	-	(1)
Exchange differences	-	(0)	-	-	-	-	-	(0)
Closing balance	-	(1)	-	-	-	-	-	(1)
Carrying amount								
Closing balance	1,002	49	313	175	283	246	355	1,421

31 December 2022	Goodwill	Land use rights	Technology and licences	Software	Development	Other intangible	Intangible assets under construction	Total other intangible assets
Cost								
Opening balance	941	103	828	567	775	335	568	3,175
Additions	-	-	-	24	1	0	310	335
Transferred from CiP	-	-	-	5	58	-	(63)	-
Re-classification	-	-	3	43	-	(1)	7	53
Business combinations	-	-	0	-	-	6	-	6
Disposal of subsidiaries	-	-	-	-	-	-	(460)	(460)
Disposals	-	-	-	(30)	-	-	(3)	(33)
Exchange differences	43	5	36	18	46	11	18	134
Closing balance	984	108	868	627	880	350	377	3,209
Accumulated depreciation								
Opening balance		(55)	(513)	(398)	(519)	(87)		(1,572)
Addition		(2)	(41)	(54)	(57)	(33)		(186)
Re-classification		-	-	(1)	-	1		(0)
Disposals		-	-	8	-	-		8
Exchange differences		(3)	(26)	(12)	(30)	(3)		(74)
Closing balance		(59)	(579)	(457)	(606)	(122)		(1,824)
Impairment losses								
Opening balance	-	(1)	-	-	-	-	-	(1)
Exchange differences	-	(0)	-	-	-	-	-	(0)
Closing balance	-	(1)	-	-	-	-	-	(1)
Carrying amount								
Closing balance	984	48	288	170	273	228	377	1,385

Note 7 Inventories

	30 June 2023	30 June 2022	31 December 2022
Raw materials	3,100	3,014	3,310
Semi-finished goods	385	411	361
Finished goods	6,049	4,859	5,893
Operating materials and spare parts	868	667	761
Total inventories	10,401	8,951	10,325
Provisions for write-down of inventories	(266)	(179)	(226)

Note 8 Other items

	Second quarter		Year to date		Year
	2023	2022	2023	2022	2022
Change in fair value commodity contracts, interest element	0	(0)	0	(0)	(2)
Embedded EUR derivatives power contracts, interest element	(170)	39	(63)	59	218
Ineffectiveness and discontinuation on commodity cash flow hedges	104	142	211	252	1,471
Ineffectiveness on currency cash flow hedges	-	1	-	1	-
Net gains (losses), forward currency contracts	(19)	(43)	(58)	(7)	9
Operating foreign exchange gains (losses)	129	314	506	252	387
Total other gains (losses)	43	452	596	557	2,084
Dividends from other shares	0	2	0	2	4
Change in fair value from other shares measured at fair value through profit or loss	0	(1)	2	0	1
Gains (losses) on acquisition and disposal of subsidiaries ¹⁾	-	21	-	4	159
Restructuring expenses	-	5	-	5	26
Dismantling and environmental expenses	-	-	-	-	(72)
Other	(6)	(14)	(8)	(16)	(50)
Total other income (expenses)	(6)	13	(6)	(5)	67
Total other items	37	465	590	552	2,151

1) Gain following the acquisition of the final 50% of the shares up to 100% ownership in Salten Energigjenvinning and from the loss of control in Vianode in 2022. Refer to note 4 Composition of the group in Elkem's Annual report for 2022 for more information.

The ineffectiveness on cash flow hedges relate to Elkem's hedges of future power purchase. The ineffectiveness is caused by differences between prices in the different price areas in the Norwegian power market. As a consequence the fair value of some of the hedging instruments are higher than the present value of the hedge objects. The difference between the two is recognised ineffectiveness. Discontinuation on commodity cash flow hedges relates to curtailment of production.

Note 9 Finance income and expenses

	Second quarter		Year to date		Year
	2023	2022	2023	2022	2022
Interest income on loans and receivables	44	14	88	26	65
Other financial income	0	0	1	0	1
Total finance income	45	14	89	27	67
Foreign exchange gains (losses)	(53)	71	(60)	149	85
Interest expenses on interest-bearing liabilities measured at amortised cost	(147)	(51)	(271)	(92)	(229)
Interest expenses from other items measured at amortised cost	(29)	(9)	(51)	(16)	(50)
Interest expenses on lease liabilities	(3)	(9)	(9)	(17)	(30)
Capitalised interest expenses	11	2	22	3	20
Unwinding of discounted liabilities	(1)	(6)	(3)	(8)	(10)
Interest on net pension liabilities	(3)	(2)	(6)	(4)	(9)
Other financial expenses	(1)	0	(1)	(1)	(5)
Total finance expenses	(174)	(74)	(320)	(134)	(313)
Net Finance income (expenses)	(182)	10	(291)	42	(161)

Note 10 Interest-bearing assets and liabilities

	30 June 2023	30 June 2022	31 December 2022
Lease liabilities	473	446	475
Loans from external parties, other than bank	4,818	3,148	3,697
Bank financing	7,089	5,679	6,160
Total non-current interest-bearing debt	12,380	9,274	10,331
Lease liabilities	112	106	103
Loans from external parties, other than banks	761	1,307	10
Bank financing, current	76	214	74
Accrued interest	21	10	17
Total current interest-bearing debt	969	1,637	204
Bills payable, current	1,916	1,687	1,742
Restricted deposits bills payable, current	398	461	395
Net bills payable	1,518	1,226	1,347
Cash and cash equivalents	6,609	8,055	9,255
Other restricted deposits, current	67	31	12
Other restricted deposits, non-current	50	45	46
Receivables from related parties, non-current	1	1	1
Loans to external parties, non-current	8	8	8
Accrued interest income, current	1	1	0
Total other interest-bearing assets	6,735	8,141	9,323
Net interest-bearing assets (liabilities)	(8,132)	(3,996)	(2,559)

Pledges and guaranteed liabilities

The main part of Elkem's interest-bearing liabilities are neither pledged nor guaranteed.

The totals of liabilities that have pledged assets or guarantees related to them are stated below:

Pledged liabilities	30 June 2023	30 June 2022	31 December 2022
Pledged liabilities	136	74	125

Elkem ASA has placed a series of unsecured floating rate loans in the Schuldschein market. Total size of the transaction amounts to EUR 200 million where of EUR 52 million was drawn in December 2022 and EUR 148 million in January 2023. In addition Elkem Silicones Xinghuo has financed parts of its upgrade of property, plant and equipment with a unsecured term loan of CNY 200 million.

Note 11 Cash flow hedging

Hedge Accounting

Elkem is applying hedge accounting for parts of its forward currency contracts, certain parts of EUR loans, for embedded EUR derivatives in power contracts and for certain power contracts. Forward currency contracts and embedded derivatives are designated in a cash flow hedge to hedge currency fluctuations in highly probable future sales, mainly in USD and EUR. Power contracts are designated as hedging instruments in a cash flow hedge of price fluctuations for highly probable future purchases. Hence, the effective part of change in fair value of the hedging instruments is booked against OCI and booked as an adjustment to revenue and energy for production respectively, when realised.

Derivatives as at 30 June 2023

	Nominal value	Fair value	Hereof recognised in OCI	Effects to be recycled from OCI			
				Within 1 year	Within 2 years	Within 3 years	Within 4 years or more
Purchase contracts							
Forward currency contracts	2,697	(50)	(49)	(121)	41	31	-
Embedded EUR derivatives	6,657	(524)	(725)	(136)	(129)	(118)	(342)
Power contracts	1,334	1,523	599	154	138	106	201
Warrants	3	3	-	-	-	-	-
Platinum contracts	1	0	1	1	-	-	-
Total derivatives		953	(175)	(103)	50	18	(141)
EUR loan designed as cash flow hedging instrument		31	(7)	(7)	-	-	-
Total			- 182	(110)	50	18	(141)

Hedge accounting is applied for some of the contracts / part of contracts.

	Second quarter		Year to date		Year
	2023	2022	2023	2022	2022
Realised effects hedge accounting, recycled from OCI					
Realised effects from forward currency contracts, Revenue	(75)	(4)	(136)	6	(14)
Realised effects from embedded derivatives EUR, Revenue	(37)	(6)	(61)	(10)	(29)
Realised effects from EUR loans, Revenue	(7)	(2)	(7)	(2)	(5)
Realised effects from Platinum contract	0	(0)	1	0	0
Realised effects from power contracts, Raw materials and energy for production	33	54	90	143	377
Realised effects hedge discontinuation, Other items	39	-	55	-	38
Realised effects Salten Energigjenvinning, Business combination	-	-	-	58	58
Total realised hedging effects recycled from OCI	(47)	41	(60)	196	424

See note 25 Financial assets and liabilities, note 26 Hedging and note 27 Financial risk to the consolidated financial statements for the year ended 31 December 2022.

Note 12 Number of shares

The development in share capital and other paid-in equity is set out in the Condensed consolidated interim statement of changes in equity.

	Shares outstanding	Treasury shares	Total issued shares
<i>Numbers are whole numbers</i>			
Opening balance at 1 January 2023	634,476,985	4,964,393	639,441,378
Increase treasury shares	-	-	-
Sale of treasury shares	1,363,303	(1,363,303)	-
Closing balance 30 June 2023	635,840,288	3,601,090	639,441,378

	Second quarter		Year to date		Year
	2023	2022	2023	2022	2022
<i>Numbers are whole numbers</i>					
Weighted average number of shares outstanding	635,840,288	633,723,021	635,492,994	633,483,672	633,563,574
Effects of dilution from share-based payment	935,989	3,657,972	1,338,108	3,066,337	2,025,138
Weighted average number of outstanding shares diluted	636,776,277	637,380,993	636,831,102	636,550,009	635,588,712

In the annual general meeting held on 28 April 2023, the board of directors was granted an authorisation to repurchase the company's own shares within a total nominal value of up to NOK 319,720,689. The maximum amount that can be paid for each share is NOK 150 and the minimum is NOK 1. The authorisation is valid until the annual general meeting in 2024, but not later than 30 June 2024. The authorisation can be used to acquire shares as the board of directors deems appropriate, provided however, that acquisition of shares shall not be by subscription.

In the annual general meeting held on 28 April 2023, the board of directors was granted an authorisation to increase the company's share capital with an amount up to NOK 319,720,689 - corresponding to 10 per cent of the current share capital. The authorisation is valid until the annual general meeting in 2024, but not later than 30 June 2024. The authorisation can be used to cover share capital increases against contribution in kind and in connection with mergers.

In the annual general meeting held on 28 April 2023, the board of directors was granted an authorisation to increase the share capital by up to NOK 40,000,000 to be used in connection with the issuance of new shares under share incentive scheme. The authorisation is valid until the annual general meeting in 2024, but not later than 30 June 2024. The authorisation does not cover capital increases against contribution in kind or capital increases in connection with mergers.

Appendix - Alternative performance measures (APMs)

An APM is defined as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework (IFRS). Elkem uses EBITDA and EBITDA margin to measure operating performance at the group and segment level. In particular, Management regards EBIT and EBITDA as useful performance measures at segment level because income tax, finance expenses, foreign exchange gains (losses), finance income, other items are managed on a group basis and are not allocated to each segment. Elkem uses Cash flow from operations to measure the segments cash flow performance, this measure is excluding items that are managed on a group level. Elkem uses ROCE, or return on capital employed as measures of the development of the group's return on capital. Elkem relies on these measures as part of its capital allocation strategy. Elkem uses net interest bearing debt less non-current interest-bearing assets / EBITDA as leverage ratio for measuring the group's financial flexibility and ability for step-change growth and acquisitions.

The APMs presented herein are not measurements of performance under IFRS or other generally accepted accounting principles and should not be considered as a substitute for measures of performance in accordance with IFRS. Because companies calculate the APMs presented herein differently, Elkem's presentation of these APMs may not be comparable to similarly titled measures used by other companies.

Elkem's financial APMs, EBITDA and EBIT

- EBITDA is defined as Elkem's profit (loss) for the period, less income tax (expenses) benefits, finance expenses, foreign exchange gains (losses), finance income, share of profit from equity accounted financial investments, other items excluding hedge adjustments, impairment loss and amortisation and depreciation. Hedge adjustments are realised effects from the part of commodity derivative instruments that initially are designated as hedging instruments, but where the realised effects are recognised in other items due to e.g., hedge ineffectiveness.
- EBITDA margin is defined as EBITDA divided by total operating income.
- EBIT, also referred to as operating profit (loss) before other items and hedge adjustments is defined as Elkem's profit (loss) for the period, less income tax (expenses) benefits, finance expenses, foreign exchange gains (losses), finance income, share of profit from equity accounted financial investments and other items excluding hedge adjustments. Hedge adjustments are realised effects from the part of commodity derivative instruments that initially are designated as hedging instruments, but where the realised effects are recognised in other items due to e.g., hedge ineffectiveness.

Below is a reconciliation of EBIT and EBITDA:

Second quarter 2023	Silicones	Silicon Products	Carbon Solutions	Other	Eliminations	Elkem
Profit (loss) for the period						61
Income tax (expense) benefit						193
Finance expenses						174
Foreign exchange gains (losses)						53
Finance income						(45)
Share of profit from equity accounted financial investments						17
Other items						(37)
Hedge adjustments						52
EBIT	(732)	950	325	(187)	113	469
Impairment losses						1
Amortisations and depreciations						569
EBITDA	(374)	1,120	354	(174)	113	1,039

Second quarter 2022	Silicones	Silicon Products	Carbon Solutions	Other	Eliminations	Elkem
Profit (loss) for the period						2,982
Income tax (expense) benefit						790
Finance expenses						74
Foreign exchange gains (losses)						(71)
Finance income						(14)
Share of profit from equity accounted financial investments						0
Other items						(465)
Hedge adjustments						131
EBIT	431	2,821	242	(28)	(38)	3,428
Impairment losses						5
Amortisations and depreciations						491
EBITDA	743	2,967	268	(16)	(38)	3,924

Year to date 30 June 2023	Silicones	Silicon Products	Carbon Solutions	Other	Eliminations	Elkem
Profit (loss) for the year						1,044
Income tax (expense) benefit						596
Finance expenses						320
Foreign exchange gains (losses)						60
Finance income						(89)
Share of profit from equity accounted financial investments						41
Other items						(590)
Hedge adjustments						112
EBIT	(1,104)	2,048	672	(313)	191	1,494
Impairment losses						3
Amortisations and depreciations						1,107
EBITDA	(405)	2,377	728	(287)	191	2,604

Year to date 30 June 2022	Silicones	Silicon Products	Carbon Solutions	Other	Eliminations	Elkem
Profit (loss) for the year						5,652
Income tax (expense) benefit						1,522
Finance expenses						134
Foreign exchange gains (losses)						(149)
Finance income						(27)
Share of profit from equity accounted financial investments						6
Other items						(552)
Hedge adjustments						241
EBIT	953	5,951	414	(118)	(374)	6,827
Impairment losses						5
Amortisations and depreciations						966
EBITDA	1,563	6,241	462	(94)	(374)	7,798

Year 2022	Silicones	Silicon Products	Carbon Solutions	Other	Eliminations	Elkem
Profit (loss) for the year						9,642
Income tax (expense) benefit						2,594
Finance expenses						313
Foreign exchange gains (losses)						(85)
Finance income						(67)
Share of profit from equity accounted financial investments						17
Other items						(2,151)
Hedge adjustments						635
EBIT	953	5,951	414	(118)	(374)	10,898
Impairment losses						28
Amortisations and depreciations						1,999
EBITDA	1,563	6,241	462	(94)	(374)	12,925

Elkem's financial APMs, Leverage ratio

- Net interest-bearing debt that is used to measured leverage ratio is excluding non-current other restricted deposits, receivables from related parties, loans to external parties and accrued interest income. These assets are not easily available to be used to finance the group's operations. Below a calculation of Elkem's leverage ratio:

	30 June 2023	30 June 2022	31 December 2022
Net interest-bearing assets (liabilities)	(8,132)	(3,996)	(2,559)
Other restricted deposits, non-current	(50)	(45)	(46)
Receivables from related parties, non-current	(1)	(1)	(1)
Loans to external parties, non-current	(8)	(8)	(8)
Accrued interest income, current	(1)	(1)	(0)
Net interest-bearing debt	(8,191)	(4,051)	(2,615)
EBITDA (LTM)	7,730	12,988	12,925
Leverage ratio	1.1	0.3	0.2

Elkem's financial APMs, ROCE

- ROCE, Return on capital employed, is defined as EBIT divided by the average capital employed.
- Working capital is defined as accounts receivable, inventory, other current assets, accounts payable, current employee benefit obligations and other current liabilities. Accounts receivable are defined as trade receivables less bills receivable. Other current assets are defined as other current assets less current receivables to related parties, current interest-bearing receivables, tax receivables, grants receivable, assets at fair value through profit or loss and accrued interest income. Accounts payable are defined as trade payables less trade payables related to purchase of non-current assets. Other current liabilities are defined as provisions and other current liabilities less current provisions, contingent considerations, contract obligations and liabilities to related parties.
- Capital employed consists of working capital as defined above, property, plant and equipment, right-of-use assets, other intangible assets, goodwill, equity accounted investments, grants payable, trade payables and prepayments related to purchase of non-current assets.
- Average capital employed is defined as the average of the opening and ending balance of capital employed for the relevant reporting period.

Below is a reconciliation of working capital and capital employed, which are used to calculate ROCE:

Working capital bridge from statutory accounts to company definition

	30 June 2023	30 June 2022	31 December 2022
Inventories	10,401	8,951	10,325
Trade receivables	3,928	5,369	4,248
Bills receivable	(877)	(1,092)	(1,086)
Accounts receivable	3,052	4,276	3,162
Other assets, current	1,989	2,082	1,698
Interest-bearing receivables	-	-	-
Other receivables from related parties interest-free	(5)	(5)	(7)
Grants receivables	(554)	(757)	(620)
Tax receivables	(390)	(303)	(338)
Assets at fair value through profit or loss	-	(15)	-
Accrued interest	(1)	(1)	(0)
Other current assets included in working capital	1,039	1,001	733
Trade payables	5,149	4,642	5,335
Trade payables related to purchase of non-current assets	(1,199)	(337)	(1,117)
Accounts payable included in working capital	3,950	4,305	4,219
Employee benefit obligations	882	872	994
Provisions and other liabilities, current	1,280	1,553	1,545
Provisions, contingent considerations and contract obligations	(146)	(171)	(144)
Liabilities to related parties	(18)	(31)	(30)
Other current liabilities included in working capital	1,116	1,351	1,371
Working capital	8,544	7,701	7,637
Property, plant and equipment	21,955	17,792	19,520
Right-of-use assets	791	770	779
Other Intangible assets	1,472	1,421	1,385
Goodwill	1,130	1,002	984
Equity accounted investments	1,316	243	1,039
Grants payable	(18)	(17)	(16)
Trade payables- and prepayments related to purchase of non-current assets	(1,136)	(307)	(1,018)
Capital employed	34,055	28,605	30,310

Elkem's financial APMs, Cash flow from operations

- Cash flow from operations is defined as cash flow from operating activities, less income taxes paid, interest payments made, interest payments received, changes in provision, pension obligations and other, changes in fair value commodity contracts, other items (from the statement of profit or loss) excluding hedge adjustments. Hedge adjustments are realised effects from the part of commodity derivative instruments that initially are designated as hedging instruments, but where the realised effects are recognised in other items due to e.g., hedge ineffectiveness.
- Reinvestments generally consist of maintenance capital expenditure to maintain existing activities or that involve investments designed to improve health, safety or the environment.
- Strategic investments generally consist of investments which result in capacity increases at Elkem's existing plants or that involve an investment made to meet demand in a new geographic or product area.

	Second quarter		Year to date		Year
	2023	2022	2023	2022	2022
Reinvestments	(729)	(366)	(1,059)	(622)	(1,682)
Strategic investments	(733)	(497)	(1,494)	(838)	(2,797)
Periodisation ¹⁾	200	29	67	(285)	421
Investments in property, plant and equipment and intangible assets	(1,263)	(833)	(2,486)	(1,744)	(4,058)

¹⁾ Periodisation reflects the difference between payment date and accounting date of the investment.

	Second quarter		Year to date		Year
	2023	2022	2023	2022	2022
Cash flow from operating activities	1,136	2,568	1,845	5,078	9,314
Income taxes paid	385	253	955	497	1,345
Interest payments made	190	118	306	163	319
Interest payments received	(44)	(14)	(87)	(27)	(66)
Changes in provisions, bills receivables and other	(223)	570	(232)	708	697
Changes in fair value commodity contracts	(123)	14	(5)	120	1,139
Other items	(37)	(465)	(590)	(552)	(2,151)
Hedge adjustments	52	131	112	241	635
Reinvestments	(729)	(366)	(1,059)	(622)	(1,682)
Cash flow from operations	607	2,809	1,244	5,606	9,551