Annual Report 2021

Elkem

Delivering your potential

We are Elkem

Advanced material solutions shaping a better and more sustainable future

Elkem in brief

Who we are and what we do

33.7
NOK total operating income

23%
EBITDA margin

>80%
renewable electricity

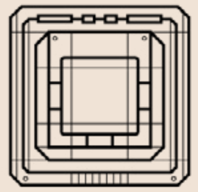
0
net zero emissions by 2050

Elkem is one of the world's leading suppliers of silicon-based advanced material solutions shaping a better and more sustainable future. The company develops silicones, silicon products and carbon solutions by combining natural raw materials, renewable energy and human ingenuity. Elkem helps its customers create and improve essential innovations like electric mobility, digital communications, health and personal care as well as smarter and more sustainable cities.

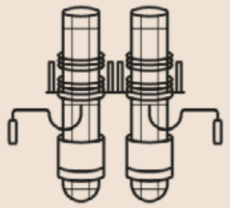
With a strong track record since 1904, Elkem's global team of more than 7.000 people has a joint commitment to stakeholders: Delivering your potential. In 2021, Elkem obtained a Platinum score from EcoVadis, which rated the company among the world's top 1% on sustainability transparency, and the company achieved an operating income of NOK 33.7 billion. Elkem is listed on the Oslo Stock Exchange (ticker: ELK).

Our divisions →

Silicones



Silicon Products



Carbon Solutions

Contents

Elkem history

1904

Foundation

- → Sam Eyde establishes Elkem
- → Development of electrometallurgical processes

1916-1930s

Innovation

- → Elkem patents the Söderberg electrode in 1918.
- → Elkem listed on Oslo Børs

1940s-1960s

Expansion

- → Producer of aluminium
- → Partner with Alcoa
- → Rhône-Poulenc is established in 1948

1960s-1970s

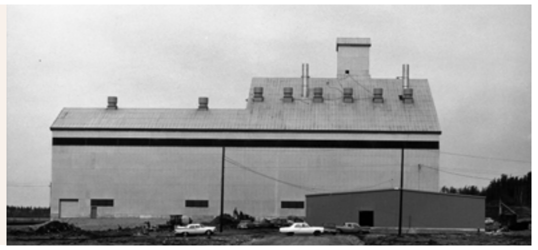
Industrial giant

- → Elkem merges with Christiania Spikerverk
- → Xinghuo plant is established in 1968

1970s-1980s

Internationalisation

- → International expantion; steel and ferroalloys
- → Acquisition of Union Carbide



1990s-2000s

Portfolio optimisation

- → Sold metal business
- → Acquisition of Icelandic Alloys
- → Start-up of Elkem Solar
- → Elkem acquired by Orkla and delisted from the Oslo Stock Exchange

2000s-2015

Growth & specialisation

- → Rhodia Silicones acquired by Bluestar in 2007, renamed Bluestar Silicones International (BSI)
- → Elkem acquired by Bluestar in 2011
- → Merger with BSI in 2015
- → Spin-off of Elkem Solar

2015-2020

Integration

- → Becoming a global, integrated leader in silicon-based advanced material solutions
- → Initial public offering: Re-listing on the Oslo Stock Exchange in 2018
- → Integrated with and acquisition of Xinghuo and Yongdeng, with successful branch expansion at Xinghuo incl. planned capacity increase

2020-Present

Accelerating the green transition

- → Elkem Salten 300 GWh energy recovery plant opened
- → Elkem decision to build biocarbon pilot plant in Quebec, Canada
- → Pilot plant for battery materials opened in Kristiansand, Norway and Vianode established
- → Elkem to test world's first carbon capture pilot for smelters in Rana, Norway

10 highlights from 2021

2021 was the best financial result in Elkem's 117-year history. Elkem benefitted from strong markets in 2021 but the record results were also based on our strong business model and attractive market positions.

1Q-2021

- → Elkem announces acquisition of new plant in Lyon, France for specialised silicones production
- → Elkem successfully raised bond financing of NOK 1.25 billion in the Norwegian bond market

2Q-2021

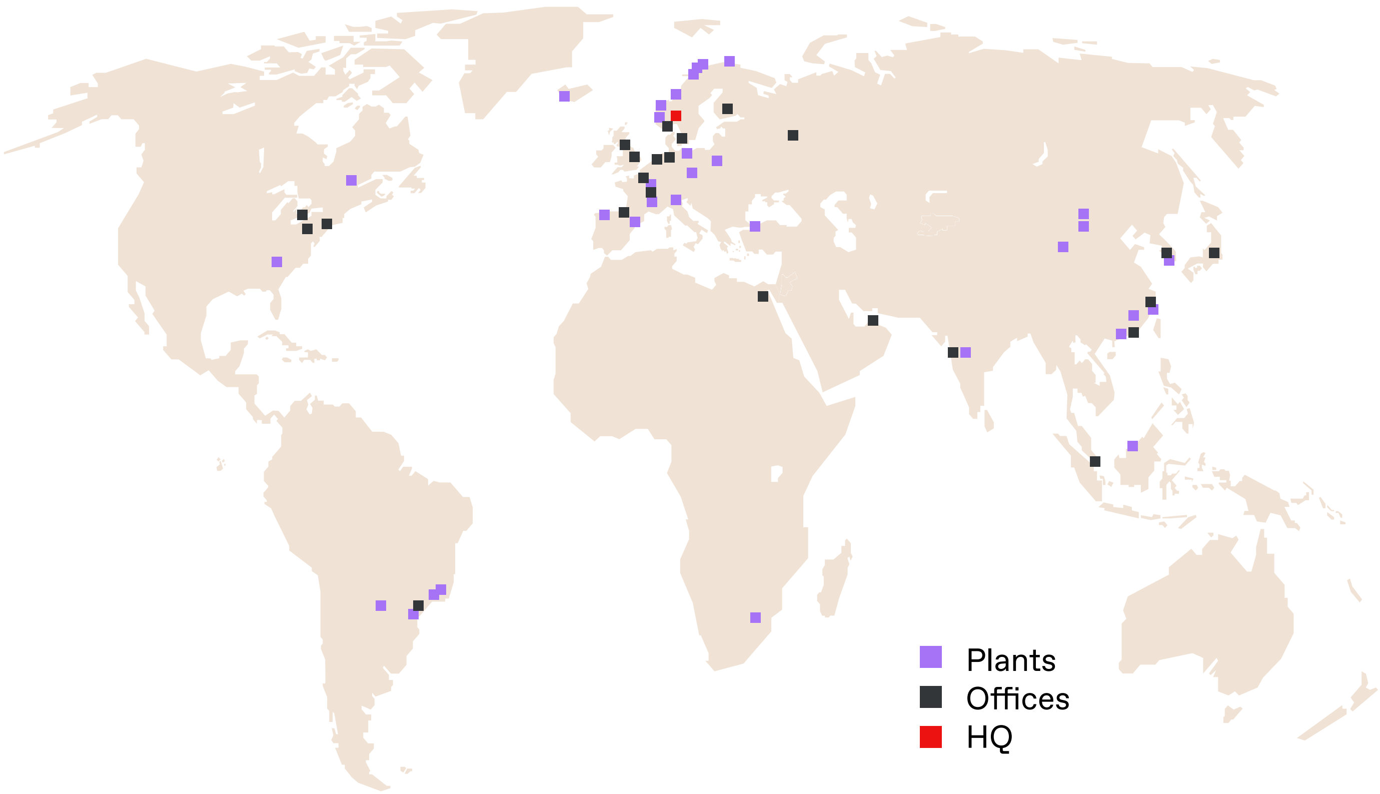
- → Elkem establishes Vianode as a new company and opened the pilot plant in Kristiansand, Norway dedicated to strategic growth opportunities for advanced battery materials
- → Strategic expansion of NOK 3.8 billion at Xinghuo silicones plant, China for increased growth, strengthened cost position and improved environmental profile
- → Capital increase of NOK 1.9 billion to strengthen capacity to invest in growth, opportunities and general corporate purposes

3Q-2021

- → Opening of Elkem's state-of-the-art research and innovation center, ATRiON, in Lyon, France
- → Elkem successfully raised bond financing of NOK 1.25 billion in the Norwegian bond market

4Q-2021

- → Elkem obtained BBB/Stable credit rating from Scope Ratings, reflecting the group's strong financial profile and solid market positions.
- → Elkem invests NOK 350 million to upgrade and expand cost competitive and sustainable production of silicones at Roussillon, France
- → Elkem launches global climate roadmap to reduce emissions towards net zero while growing supplies to the green transition
- → Elkem to test the world's first carbon capture pilot for smelters in Rana, Norway
- → Helge Aasen confirmed as new permanent CEO of Elkem
- → Elkem's and Kvitebjørn Energi's NOK 1.2 billion energy recovery plant opened in Salten, Norway by Norwegian prime minister



Key figures

	Unit	**2021**	2020	2019	2018	2017	2016
Total operating income	NOK million	**33 717**	24 691	22 668	25 230	20 985	16 594
Operating income growth	Ratio	**37%**	9%	-10%	20%	26%	
EBITDA	NOK million	**7 791**	2 684	2 656	5 793	3 188	1 559
EBITDA margin	Ratio	**23%**	11%	12%	23%	15%	9%
EBIT	NOK million	**5 899**	957	1 189	4 522	1 927	264
Profit (loss) for the year	NOK million	**4 664**	278	897	3 367	1 249	-268
Cash flow from operations	NOK million	**4 100**	1 522	2 140	4 031	2 337	627
Reinvestments in % of D&A	Ratio	**91%**	81%	80%	84%	72%	57%
Total assets	NOK million	**41 850**	30 888	29 004	31 129	25 507	23 092
Net interest-bearing debt	NOK million	**4 827**	8 058	5 722	3 264	8 111	9 502
Debt leverage	Ratio	**0.6**	3.0	2.2	0.6	2.5	6.1
Equity	NOK million	**19 874**	12 635	12 952	13 722	8 565	5 830
Equity ratio	Ratio	**47%**	41%	45%	44%	34%	25%
Return on capital employed (ROCE)	Ratio	**30%**	5%	7%	28%	13%	2%
Earnings per share (ESP)	NOK	**7.49**	0.41	1.47	5.74	2.08	(0.52)
Number of employees	Number	**7 074**	6 856	6 370	6 280	6 113	6 022
Total recordable injury rate H1+H2	Ratio	**3.7**	2.3	2.2	2.2	3.1	5.3
NOx emissions	Tonnes	**8 932**	6 610	6 718	7 068	7 109	7 309
CO_2 emissions (Scope 1 og 2)*	Mill tonnes	**3.56**	3.29	3.02	2.54	1.77	1.49
Energy consumption	TWh	**6.54**	6.40	6.01	6.23	5.28	4.40

** numbers before 2018 does not include scope 2.*

A record year with extraordinarily strong markets

Letter from the CEO The economic downturn in 2020 was followed by an extraordinary market momentum in 2021, enabling Elkem to deliver record-high revenues and results. Several global trends will drive demand for Elkem's products and hence increase our contributions to a sustainable future.

Elkem benefitted from strong markets in 2021. However, our record results were also very much based on strong cost and market positions systematically built-up over time through continuous improvement and deliberate strategic choices. We have secured predictable access to low-cost sustainable input factors despite supply chain challenges, and our operations have been able to maintain high regularity and quality. We remain well positioned for growth with the green shift, digitalisation and a rising global middle class.

The coronavirus pandemic (Covid-19) also continued throughout 2021. As a global company, Elkem has been exposed to the spread of the disease and to evolving government restrictions in all countries where we do business. Our primary focus has remained on health and safety, in line with Elkem's zero-harm philosophy. In 2021, Elkem registered 342 confirmed cases among our more than 7,000 employees. Some of our colleagues have experienced serious symptoms, but we are pleased that all have recovered and are doing well.

In October, I was asked by the board to return as permanent CEO of Elkem. I feel both honoured and privileged to be given the opportunity to work with a diverse and very capable team to deliver value for our customers and other stakeholders globally. I am excited and energised by the task, as we continue to develop Elkem's global team.

Delivering today – positioning for tomorrow

Systematic continuous improvement over time by a dedicated organisation, combined with an integrated business model and attractive market positions were key enablers to deliver record-high financial performance in 2021. I am impressed by the team in Elkem and their ability to maintain focus on delivering to our customers and drive strong performance, while also positioning for the future in line with our long-term strategy.

Global trends to drive growth in demand

Elkem used 2021 to lay a solid foundation for profitable growth and increased market share in the years to come. We believe that long-term global challenges and megatrends like sustainability, energy demand, urbanisation, increased standard of living, population growth, and digitalisation will drive growth in demand for advanced materials, including silicones, silicon- and carbon solutions. We

Helge Aasen
CEO, Elkem ASA

are well-positioned to benefit and to be part of the solution to combat climate change.

Operational excellence and increased specialisation

Elkem has a vision to provide advanced material solutions shaping the future. Our corporate strategy is to grow and strengthen our competitive positions through continuously improving and developing new products and removing "waste" in the entire value chain.

Operational excellence and continued productivity improvement remain important keys to profitable growth. Even before the impact of Covid-19, we launched a new productivity improvement programme to enhance the company's cost position and streamline the organisation. As announced in 2019, we had identified a potential of more than NOK 350 million in annual improvements. At the end of 2021, the programme has realised several value chain improvements reducing run-rate cost level by NOK 395 million.

Our efforts to increase specialisation reached a milestone in 2021 with more than one million electrical vehicles (EVs) featuring our proven battery thermal management solutions. The global demand for EVs is growing fast, and some analysts now expect EVs to account for around a third of new car sales by 2030. China is the world's largest single EV market, offering interesting opportunities to realise Elkem's specialisation strategy.

Strengthening all our business divisions

The strategy of growing and strengthening our competitive position is further amplified in all our business divisions.

Our Silicones division made important steps in 2021 to increase profitable growth and grow market shares along with improving profitability through systematic improvement work and specialisation. Our new manufacturing facility in France will produce high-quality organo-functional silicones, and we also plan to upgrade and debottleneck our silicone upstream plant in Roussillon, France. Construction of a new production workshop for silicone fluids at the Xinghuo plant in China started in 2021 and we approved a NOK 3.8 billion expansion of this plant – representing a step-change for Elkem as a leading supplier in the world's fastest-growing silicones market.

The Silicon Products division has solid market positions globally and was able to capitalise on the strong market momentum in 2021 while running at high capacity. We intend to continue focusing on improved profitability through systematic improvement work, while selectively pursuing growth, just like we did in 2021 when we entered agreements to study carbon capture opportunities at our Norwegian smelters, when we decided to invest in new infrastructure to increase productivity and reduce emissions at Elkem Rana, and when we opened our new energy recovery plant in November and positioned Elkem Salten as one of the world's most energy-effective silicon plants.

Our Carbon Solutions division remains a strong and highly profitable market leader in its segments. Market conditions in 2021 were good and we maintained strong profitability. Focus on operational excellence and selective growth will be key measures to maintain our strong position in the future.

Strategic initiatives

Our ability to meet future ambitions is supported by three corporate initiatives in the fields of digital transformation, ESG, and people.

First, we believe that digital technologies can be disruptive, and we aim to take a leading position in our industry. Our Digital Office was established in 2020 to drive a digital transformation across the company, We have trained managers and leaders on managing digital transformation, use-case team members on the methods of delivering valuable solutions using agile and digital and analytics, and upcoming agile coaches on coaching teams in doing twice the work in half the time. We are currently working on a number of specific use-cases, ranging from remote assistance to value chain optimisation and digital pricing.

Second, Elkem aims to contribute to shaping a sustainable future, and key stakeholders put increasing demands on ESG strategies and performance. An important step was made in October when we announced a new climate roadmap detailing how the company plans to reduce emissions in line with the Paris agreement of limiting global warming to well below two degrees. Another new milestone was reached in December when we launched our first TCFD report on climate risks and opportunities. I am proud to state that we have received an A- rating from CDP in 2021, ranking among the world's leading companies on climate transparency and action.

Third, organisational design and development of our people are fundamental in delivering on the business strategy. It is also key in developing a culture to leverage critical competencies, diversity, core values, and behaviour. Our current focus is on identifying future competence and capacity needs and continuing to develop corresponding gap-closing strategies.

Green technologies and partnerships

Elkem is actively using its competence to develop new sustainable business areas. The ongoing projects demonstrate our capability to drive the development of new green technologies.

Battery Materials is a unique growth opportunity based on graphite and silicon. In April, Elkem successfully commissioned the industrial pilot for battery materials in Kristiansand, Norway, starting industrial-scale pilot production and product verification with future customers. In May, we established Vianode as a new company and brand dedicated to strategic growth opportunities in advanced battery materials. An investment decision for a large-scale battery materials plant is being evaluated.

Biocarbon replacing fossil carbon is the main contributor to fossil CO_2 reductions towards 2030. We are starting a pilot facility in Canada in February in 2022 to test a new technology to produce bicarbon pellets from wood waste materials. Elkem currently uses more than 20 percent biocarbon in our production and in October, we announced a new goal of 50 percent biocarbon by 2030.

Energy recovery represents circular solutions for lower emissions and higher efficiency. With the opening of the new energy recovery plant at Salten in the northern part of Norway in November, Elkem's total energy recovery capacity is now approximately 900 GWh per year, representing about 15% of our total energy consumption globally.

I would like to thank all Elkem colleagues and stakeholders for their remarkable efforts and support throughout a record year. We have delivered strong results while also positioning for the future. And we have all the ingredients in place to make 2022 another successful year for Elkem while remaining mindful of a very dynamic and unpredictable external environment.

This mindset goes hand in hand with Elkem's mission: To contribute to a sustainable future by providing advanced silicon, silicones, and carbon solutions, adding value to our stakeholders. Let's do it!

Helge Aasen

Helge Aasen,
CEO, Elkem ASA

Elkem's strategic direction

Growth through operational excellence and increased specialisation

Why we are here

Elkem's mission is to provide advanced material solutions shaping a better and more sustainable future, adding value to our stakeholders globally.

Our strategy is to drive growth through operational excellence and increased specialisation. Our values: Involvement, respect, precision and continuous improvement.

Divisions in Elkem ASA

Silicones

- Improve and stabilise profitability through operational excellence and specialisation strategy.
- Strong focus on growth, particularly in Asia

Silicon Products

- Improve productivity through operational excellence and well managed portfolio of specialties.
- Selectively pursue growth initiatives

Carbon Solutions

- Maintain good profitability through operational excellence and strong market positions
- Selectively pursue growth initiatives

People & organisation

Environmental, social & governance (ESG)

Digitalisation

New initiatives

Battery materials (Vianode)

- Attractive growth opportunity based on sustainably produced synthetic graphite and silicon

Biocarbon

- Potential breakthrough technology for carbon neutral metal production

Energy recovery

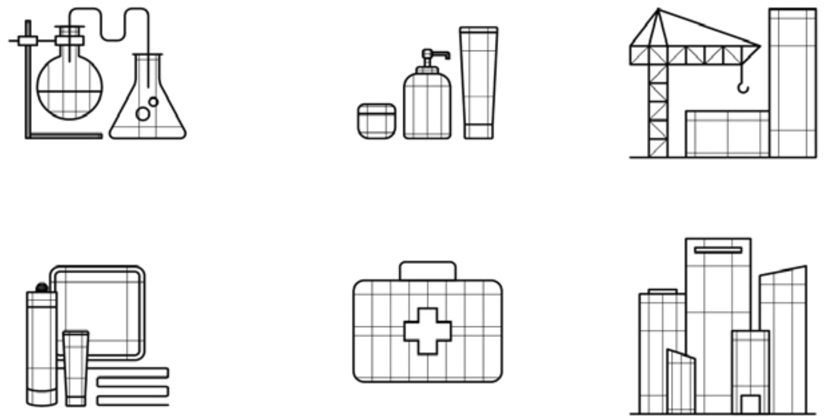
- Substantial potential for increased energy efficiency and power production

Silicones

Fully integrated silicones manufacturer

End markets

- Paper & film release
- Automotive
- Silicone rubber
- Chemical formulators
- Personal care
- Textile
- Healthcare
- Construction



Elkem is a fully integrated producer from silicon metal to upstream siloxane and downstream silicone specialties. Silicones can be manufactured into many forms including solids, liquids, semi-viscous pastes, foams, oils and rubber. They are flexible and can resist moisture, chemicals, heat, cold and ultraviolet radiation.

Due to its wide range of application areas, silicones are used in a large number of products and industries, including manufactured goods, construction materials, electronics and consumer items.

Silicones can be encountered every day in a number of areas, including in personal care products, in cars, in the gel on a wound dressing and sealing and insulating materials in electrical equipment.

The main growth drivers are the green transition and the rise of middle class worldwide

17.4
NOK billion

52%
of group sales*

Key figures

	2021	2020	2019	2018	2017
Total operating income (in NOK million)	**17 429**	12 800	11 319	13 130	10 165
EBITDA (in NOK million)	**3 672**	1 326	1 486	3 629	1 590
EBITDA margin (in %)	**21%**	10%	13%	28%	16%
Number of employees	**4 395**	4 224	3 718	3 677	3 620
Sales volume (thousands mt)	**409**	372	336	314	300

14 plants

China	Xinghuo, Shanghai, Zhongshan, Yongdeng
France	Roussillon, Saint-Fons, Salaise-sur Sanne
Germany	Lübeck
Italy	Caronno
Spain	Santa Perpetua
USA	York
Brazil	Joinville
India	Pune
Korea	Gunsan

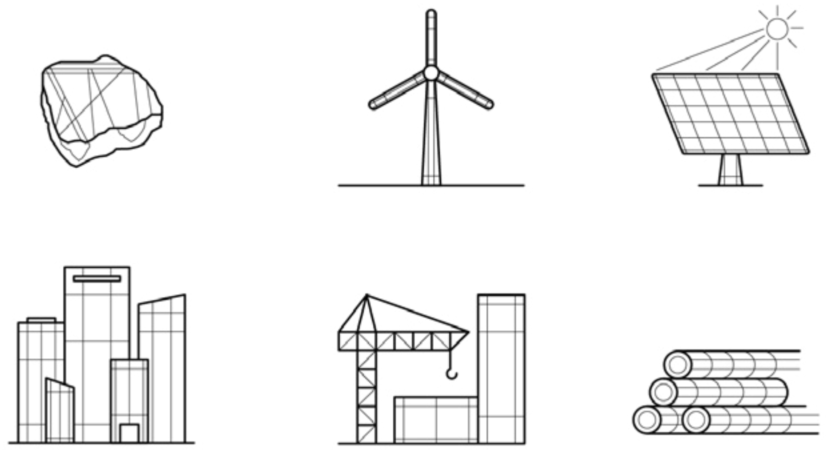
**Share of group sales from external customers ex. Other*

Silicon Products

Global producer of silicon, ferrosilicon, foundry alloys and microsilica

End markets

→ Silicones
→ Automotive
→ Solar & wind turbines
→ Construction/industral equipment
→ Electronics
→ Specialty steel
→ Refractories
→ Oil & gas



Elkem is a leading producer of silicon-based materials, including silicon, ferrosilicon, specialty alloys based on ferrosilicon and Microsilica®.

Silicon is used in silicones, aluminium alloys and polysilicon, and has a number of favourable chemical and physical properties, including sem-conductivity, making it highly versitile for numerous industrial and electronic applications. Ferrosilicon is mainly used in the steel industry to remove oxygen from the steel and as an alloying element to enhance the quality, including strength and elasticity.

Foundry alloys are used in the production of iron castings to improve their properties such as tensile strength, ductility and impact properties. Microsilica is a process product of the silicon and ferrosilicon production and is used in construction, refractory, oilfield and polymer industries.

14.8
NOK billion

42%
of group sales*

Key figures

	2021	2020	2019	2018	2017
Total operating income (in NOK million)	**14 783**	10 804	10 151	10 822	9 679
EBITDA (in NOK million)	**3 702**	1 221	994	1 990	1 428
EBITDA margin (in %)	**25%**	11%	10%	18%	15%
Number of employees	**1 904**	1 890	1 889	1 875	1 763
Sales volume (thousands mt)	**502**	479	445	466	477

10 plants

Norway	Salten, Thamshavn, Rana, Bremanger, Bjølvefossen,
Iceland	Grundertangi
China	Shizuishan
India	Nagpur
Paraguay	Limpio
Canada	Chicoutimi

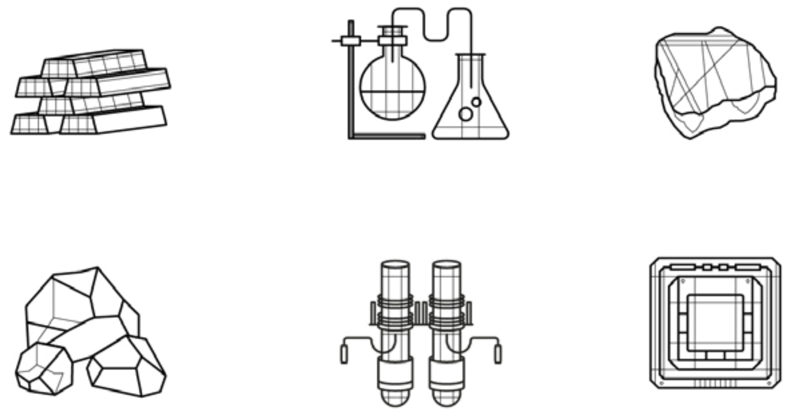
**Share of group sales from external customers ex. Other*

Carbon Solutions

Leading producer of electrode paste and specialty products

End markets

→ Ferroalloys
→ Silicon
→ Aluminium
→ Iron foundries



Elkem is a leading producer of specialty carbon products for various metallurgical smelting processes and primary aluminium industries and the only producer with a global reach.

Carbon products are used in electric arc furnaces and by the aluminium and iron foundries industries. Søderberg electrode paste is the most common electrode system used in submerged arc furnaces to ensure that the raw material reaches the required process temperatures. The Søderberg electrode technology has more than 100 years of successful technology leadership. The technology and carbon products are used by producers of silicon, ferrosilicon, ferrochromium, ferronickel, ferromanganese, silicomanganese, calcium carbide and copper and platinum matte.

2.2
NOK billion

6%
of group sales*

Key figures

	2021	2020	2019	2018	2017
Total operating income (in NOK million)	**2 176**	1 870	1 838	1 895	1 586
EBITDA (in NOK million)	**508**	438	312	335	277
EBITDA margin (in %)	**23%**	23%	17%	18%	17%
Number of employees	**395**	394	420	422	435
Sales volume (thousands mt)	**294**	256	257	289	284

6 plants

Norway	Kristiansand
Brazil	Serra (Carboindustrial and Carboderivados)
South Africa	Emalahlen
China	Shizuishan
Malaysia	Bintulu

**Share of group sales from external customers ex. Other*

The Elkem Share

Elkem aims to be an attractive investment for shareholders, delivering competitive return through sustained growth and a consistent dividend policy.

NOK 19.1 bn
Elkem's market cap as at 31 December 2021

NOK 3.00
dividend per share for 2021

12,444
shareholders

639.4
million shares

→ Elkem ASA is a public limited company. The share is listed on the Oslo Stock Exchange and the ticker code is ELK

→ Elkem ASA was re-listed on Oslo Stock Exchange on 22 March 2018

→ Elkem ASA has one share class with 639,441,378 ordinary shares, each with a nominal value of NOK 5

→ All shares have equal rights and are freely transferable. Each share grants the holder one vote and there are no structures granting disproportionate voting rights

→ On 26 April 2021, Elkem ASA completed a private placement raising approximately NOK 1,891 million through allocation of 56,456,034 new shares at a price of NOK 33.50 per new share

→ Bluestar Elkem International Co. Ltd. SA, owned by China National Bluestar is the majority shareholder with 52.9%

→ Ten analysts are covering Elkem, providing market updates and estimates for Elkem's financial development

Elkem's financial targets

Target metric	Targets	Comments
Revenue growth	5 - 10%	Grow faster than market through specialisation, organic growth and acquisitions
EBITDA margin (%)	15 - 20%	Target average margin through the economic cycle
Reinvestments % of D&A	80 - 90%	Ensure appropriate and disciplined capital allocation following long-term plans
Debt leverage ratio	1.0x - 2.0x	Ensure efficient and robust capital structure
Dividend target	30 - 50% of group profit	Stable and predictable over time

Dividend

Elkem intends to pay dividends reflecting the underlying earnings and cash flow and will target a dividend pay-out ratio of 30-50% of the group's profit for the year.

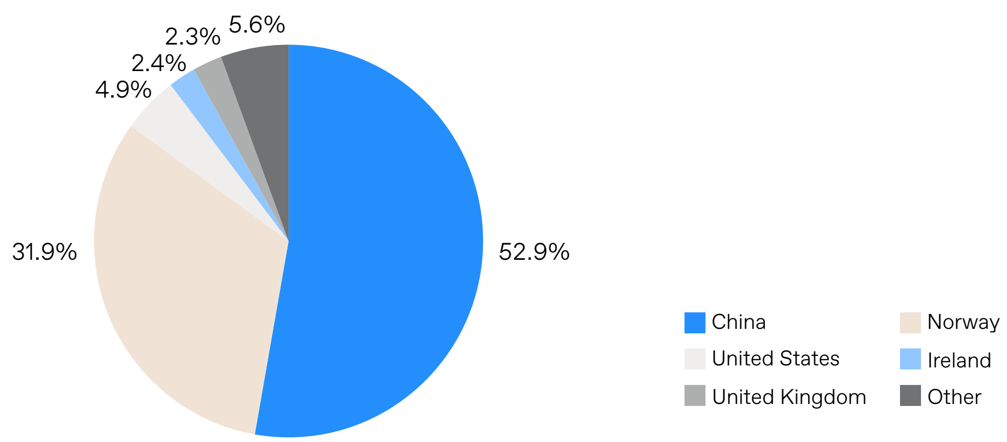
The proposed dividend for 2021, subject to approval from the annual general meeting in 2022, is NOK 3.00 per share, representing 41% of the group's profit for the year.

Dividend overview

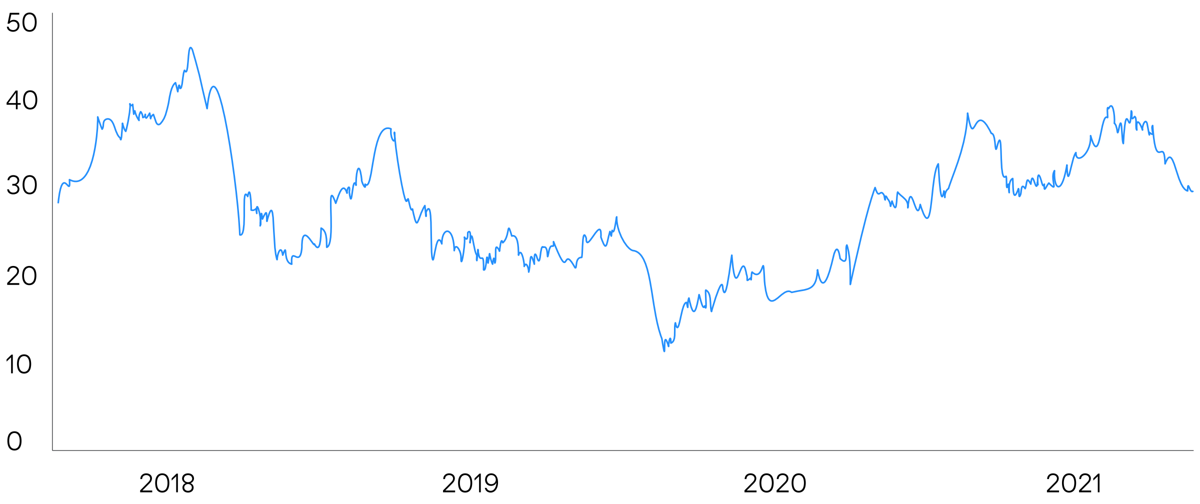
Year	Earnings per share	Dividend per share	Date proposed	Date approved	Ex date
2021	7.49	3.00	08.02.2022	27.04.2022	28.04.2022
2020	0.41	0.15	09.02.2021	27.04.2021	28.04.2021
2019	1.47	0.60	12.02.2020	08.05.2020	11.02.2020
2018	5.74	2.60	11.02.2019	30.04.2019	02.05.2019

Geographical distribution of shareholders 2021

As at 31 December 2021 Elkem had 12.444 shareholders



Share price development



	2018	2019	2020	2021
Highest	45.00	36.12	29.60	38.50
Lowest	21.07	20.18	11.20	25.68
Volume	342 107 122	369 570 346	303 729 619	438 749 361
Turnover	10 506 950 753	9 438 910 774	6 114 487 641	14 103 001 272

The 20 largest shareholders as at 31 December 2021*

Rank	Name	Holding	Stake	Change from 2020 %		Citizenship
1	China National Bluestar**	338 338 536	52.91%	→	0%	China
2	Folketrygdfondet	29 353 185	4.59%	↑	27%	Norway
3	Alfred Berg Kapitalforvaltning	22 413 883	3.51%	↑	54%	Norway
4	Storebrand Asset Managment	13 249 859	2.07%	↑	4%	Norway
5	Must Invest AS	13 200 000	2.06%	↑	224%	Norway
6	Nordea Funder	10 269 357	1.61%	↑	68%	Finland
7	Arctic Fund Management	9 282 950	1.41%	↑	21%	Norway
8	Vanguard	8 604 039	1.35%	↑	34%	USA
9	Pareto Fonder	8 068 100	1.26%	↑	95%	Norway
10	DNB Fonder	7 453 944	1.17%	↓	-25%	Norway
11	Elkem ASA	6 403 772	1.00%	•	New	Norway
12	First Fondene	5 491 491	0.86%	↑	67%	Norway
13	KLP Kapitalforvaltning AS	5 382 106	0.84%	↑	9%	Norway
14	Eika Kapitalforvaltning	5 335 725	0.83%	↓	-39%	Norway
15	Handelsbanken Fonder	5 027 029	0.79%	↑	85%	Sweden
16	BlackRock	4 530 238	0.71%	↑	21%	United States
17	Forsvarets Personellservice	2 436 600	0.38%	↑	114%	Norway
18	Alfred Berg Fonder	2 357 355	0.37%	•	New	Sweden
19	Deka Investments	2 350 978	0.37%	↑	358%	Germany
20	Allianz Global Investors	2 181 781	0.34%	↑	8%	Germany

** The data is provided through analysis of beneficial ownership and fund manager information provided in replies to disclosure of ownership notices issued to all custodians on the Elkem share register. Whilst every reasonable effort is made to verify all data, the accuracy of the analysis cannot be guaranteed. For a list of the largest share-holders as at 31 December 2021, from the Norwegian Central Securities Depositary (VPS), see Note 20 in Notes to the financial statements Elkem ASA.*

*** Elkem ASA is owned 52,9% by Bluestar Elkem International Co. Ltd S.A., Luxembourg, which is under the control of China National Bluestar (group) Co. Ltd (Bluestar), a company registered and domiciled in China*

Best financial result in Elkem's 117-year history

Board of directors' report Elkem concluded 2021 with the best financial result in its 117-year long history. The underlying demand for Elkem's products has been strong throughout 2021. The price level of Elkem's key products has been at a high level, at the same time as the company has benefited from its strong business model and attractive market position.

Elkem's mission is to provide advanced material solutions shaping a better and more sustainable future, adding value to stakeholders globally. The board of directors believe that safe and environmentally responsible production is a prerequisite for value creation. With a highly competent organisation, well-invested assets, attractive market positions and ongoing growth initiatives, Elkem is committed to creating value for all stakeholders.

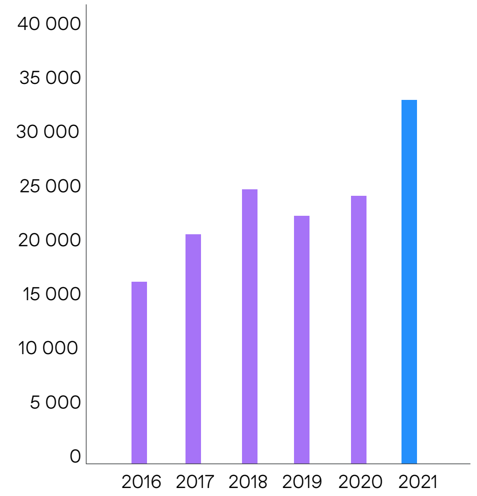
Elkem concluded 2021 with the best financial result in its 117-year long history. The financial results were positively impacted by increased sales volumes, attractive sales prices and strong business performance. Sales volume increased year-on-year (YoY) for the second year in a row due to good production volume and strong demand. Sales prices increased to historic high levels in the second half of 2021 due to supply and demand imbalance and higher raw material costs. Silicon supply from China was negatively impacted by power curtailment limiting silicon production. In addition, energy prices increased significantly in China and Europe, resulting in higher raw material costs. The solid business performance was supported by dedicated efforts from employees worldwide, ensuring operational improvements, increased specialisation and attractive investments, further strengthening Elkem's competitiveness. The board of directors is satisfied with Elkem's business performance supported by a professional organisation, efficient value chains and strong market positions. The board of directors believes that the long-term underlying growth prospects remain solid for Elkem and is of the opinion that Elkem has a solid asset base and financial capability to support further growth, creating value for all of the group's stakeholders.

Elkem's consolidated operating income increased by 37% YoY to NOK 33,717 million. The EBITDA margin was 23% compared to 11% in 2020. The leverage ratio was 0.6x as at 31 December 2021. This is lower than the leverage range target of 1.0x to 2.0x over the cycle and is a direct consequence of the strong market conditions.

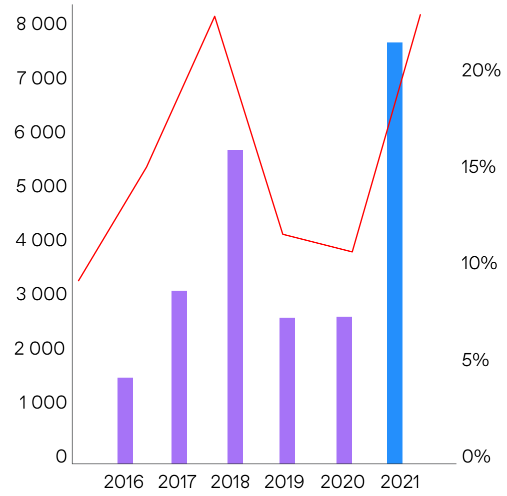
Elkem's policy is to pay a 30-50% dividend of profit for the year. The board of directors has proposed to the annual general meeting a dividend payment of NOK 3.00 per share for 2021, which would represent 41 % of profit for the year. The board of directors' view is that the proposed dividend is appropriate based on the current financial position, market outlook and investment plans.

[1] *EBITDA commented under APM section*
[2] *Leverage ratio commented under APM section*

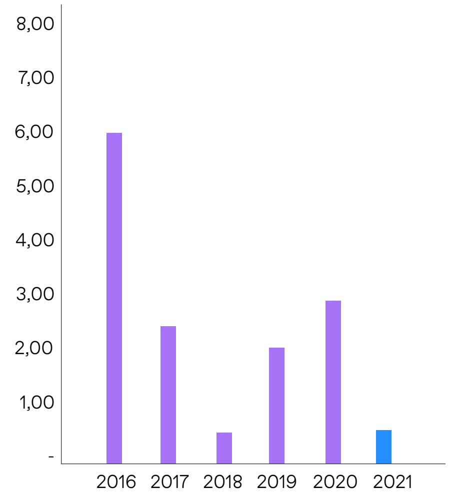
Operating income
NOK million



EBITDA[1]
Nok million



Leverage[2] ratio



To remain a safe workplace is still the number one priority at Elkem. A comprehensive understanding of health and safety risks has the highest priority in the company, and the understanding is founded on critical process control combined with a culture of precision and continuous improvement. ESG (Environmental, Social and Governance) continues to be essential for Elkem, enabling environmentally friendly and socially responsible production of advanced materials. To combat climate change, Elkem has launched a global climate roadmap to reduce the product carbon footprint by 39% by 2031 and achieve carbon-neutral production globally by 2050. Social and governance principles are advocated to support a diverse workforce built on respect and inclusive work culture and protection of human rights throughout the value chains. Elkem continued the focus on training in anti-corruption and compliance during 2021.

Key business developments 2021

Revenue growth and specialisation supported by step change investments
Elkem has the ambition to grow revenue by 5-10% per year through the cycle supported by organic growth initiatives and bolt-on acquisitions.

- → In February 2021, Elkem signed an agreement to acquire a brand-new plant near Lyon in France, custom-designed for producing highly specialised organo-functional silicones (OFS). The acquisition underpins Elkem's growth and specialisation strategy.
- → In April 2021, Elkem successfully commissioned its industrial pilot for battery materials in Kristiansand, Norway, starting industrial-scale pilot production. In May 2021, as the next step towards large-scale battery materials production, Elkem established Vianode as a new company and brand dedicated to developing and producing sustainable and high-quality active anode materials to meet the demand from the high growth in electric vehicles (EV). A possible investment decision for a fast-track plant construction is expected in the first half of 2022.
- → In April 2021, the board of directors approved a NOK 3.8 billion strategic expansion of the Xinghuo Silicones plant in China to strengthen Elkem's position in the fastest-growing silicones market and support further downstream specialisation. In addition, the project will significantly improve Elkem's overall cost position and environmental profile based on state-of-the-art technology. The project will increase the plant's production capacity by more than 50% for high-quality upstream products, reduce the energy consumption by 57%, reduce the use of raw materials by 11% and give a 30% reduction of solid waste. Improved environmental performance was one of the key decision parameters for Elkem.
- → In July 2021, Elkem Silicones announced the opening of its new Research and Innovation Centre in Saint-Fons in Lyon's "Chemical Valley", doubling its space dedicated to research and innovation, with particular attention given to collaborative work and employee safety. Laboratories, offices and collaborative spaces branch out from a central atrium, the heart of the facility housing more than 120 dedicated R&D professionals.
- → In October 2021, the board approved an investment in Elkem's silicones plant in Roussillon, France, amounting to NOK 350 million. This project will expand capacity upstream and further enable and strengthen growth in Elkem's speciality business in the EMEA & the Americas. The project will be finalised in the third quarter of 2023. This will also improve Elkem's cost position and environmental performance through debottlenecking, better energy efficiency and upgraded wastewater treatment.
- → In November 2021, Prime Minister Jonas Gahr Støre opened the new energy recovery plant at Elkem Salten in northern Norway. The new energy recovery plant will recover approximately 30% of the electrical energy used at Elkem Salten, equal to the power consumption of about 15,000 Norwegian households. The installation positions Elkem Salten as one of the most energy-effective silicon plants in the world, in line with the ambitions of Elkem's climate roadmap towards net-zero by 2050, further strengthening its competitiveness.
- → In addition to the above milestones, several other value-creating activities have been accomplished:
  - → increasing the capacity for high purity silicone elastomers, including a new site in the US
  - → increased speciality silicones capacity in China
  - → upgrading of a silicon furnace at the Rana plant in Norway giving more capacity and reduced NOx emissions
  - → installation of gas cleaning system at the Carbon Solutions' plant in South Africa, and
  - → Biocarbon's industrial verification of renewable biocarbon supports Elkem's long-term strategy of contributing to climate-neutral metal production.

Strategic initiatives to speed up value creation
Several initiatives to speed up growth and create shareholder and stakeholder value are ongoing, showing good progress and prospects.

- → Elkem's strategic Digital Office and Biocarbon initiatives have made progress during the year. Digital Office supports a digital transformation across the company currently working on several specific user-cases ranging from remote assistance to value chain optimisation and digital pricing. Elkem decided to invest in a new biomass pilot plant in Canada in September 2020. The pilot will verify renewable biomass technology and is expected to start production in the first half of 2022. Production of biomass pellets from wood waste materials replacing fossil carbon as a material in silicon production is expected to be a key contributor to Elkem's CO2 reductions towards 2030.
- → Elkem successfully raised new bond loans in February and August 2021, totalling NOK 2,500 million for refinancing debt maturities in December 2021. The bond transactions were significantly oversubscribed. In December 2021, Elkem obtained a BBB/Stable issuer rating from Scope Ratings. The rating reflects Elkem's strong financial profile.
- → In April 2021, Elkem raised NOK 1,891 million of new equity to strengthen the growth platform further. The subscription price was NOK 33.50 per share and determined through book building after the close of trading in Oslo on 26 April 2021.
- → Elkem has finalised the productivity improvement programme to reduce personnel costs by more than NOK 350 million per year. The implementation started in the first quarter 2020 and was completed in December 2021. The programme has realised several value chain improvements in parallel with reducing run-rate manning cost level by NOK 395 million at the end of 2021.

ESG and climate roadmap is essential in Elkem
People are at the core of Elkem, alongside safe and sustainable operations conducted responsibly through operational excellence. Elkem shall be an attractive employer and at the forefront of environmentally friendly operations within the industry.

- → In October 2021, Elkem launched a climate roadmap detailing how the company plans to develop its business in line with the aim of the Paris agreement. The company aims to reduce its total fossil CO2 emissions by 28% from 2020-31 and grow the supply of products to green transition, resulting in a 39% improvement of its product carbon footprint in the same period. Elkem's long-term goal is net-zero emissions by 2050.
- → In December 2021, Elkem launched its first TCFD report (Task Force on Climate-related Financial Disclosures) as an initiative to address the potential financial impact of climate risks and opportunities. The climate risk implementation was a key input to the climate roadmap towards 2031 and 2050.
- → Elkem received an A- score on climate change and a B- score on water security from CDP, demonstrating Elkem's work on climate and sustainability.

About Elkem

Established in 1904, Elkem is one of the world's leading companies in the environmentally responsible manufacture of metals and advanced materials. Elkem is a publicly listed company on the Oslo Stock Exchange (ticker code: ELK) and is headquartered in Oslo, Norway. The company has more than 7,000 employees, 30 production sites and an extensive network of sales offices worldwide. In 2021 Elkem had a total operating income of NOK 33.7 billion. To learn more, please visit www.elkem.com.

Elkem is a fully integrated producer with operations throughout the silicon value chain from quartz to silicon and downstream silicone specialities as well as speciality ferrosilicon alloys and carbon materials. Elkem has organised its operations into three business divisions: Silicones, a fully integrated silicones producer; Silicon Products, a provider of silicon, ferrosilicon, foundry alloys, Microsilica and related speciality products; and Carbon Solutions, a supplier of electrode paste and speciality products to the ferroalloys, silicon and aluminium industries.

The Silicones division is one of the world's leading fully integrated silicone companies, with more than 4,500 employees and a global footprint. The division has R&D centres in Europe and Asia, sales offices worldwide and plants in China, France, Germany, Italy, Spain, USA, Brazil, India, and South Korea. The Silicones division is Elkem's largest business area and represents 52% of the total operating income from external customers.

The market for Silicones' products is large and growing. Demand is driven by a number of megatrends, such as the green transition, digitalisation and energy demand growth. Elkem Silicones serves diverse markets, from electric cars to construction, via electronics, aerospace, healthcare, personal care, packaging, airbag coating and more. Elkem has a comprehensive range of silicone products (> 5000 stock keeping units) with leading market positions engineering elastomers for EV's, coatings for packaging, hygiene and bakery paper and airbag coatings.

The Silicon Products division is a world-leading supplier of silicon, ferrosilicon, foundry alloys, Microsilica, and other speciality products. The Silicon Products division represents approximately 42% of total operating income from external customers. Silicon Products has about 1,900 employees and plants in Norway, Iceland, Canada, England, India, Paraguay and China, and quartz mines in Norway and Spain.

Silicon has a number of favourable chemical and physical properties, including semi-conductivity, making it highly versatile for numerous industrial and electronic applications. As such, it has a wide range of applications, predominantly as an alloying material for aluminium and in the production of silicones and polysilicon for electronics and solar cells. Ferrosilicon and foundry alloys are used in the steel industry and iron foundry industry, respectively. The Silicon Products division serves customers in a number of end markets, such as chemicals, aluminium, electronics, automotive, speciality steel segments, solar, construction, refractories, and oil/gas. China has been the largest growth market for silicon over the last years and is expected to remain an important growth engine for global demand.

The Carbon Solutions division is the world-leading supplier of electrode paste, prebaked electrodes and speciality products to the ferroalloys, silicon, and aluminium industries. The division has approximately 400 employees and plants in Norway, South Africa, Brazil, Malaysia, and China. The Carbon Solutions division accounts for around 6% of Elkem's operating income from external customers. The steel and aluminium industries account for a significant portion of non-energy carbon end-user applications and, as a result, drive the demand dynamics in the industry.

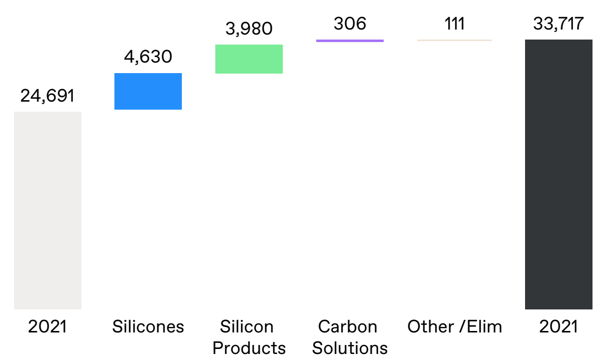
Financial performance

The consolidated financial statements are prepared and based on International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) and effective at 31 December 2021.

Consolidated profit and loss statement

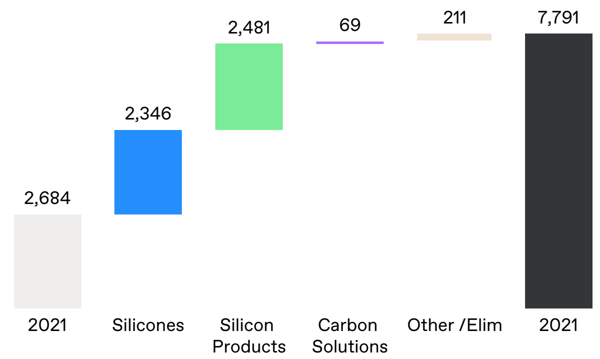
Consolidated operating income for the Elkem group amounted to NOK 33,717 million compared to NOK 24,691million in 2020. The 37% increase was supported by increased sales volumes, positive impact from price increases. The Silicones division saw a 36% increase in operating income supported by an approximately 10% increase in sales volume in addition to price increases for commodities, particularly in APAC. Operating income for the Silicon Products division increased by 37% due to higher sales volumes of foundry alloys, ferrosilicon and silicon in addition to price increases, particularly in the second half of 2021. Carbon Solutions' operating income increased by 16%, driven by 15% higher sales volumes.

Operating income
NOK million



Consolidated EBITDA ended at NOK 7,791 million compared to NOK 2,684 million in 2020. The corresponding margin increased from 11% in 2020 to 23% in 2021. EBITDA improved year-on-year for all divisions mainly due to higher sales volumes supported by good production and strong sales prices, countered partially by negative currency effect and increased raw material costs. Refer to "Divisions business performance" for further analysis.

EBITDA
NOK million



Consolidated operating profit was NOK 5,785 million in 2021 compared to NOK 827 million in 2020, an increase of NOK 4,958 million explained mainly by improved consolidated EBITDA, partially countered by increased amortisation, depreciation and impairment losses. Amortisation and depreciation were NOK 1,816 million in 2021 compared to NOK 1,710 million in 2019. The increase in amortisation and depreciation is attributed to high investment levels from 2019 to 2021. Impairment losses were NOK 76 million in 2021 compared to NOK 17 million in 2020, mainly related to a write-down of the Carbon production facilities in Malaysia. Other items were negative NOK 114 million in 2021 compared to negative NOK 130 million in 2020. Other items are largely related to the provision for removing and dismantling of apartments to the repurposing of areas near the Xinghuo plant in China, in addition to a partial reversal of restructuring expenses related to the productivity improvement programme. The net impact from the change in fair value commodity contracts, embedded EUR derivatives in power contracts and foreign exchange losses amounted to NOK 39 million in 2021 compared to NOK 44 million in 2020.

Consolidated profit before income tax ended at NOK 5,827 million for the year, compared to NOK 584 million in 2020.

The share of profit from equity-accounted financial investments was NOK 37 million in 2021 compared to NOK 15 million negative in 2020. Finance income was NOK 40 million, and foreign exchange gains were NOK 241 million in 2021 compared to NOK 31 million and NOK 17 million in 2020, respectively. Finance expenses were NOK 276 million compared to NOK 278 million in 2020.

The consolidated profit for the year was NOK 4,664 million, after NOK 1,163 million in tax expenses. The tax expenses mainly consisted of taxes on the current year's result. In addition, the tax expenses included effects on changes in both non-recognised deferred tax assets and the change in applicable tax rate from 2020 to 2021.

The main items recognised in the consolidated statement of other comprehensive income related to cash flow hedges (foreign currency hedges and power price hedges) and currency translation differences. These items had a net income of NOK 1,078 million for 2021, compared to a net expense of NOK 246 million in 2020. The share of consolidated profit attributable to shareholders of Elkem ASA was NOK 4,628 million, resulting in basic earnings per share NOK 7.49 per share in 2021 compared to NOK 0.41 per share in 2020.

The total comprehensive income for the year was NOK 5,742 million in 2021 compared to NOK 32 million in 2020.

Divisions business performance

The Silicones division had an operating income in 2021 of NOK 17,429 million (NOK 12,800 million in 2020). EBITDA was NOK 3,672 million in 2021 compared to NOK 1,326 million in 2020. The EBITDA increase was caused by higher sales prices and improved sales volumes partially countered by increased raw material costs and negative currency effects. Sales prices increased throughout the year driven by tight supply and raw material constraints impacting prices globally and China in particular. Sales volumes increased by 10% YoY from 372,000 metric tons (mt) in 2020 to 409,000 mt in 2021. Demand was weak in 2020 due to Covid-19, whereas the demand improved in 2021, resulting in increased sales volumes toward all segments in all regions.

The Silicon Products division had an operating income in 2021 of NOK 14,783 million (NOK 10,804 million in 2020). EBITDA was NOK 3,702 million in 2021 compared to NOK 1,221 million in 2020. The higher EBITDA was mainly attributable to higher sales prices for all products, particularly in Europe, due to good demand and a tight supply situation. Supply problems in China, due to energy curtailments and raw material availability, led to further upwards price pressure in addition to the tight global logistic situation of materials to Europe. In addition to higher sales prices, sales volumes increased from 479,000 mt in 2020 to 502,000 mt in 2021 due to strong demand across several end markets. Raw material costs and currency effects partially countered the positive price and sales volume effects.

The Carbon Solutions' division had an operating income in 2021 of NOK 2,176 million (NOK 1,870 million in 2020). EBITDA was NOK 508 million in 2021 compared to NOK 438 million in 2020. The improved EBITDA is mainly due to improved sales volumes increasing by 15% from 256,000 mt in 2020 to 294,000 mt in 2021, in addition to margin management and operational excellence.

Cash flow and statement of financial position

Cash flow from operating activities was NOK 4,913 million for the year, compared to NOK 2,111 million in 2020. Positive cash flow contribution from EBITDA (NOK 7,791 million) was countered by increased working capital (NOK 2,020 million), higher income taxes (NOK 423 million), interest payments (NOK 242 million) and changes in provisions, bills receivables and others (NOK 88 million) account for the main negative contributors.

Amortisation, depreciation and impairment increased from 2020 levels. A significant portion of the increase came from the Silicones division due to higher investment levels from 2019 to 2021. The increased investment level reflects the strategic ambition to grow, in particular, in the Silicones division. Changes in working capital were negative YoY mainly due to an increase in inventories. During the year, raw material prices soared to record levels impacting both stock values of raw materials and finished goods. Management has a high focus on optimising working capital, including careful review and adjustments to match production and sales forecasts, optimising minimum and maximum stock levels, active push to sell slow-moving stocks, individual follow-up of days towards customers and suppliers, in addition to adjustments of factoring arrangements for the group.

Cash flow from investing activities amounted to NOK 3,185 million for the year, compared to NOK 3,262 million in 2020. The cash flow from investing activities in 2021 is mainly explained by investment activities in the Silicones division and investing activities related to Battery Materials and Biocarbon. Elkem invested NOK 1,657 million in maintenance, environment, health and safety (EHS), and productivity improvement initiatives during the year. In addition, Elkem had NOK 1,715 million in strategic investments.

The strategic investments in 2021 were primarily related to Silicones strategic investments. This included the expansion of the Xinghuo Silicones plant in China to strengthen Elkem's position in the growing silicones market and to support the specialisation strategy further. It also included increased capacity for high purity silicone qualities and acquisition of a brand-new plant near Lyon in France, custom-designed to produce highly specialised organo-functional silicones. Silicon Products and Carbon Solutions carried out multiple strategic initiatives, including a furnace upgrade in Norway Rana to reduce NOx emissions and improve cost position and atomisation initiatives. Elkem also continued its investments in the Battery Materials initiative, and the biomass pilot plant in Canada.

Cash flow from financing activities was positive NOK 2,056 million, compared to negative NOK 166 million in 2020. The positive cash flow from financing activities in 2021 was mainly related to capital increase (NOK 1,900 million). In addition, other items in cash flow from financing activities in 2021 were dividends paid to the owners (NOK 96 million), net purchase of treasury shares (NOK 278 million), payment of lease liabilities (NOK 118 million) and payment of interest-bearing loans and borrowings (NOK 3,180 million) countered by new interest-bearing loans and borrowings (NOK 3,177 million) and net changes in bills payables and restricted deposits (NOK 709 million).

Change in cash and cash equivalents was NOK 3,784 million for the year.

Elkem's financial position improved during 2021 due to the strong financial results. The group's equity ratio improved from 40.9% in 2020 to 47.5% at the end of the year. The leverage ratio for the group improved from 3.0x in 2020 to 0.6x at the end of 2021. The board of directors views the group's underlying competitive positions and the strong equity ratio as a good basis to support further growth of the group.

Net interest-bearing debt[3] amounted to NOK 4,827 million as of 31 December 2021. Cash and cash equivalents amounted to NOK 7,040 million in addition to NOK 3,144 million in undrawn credit facilities. Total interest-bearing liabilities was NOK 12,476 million as of 31 December 2021, of which NOK 4,506 million matures in 2022. Debt maturities in 2022 mainly consist of short-term loans in China for local working capital financing, in addition to group bank financing. The board views the group's cash and financial position to be strong.

Going concern

The board of directors view that the Elkem Group has the ability to continue its business in the foreseeable future and hence confirms that the accounts have been prepared on a going concern basis and that this assumption is appropriate at the date for the accounts, and that the group, after the proposed dividend, has sufficient equity and liquidity to fulfil its obligations.

Strategic priorities

The board of directors conduct an annual review of Elkem's strategy. The review includes an assessment of strategic priorities and financial scenarios based on industry trends, market development and other framework conditions. Elkem's main strategic priorities are to improve the underlying profitability through operational excellence and specialisation and to focus on growth, particularly within silicones in Asia.

The demand for Elkem's products is driven by megatrends. Focus on environment and climate, the gravity towards East and continued tensions affecting global trade are particularly important to Elkem's strategic direction.

The target for the group is to generate an EBITDA margin of 15-20% throughout the economic cycle.

Operational excellence and principles of lean manufacturing are deeply rooted in Elkem Business System (EBS). EBS is built on Elkem's core values and is designed to involve everyone in improvement activities and promote a culture of operational excellence, continuous improvement, and deep learning. The goal is to ensure that Elkem remains a competitive producer based on strong operational performance, economies of scale, and an integrated value chain from raw materials to advanced end products.

To achieve this, Elkem focuses on developing its employees to identify problems and eliminate the root causes. Motivated and highly skilled people are essential for successful strategy implementation. In addition, Elkem is focusing on digitalisation as a strategic measure to accelerate improvement activities in the whole value chain. The goal is to make Elkem an increasingly data-driven company by implementing digital initiatives to streamline processes, optimise resource allocation, and develop cultural capabilities and agile working methods.

In 2021, Elkem completed a productivity improvement programme with the aim to reach annual cost savings of NOK 350 million, mainly related to savings in fixed personnel costs and contractors' costs. By year-end 2021, the target was exceeded with an annual run rate of NOK 395 million.

One of Elkem's financial targets is to reinvest 80-90% of annual amortisations and depreciation to maintain a high-quality asset portfolio to ensure stable and efficient operations. Focus on cost improvements is also important when assessing new strategic investment projects, such as the investments in Elkem's silicones plants in China and France.

[3] See APM section

Specialisation is a key part of Elkem's strategy to reduce commodity exposure and improve margins. Continued investments in R&D will be critical to ensure technological improvements and the development of new products and applications. In addition, Elkem intends to do selected bolt-on acquisitions to accelerate the specialisation strategy. In 2021, Elkem acquired a new plant in Lyon for the production of organo-functional silicones, which will strengthen the development of product areas requiring highly specialised properties.

Elkem aims to continue growing its supplies of advanced materials to global markets by 5-10% per year.

To support Elkem's operational excellence, growth and specialisation strategy, the board has approved two new investment projects in 2021, which comprise expansion of the silicones plants in China and France. The investments will also improve the environmental performance of Elkem. The focus on ESG and climate is becoming increasingly important, and Elkem presented an ambitious climate roadmap in 2021 to reduce fossil CO2 emissions in line with the Paris agreement. For more information about ESG, please refer to the ESG report on page 74.

Research and Innovation is vital to support and realise Elkem's strategy on growth and specialisation

Elkem devotes considerable effort and resources to Research and Innovation (R&I) activities with more than 2% of revenues dedicated to new products and new processes, including technical support to customers, in 2021. With this investment carried by more than 520 researchers around the world across 12 R&D centres, the R&I teams filed more than 35 new patents. New products less than five years old represent more than NOK 3,500 million in turnover.

To create and develop innovative products for new market needs, R&D efforts are key and include environmentally friendly products and energy-efficient production technologies. This global optimisation of the value chain is at the heart of the projects managed by Elkem R&D and is the core of Elkem strategy.

Elkem's R&D facilities, within chemistry and new chemicals, new materials and supporting laboratories, play a crucial role in our customers' successes. Elkem's R&D efforts contribute to the development of new products with tailored properties for high-end markets, new additives for process aids, or reinforced materials and support with critical analysis information needed for troubleshooting. Elkem's R&D focus will remain imperative to reach the group's ambition related to specialisation and growth based on global megatrends.

Elkem put in place a proactive roadmap to remain competitive and be more responsive to customer needs and demands, which was implemented around the digitalisation of our R&D from data acquisition to formulation optimisation.

Open innovation and collaborative mindset

With around 30 national and European collaborative projects in partnerships with start-ups, small and medium-sized enterprises, academics and clusters, Elkem is highly recognised for its open and innovative mindset. Through collaboration, Elkem wants to be at the forefront of new technologies exploring mainly five essential topics, including:

- Energy efficiency and CO2 emission reduction by, for example, replacing fossil coal with biomass in the production of silicon and ferrosilicon alloys.
- Circular economy mainly on recycling (including waste and end-of-life) and eco-design (products and processes).
- New materials for 3D printing and additive manufacturing processes, battery cells and batteries, and lightweight materials.
- R&D digitalisation, processes and new materials modelling to speed up the capture of value.
- Technology scouting to better anticipate the future needs of our customers and markets.

Highlights include

- Focus on 3D printing
  - The creation of a start-up, 3Deus Dynamics on Silicone 3D printing, matured over two years before investing for a long-term perspective.
  - Elkem Silicones was named a winner in the renowned worldwide competition of the 2021 R&D 100 awards in the Mechanical Materials category with the AMSil™ & AMSil SILBIONE™.
  - New projects to evaluate and develop process route(s) for powder production of silicon-based materials tailored for additive manufacturing.
- Focus on circular economy
  - Project on chemical recycling of silicones' wastes reducing CO2 emissions by 65% and waste by 75%.
  - Three projects on the valorisation of side stream silicon production including slag valorisation.

To maintain and develop this technological edge, Elkem is evolving through internal projects and the support of collaborative platforms, such as:

- Axel One in Lyon, France, is one of the hubs for smart processes, online analysis, new materials and circular economy. The partnerships with the region and the French government have created a centre of excellence around the industry of the future, integrating environmental and societal concerns and process optimisation.
- The pilot facility at Elkem's corporate R&D centre in Kristiansand, Norway, is an important asset for both process and product development. The partnership with the Norwegian Catapult Centre, Future Materials, and new collaborative projects, national and European, has further strengthened the position of the centre.

R&D initiatives and expansion

At Elkem's production sites, new applications are developed and supported by laboratory expertise and analysis to ensure that the latest technologies and capabilities are implemented in practice. In addition, the working methodology is used across all segments and markets to optimise the customer or market interaction. The latest example is Elkem's battery materials initiative, Vianode (winner of a special award, Norway's smartest industrial company 2021), where Elkem and Vianode, in April 2021, opened an industrial pilot for synthetic graphite to battery anodes, close to the corporate R&D centre in Kristiansand, Norway. The ambition is to use experience from operation and production in the pilot to establish full-scale production of battery materials.

On 1 July 2021, Elkem's new R&D centre ATRiON opened at the Saint-Fons site in Lyon, France, at the heart of the so-called "Chemistry Valley" to reinforce innovation within Elkem and Open Innovation together with external partners. The state-of-the-art R&D centre is dedicated to the Silicones division and brings together more than 130 researchers.

Furthermore, the Silicones division holds a strong position within R&D and innovation. The division has research centres worldwide, with Lyon Research & Innovation Centre as the central hub.

As a part of Elkem's specialisation strategy, the Silicones division has increased R&D personnel by more than 20% worldwide in the last four years, with a clear strategy in place to leverage this capacity worldwide.

Sustainability: Environmental, social and governance (ESG)

Elkem's mission is to "provide advanced material solutions shaping a better and more sustainable future, adding value to our stakeholders globally". Sustainability is an integrated part of our business strategy.

Elkem aims to be one of the leaders in the green transition. The group believes that safe and environmentally friendly production will be even more important in the future and that together with its customers and partners, the group can create tomorrow's solutions. Elkem is committed to continuous efforts to maximise the positive impact on the environment and societies around its operations and minimise potential negative impact.

Elkem's four values form the foundation for the way business is conducted. Dedicated employees base their work on involvement, respect, precision, and continuous improvement. *Involvement* ensures that people are committed. *Respect* is about being fair, open, and honest, trusting colleagues and appreciating diversity. *Precision* expresses itself through our work to develop and follow best practice standards and safe and stable production. *Continuous improvement* means always looking for improvement potential, keeping an open mind and always being ready to learn and share knowledge.

Elkem works to ensure best practices within ESG to secure socially responsible and sustainable business practices for all stakeholders. A materiality assessment is a method to identify and prioritise the most important impact for an organisation and its stakeholders.
In accordance with the updated Global Reporting Initiative (GRI) recommendations, GRI is the most used international sustainability reporting framework. Elkem evaluates this at least once a year to ensure that material environmental, social and governance-related topics are identified and covered. Prioritised targets and actions are introduced to make sure that improvements are implemented. Key topics that have been identified are CO2 emissions and mitigation, health and safety, water management, waste management and circularity, responsible value chain, product governance, including chemical safety, supplying the green transition and human rights.

The ESG report details our commitment and activities within environmental, social and governance and is prepared according to the framework of the GRI – the most used international sustainability reporting framework. The ESG report can be found on page 74. This report is an integral part of the board of directors report and has been verified by a third party. ↗

Environment, health and safety
EHS is the backbone of Elkem's business and is always the first priority. Our EHS efforts are based on a zero-harm philosophy, and our EHS management system is systematically implemented to work towards this goal.

The safety of our employees is the most critical pillar of our philosophy. The group strongly believes and has demonstrated that Elkem's operations can be done without harming employees and people. 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 work just as healthy as they were when they arrived.

Elkem has a strict reporting regime for injuries and requires all injuries to be reported, investigated, and mitigated independent of the severity. Overall, the total number of injuries went up in 2021, and we are not satisfied with these numbers. This shows that our health and safety work can never lose focus. And we can observe that there were 0 high-consequence work-related injuries in 2021, down from 1 in 2020 and 3 in 2019. The total recordable injury rate went up from 2.3 to 3.7, and the lost workday rate (LWR) was 1.5, up from 0.8 in 2020. There were no fatalities at the Elkem plants in 2021.

More detailed information about Elkem's management system, reporting, safety numbers and how the company follow up throughout the organisation and value chain can be found in the Social chapter in the ESG report, page 114.

Elkem affects the environment and communities around the world every day. Therefore, Elkem is always looking for new and innovative ways to reduce waste and emissions and increase the yield from raw materials.

This means using highly developed production technology and running operations with resource-efficient processes. For more information about how Elkem is reducing its environmental footprint and increasing the positive impact of its products, see the ESG report under the chapter Environmental, page 92.

Diversity, inclusion, and equality
Elkem is committed to creating equal opportunities in a diverse and inclusive working environment. The group appreciates that every individual is unique and valuable and should be respected for their individual abilities. The group expect that all colleagues act accordingly and promote the four Elkem values.

Elkem believes that its human capital is its most valuable asset. The collective sum of the individual differences, life experiences, knowledge, inventiveness, self-expression, unique capabilities, and talent that employees invest in their work represents a significant part of not only Elkem's culture but reputation and the company's results. The group has zero-tolerance for any form of harassment or discrimination.

The company has well-established policies and practices related to diversity, equality and inclusion (DEI). The policies and procedures include code of conduct, human rights policy, people policy, recruitment, working conditions, promotions, development and protection against harassment.

Elkem's DEI vision is to cultivate a diverse, equitable and inclusive workplace where all employees feel engaged, valued and have a sense of belonging. Promoting diversity, inclusion, and equality are essential in attracting and retaining talent to establish and maintain profitability, competitive advantage, and sustained success at Elkem. The group's objective is to create a culture of inclusivity where all voices are heard. As a result, the company benefits from people who dare to ask questions, are not afraid to try new approaches and bring diverse perspectives to the table. By creating and sustaining a diverse, equal, and inclusive working culture, Elkem aims to increase its ability to deliver market-leading products and services to customers profitably.

The total share of women in Elkem was 25% in 2021, and women took up 30% of management roles, an increase from 24% in 2020. The global trainee programme has been prioritised as a platform to recruit women. As a result, the share of women in the trainee programme was 43% in 2021.

The female share of new hires was 40%, and the female share of leavers was 23%. The numbers indicate a positive effect of Elkem's efforts to attract and retain female employees, as fewer women relative to men leave the company than are hired. The female share of part-time employees was 6%, and the female share of temporary hires was 7%.

Parental leave was only tracked in Norway for 2021, whereby eligible women on average took 38,5 weeks of leave, and men on average took 16 weeks of leave. The total amount of weeks supported by the Norwegian government is 52 weeks.

For more information about current activities and action plans on diversity, equality and inclusion, please see the 2021 Activity and reporting duty report. ↗

The age distribution in the company is 16% below 30 years old, 56% between 30 and 50 years old and 28% above 50 years old. The company has seen a small increase in the below 30- and above 50-year-old groups since 2020, indicating that a wider age group now works in the company. For more information about efforts to secure equal opportunities and increase the female share in the company, see the ESG report, page 114.

Governance
The board of directors recognises the importance of good corporate governance, and the goal is to ensure the protection of all shareholders' interests and that the company complies with high ethical and social standards.

Elkem is subject to corporate governance reporting requirements under section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance, cf. section 7 of the continuing obligations of stock exchange-listed companies. The Accounting Act may be found (in Norwegian) at www.lovdata.no. The Norwegian Code of Practice for Corporate Governance can be found at www.nues.no.

Elkem's board consist of 10 board members as of 31 December 2021, of which seven are shareholder-elected and three are employee-elected. Three of the shareholder-elected board members represent the majority shareholder, while the other four shareholder-elected members are independent. Elkem had seven board meetings in 2021. A detailed overview of the board members' attendance may be found in the Board of Directors' report on salary and other remuneration to leading personnel in Elkem. ↗

The board of directors' report on corporate governance can be found on page 53 in this report and is an integral part of the Report of the board of directors.

Risk management

Elkem's board and management have a strong focus on risk management to monitor the group's risk profile to ensure adequate risk management processes are in place.

Elkem conducts a yearly risk mapping process based on interviews with divisions and corporate staff. Each risk is evaluated based on internal and external conditions and takes deemed likelihood, estimated financial impact, time horizon and mitigating activities into consideration. The purpose is to gain a thorough understanding of the group's risk profile and financial risk tolerance. A summary of the risk analysis is presented on page 68 in this annual report.

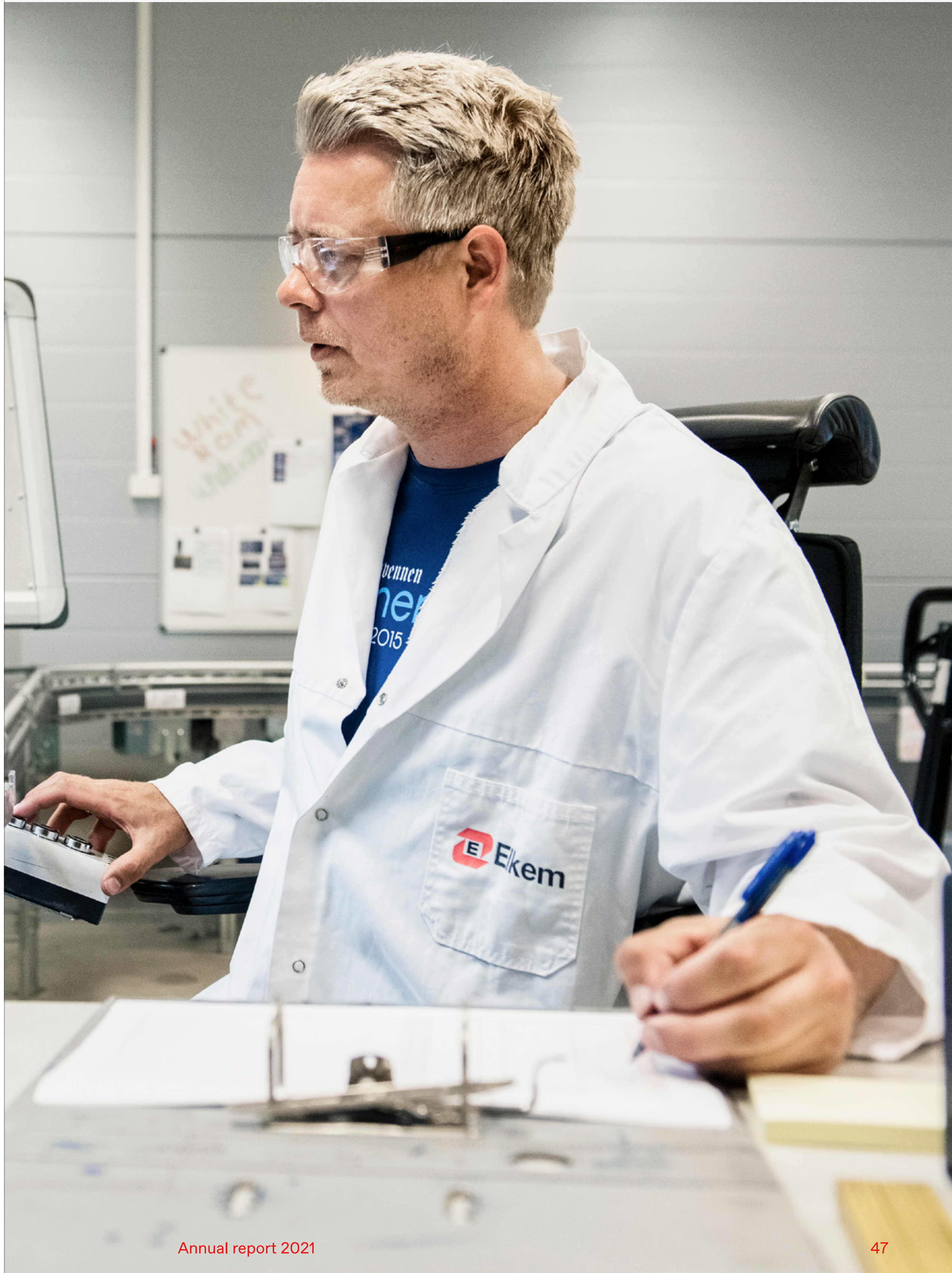
Evaluation of ESG and climate-related risks and opportunities have become an increasingly important part of Elkem's overall risk management processes, impacting strategy, financial conditions and all aspects of Elkem's value chain from raw materials to finished products. In 2021, Elkem reported on climate risks and opportunities according to TCFDs reporting recommendations. According to TCFD, Elkem conducted scenario analyses based on risks identified during the internal risk mapping process with each division. The assessment was based on impact scenarios as presented by the International Energy Agency (IEA) and Intergovernmental Panel on Climate Change (IPCC) and concentrated on China and Norway, where the majority of Elkem's emissions and revenue are generated. The main risks that were included in the scenarios were the financial impact of climate-related regulations and physical risks related to higher global temperature scenarios. The short-term resilience strategy is incorporated in the climate roadmap to mitigate the short and medium-term risks with the most financial impact.

Regardless of how strong companies' risk management procedures are, it is impossible to prepare for every scenario. The financial crisis in 2008 and Covid-19 in 2020 were such scenarios and could be described as "black swans". "Black swans" demonstrate the need for general risk preparedness and the need for proactive, professional and agile reaction to unforeseen and severe incidents. Elkem robust business model and strong financial position have shown good resilience during the previous crisis scenarios.

The main business risks impacting the group's financial performance relate to sales prices and sales volumes for silicon-related materials and costs for key raw materials, energy and other consumables. The demand for silicon-based materials has increased, and the growth is expected to exceed the growth in global GDP. Demand and prices will, however, fluctuate based on economic cycles and competition, and significant price and volume changes can be observed depending on the overall business sentiment. Elkem is seeking to mitigate and reduce financial impact by investing in R&D and capturing specialised market positions to reduce commodity price exposure. Raw material access and global supply chains have proven challenging during 2021 with several incidents, such as limited container capacity, lack of semiconductors and power disruptions. This is a high attention area, but Elkem is well-positioned, and this has not created any major disruptions in 2021.

Regulatory framework conditions have also become increasingly important in 2021. Elkem has operations in many countries and could be exposed to trade tensions, changes in anti-dumping duties and export limitations. Therefore, a balanced market strategy in terms of raw material sourcing and market presence is important to reduce exposure related to trade barriers and political tensions. Compliance related risks such as corruption, breach of competition law, breach of sanctions, human rights violations or other unethical activities of employees and/or business relationships are inherent risks to a corporate. The financial impact of such incidents could be substantial, both in terms of reputation and financial losses. Elkem has a high focus on compliance and internal control. Guidelines for ethical conduct, training of all employees and an accessible channel for reporting misconduct (whistleblower) are in place.

Elkem operates in an international market and is exposed to a variety of financial risk factors, including currency risk, interest rate risk, liquidity risk and counterparty risk. Elkem's result, cash flow and equity are exposed to fluctuations in currency exchange rates, and Elkem seeks to reduce the impact from changes in currency exchange rates by a pre-defined cash flow hedging programme. The balance sheet risk is mitigated by keeping loans in foreign currencies to match the underlying assets. Elkem operates in capital intensive industries and is exposed to interest rate fluctuations on its net interest-bearing debt. Elkem has adopted a floating interest rate policy, which is deemed to give adequate protection through economic up- and



downturns. Future hedging of interest-rate exposure may be evaluated based on exposure and sensitivity.

Liquidity risk relates to the company's ability to meet financial obligations. Elkem has a strong cash position, good access to undrawn credit facilities and satisfactory long-term financing arrangements. Elkem obtained an external credit rating in 2021 and was rated BBB/Stable from Scope Ratings. The rating reflects Elkem's strong financial profile, solid position in the global silicone and advanced materials markets, as well as the company's solid global footprint.

Counterparty credit risk is managed by close monitoring of the receivables portfolio combined with credit insurance and payment conditions. Elkem's financial transactions and deposits are with solid and reputable banks.

Elkem has signed a liability insurance policy that covers any past, present or future member of the board of directors and company officer. The insurance covers pure financial losses, including defense costs, that the insured persons are legally obliged to pay, resulting from, or as a consequence of, a claim. The liability insurance covers any losses to the company and its subsidiaries due to securities claims and indemnified claims against the board of directors and company officers.

See note 27 in the financial statements for more details on financial risk.

Financial reporting process

Elkem has routines to ensure that the financial statement is reported according to applicable laws and regulations and in accordance with adopted accounting policies. These routines are described in internal reporting manuals, which are updated regularly according to new accounting principles.

The financial reporting plan includes controls and checks reports that shall ensure consistency of the financial reporting. The financial information is consolidated and controlled at several levels within the respective divisions. The audit committee performs reviews of the quarterly, half-year and annual report with a special focus on accounting topics such as provisions and liabilities, estimates and judgements, or issues with a major impact on the financial statement. The external auditors participate in these meetings in addition to representatives from the management and finance function of Elkem.

Future prospects

There is always inherent uncertainty to prospects, and the ongoing Covid-19 situation is generating macro-economic volatility and uncertainty. The board of directors' assessment is that the fundamentals and long-term prospects for Elkem are positive. The demand for Elkem's products is driven by global megatrends such as sustainability, energy demand growth, urbanisation, digitalisation and ageing and growing population. The underlying need for silicon related products remains attractive, with growth levels of 5-7% globally. Climate risk and environmental regulations will require reduced emissions and more sustainable solutions, but Elkem is very well positioned based on its high proportion of electricity consumption from renewable sources. The development towards more climate-friendly solutions could also provide attractive growth opportunities, particularly since the use of silicones reduces greenhouse gases that are nine times larger than the emissions from production and end-of-life disposal.

Elkem will continue to pursue its main strategic initiatives focusing on specialisation and cost competitiveness. Elkem plans to keep reinvestments at 80-90% of amortisations and depreciation in order to ensure good and stable operational performance. In addition, Elkem's strategy is to grow through specialisation, both organically and through acquisitions. Investment levels will be evaluated based on the group's financial position and financial performance. Elkem has strong cost positions and aims to drive continuous improvement work throughout the organisation. Elkem's financial position is considered to be strong at the end of the year with a robust Equity ratio, low Leverage ratio and strong Cash flow generation and Liquidity position.

Elkem's policy is to pay dividends of 30-50% of profit for the year. The board of directors has proposed a dividend payment of NOK 3.00 per share for 2021, representing 41% of profit for the period. The board of directors' view is that the dividend proposal for the year is appropriate based on the group's overall financial position and the current market outlook. The dividend is subject to approval at the annual general meeting.

As part of subsequent events, Elkem secured 100% ownership of the Elkem Salten energy recovery plant after acquiring the remaining 50% share in Salten Energigjennvinning AS from Kvitebjørn Energi AS on 31 January 2022. The investment in the energy recovery plant further strengthens Elkem's efforts to ensure environmentally friendly silicon and ferrosilicon production with the lowest possible emissions and lowest possible use of resources.

Elkem ASA

Elkem ASA is the parent company of the Elkem group. The company's accounts have been presented in accordance with the Norwegian Accounting Act and generally accepted accounting practices in Norway. The accounts are prepared on the basis of a going concern assumption.

For Elkem ASA, the operating income amounted to NOK 9,740 million in 2021 compared to NOK 7,626 million in 2020. The operating profit ended at NOK 1,799 million in 2021, compared to NOK 449 million in 2020.

The net change in cash and cash equivalents amounted to NOK 2,461 million. Cash flow from operating activities amounted to positive NOK 1,380 million, countered by investing activities of NOK 1,075 million and positive cash flow from financing activities of NOK 2,156 million.

Elkem ASA's equity was NOK 11,283 million at the end of 2021. The equity ratio ended at 40 %. Profit for the year was NOK 1,773 million. The net interest-bearing debt amounted to NOK 3,210 million per 31 December 2021. Cash and cash equivalents amounted to NOK 4,260 million. The board of directors' view is that the dividend proposal for the year is appropriate based on the group's overall financial position and the current market outlook.

Allocation of 2021 net profit:

The profit for the year was NOK 1,773 million. The board of directors proposes to distribute NOK 3,00 per share corresponding to NOK 1,918 million as dividend distributed from other paid-in capital. In total the board of directors proposes the following allocation (in NOK million):

Dividends from other paid-in capital	- 1 918
Profit for the year to retained earnings	1 773

The board of directors of Elkem ASA
Oslo, 8 March 2022

Zhigang Hao
Chair of the Board

Dag Jakob Opedal
Vice chair

Grace Tang
Board member

Anja-Isabel Dotzenrath
Board member

Yougen Ge
Board member

Terje Andre Hanssen
Board member

Olivier Tillette de Clermont-Tonnerre
Board member

Marianne Færøyvik
Board member

Marianne Elisabeth Johnsen
Board member

Knut Sande
Board member

Helge Aasen,
CEO, Elkem ASA

Board of directors 2021


Zhigang Hao
Chair


Dag Jakob Opedal
Vice chair


Anja-Isabel Dotzenrath
Board member


Grace Tang
Board member


Olivier Tillette de Clermont-Tonnerre
Board member


Marianne Elisabeth Johnsen
Board member


Yougen Ge
Board member


Terje Andre Hanssen
Board member


Marianne Færøyvik
Board member


Knut Sande
Board member

Corporate management 2021


Helge Aasen
CEO


Morten Viga
CFO


Katja Lehland
SVP Human Resources


Asbjørn Søvik
SVP Business Development


Håvard Moe
SVP Technology


Louis Vovelle
SVP Innovation and R&D


Frederic Jacquin
SVP Silicones


Inge Grubben-Strømnes
SVP Silicon Products


Luiz Simao
SVP Carbon Solutions

The board of directors' report on corporate governance

Corporate governance. Good corporate governance is important to ensure confidence in the company and value creation in the best interest of shareholders, employees and other stakeholders. Governance criteria are, together with Environmental and Social criteria (ESG), increasingly used to evaluate the performance of a company. This report, combined with the ESG report, annual report and website, document Elkem's group activities and results.

Elkem is subject to corporate governance reporting requirements according to section 3-3b of the Norwegian Accounting Act and the Continuing obligations of stock exchange listed companies at Oslo Stock Exchange. Further, Elkem's board of directors endorses "The Norwegian Code of Practice for Corporate Governance" (the "Code"), most recently revised on 14 October 2021 and issued by the Norwegian Corporate Governance Policy Board (NCGB). The Code of Practice is available at www.nues.no.

This report follows the system used in the Code, and forms part of the board of directors' report.

1. Implementation and reporting on corporate governance

Elkem's corporate governance policy is based on the Code, and as such designed to establish a basis for good corporate governance to support achievement of the company's core objectives, strategies, and risk profile on behalf of its shareholders, including the achievement of sustainable profitability.

Elkem believes good corporate governance involves openness and trustful cooperation between all parties involved in the group: the shareholders, the board of directors and executive management, employees, customers, suppliers, public authorities and society in general.

By pursuing the principles of corporate governance, the board of directors and management contributes to achieving open communication, equal rights for all shareholders and good control and corporate governance mechanisms. The board of directors assesses and discusses Elkem's corporate governance policy, strategy, and risk profile on a yearly basis.

Elkem aspires to comply with the recommendations of the Code. If the Code is deviated from, the deviation is described and explained in the relevant section of this statement.

No deviations from the code.

2. Business

Elkem's mission is to provide advanced material solutions shaping a better and more sustainable future, adding value to our stakeholders globally. Elkem develops its business in support of the ambitions of the UN Sustainable Development Goals and the Paris agreement. Our strategy is to drive growth through operational excellence and increased specialisation.

Elkem's business scope is clearly described in section 3 of the articles of association:

The object of the company is to develop and engage in industry, mining, trade and transportation as well as exploration and exploitation of natural resources. The company may also develop, acquire and exploit patents inventions and technical knowhow. The company may participate directly or indirectly or by other means in companies engaged in activities outlined above or activities that promote or support such objects.

With a strong track record since 1904, Elkem is one of the world's leading providers of advanced material solutions. The company is a fully integrated producer with operations throughout the silicon value chain and develops silicones, silicon products and carbon solutions by combining natural raw materials, renewable energy, and human ingenuity. Elkem helps its customers create and improve essential innovations like electric mobility, digital communications, health, and personal care as well as smarter and more sustainable cities.

Elkem is operating in capital intensive and cyclical industries and has 30 production sites and an extensive network of sales offices around the world. While this gives competitive strengths, it also gives exposure to a range of risk factors. The board of directors has defined goals and strategies for the business and has a clear focus on risk profiles and risk management to create value for the company's shareholders. More details on the main risks and risk management principles are presented in the annual report. See also section 10 below.

The board has set out specialisation and continued growth as the main strategic priorities. Focus on further product specialisation through R&D and selected acquisitions is a key strategic measure to improve and stabilise the group's profitability. The target is also to grow Elkem's business both organically and through acquisitions to secure and strengthen the group's attractive positions in growth markets driven by global mega-trends. To support its strategic goals, Elkem will focus on operational excellence, digitalisation, people development and ESG (Environmental, Social and Governance). These initiatives are seen as crucial parts of the group's strategy to secure profitable and sustainable growth.

Risk management and internal control systems are in place to manage operational risks. The company aims to maintain a strong financial profile with a robust capital structure. The target, based on earnings over the busiess cycle, is to have a leverage ratio of 1.0x – 2.0x, defined as net interest-bearing debt to EBITDA.

Sustainability is central in Elkem's business strategy. Elkem defines sustainability work as continuous efforts to maximise the positive impact on the environment and societies, as well as to minimise any negative impact. Elkem is a signatory to the UN Global Compact and apply sustainability in line with the principles of the UN Global Compact. Elkem is committed to develop its business in support of the ambitions of the Paris climate agreement and the UN Sustainable Development Goals (SDGs). Elkem is also committed to follow the United Nations Guiding Principles on Human Rights and Business. Elkem's Silicones division is a member of the Responsible Care Global Charter which is the chemical industry's global initiative to drive continuous improvement in environment, health, safety and security.

Elkem has implemented guidelines and procedures in accordance with section 3-3c of the Accounting Act, including code of conduct, policy on anti-corruption and CSR polices. Elkem's ESG report is included in the annual report for 2021.

Elkem's objectives, strategy, risk profile and financial targets are evaluated by the board of directors on an annual basis. The board also reviews the group's performance in ESG and evaluates the climate risks and opportunities and make regular assessments to ensure compliance and high-quality standards.

No deviations from the Code.

3. Equity and dividends

As at 31 December 2021, the group's equity was NOK 19,874 million, which is equivalent to 47% of total assets. The total issued share capital of Elkem amounted to NOK 3,197,206,890 divided into 639,441,378 shares, each with a nominal value of NOK 5.

Elkem aims to maintain an investment grade profile and targets a leverage ratio, defined as net interest bearing debt to EBITDA, in the level of 1.0 - 2.0x, based on earnings over the business cycle. As at 31 December 2021, the leverage ratio was 0.6x, which is in line with the group's target. The leverage ratio has improved compared to 31. December 2020 as a result of higher EBITDA and lower net interest-bearing debt, as Elkem has benefitted from a strong business model and improved market conditions, as well as the capital injection of NOK 1,891 million in April 2021. The board of director's target is to ensure a leverage ratio in line with policy over the business cycle. In addition, Elkem aims to keep a robust liquidity reserve and a smooth maturity profile on its loan portfolio to mitigate financing and liquidity risk. As at 31 December 2021, available cash amounted to NOK 7,040 million providing a strong liquidity position. In addition, Elkem has undrawn credit facilities amounting to NOK 3,144 million.

The board of directors considers Elkem's capital structure, including equity and debt structure, to be appropriate to the company's objective, strategy and risk profile.

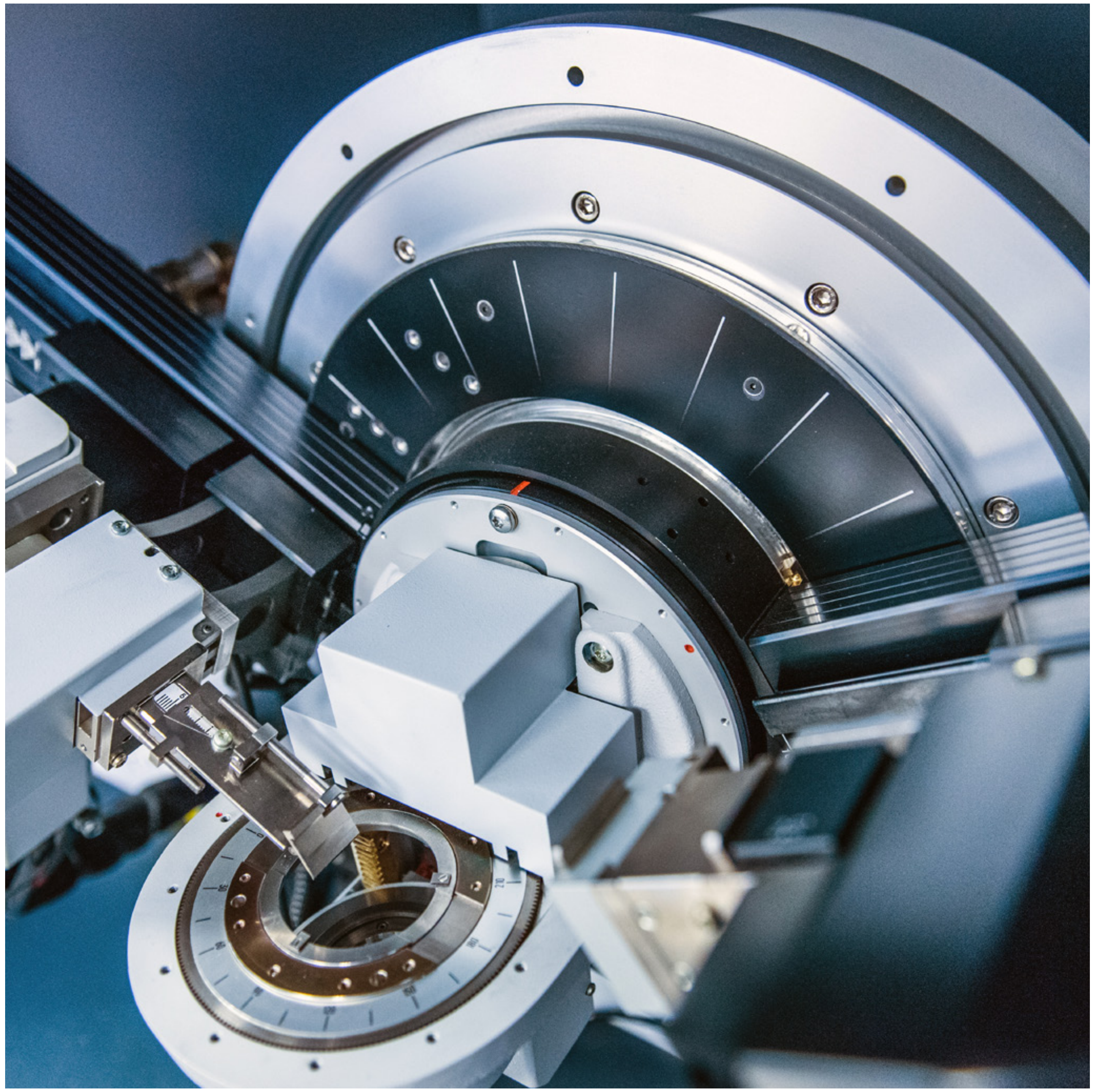
The company's dividend policy is to aim for dividends distributions to reflect the underlying earnings and cash flow of the group and targets a dividend pay-out ratio of 30-50% of the group's profit for the year.

The proposed dividend pay-out for the financial year ended 31 December 2021 is NOK 1,918 million, which corresponds to NOK 3.00 per share. The proposed dividend represents 41% of the group's profit for 2021.

The board of directors has not been granted any authorisation to approve distribution of dividends.

At the annual general meeting on 27 April 2021, the board of directors was granted the following authorisations:

→ In order to give the board of directors financial flexibility and enable quick access to the market



in the event of an acquisition in return of shares or for general corporate purposes, the board of directors was granted an authorisation to increase the share capital with an amount up to NOK 291,492,672 corresponding to 10% of the current share capital. The authorisation covers share capital increases against contribution in kind and share capital increase in connections with mergers. The shareholders' preferential rights to new shares may be deviated from. The authorisation is valid until the annual general meeting in 2022, but no longer than to and including 30 June 2022. Under this authorisation, Elkem has raised new capital on 26 April 2021 by issuing 56,456,034 new shares through a private placement amounting to 9.7% of the share capital. The gross proceeds from the private placement amounted to approx. NOK 1,891 million. The preferential rights to new shares were deviated from.

- The board of directors was granted an authorisation to increase the share capital up to NOK 40,000,000 to be used in connection with the issuance of new shares under the company's share incentive scheme. The authorisation is valid until the annual general meeting in 2022, but no longer than to and including 30 June 2022. Under this authorisation the board of directors resolved to issue 1,675,000 new shares on 11 February 2021, amounting to 0.3% of the share capital. The subscription price was NOK 23.53 per share.

- In order to allow the board of directors to utilise the mechanisms permitted by the Norwegian Public Limited Liability Companies Act to acquire own shares, the board of directors was granted an authorisation to acquire own shares with a total nominal value of up to NOK 291,492,672 corresponding to 10% of the current share capital. 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 2022, but no longer than to and including 30 June 2022. Under this authorisation the bord of directors announced acquisition of 1,000,000 own shares on 16 March 2021 and 10,000,000 own shares on 20 July 2021. The average purchase price per share was NOK 36.2892 and NOK 34.0629 respectively. Parts of the own shares acquired have been sold under the share incentive programme and as at 31 December 2021 Elkem holds 6,403,772 own shares.

Deviations from the Code: The board of directors' authorisation to increase the share capital with an amount up to NOK 291,492,672, corresponding to 10% of the current share capital can be used for several purposes. Elkem believes that this authorisation is important in order to allow the board of directors, in the interest of time, to act quickly in connection with a transaction or other corporate events where it is in the shareholders and Elkem's interest to increase the share capital.

4. Equal treatment of shareholders

All shareholders shall be treated on an equal basis, unless there is just cause for treating them differently.

Elkem increased the share capital on 26 April 2021 through the issue of 56,456,034 new shares at a price of NOK 33.50 per share. The decision to waive the existing shareholders' pre-emptive rights was publicly disclosed in a stock exchange announcement issued in connection with the share issuance. The board was of the opinion that there were sufficient grounds to deviate from the pre-emptive rights and that the private placement was in compliance with the equal treatment requirements as the structuring of the transaction as a private placement enabled Elkem to raise capital in an efficient manner, with a lower discount to the current trading price and with significantly lower completion risks compared to a rights issue. Further, the number of new shares that were issued in connection with the private placement implied a limited dilution of existing shareholders. The board also noted that the company's majority shareholder was supportive to the transaction and the transaction structure. Elkem decided not to conduct a subsequent repair offering.

Elkem has carried out transactions in its own shares during 2021. These transactions were carried out through the stock exchange and ensured equal treatment of all shareholders. Elkem announced the acquisition of 1,000,000 own shares on 16 March 2021 and 10,000,000 own shares on 20 July 2021. The average purchase price per share was NOK 36.2892 and NOK 34.0629 respectively. Elkem engaged a third party to carry out the share buybacks on behalf of the company and the third party managed the programme and made its trading decisions independently of Elkem.

No deviations from the Code.

5. Freely negotiable shares

The shares in Elkem are freely negotiable and there are no restrictions on any party's ability to own, trade or vote for the share in the company. Elkem has only one class of shares. Each share grants the holder one vote and there are no structures granting disproportionate voting rights.

No deviations from the Code.

6. General meetings

The board of directors will ensure that the company's shareholders can participate in the general meeting either through physical or electronic presence. However, in 2021 physical presence was not permitted due to the Covid-19 pandemic. The general meeting in 2021 was held as an electronic meeting organised by DNB Bank ASA, Elkem's registrar in the Central Security Depository, Verdipapirsentralen ASA (Euronext Securities Oslo), and its subcontractor. Investors could then attend the general meeting from their electronic devices and follow the live audiocast of the meeting and presentation, submit questions relating to the items on the agenda and cast their votes in real time.

The board of directors will further ensure that:

- notices for the general meetings are sent to all shareholders individually, or to their depository banks, at least 21 days in advance, that all matters to be considered by the meeting are specified and that relevant documents are made available on the company's website;

- the resolutions and any supporting documentation are sufficiently detailed, comprehensive and specific, allowing shareholders to understand and form a view on all matters to be considered at the general meeting;
- the CEO, the chair of the board of directors and the chair of the nomination committee attend the general meeting; and
- the general meeting is able to elect an independent chair for the general meeting.

The articles of association of Elkem does not provide for any deadline for the shareholders to give notice of their attendance at the general meeting. The board of directors may still encourage shareholders to give such notice within a set deadline.

Shareholders who are unable to attend the general meeting will be given the opportunity to vote by proxy or through written voting in a period prior to the general meeting. The company will in this respect provide information on the procedure and prepare a proxy form/ written voting form. The Company will nominate a person to act as proxy.

All board members and members of the nomination committee are encouraged, but not obliged, to be present at the annual general meeting. Elkem has chosen not to follow the recommendation to vote separately on each candidate nominated for the board of directors and the nomination committee. The process of the nomination committee is focused on the combined qualification and experience of the proposed members to the board of directors and the nomination committee and the voting should therefore also be combined.

Deviations from the code: Voting on members to the board of directors and the nomination committee takes place as a combined vote. Pursuant to the Code, the board of directors should ensure that all board members attend the general meeting. Elkem does not require all board members to attend. The chair of board was represented by the presence of the vice chair at the annual general meeting in 2021, due to unavailability of the chair.

7. Nomination committee

According to section 7 of Elkem's articles of association, the company shall have a nomination committee consisting of two or three members in accordance with the decision of the general meeting. The members of the nomination committee are elected by the annual general meeting. The general meeting has also approved guidelines for the duties of the nomination committee, elected the chairperson and determined the remuneration of the members of the committee

After the general meeting in 2021 the nomination committee comprises the following members:

- **Sverre S. Tysland / Chair** / Practicing lawyer / Independent / Re-elected in 2021 for a term of office of one (1) year until 2022;
- **Zhu Xiaolei** / Committee member representing the majority shareholder / Elected in 2020 for a term of office of two (2) years until 2022; and
- **Anne Kjølseth Ekerholdt** / Committee member / Practicing lawyer / Independent / Re-elected in 2021 for a term of office of one (1) year until 2022.

The members of the nomination committee have been elected to take into account the interests of shareholders in general and to consider and ensure compliance with the guidelines in section 9 of the Code regarding the composition and independence of the board of directors. The nomination committee does not include members of the board of directors or the executive management.

The nomination committee shall make recommendations to the general meeting for the election of shareholder elected board members and members of the nomination committee, and the remuneration of the board of directors and the nomination committee. When nominating shareholder representatives to the board of directors, the nomination committee presents relevant information about the candidates, together with an evaluation of their independence.

In connection with the nomination committee's work with proposing candidates, and to ensure that the candidates represent a broad group of the company's shareholders, the nomination committee is in contact with the board of directors, the CEO and major shareholders. The nomination committee will consider holding individual discussions with each member of the board of directors, and furthermore, ensure that the board of directors is composed to comply with legal requirements and the corporate governance code.

The nomination committee have justified its proposal for the board of directors. While the nomination committee presents relevant information about each candidate separately, the nomination committee focuses on the combined qualifications and experience of the proposed members of the board of directors when presenting its proposal to the general meeting. Information on how to propose candidates is available on Elkem's webpage.

Deviations from the Code: The nomination committee justifies its proposals combined and not separately for each board member.

8. Composition and independence of the board

As of 31 December 2021 the board of directors of Elkem comprises 10 members, of which seven of the board members, including the chair, are shareholder elected. The remaining three board members are elected by the company's employees.

As of 31 December 2021, the board of directors of Elkem comprise the following persons:

- **Zhigang Hao** / Chair / Representing the majority shareholder / Re-elected in 2021 for a term of office of two (2) years until 2023;
- **Dag Jakob Opedal** / Vice chair / Independent / Remaining term of office of one (1) year 2022;
- **Olivier Tillette de Clermont-Tonnerre** / Board member / Representing the majority shareholder / Remaining term of office of one (1) year until 2022;
- **Yougen Ge** / Board member / Representing the majority shareholder / Re-elected in 2021 for a term of office of two (2) years until 2023;
- **Anja-Isabel Dotzenrath** / Board member / Independent / Re-elected in 2021 for a term of office of one (1) year until 2022;
- **Grace Tang** / Board member / Independent / Elected in 2021 as new board member for a term of two (2) years until 2023;
- **Marianne Elisabeth Johnsen** / Board member / Independent / Re-elected in 2021 for a term of office of two (2) years until 2023;
- **Terje Andre Hanssen** / Board member / Employee representative / Remaining term of office of one (1) year until the annual general meeting in 2022;
- **Marianne Færøyvik** / Board member / Employee representative / Remaining term of office of one (1) year until the annual general meeting in 2022 and;
- **Knut Sande** / Board member / Employee representative / Remaining term of office of one (1) year until the annual general meeting in 2022.

Helge Aasen was re-elected as board member for a term of office of one year at the general meeting in 2021, but temporarily resigned from the board with effect from 1 July 2021 to act as Elkem's interim CEO. Helge Aasen was appointed permanent CEO on 18 October 2021 and subsequently resigned from the board with permanent effect. Following Helge Aasen's resignation as board member, the board of directors has comprised 10 members.

The composition of the board of directors is considered to attend to the common interests of all shareholders and meet the company's need for expertise, capacity and diversity. Four of the board members are women, and none of the members of the company's executive management are members of the board of directors.

The board of directors is composed so that it can act independently of any special interests. The majority of the shareholder elected board members are independent of the executive management and material business connections of the company. Further, four out of the current seven shareholder elected board members are independent of the company's majority shareholder.

Further information on each of the board members is presented at www.elkem.com and information on their record of attendance at board meetings can be found in the board of directors' report on salary and other remuneration for leading personnel for 2021. ↗

Members of the board of directors are encouraged to own shares in the company, however, with caution not to let this encourage a short-term approach which is not in the best interests of the company and its shareholders over the longer term. As of 31 December 2021, the following board members owned shares in the company: Olivier Tillette de Clermont-Tonnerre (15,517 shares), Dag Jakob Opedal (40,000 shares), Marianne Elisabeth Johnsen (15,000 shares) and Marianne Færøyvik (4,950 shares).
No deviations from the Code.

9. The work of the board of directors

The board of directors' work follows an annual plan, with particular focus on objectives, strategy and implementation. The plan is evaluated and approved around the beginning of each calendar year. The board of directors also annually evaluates its performance and expertise, the evaluation is presented to the nomination committee.

The board of directors has implemented instructions for the board of directors and the executive management, which are focused on determining allocation of internal responsibilities and duties. The objectives, responsibilities and functions of the board of directors and the CEO are in compliance with rules and standards applicable to the group and are described in the company's annual report. The board of directors have also implemented procedures to ensure that members of the board of directors and executive personnel make the company aware of any material interests that they may have in items to be considered by the board of directors. The board of directors will also be chaired by some other member of the board if the board is to consider matters of a material character in which the chair of the board is, or has been, personally involved.

The board of directors held seven board meetings in 2021. One of the board members was absent from two board meetings and one board member was absent from one meeting. Except for that, all board members attended all board meetings in 2021.

The instructions for the board of directors states how agreements with related parties shall be handled. In the event of a not immaterial transaction between the company and its shareholders, a shareholder's parent company, members of the board, executive management or closely-related parties of any such parties, the board will arrange for a valuation to be obtained from an independent third party. Agreements with related parties will be disclosed in the annual directors' report.

The board of directors has established an audit committee and a remuneration committee.

No deviations from the Code.

The audit committee
The board of directors has established an audit committee which is a working committee for the board of directors, preparing matters and acting in an advisory capacity. The audit committee is responsible for overseeing financial reporting and disclosure and assists the board of directors with assessments of the integrity of the company's financial statements, financial reporting processes and internal controls, risk management and performance of the external auditor.

The board of directors has issued instructions for the work of the audit committee, and the duties and composition of the committee are in compliance with the Norwegian Public Limited Liability Companies Act. The members of the audit committee are elected by and amongst the members of the board of directors for a term of up to two years and comprised the following persons as of 31 December 2021:

→ **Dag Jakob Opedal** / Chair/ Independent

→ **Grace Tang** / Member / Independent

→ **Olivier Tillette de Clermont-Tonnerre** / Member / Representing the majority shareholder

Marianne Elisabeth Johnsen was member of the audit committee until 26 October 2021 when she was replaced by Grace Tang.

The committee members have the overall competence required to fulfil their duties based on the organisation and operations of the group, at least one member of the audit committee is competent in respect of finance and audit. The majority of the members are independent of the business.

The remuneration committee
The board of directors has appointed a remuneration committee which comprised the following persons as of 31 December 2021:

→ **Zhigang Hao** / Chairperson / Representing the majority shareholder

→ **Anja-Isabel Dotzenrath** / Member / Independent

→ **Marianne Elisabeth Johnsen** / Member / Independent

Helge Aasen was member of the remuneration committee until his resignation from the board of directors 1 July 2021. Upon his permanent resignation, Helge Aasen was replaced by Marianne Elisabeth Johnsen with effect from 26 October 2021.

The remuneration committee is a preparatory and advisory committee for the board of directors in questions relating to the company's compensation of the executive management. The purpose of the remuneration committee is to ensure thorough and independent preparation of matters relating to compensation to the executive personnel. The remuneration committee puts forth a recommendation for the board of directors' guidelines for remuneration to senior executives in accordance with section 6-16a of the Norwegian Public Limited Liability Companies Act.

The members of the remuneration committee are elected by and amongst the members of the board of directors for a term of up to two years and are independent of the company's executive management.

The board of directors has issued instructions for the work of the remuneration committee.

No deviations from the Code.

10. Risk management and internal control

It is ultimately the responsibility of the board of directors to ensure that the company has sound and appropriate internal control systems and risk management systems reflecting the extent and nature of the company's activities. Sound risk management is an important tool to create trust, ensure good environment, health and safety standards and enhance value creation. Evaluation of climate related risks and opportunities have become an increasingly important part of Elkem's overall risk management processes. As part of this work Elkem has presented a global climate roadmap in 2021 and also reported on climate risks and opportunities according to Task Force on Climate-related Financial Disclosures (TCFD) reporting recommendations.

Elkem complies with all laws and regulations that apply to the group's business activities. The group's code of conduct sets out the overall ethical guidelines, which apply to all Elkem employees, members of the board of directors as well as those acting on Elkem's behalf.

The company has a comprehensive set of relevant corporate manuals and procedures, which provide detailed descriptions of procedures covering all aspects of managing the operational business. The procedures and manuals are continuously revised to reflect best practice derived from experience or adopted through regulations.

The board of directors conducts annual reviews of the company's most important areas of exposure to risk and such areas' internal control arrangements. A summary of the main risks is presented in the annual report.

The board of directors describes the main features of the company's internal control and risk management systems connected to the company's financial reporting in the company's annual report. This covers the culture of control, risk assessment, controlling activities and information, communication and follow-up. The board of directors is obligated to ensure that it is updated on the company's financial situation, and to continuously evaluate whether the company's equity and liquidity are adequate in terms of the risk from, and the scope of, the company's activities, and shall immediately take necessary actions if it is demonstrated at any time that the company's capital or liquidity is inadequate. The company focuses on frequent and relevant management reporting to the board of directors. The reports contain matters related to health and safety, market development, operations and financial performance. The purpose is to ensure that the board of directors has sufficient information for decision-making and is able to respond quickly to changing conditions or important incidents. Board meetings are held regularly, and management reports are provided to the board on a monthly basis. No deviations from the Code.

11. Remuneration of the board of directors

The remuneration to the board of directors is determined by the shareholders at the annual general meeting based on a proposal from the nomination committee. The level of remuneration to the board of directors is considered to reflect an international level and the board of directors' responsibility, expertise, the complexity of the company and its business, as well as time spent and the level of activity in both the board of directors and any board committees.

The remuneration of the board of directors is not linked to the company's performance and Elkem does not grant share options to its members of the board of directors.

The board members, or companies associated with board members, have not been engaged in specific assignments for the company in addition to their appointments as members of the board of directors.

The remunerations for the period from May 2021 until the annual general meeting in 2022 are as follows:

Board of directors:
→ Chair: NOK 787,500
→ Vice chair: NOK 590,625
→ Board members: NOK 393,750
→ Observers: NOK 196,875

Audit committee:
→ Leader: NOK 141,750
→ Member: NOK 94,500

Remuneration committee:
→ Leader: NOK 141,750
→ Members: NOK 94,500

The total compensation to members of the board of directors is disclosed in the board of directors' report on salary and other remuneration for leading personnel for 2021. ↗

No deviations from the Code.

12. Remuneration of executive personnel

The board of directors prepares guidelines for the remuneration of executive management. These guidelines include the main principles for the company's remuneration policy and contributes to Elkem's commercial strategy, long-term interests and financial viability, which align the interests of the shareholders and the executive management. The guidelines are communicated to the annual general meeting and presented in a separate appendix to the agenda for the general meeting. A report on the salary and other remuneration to the executive management will be prepared in accordance with the rules of the Norwegian Public Companies Act and relevant regulations.

Performance-related remuneration of the executive management in the form of share options, bonus programmes or similar are linked to value creation for shareholders or the company's profit over time. Such performance related remuneration is subject to an absolute limit. As at 31 December 2021, 20,479,772 options were outstanding to members of the management and certain other key employees, of which 4,650,000 were granted in 2018, 2,967,500 were granted in 2019, 5,411,272 were granted in 2020 and 7,451,000 were granted in 2021. Each option granted in 2018 gives the option holder the right to subscribe or purchase one share in Elkem ASA at an exercise price of NOK 38.52, which is equal to the share price at closing on 13 September 2018. Each option granted in 2019 gives the option holder the right to subscribe or purchase one share in Elkem ASA at an exercise price of NOK 23.53, which is equal to the average of the share price at closing on the first 20 trading days in July 2019. Each option granted in 2020 gives the option

holder the right to subscribe or purchase one share in Elkem ASA at an exercise price of NOK 19.10, which is equal to the average of the share price at closing on the first 20 trading days in July 2020. Each option granted in 2021 gives the option holder the right to subscribe or purchase one share in Elkem ASA at an exercise price of NOK 31.20, which is equal to the average of the share price at closing on the first 20 trading days in July 2021. The options will vest over a period of three years from grant with one-third vesting each year. Participants may not in any calendar year realise a total gain on exercise of options which is in excess of two times (four times for the CEO) the employee's base salary.

No deviations from the Code.

13. Information and communications

Elkem is under an obligation to continuously provide its shareholders, Oslo Stock Exchange and the financial markets in general with timely and precise information about the company and its operations. Relevant information is given in the form of annual reports, quarterly reports, press releases, notices to the stock exchange and investor presentations in accordance with what is deemed appropriate from time to time. Elkem maintains an open and proactive policy for investor relations and has given regular presentations in connection with annual and quarterly results. The goal is that Elkem's information work shall be in accordance with best practice at all times and all communications with shareholders shall be in compliance with the provisions of applicable laws and regulations and in consideration of the principle of equal treatment of the company's shareholders.

Investor contact/investor relations (IR) activities are conducted in accordance with the IR policy and by the IR team only. The IR team comprises the CEO, the CFO and the VP Finance and Investor relations.

The company publishes an annual, electronic financial calendar with an overview of dates for important events, such as the annual general meeting, interim financial reports, public presentations and payment of dividends, if applicable.

In addition to the board of directors' dialogue with the company's shareholders at general meetings, the board of directors promotes suitable arrangements for shareholders to communicate with the company at other times. The board of directors have delegated this task to the IR team. Elkem has held regular electronic investor meetings in connection with each of the quarterly presentations in 2021 and attended several digital investor conferences. The IR team has conducted electronic meetings with both domestic and international investors e.g. from Great Britain, United States, Germany, Sweden, Switzerland etc. The plan is to arrange regular investor meetings and capital market updates when it is considered expedient in order to keep the market up-to-date about the company's development, goals and strategies.

No deviations from the Code.

14. Take-overs

Elkem has one major shareholder controlling 52.9% of the shares as at 31 December 2021. Elkem has not been subject to any takeover bids in 2021.

In the event of a takeover bid, the board of directors and executive management each have an individual responsibility to ensure that the company's share-holders are treated equally and that there are no unnecessary interruptions to the company's business activities. The board of directors has a particular responsibility in ensuring that the shareholders have sufficient information and time to assess the offer.
In the event of a take-over process, the board of directors shall abide by the principles of the Code, and also ensure that the following take place:

→ the board of directors will not seek to hinder or obstruct any takeover offer for the company's operations or shares unless they have valid and particular reasons for doing so;

→ the board of directors shall not exercise mandates or pass any resolutions with the intention of obstructing the takeover offer unless this is approved by the general meeting following announcement of the offer;

→ the board of directors shall not undertake any actions intended to give shareholders or others an unreasonable advantage at the expense of other shareholders or the company;

→ the board of directors shall not enter into an agree-ment with any offeror that limits the company's ability to arrange other offers for the company's shares, unless it is self-evident that such an agreement is in the common interest of the company and its shareholders;

→ the board of directors and executive management shall not institute measures with the intemtion of protecting the personal interests of its members at the expense of the interests of the shareholders; and

→ the board of directors must be aware of the particular duty it has for ensuring that the values and interests of the shareholders are protected.

In the event of a take-over offer, the board of directors will, in addition to complying with relevant legislation and regulations, seek to comply with the recommendations in the Code. This includes obtaining a valuation from an independent expert. On this basis, the board of directors will make a recommendation as to whether or not the shareholders should accept the offer.

A takeover process gives rise to a particular duty of care to disclose information, where openness is an important tool for the board of directors to ensure equal treatment of all shareholders. The board of directors shall strive to ensure that neither inside information about the company, nor any other information that must be assumed to be relevant for shareholders in a bidding process, remains unpublished.

There are no other written guidelines for procedures to be followed in the event of a takeover offer. The company has not found it appropriate to draw up any explicit basic principles for Elkem's conduct in the event of a take-over offer, other than the actions described above. The board of directors otherwise concurs with what is stated in the Code regarding this issue.

No deviations from the Code.

15. Auditor

The board of directors is responsible for ensuring that the board and the audit committee are provided with sufficient insight into the work of the auditor. In this regard, the board of directors ensured that the auditor submitted the main features of the plan for the audit of the company to the audit committee in 2021. Further, the board of directors invited the auditor to participate in the board meeting that dealt with the annual accounts. At these meetings, the auditor (i) reports on any material changes in the company's accounting principles and key aspects of the audit, (ii) comments on any material estimated accounting figures, and (iii) reports all mat-erial matters on which there has been disagreement between the auditor and the executive management of the company.

Once a year, the board of directors reviews the com-pany's internal control procedures with the auditor, including weaknesses identified by the auditor and proposals for improvement. In this regard, a review of the company's internal control procedures with the auditor, including weaknesses identified by the auditor and proposals for improvement, was carried out by the board of directors in 2021.

In order to ensure the auditor's independence of the company's executive management, the board of directors has established guidelines in respect of the use of the auditor by the management for services other than the audit.

No deviations from the Code.

The board of directors of Elkem ASA
Oslo, 8 March 2022

Zhigang Hao
Chair of the Board

Dag Jakob Opedal
Vice chair

Grace Tang
Board member

Anja-Isabel Dotzenrath
Board member

Yougen Ge
Board member

Terje Andre Hanssen
Board member

Olivier Tillette de Clermont-Tonnerre
Board member

Marianne Færøyvik
Board member

Marianne Elisabeth Johnsen
Board member

Knut Sande
Board member

Helge Aasen,
CEO, Elkem ASA


SALES PROJECTIONS
2024 2025

Overview of main risk areas

>7 000
employees

worldwide presence

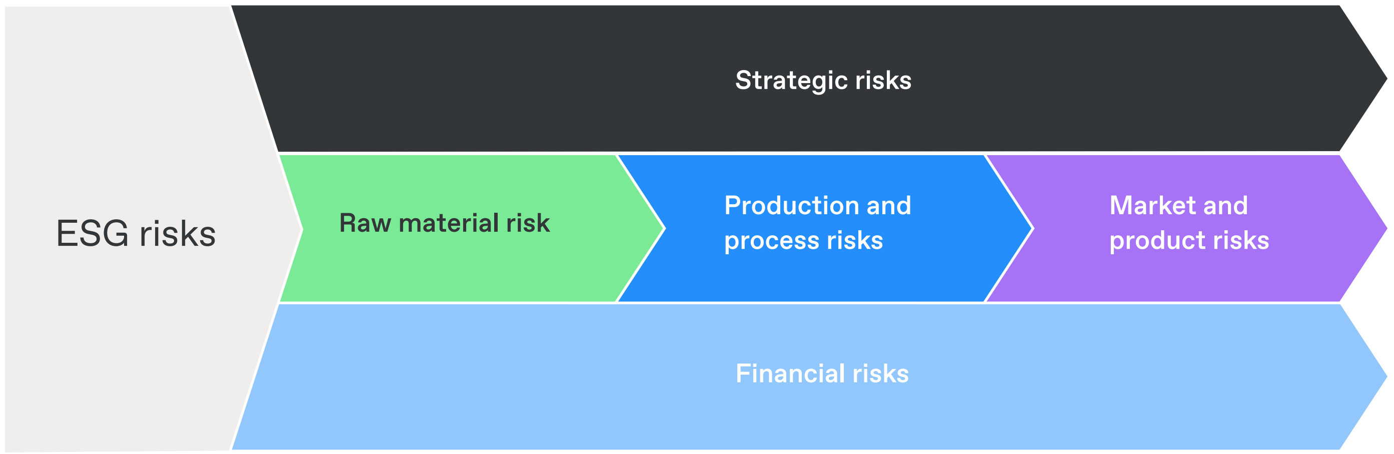
30
plants

Elkem's board and management have a strong focus on risk management to monitor the group's risk profile and to ensure that adequate risk management processes are in place. The board and management consider risk management to be a key part of Elkem's corporate governance structure and important to create trust and to enhance value creation.

Elkem carries out a yearly risk mapping process based on interviews with divisions and corporate staff functions. The objective is to identify the top five to ten risks for each division and corporate function. Each risk is evaluated based internal and external conditions and takes deemed likelihood, estimated financial impact, time horizon and mitigating activities into consideration. The individual risks are then organised into categories and aggregated on group level.. The main purpose is to gain a thorough understanding of the group's risk profile and financial risk tolerance.

Risks are split into five main categories; strategic risks, financial risks, raw material risks, production and process risks, and market and product risks. The risk categories are structured according to Elkem's value chain.

Evaluation of ESG and climate related risks and opportunities have become an increasingly important part of Elkem's overall risk management processes. ESG and climate are integral parts of the five risk categories, as these factors will impact strategy, financial conditions and all parts of Elkem's value chain from raw materials to finished products. As part of this work, Elkem has presented a global climate roadmap in 2021 and also reported on climate risks and opportunities according to Task Force on Climate-related Financial Disclosures' reporting recommendations.



Risk descriptions

1. Black Swan

"Black swan" describes an unpredicted event which can cause catastrophic damage to an economy. Regardless of how strong risk management procedures companies have, it is impossible to prepare for every scenario. The financial crisis in 2008 and Covid-19 in 2020 were such scenarios. "Black swans" demonstrate the need for general risk preparedness and the need for proactive, professional and agile reaction to unforeseen and severe incidents. It also shows the importance of generally robust financials to enable companies to endure unexpected changes in market conditions. Elkem has a robust business model with a solid global footprint and well diversified end-markets. The financial position is also strong.

2. Sales volumes

Elkem's sales volumes may vary depending on industry conditions and competitive environment and constitute one of the main risks affecting the group's financial performance. Elkem's integrated value chain provides flexibility to change production between product groups and between commodities and specialties. This diversification, combined with long-term customer relationships and diversified end-market, is expected to mitigate the volume risk exposure.

3. Sales prices

The sales prices for Elkem's products have traditionally been volatile, depending on economic cycles and/or the market balance. In commodity markets, the sales prices are typically closely correlated to the demand development. Sales prices are considered to be one of the main risks affecting the group's financial performance. Increased specialisation is expected to reduce price volatility and mitigate the price risk exposure.

4. Raw material access and supply chain

Global supply chains could be exposed to disruptions due to pandemics, cyber attacks and availability of transportation. In addition, access to high quality raw materials is critical to maintain production, particularly of high-grade specialty materials. There have been several incidents in 2020 and 2021 causing disruptions in global transportation and supply chains, e.g. blocking of the Suez canal, lack of container capacity, shortages of semi-conductors and power disruptions. Increased transportation costs and/or loss of sales/customers could have significant financial impact. Elkem has thorough sales and planning processes, a diversified raw material sourcing strategy, and globally connected supply chains to mitigate risk exposure.

5. Organic growth projects and M&A

Elkem has a growth strategy based on organic growth and selected M&A transactions. Large investment projects carry an inherent risk of e.g. cost overruns, delays and underperformance. In addition, M&A transactions carry the risk that an acquired entity does not deliver profit or synergies as anticipated, or that due diligence processes have failed to identify potential claims or other obligations, This could reduce the group's profitability and impact the liquidity and financing position. Elkem seeks to mitigate the risk by diligent project management and thorough due diligence processes, comprising professional support from legal, financial, audit and industry expertise.

6. Regulatory framework conditions

Elkem has operations in many countries and may be exposed to changes regulatory framework conditions, which could affect competitive position and access to markets. The main regulatory and political risks for Elkem include:

- changes in CO_2 allowances and CO_2 compensation
- changes to anti dumping duties and export taxes
- restrictions and sanctions limiting commercial trade e.g. between China and the US
- export control or sanctions imposed by countries, regions or international organisations
- restrictions on silicones due to e.g. listing of D4, D5 and D6 as Substances of Very High Concern by The European Chemicals Agency

Elkem is working systematically to mitigate these risks. When it comes to climate and CO_2 regulations, Elkem has a strong position based on renewable energy, but also works consistently to improve the position through a new, ambitious climate roadmap. Elkem's diverse geographical presence and integrated value chains in Europe and Asia provide relatively good resilience towards various trade tensions and restrictions. In order to meet stricter requirements regarding D4, D5 and D6, Elkem has on-going projects and actions in to reduce the residual content of these substance and hence address the environmental concerns.

7. Health and safety

Elkem's working environment includes significant inherent risk of injuries or even fatalities, and there are risks of catastrophic fires and explosions in connection with high temperature smelting processes, molten metals, chemical processes, electrical equipment and other potentially hazardous incidents. The safety of our employees and contractors is Elkem's main priority. Elkem uses considerable resources to identify hazards and implement appropriate measures to avoid incidents and to reduce risk to an acceptable level, including safety instructions, training, physical protection and adherence to EBS principles. An insurance programme related to property damage, business interruption and other insurance lines are in place to mitigate risks and financial exposure.

8. Environment and climate

Elkem's production units are subject to environmental regulations. Operating within these regulations will in most cases constitute a license to operate. In addition, Elkem's industrial activities are exposed to climate related risks and opportunities. Climate risks comprise both regulatory, transitional and physical risks e.g. extreme weather, drought, flooding, ocean rise etc.

Stricter requirements are expected due to increased focus on environmental and climate effects. Elkem's inherent emissions and discharges are subject to stricter policies in many countries. Generally, Elkem has production facilities located close to sea or river, or near cities or local communities.

Elkem is working consistently to limit emissions by focusing on sustainable sourcing of raw materials, production based on renewable energy, extensive energy recovery projects, investments to reduce dust and NOx emissions and use of biocarbon as reductant in smelting processes. Reduction of waste is an important component of Elkem Business System (EBS).

9. Compliance and legal risks

Unacceptable business behaviour such as corruption, breach of competition law, breach of sanctions, human rights violation or other unethical activities of employees and/or business relationships are inherent risks to a corporate. Also, litigation in connection with contracts and/or intellectual property could pose risks. The financial impact of such incidents could be substantial, both in terms of reputation and financial losses. Elkem has global operations, which include countries with high corruption risk. Elkem has a high focus on compliance and internal control. Guidelines for ethical conduct, training of all employees and visible and accessible channel for reporting misconduct (whistle blower) are in place. Insurance cover is in place for D&O, Employment Practices Liability and Crime.

10. Cyber and IT risk

IT is used for virtually all business-related activities, e.g. sales, production planning, procurement, maintenance, finance and accounting. An IT incident or cyber attack could therefore cause severe disruptions to Elkem's operations. Good IT procedures with high focus on security, up to date equipment and frequent software updates are the main actions to mitigate and prevent these risks. Elkem has a cyber insurance in place to mitigate negative financial impact.

ESG report 2021

Reducing emissions towards net zero while growing supplies to the green transition

Elkem´s ESG agenda

Key targets and highlights from 2021

22%
biocarbon sources in production

3.7
total recordable injury rate

>80%
of production use renewable energy

78%
had an annual development discussion

Elkem is one of the world's leading suppliers of silicon-based advanced material solutions shaping a better and more sustainable future. The company develops silicones, silicon products and carbon solutions by combining natural raw materials, renewable energy, and human ingenuity. Elkem helps its customers create and improve essential innovations like electric mobility, digital communications, health, and personal care as well as smarter and more sustainable cities.

At the core of Elkem is people and safe sustainable operations conducted responsibly and with excellence. Elkem shall be an attractive employer and at the forefront of environmentally friendly operations within our industry.

Announcements and events

- Elkem established Vianode as a new company and opened the pilot plant in Kristiansand, Norway dedicated to strategic growth opportunities for advanced battery materials
- Strategic expansion of NOK 3,8 billion at Xinghuo plant, China announced, for increased growth, strengthened cost position and improved environmental profile
- Opening of Elkem's state-of-the-art research and innovation center, ATRiON, in Lyon, France
- Elkem invested NOK 350 million to upgrade and expand cost competitive and sustainable production of silicones at Roussillon, France
- Elkem launched a global climate roadmap to reduce emissions towards net zero while growing supplies to the green transition
- Elkem announced the testing of the world's first carbon capture pilot for smelters in Rana, Norway
- Elkem published its first TCFD climate risk report
- Elkem's and Kvitebjorn Energi's NOK 1.2 billion energy recovery plant opened in Salten, Norway by Norwegian prime minister
- Elkem received the highest recognition, Platinum, for sustainability transparency from EcoVadis, for the first time

PLATINUM Top 1% 2022 ecovadis Sustainability Rating

The Elkem climate roadmap

Elkem is committed to reduce emissions and to contribute in line with the Paris agreement

The three pillars of the climate roadmap

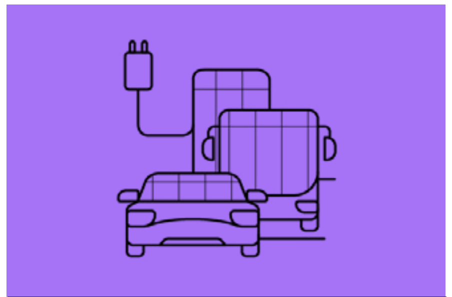
Reducing our emissions

Achieving fully climate neutral production throughout our value chain

By 2031: Reducing absolute emissions by 28% from 2020-2031 while growing the business - delivering 39% improvement in product footprint

By 2050: Achieving fully carbon neutral production (zero fossil emissions) globally

More information on page 96



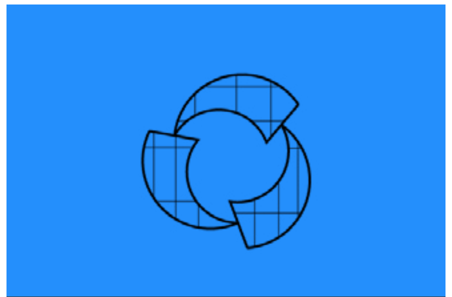
Supply to the transition

Providing the advanced material solutions required to enable the green transition

Grow supplies of advanced materials to green markets such as better buildings, electric vehicles and renewable energy

Build new business in green markets such as battery materials, biomass and energy recovery

More information on page 80



Enable circular economics

Enabling more circular activities in our operations, products and markets

Increase recycling in our own operations

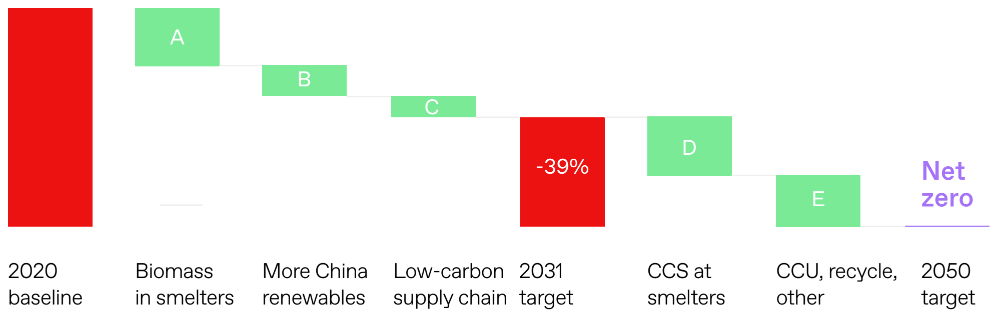
Increase recycling with our customers

Develop the eco-design of innovative products

More information on page 82

To manage climate change, it is important to understand the company's climate risk. Elkem has implemented the climate risk framework Taskforce on Climate-related Financial Disclosures (TCFD) in 2021, and published the first report in December 2021. In the report, you can read how Elkem works on governance, strategy, risk management and monitors targets and metrics. Take a look ↗

Our roadmap to climate neutral products



Elkem will reduce fossil CO_2 emissions in line with the Paris agreement, contributing to limit the long-term temperature increase to well below 2°C.

By 2031, we will:
- → Reduce absolute emissions* by 28% - baseline 2020
- → Delivering 39% improvement in product footprint**
- → By 2050: Achieve full carbon-neutral production (zero fossil emissions) globally.

* Total global fossil CO_2 emissions, scope 1 and 2
** Main product average fossil CO_2 emissions, scope 1-3 (to gate).

A more detailed version can be found on our website ↗

Our sustainability action:

Supplying the green transition

All the known technological solutions for the green transition requires advanced materials, and silicones, silicon and carbon solutions are critical enablers. This is one of the most significant ways for Elkem to have an impact; by supplying the green transition towards a low carbon future. Therefore, one of the three pillars of the Elkem climate roadmap is to grow the market share in the green transition. The demand for Elkem's products is driven by global megatrends such as sustainability and clean energy demand growth, e.g. solutions for the electrification of transportation, increased energy storage and batteries, reducing emissions and energy consumption, and the replacement of oil-based materials. Elkem aims to continue growing our supplies of advanced materials to global markets by 5-10% per year.

The table below has identified some of the areas where Elkem provides product that abates or reduces emissions, enhances energy efficiency or other applications that enables the green transition. In 2022, we will determine further how eligible and aligned Elkem is with the criteria for the EU Taxonomy.

In 2021, 26% of Elkem's revenue came from products used in low-carbon applications or abated emissions in use.

Enabling the electrical mobility
Vianode is a new company that Elkem established in 2021. The company is dedicated to strategic growth opportunities for advanced battery materials. It aims to become a leading provider of anode materials' solutions to the fast-growing battery industry with the production of synthetic graphite.

The synthetic graphite business case: Reducing emissions by ~94% to near zero and making better battery materials with:

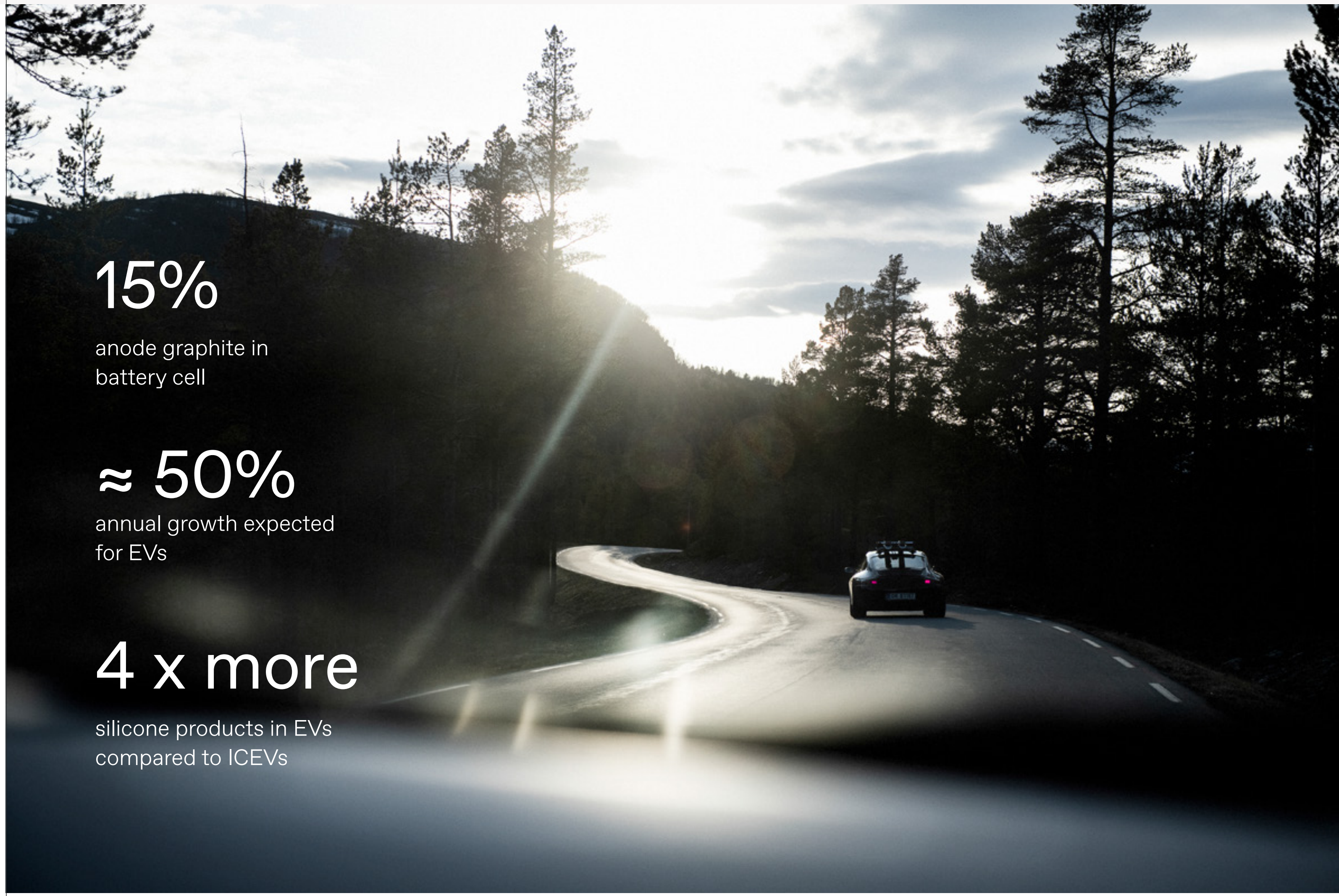
- → Highly innovative clean processing technology and renewable power mix
- → Advancing research on silicon-graphite composites for higher energy density
- → Collaborative efforts to develop effective and efficient battery materials recycling.

Supplying medical solutions in a sustainable world
Providing top quality and long-lasting solutions to healthcare products will be increasingly important in a low-carbon world.

Medical professionals require equipment and devices that withstand the harsh realities of their environment, including the extreme conditions of sterilisation processes. Medical-grade silicones are used widely in healthcare applications for their excellent biocompatibility, extreme chemical inertness, hypo-allergenicity, highly adapted physical properties and durability in a wide range of environmental conditions. The Si-O-Si bonds that make up silicone's chemical backbone are extremely strong, resulting in the material's high durability levels. Partners who serve the healthcare sector use a wide range of silicone products to make medical parts and devices supporting caregivers and patients in the operating room. Additional benefits of silicones are their ability to be sterilised with a variety of methods, their lubricating properties, and their resistance to bacteria.

Compared to other carbon-based materials, silicones are more durable and provoke less skin irritation, meaning a longer life span of silicone products and lower replacement rates, therefore contributing to our 3R* approach (*recycle, reduce, reuse). For instance, manufacturers of prosthetics devices choose silicones for their mechanical properties and comfort for end-users. In addition, silicones' good durability means it lasts longer, can be washed and reused over a longer period of time, reducing waste and improving the usability of such key devices for the patients.

Product group	Unit	Total	Silicone and silicones to solar panels	Foundry products to wind turbines	Silicones to EVs	Silicones to constructions	Carbon to aluminium	Silicones to aluminium to cars	Carbon to silicon	Microsilica to construction
Revenue share	%	26%	1.1%	0.9%	2.5%	15%	1.7%	3.1%	0.4%	1.2%



Here is how silicones help patients with Covid-19 ↗

Circular economy

To succeed with the Elkem climate roadmap ↗, the company needs to enable and create circular economies.

To Elkem, circular economy "consists in producing goods and services in a sustainable way by limiting the excessive consumption of resources and the production of waste. It is about moving from a throwaway society to a more circular economic model".

The circular economy is an economic model that aims at generating sustainable and local activities and employment. While in nature, everything works in a more circular way (food chain, the waste of some is the resources of others), we have dissociated ourselves from this model with the rise of a "consumer society" in the early 20th century. Thus, leading to a linear model: extract, manufacture, consume, dispose. The circular economy is built in opposition to this model. Its fundamental principles are preserving resources, environment, and health, allowing the economic and industrial development of territories, and reducing waste.

At Elkem, the objective is to increase circularity. Through close partnerships with customers and research Elkem's goal is to standardise a 3R approach, based on **reuse, reduce, and recycle**.

- **Reduce:** We reduce our environmental impact by designing products that use fewer fossil resources, are manufactured with less energy-intensive processes or through longer life to reduce the need to replace
- **Reuse:** We reuse or repurpose substances, materials, or products in and from our production or commercial cycles that are still functional
- **Recycle:** We manage our waste and the end-of-life of our products to transform them into raw materials for new products.

Some examples that illustrate Elkem's commitment

REDUCE – ELSEAL® Type G

New product makes aluminium production greener and safer by removing harmful exposure to carcinogenic PAH (polycyclic aromatic hydrocarbon) compounds (classified as a health hazard and comply with the handling of waste material).

- No PAH nor other hazardous substances
- No emissions of PAH during use and workers will not be exposed to these potentially harmful compounds
- Proven performance under challenging electrolysis conditions where the combination of high temperature and corrosive bath is a tough environment
- Odourless, easy to handle, improved storage stability and does not form any harmful waste.

REUSE – Microsilica®

From discarded by-products to high-performance material

- Silica fume is a discarded by-product of the production of silicon or ferro-silicon
- Considered as a key ingredient in many construction materials to achieve high-performance rheology, strength and durability
- Building companies are saving on cement and water.

RECYCLE – REPOS (REssourcement POlymères Silicones)

A collaborative project with an objective to reduce waste and develop a circular economy approach of silicones

- Setting up a value chain around the recycling of silicone products, revolving around the treatment of waste and internal downgraded products
- A 3-year-long local collaborative project reuniting members of the LPSE (Lyon Polymer Science and Engineering) setting up a flexible, selective, and productive unit at low temperature for depolymerisation of silicone materials
- A reduction of more than 65% of waste and carbon footprint is estimated on preliminary studied perimeter.

Four examples of our work:

Eco-design

80% of a product´s environmental impact is determined at the design stage. Eco-design reduces the amount of material and energy used.

Chemical recycling

a project focused on recovering and recycling sillicones in all physical forms, reducing the carbon footprint up to 65%.

Reprocessing

Mix & Fix™ Center centres are set up to analyse customer samples to see if they are reusable or can be reprocessed.

Eco-forward silicones

We develop personal care products with sustainable and eco-friendly raw materials – like PURESIL™ ORG 01.

ESG reporting and governance

Elkem aims to be a leading company in the transition towards a climate-friendly materials industry. Our mission is to offer advanced material solutions that shape a better and more sustainable future. We have a clear company strategy to strengthen our competitive position through specialisation and growth. Environmental, social and governance (ESG) represent a significant part of our strategy. We believe that safe and environmentally friendly production will be even more critical in the future, and that together with our customers and partners we can create tomorrow's solutions.

Elkem is committed to develop its business in accordance with the UN Sustainable Development Goals and the Paris agreement. This is an important commitment to society at large; we will develop products needed for the green transition, and minimising the negative environmental and social impact of these products.

The world needs organisations, such as Elkem, to take responsibility for their value chain and eliminate/reduce their total carbon footprint to succeed in the transition towards a greener and more just society. Materials Materials should be recyclable, long-lasting, and produced with low greenhouse gas (GHG) emissions. Materials should also be produced responsibly and ethically. To achieve this, society needs more innovative and efficient solutions. The increasing demand for low-carbon technologies and products such as solar panels, batteries and electric vehicles are impacting and increasing the demand for several of Elkem's product segments within silicones, silicon and ferroalloys. Elkem's products are building blocks for the low-carbon society and are critical for the green transition, examples include renewable energy, energy storage, mobility solutions, infrastructure improvements, digitalisation, and healthcare. Our ambition is to cut GHG emissions, while accelerating the development of sustainable solutions through growth. To support this ambitious goal, Elkem launched a global climate roadmap in 2021 to reduce the company's net emissions to zero by 2050.

ECOVADIS: Platinum
Top 1% performer on sustainability transparency.

CDP: Leadership A-
In 2021, CDP granted Elkem an A- on Climate disclosure and B- on Water disclosure.

ESG 100 A-
Rating published by the Governance Group: A score shows excellent ESG reporting with a clear strategy and specific, quantifiable targets.

Sustainability reporting

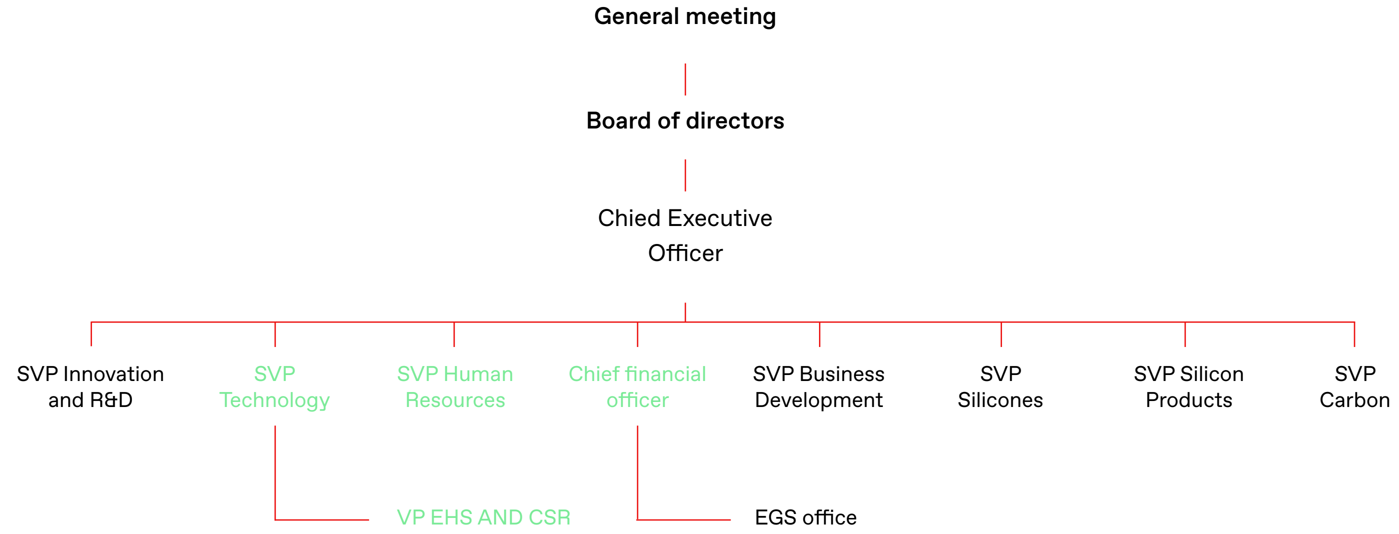
About this report
The annual ESG report is part of Elkem's annual report and has been approved by the board of directors. The ESG report also functions as a stand-alone report. If you want to learn more about Elkem's business areas and strategy, you can find this information on pages 18-25. ↗

Reporting framework
Elkem reports in accordance with the Global Reporting Initiative (GRI) Standards (Core option) and consider this report to be our Communication of Progress (COP) to the United Nations Global Compact (UNGC).

Elkem discloses information through several reporting systems to increase transparency and ensure standardised reporting. In the last years, the company has focused its efforts on the business sustainability rating, EcoVadis, and the environmental disclosure system, Carbon Disclosure Project (CDP). In 2021, Elkem, for the first time, implemented and reported according to the recommendations from the Taskforce on Climate-related Financial Disclosures (TCFD).

PWC has undertaken a limited assurance on the ESG reports alignment with the GRI Standard. ↗ The GRI index can be found online and more information about the limited assurance can be found in the assurance statement. ↗

ESG/sustainability governance



** functions marked in green are members of the ESG steering committee*

ESG and sustainability are integrated into Elkem's overall business strategy, and the responsibility sits with the collective board. ESG-related risks and opportunities are also part of board meeting agendas. The board follows up and reviews the group's ESG strategy on an annual basis as part of the regular strategy process. In addition, the board of directors receives information about the company's ESG performance and projects through regular reporting and board meetings.

The Chief Financial Officer (CFO) is the most senior management position responsible for ESG related topics. The CFO is responsible for managing the ESG steering committee, the corporate body responsible for ESG, which consists of members from the corporate management. The ESG Steering Committee reports to the Chief Executive Officer (CEO).

Elkem's business strategy and corporate governance policy are approved by the board of directors and provide the overall framework for the group's strategic direction and governance structure. In addition, the corporate management team or the ESG steering committee will typically approve other policies and procedures.

Elkem adheres to the principles of "the Norwegian Code of Practice for Corporate Governance" issued by the Norwegian Corporate Governance Board ("NUES" or the "Code"). The objective of this Code is that companies listed on regulated markets in Norway will practice corporate governance that regulates the division of roles between shareholders, the board of directors and executive management more comprehensively than is required by legislation.

Further information about our corporate governance can be found in the bord of directors' report on corporate governance in the annual report. ↗

Elkem has dedicated governing documents and several tools to ensure that our organisation understands our priorities and requirements in the areas of sustainability and social responsibility. For example, the Elkem code of conduct was developed to ensure that any person acting on Elkem's behalf does so ethically and according to the standards specified in Elkem's employee handbook. It applies to all Elkem employees. The code of conduct is based on the principles of honesty and respect for other people. The code of conduct is available online here. ↗

Remuneration
The CEO and corporate management have performance-based compensation based on defined metrics. The metrics are defined according to areas of responsibility. The performance related incentives are limited to 100% of base salary for CEO and 50% of base salary for the corporate management. If the company becomes aware of serious wrongdoing or misconduct, clawback is possible under certain conditions. The clawback provision has been implemented for 2022.

Our approach to working on ESG
The ESG office reports to the ESG steering committee and collaborates closely with business units and divisions, to review and address relevant sustainability and ESG issues. As part of the Elkem Business System (EBS), it is our philosophy and belief that what gets measured gets managed. An essential part of this work is to advise on and improve key performance indicators that is reviewed by corpoorate management.

Strategy →	Targets →	Action →	Reporting →	Performance
Map sustainability/ ESG areas that are important to our business and stakeholders, and prioritise an annual list of improvements.	Anchoring with responsible in the organisation, set targets and develop plans to improve.	Corporate ESG functions support and advises line functions in improvement work.	Track progress in accordance with targets set, and communicate transparently.	Evaluate performance to be able to map, adjust and prioritise again.

The metrics for the CEO for 2021 include:
- → Health and safety performance with target of zero high severity (life changing) incidents
- → Environmental performance target of zero major environmental cases
- → Environmental, Social and Governance (ESG) performance based on improved ratings from defined ESG rating agencies.

The management bonuses for 2021 was linked to ESG-related criteria focusing on compliance and sustainability. Criteria include employees' completion of compliance training in order to drive and further develop good compliance culture and no substantiated misconduct cases. Also criteria linked to ESG performance, based on ratings, embracing a wide range of climate and environment-, health and safety-, sustainability- and social targets were included in the corporate management individual targets. Targets related to the climate roadmap are under development for 2022 and beyond.

Risk management and materiality assessment

Risk management process
The board of directors has the ultimate responsibility to ensure that Elkem has appropriate risk management systems that reflect the extent and nature of the group's activities and value chain impact.

The board and management consider risk management a key part of Elkem's corporate governance structure, which is important to create trust and to enhance value creation. This includes ESG and climate-related issues.

Evaluating ESG and climate-related risks and opportunities has become an increasingly important part of Elkem's overall risk management processes. These factors impact strategy, financial conditions, and all aspects of Elkem's value chain, from raw materials to finished products. In 2021, we matured our climate-related risk process by adopting the Task Force on Climate-related Financial Disclosures. We will report according to this new framework annually.

Elkem conducts a yearly risk mapping process based on interviews with divisions and corporate staff. The purpose is to understand the group's risk profile thoroughly. Each risk is evaluated based on internal and external conditions and takes deemed likelihood, estimated financial impact, time horizon and mitigating activities into consideration.

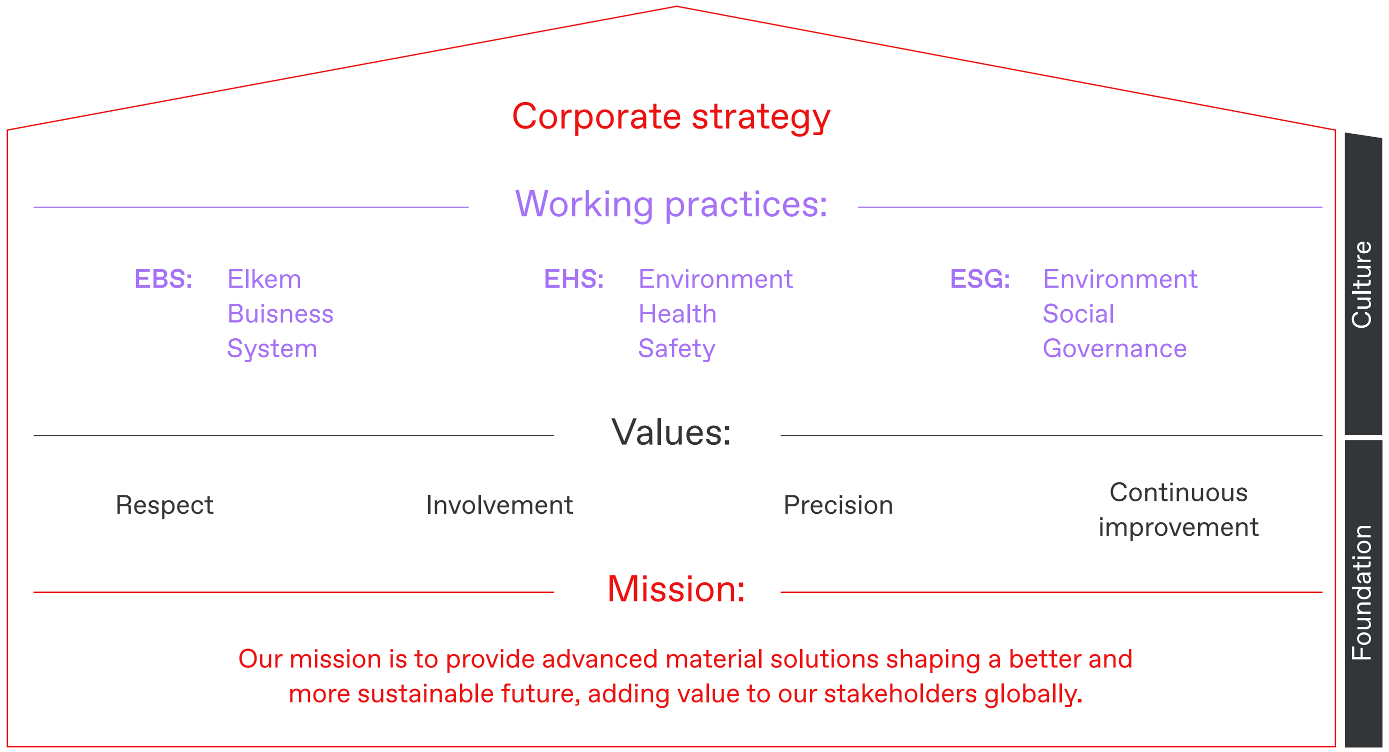
Materiality assessment changes
In 2020, Elkem conducted a comprehensive analysis with external and internal stakeholders that are either impacted by the company's operations, or whom, in different ways, have an impact on the company. The stakeholder engagement process and materiality assessment were done in alignment with Global Reporting Initiative (GRI) framework and was conducted by third-party advisors to ensure objectivity during the analyses. The results from the stakeholder dialogue have given Elkem valuable insight into which economic, social, governance and environmental topics that we impact through our operations and should be prioritised based on stakeholder importance.

During the fall of 2021, GRI Standards updated their international standards and recommendations for pursuing materiality analyses. Elkem implemented the updated GRI Standards based on the materiality assessment from 2020 and the process for identifying ESG risks in the value chain in 2021.

The steps to further identify material topics followed the recommended steps provided by GRI:
1. Understand Elkem's sustainability contexts
2. Identify actual and potential impacts
3. Assess the significance of the impacts
4. Prioritise the most significant impacts.

Elkem considers the sustainability through specifically the business model, sector and the nature of its impacts, geographic areas, and cultural and legal operating context. Actual and potential negative impacts were identified during the risk assessment based on Elkem's value chain from raw materials extraction, production and processes to the market and end products in each division. During the fall of 2021, Elkem assessed and prioritised the positive and negative impacts in the value chain, along with evaluating human rights due diligence. The assessment was conducted by a third-party interviewing chosen key internal personnel who are experts in their own division's value chain focusing on scale, scope, and likelihood.

Based on Elkem's defined focus and impact on human rights, product governance, including chemical stewardship and supplying the green transition, the reviewed material topics for 2021 evolved from 2020. The material topics and their impacts also represent financial risks and opportunities. Moving forward in 2022, updating and reviewing the materiality assessment will be an extension of the ongoing risk management process. The dynamic material topics and their impact will be continuously evaluated by the ESG steering committee and approved by the board of Elkem annually.



The Elkem house
The Elkem house illustrates the building blocks of Elkem's business model. Our mission and values represent the foundation to support our working practices and represent our culture and how we work. Our mission, values, and working practices are interlinked and support our corporate strategy.

Topics with most positive and negative impacts in Elkem's value chain

Dynamic materiality/important topics:	Material topics in 2021:
Anti-competitive	CO_2 and other emissions to air
Anti-corruption	Health and safety
Biodiversity	Human rights
Diversity and equality	Product governance, incl. chemical safety
Emergency preparedness	Responsible value chain / supply chain management
Energy management	Supplying the green transition
End product usage	Waste management and circularity
Governance	Water management
Job creation and retention	
Public policy and lobbying	
Security and data privacy	
Stakeholder relations	
Sustainable product innovation	
Training and development	

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

BICEPS NETWORK

RESPONSIBLE CARE® OUR COMMITMENT TO SUSTAINABILITY

WE SUPPORT UN GLOBAL COMPACT

Elkem's contribution and impact on the UN 2030 Agenda

The UN Sustainable Development Goals (SDGs) were established in 2015 by the United Nations' to build a more sustainable and equal world by 2030.

The 2030 Agenda acknowledges that the 17 goals cannot be reached without the active support of businesses worldwide. It calls on companies to use innovation, technology, and creativity to address developmental challenges and opportunities. Elkem supports the 2030 Agenda, as a signatory to the UN Global Compact.

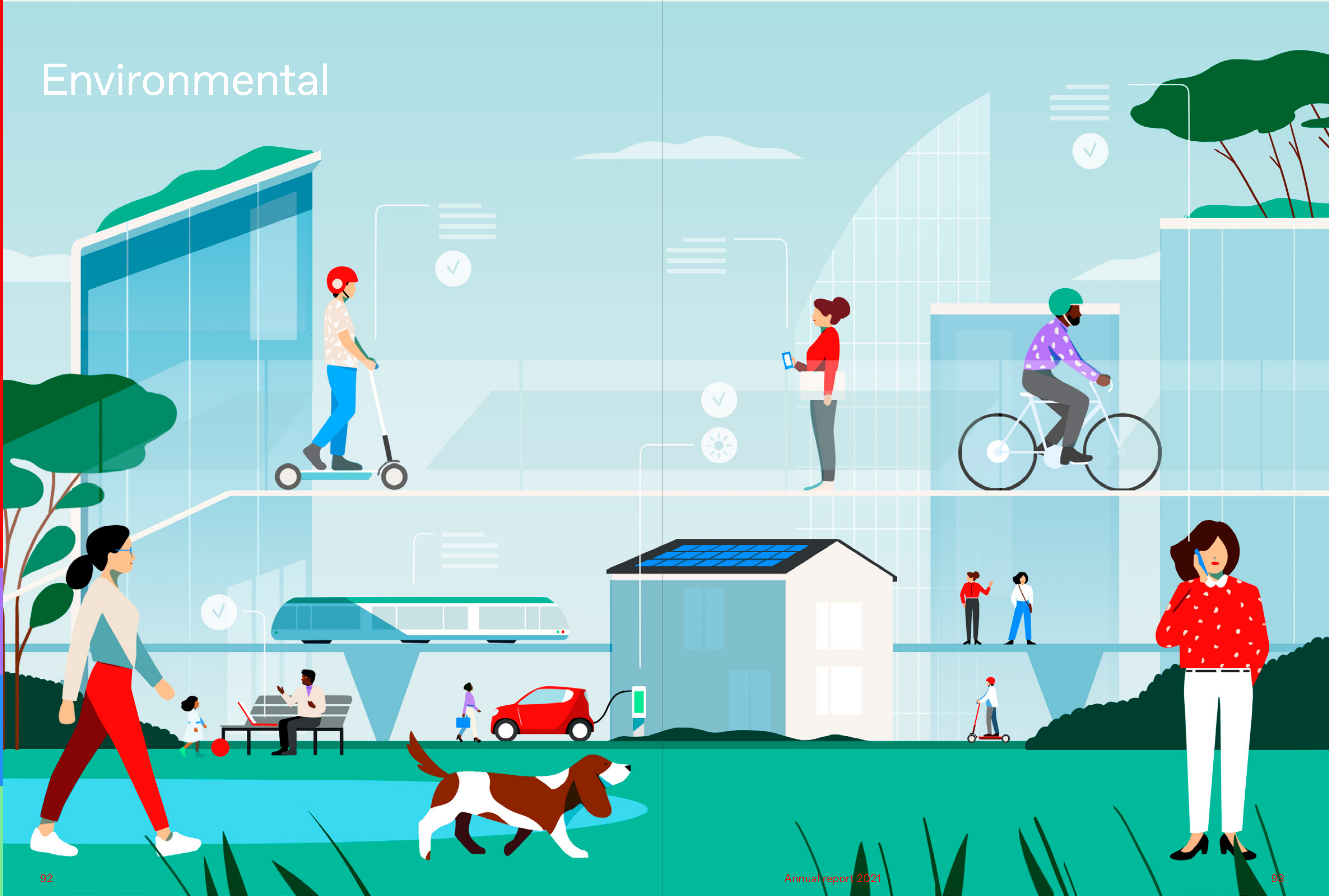
Elkem updated the materiality assessment for the company in 2020. In that process, the materiality was linked to how we are impacted by and can impact the UN SDGs. Although we understand that all goals are interlinked, and work to promote all 17 SDGs, Elkem has identified three SDGs that are most material and where we can contribute the most.

How Elkem supports the SDGs ↗

SDG	Impact assessment	The UN SDG impact report 2021: Prioritised SDG sub-targets	
8 DECENT WORK AND ECONOMIC GROWTH	Elkem's first priority is to create a safe and zero harm workplace. We continuously work to protect our workers' labour and human rights and promote a safe and secure working environment. Elkem is committed to doing business according to the UN Guiding Principles on Business and Human Rights. Our impact: Elkem provides a secure and safe workday for employees and contractors. It is Elkem's obligation to provide safe jobs and make sure that the employees have decent and liveable wages and a flexible work-life balance situation. In addition, we can influence the value chain through our partnerships, to make sure that our suppliers and customer also take this responsibility. Our most important tool is the code of conduct for business partners. Impacted: Elkem operates in several countries which are at risk of child labour and forced labour. Elkem does not tolerate any use of children or forced labour in any of our operations or facilities. We expect the same from our suppliers and others we do business with. While Elkem as a company cannot resolve all such issues in isolation, we have a responsibility to identify human rights risks in our value chains and mitigate them to the best of our ability.	Target 8.7: Take immediate and effective measures to secure the prohibition and elimination of the worst forms of child labour eradicate forced labour, and by 2025 end child labour in all its forms including recruitment and use of child soldiers.	No reported events of child and forced labour in Elkem. One reported concern in supply chain.
		Target 8.8: Protect labour rights and promote safe and secure working environments for all workers.	No reported high severity injury. Injury rate: 3.7, up from 2.3 in 2020. Introduced human rights e-learning for all. Employees covered by collective bargaining agreements: 39%

SDG	Impact assessment	The UN SDG impact report 2021: By prioritised SDG sub-targets	
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	An improved understanding of the environmental and social impacts of products and services is key to ensure sustainable value chain for the future. Therefore, strong environmental management of chemical safety, air, and water emission, and minimising the environmental footprint are key priorities. Our impact: Our products and production have an environmental footprint throughout the value chain. Elimination of waste is one of the key strategies for successful operations. Our environment, health, and safety (EHS) policy cover actions on energy and resource utilisation, environmental impact through emission to air and discharge to water and waste reduction and waste management. Our goal is to reduce the generation of waste by good process control. Circularity is becoming more and more critical throughout our value chain. Elkem is working with customers and researchers across: reduce, reuse, recycle and renewable. For example, increase the use of recycled raw materials in our operations by collecting them, reintroducing them, and valuing by-products (i.e. Elkem Microsilica ®). By joining forces with our customers, we aim to increase the collection of end-of-life products to recycle them chemically or mechanically. Impacted: There is an increased focus on environmental and climate-friendly production from society, employees and investors. In addition, operations are subject to environmental permits and the risk of stricter permits from governments and/or other policy changes require our attention to ensure compliance and successful transition.	Target 12.4: By 2020, achieve environmentally sounds management of chemicals and all wastes throughout their life cycle in accordance with agreed international framework and significantly reduce their release to air, water and soil to minimise their adverse impact on human health and the environment.	Have fully implemented environment management system in the organisation, with digital, quarterly reporting. Total waste generated: 397,247 tonnes Information on emissions, see page 101. No significant spills of D4/D5 CDP Water disclosure: B-
		Target 12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.	Total waste diverted from disposal: 276,483 tonnes Share of process waste that was reused or recycled: 70%
13 CLIMATE ACTION	Climate change mitigation exposes Elkem to several challenges and opportunities. Climate change response and transitioning to more sustainable solutions will impact our business and financial conditions as we advance. Elkem published the first climate risk report according to the TCFD recommendations in 2021, and you can find the full report here ↗ Our impact: Greenhouse gas (GHG) emissions (CO_2) are inherent to the process of the silicon, ferrosilicon, and silicones production. We acknowledge that our climate work is a continuous process. Elkem is well aware that the company must reduce the CO_2 emissions in line with the expectations in the Paris agreement, at the same time as we aim to contribute positively by providing solutions to the green transition. Impacted: Climate change affects Elkem in different ways, like technology development, market adaption, reputation, and regulatory limitations. One example is regulatory mechanisms like emission trading schemes. For example, changes in ETS regulations may cause a reduction of allowances and higher prices. This will increase Elkem's direct costs which is a current risk in our operations. Therefore, reducing GHG emissions from production is a strategic goal. In addition, Elkem is monitoring how physical, chronic, and acute climate change effects could affect our locations and business.	Target 13.1: Strengthen resilience and adaptive capacity to climate related hazards and natural disasters in all countries.	*Scope 1:* 2.66 mill. tonnes *Scope 2:* 901 000 tonnes *Scope 3:* 8.35 mill. tonnes *Biocarbon share:* 22% *Energy recovery rate:* 14% *Increased ambitions announced in 2021:* The climate road map ↗ CDP Climate change: A-, showing leadership in disclosure and transparency.

Environmental



With a fully integrated value chain from upstream silicon to downstream silicones, it is vital to manage the environmental production footprint. Elkem's target is to minimise the negative environmental impact throughout the value chain.

Converting quartz to silicon is a high-temperature smelting process that consumes vast amounts of energy. The production process uses carbon sources like fossil coal, charcoal, and wood chips as a reductant in the chemical conversion, releasing emissions of CO_2, NOx, SO_2 and dust. Reducing our CO_2 emissions is of high priority and strategic importance. In addition, processing silicon into silicones involves substantial quantities of water waste treated before discharge to remove residues such as Chemical Oxygen Depletion (COD) substances from the process. Reliable water management is becoming increasingly important, leading to Elkem's strategic decision to engage with the CPD Water disclosure for the first time in 2021. Securing a B- score, Elkem will continue improve internal tools and increase external transparency.

All environmental impacts are identified and documented with measurements or calculations showing performance compared to governmental permits and/or internal improvement targets set by Elkem. We consider all waste streams to have value, either by reducing, recycling, or reusing and work continuously to reduce waste across our operations.

Today, we are leaders in understanding the complexity of producing carbon products, silicon, and silicones. Our continued dedication to research and innovation makes our production even safer and more efficient. Overall, the goal is to reduce greenhouse gas emissions, increases energy recovery, and facilitates the efficient use of by-products.

The material topics that Elkem has an impact on and is impacted by:

- → CO_2 emissions and other emissions to air
- → Water management
- → Waste management and circularity

Key highlights

- → Lauch of new global climate roadmap
- → Full mapping of scope 3 emissions
- → Energy recovery facility at Salten went live, recovering about 30% of the used energy - equal to more than 15 000 Norwegian households

22%
biocarbon in production

>80%
electricty based on renewable energy

70%
of process waste is either recycled or re-used

Climate change affects us all, and Elkem is committed to take a leading position in reducing the impacts of climate change. Elkem's ambition is to reduce the company's fossil CO_2 footprint by increasing renewable carbon sources and developing innovative production processes.

Key events 2021

- → New climate roadmap launched in 2021
- → Share of bio: 22%
- → Scope 1+2 emissions: 3.42 million tonnes

Targets

- → Reduce absolute emissions in scope 1+2 with 28% by 2031
- → Reduce the product carbon footprint by 39% by 2031

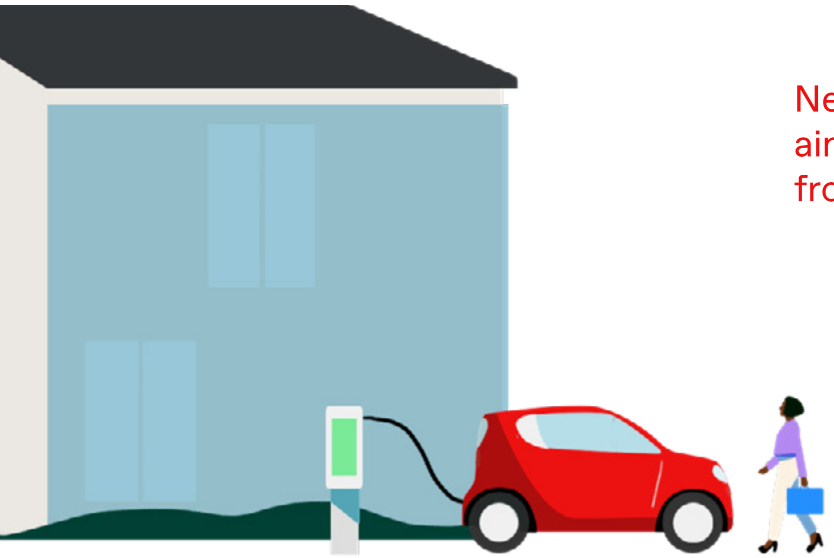
Key risks

- × Carbon pricing / regulator disharmony
- × Market demand for less carbon-intensive products
- × Restrictions in the use of biobased sources

Key opportunities

- → Offer products with a low carbon footprint
- → Resource efficiency
- → New market access and growing green demand

A more comprehensive overview of the climate risks and opportunities can be found in the TCFD 2021 report ↗



New Elkem innovation project aims to eliminate CO_2 emissions from silicon production ↗

Commitment

Committed to do business in accordance with the Paris agreement, to limit global warming to well below 2°C and the long-term commitment to be net-zero by 2050. Elkem will do so by reducing own emissions, growing its market share in the green transition, and enabling more circular economies.

Policies

→ The Elkem climate roadmap

Elkem's corporate policies ↗

Carbon sources are a key factor in Elkem's production, and the smelters in the company account for about 76% of the total scope 1 emissions. Therefore, reducing our emissions will be key.

Overall, our fossil CO_2 emissions have increased over the last few years, due to reasons such as increased production and mergers and acquisitions. As the climate roadmap details, the progress towards cutting our emissions will be based on phasing in biocarbon, sourcing changes and power mix changes. Although this is at the top of Elkem's agenda, these efforts are not quick fixes. We must allow some time to implement the measures. We are working on a detailed plan with several projects, including plant upgrades, biocarbon substitution, carbon capture and storage and sourcing strategy to realise the climate roadmap.

Scope 1

The total scope 1 emissions were 2.52 million tonnes in 2021. During the past few years, Elkem has expanded its production. Since 2017, Elkem has increased production with seven smelting furnaces: two in Norway, four in China and one in Paraguay. Except for the furnace in Paraguay, all of these expansions come from acquiring existing capacity. The furnace in Paraguay only uses biocarbon as a raw material reductant, making its operations (scope 1 + scope 2) close to carbon neutral. The historical increase in CO_2 is also connected to the acquisition of upstream silicone activities in China, which uses a coal fired boiler to produce steam used in the production process. The increase from 2020 is due to higher production volumes and more categories included in reporting (natural gas).

Scope 2

Elkem's industrial processes are power-intensive, and electricity consumption is fundamental for operations. Scope 2 includes indirect emissions related to purchased electricity (incl. steam) where Elkem has operations. Elkem's scope 2 emissions in 2021 was 901 000 tonnes, down 0.5% from 2020.

The location-based emission calculation is based on statistical emissions information and electricity output aggregated and averaged within a defined geographic boundary and during a specified period. Within this boundary, the different energy producers utilise a mix of energy resources, where fossil fuels (coal, oil, and gas) result in direct GHG emissions.

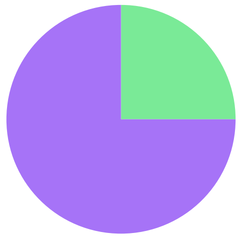
Scope 3

For the last few years, Elkem has mapped the scope 3 emissions of the company, emissions defined by the GHG protocol as all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including upstream and downstream emissions. This work was an essential part of the climate strategy work For 2021, we expanded our reporting to include scope 3 emissions to ensure we captured the largest indirect sources of GHG emissions in our value chain. The two largest categories identified are "purchased goods and services" and "end of life treatment". Scope 3 emissions were 8.35 million tonnes in 2021.

Environmental CO_2 emissions and mitigation

Scope 3 to gate

Scope 3 after gate



The importance of biocarbon

A high share of biocarbon is essential to reduce our processes' impact on climate change. As CO_2 is inherent to the smelting process with current technology, total emissions will vary year on year based on market conditions and capacity utilisation. One of Elkem's main CO_2 strategies is to replace fossil carbon with biocarbon in our smelting operations. Elkem's goal was to increase biocarbon usage at Norwegian smelters to 20% by 2021. The 2021 goal was reached, and the the global share of biocarbon rose to 22%.

Our new ambitious goal is to increase the renewable, biocarbon share to 50% by 2031. We need to continue our work on finding sustainable and financial viable biocarbon sources. That is why each smelter plant has developed a roadmap to reach the 2031-goal and will report on its progress. Elkem is also actively involved in new technology development and industrial partnerships to achieve this ambitious target. It is a prerequisite for Elkem that renewable sources comply with our environmental and social requirements.

LCAs and carbon footprint

Life Cycle Assessments (LCAs) are being performed to quantify the environmental impact of our products. LCAs support us in reducing our environmental footprint even further by providing an accurate overview of the environmental impact of our operations. Furthermore, these assessments increase product transparency to assist our customers in their sustainability transformation. In 2021, Elkem conducted assessments of the environmental impact of our products produced at some of the major plants. These assessments have been undertaken from cradle to gate, i.e. covering the manufacturing process of raw materials until the products reach our plant's gates, with the assistance of a third party. Elkem will continue to perform LCAs on major product groups in 2022.

Calculation methodology

Elkem reports the company's emissions according to the GHG Protocol.

1,76 million tonnes of the direct CO_2-emissions from our production comes from the smelting process, where carbon (C) reacts with oxygen in quartz to produce silicon/ferrosilicon. As this cannot be measured directly, emissions are calculated based on third party certificates of carbon content (TC) in raw materials (coke and coal). CO_2 numbers from other sources, including heating and fuel, are based on standard conversion factors in accordance with the EU Emissions Trading Systems (EU ETS) Guidelines.

The electricity emission factors used in the calculation are provided by CEMAsys, a specialised consultancy firm, and are based on national gross electricity production mixes from the International Energy Agency's statistics developed for 2020. ↗

KPIs

	Metric	2019	2020	2021	% change 2020 - 2021
Direct - Scope 1 emissions	Mill tonnes	2.15	2.39	**2.52**	Up 5.5%
Indirect, electricity use - Scope 2 emissions, location based	Mill tonnes	0.872	0.906	**0.901**	Down 0.5%
Indirect, electricity use - Scope 2 emissions, market based	Mill tonnes	2.24	2.75	**2.83**	Up 3%
Indirect, other emissions - Scope 3 emissions	Mill tonnes	N/A	7.0	**8.35**	Up 19%
Bioshare, Norway	%	18%	20%	**21%**	Up 1%
Bioshare, global	%	17%	19%	**22%**	Up 3%

The colour indicates a positive or negative development year on year.

Environmental Other emissions to air

Elkem's main emissions to air are NOx, SO_2 and dust, in addition to CO_2. These emissions are mainly generated during the carbon calcining process, the silicon/ ferrosilicon smelting process and the upstream silicone-based production process.

Key events 2021

- → Overall increase in total emissions, but wide difference between plants
- → NOx: Total emissions in company went up, but Norwegian smelters continue to reduce the emissions

Targets

- → SO_2 emissions: Reduction of 3000 tonnes
- → Dust: 30% reduction by 2025

Key risks

- × Increase in emissions
- × Changes in regulatory conditions
- × No technology development to support cuts in emissions

Key opportunities

- → Research and development to reduce emissions
- → Strong environmental reporting and management of deviations

Commitment

Elkem is committed to controlling and reducing the environmental impact of our production activities to ensure a responsible environmental footprint.

Policies

- → The Elkem general policy
- → EHS policy

Elkem's corporate policies ↗

Emission to air are inherent to many of Elkem's main production processes and are closely monitored to ensure compliance with public permits. A total of 17 parameters concerning emission to air are reported by applicable sites quarterly to corporate EHS. Variations in the emission are mainly tied to changes in production volume as they are inherent to the production process, but they can also be affected by the quality of raw materials, the process control and investment in filter or scrubber systems.

NOx

Nitrogen oxides (NOx) are generated in Elkem's high temperature smelting and calcining processes and can be harmful to ecosystems and vegetation, as well as human health. Elkem has successfully invested substantial funds in R&D and furnace upgrade to reduce NOx emission from Silicon smelting furnaces and will continue to do so going forward. The 2021 NOx emission numbers show a total increase compared to 2020. This is related to increased emissions from furnaces outside of Norway that have not yet been rebuilt for NOx reduction. The Norwegian NOx emissions continue to see a reduction in 2021.

SO_2

Sulphur dioxide (SO_2) is generated when using carbon materials in the smelting process and when calcining coal and coke in the carbon products process. SO_2 emissions can have a negative effect on both plant and animal life, as well as human health. SO_2 emissions can be reduced through the use of carbon materials with low sulfur content, or by off-gas treatment. From 2020, there was an increase in SO2 emissions globally by 5%. The increase was mainly the effect of higher sulfur content in raw materials due to low availability of low sulfur coal and coke.

Target: Reduction of 3000 tonnes of SO_2 emissions.

Dust

Dust is a major challenge in the production of both silicon and carbon products. It is not only a pollutant to the external environment, but also a working environment health challenge. For both areas the main focus is to reduce the generation of dust in different production processes and increase the collection and filtering of dust that is generated so it does not escape out into the working environment. Extremely high temperatures and ultra-fine particles that disperse very quickly make it especially difficult to capture dust generated in some of the production processes.

Elkem allocates significant resources to combat dust and has a longterm ambition of reducing levels of dust in the working environment to levels where exposure is acceptable without the use of respiratory protection.

For external emissions of the dust the goal is a reduction of dust emissions by 30% by 2025 compared to 2015. Unfortunately dust emissions saw an increase of 8.5% in 2021 showing improvement efforts have stagnated. The efforts need renewed focus to meet our 2025 target.

Target: 30% reduction by 2025, baseline year 2015. The dust emissions in 2015 was 1,970 tonnes.

KPIs

	Metric	2019	2020	2021	% chav nge 2020 - 2021
NOx - Norway	Tonnes	5 462	4 450	**4 332**	Down 3%
- Global		6 718	6 610	**8 932**	Up 35%
SO_2	Tonnes	7 280	6 880	**7 280**	Up 6%
Dust	Tonnes	1 200	1 270	**1 379**	Up 8.5%

The colour indicates a positive or negative development year on year.

Energy efficiency and sustainable sourcing of energy is of utmost importance to ensure security of supply, while at the same time reducing Elkem's global greenhouse gas footprint.

Key events 2021

- The completion and commissioning of the Salten energy recovery plant, producing ca. 270 GWh/year from waste heat More information found here ↗
- Energy recovery rate rose to 14%
- Approval and project start of the Phoenix project in China that will give a substantial reduction in energy intensity for the production of Silox

Targets

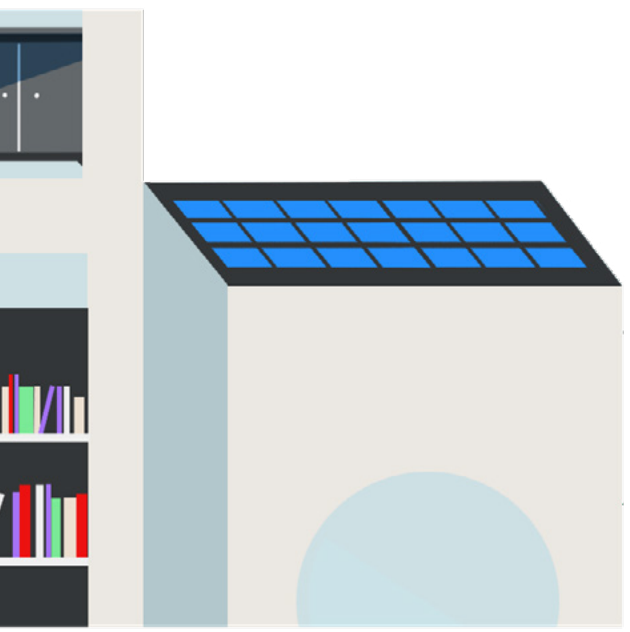
- Energy recovery increase year on year
- Energy intensity improvements on main products
- Improved energy efficiency in facilities and equipment

Key risks

× Changing regulatory framework, permits and requirements

Key opportunities

- High percentage (more than 80%) of renewable energy use
- Public grants for implementation of some energy efficiency measures
- Continued roll out of renewable energy in China and Europe



Commitment

Contributing to the green transition by providing products with low carbon footprint, achieved by reducing energy consumption and increasing share of renewable power.

Policies

Elkem uses Energy Management system at relevant sites. Our General Policy mandates minimisation of environmental impact.

Elkem's corporate policies ↗

Parts of Elkem's value chain are highly energy intensive, with silicon, ferrosilicon and foundry alloys being produced in high temperature electric arc furnaces. Elkem consumes around 6.5 TWh of electricity per year. In 2021, about 84% of this electricity was produced from renewable sources. As the percentage is already very high Elkem does not have quantitative targets to further increase it. We do however expect the availability of renewable energy in China particularly to increase substantially in the coming years enabling us to move more of our current Chinese power base to renewable solutions as they become available, and thereby increasing the total renewable percentage.

Elkem's three main targets for energy are improving the energy efficiency of existing facilities and equipment, reducing the energy intensity of main products and increasing energy recovery from processes that generate surplus heat. Elkem was an industrial pioneer in the utilisation of waste heat, with the first energy recovery system on a silicon smelting furnace being installed already in the 1970s. Recovered heat from smelting furnaces can be utilised as hot water for district heating, steam for other production processes and to generate new electricity. Electricity is sold back to the grid while hot water and steam are used both internally and externally to supply other companies and communities in the vicinity of each plant.

Our commitment to improving our energy footprint is part of our general commitment to minimise our environmental footprint as stated in our General Policy. Our EHS management system requires all units to implement energy management and report on consumption, recycling and deviations while working actively towards our targets. At corporate level we also have an environmental manager and a senior corporate energy specialist coordinating improvementefforts.

Environmental certification is part of Elkem's efforts with energy management. All applicable sites are ISO14001 certified either individually or with umbrella certification and ISO50001 certification is under evaluation for sites with the highest energy consumption. All environmental deviations and environmental indicators including those that are energy related are registered and followed up in our reporting and deviation management system Synergi.

Energy consumption

Total gross electricity consumption in Elkem in 2021 was 6,536 GWh, up from 6,400 GWh in 2020. Most of this change is related to increased production, due to the general global market situation for Elkem's main products. About 84% of the total gross electricity consumption is based on renewable power production. Except for one smelter in China, all smelting furnaces in Elkem run on renewable electrical energy. In addition to electrical energy, Elkem also consumes approximately 1.2 TWh of other types of energy for internal vehicle operation and heating/cooling of facilities and processes. Most of this is fossil-based energy.

Elkem does not have an overall target to reduce it's total energy consumption as it has a growth strategy focused on increasing the production and availability of materials that are essential for the green transition and thereby essential for our customers ability to reduce their energy consumption. Our targets focus on using our energy base as efficiently as possibleand thereby reducing the energy intensity of our products.

Energy recovery

Elkem has a long-term strategy to increase energy recovery year on year as part of its climate programme. Most of Elkem's major production sites have production processes that generate surplus heat with high enough temperatures to be recovered. This can be used to

Environmental Energy managment

generate new electricity for the grid and steam or hot water for internal or external use in production or as district heating. The potential for energy recovery has been mapped at all applicable sites and energy recovery has already been implemented including large offgas boilers at 4 smelters generating new electricity and steam. The latest addition came online at the Elkem Salten plant in 2021 increasing the total recovery capacity with 270 GWh annually of electrical energy, equal to the consumption of more than 15 000 Norwegian households.

Globally, a total of 909 GWh heat and electricity was recovered from our plants in 2021, equal to about 56 000 Norwegian households annual electricity consumption. This represents 14% of total energy consumption, an increase from 11% in 2020.

Energy efficiency

As part of their energy management efforts Elkem sites are required to have updated energy inventories showing specific consumption and the potential for improving efficiency and thereby reducing consumption and saving cost. One example of this is replacing old, inefficient electrical motors with new motors with advanced digital energy control.

Other examples of important projects to improve energy efficiency can be found at Elkem Xinghuo where old inefficient coal boilers used to generate steam for the production process are being replaced with new co-generation technology that will produce both steam and electricity with a substantially lower consumption of coal. The second project is a major expansion of silox capacity with significantly lower energy intensity.

KPIs

	Metric	2019	2020	**2021**	% change 2020 - 2021
Energy consumption - electricity	GWh	6 010	6 399	**6 536**	Up 2%
Consumption of purchased or acquired electricity, renewable	GWh	4 847	5 153	**5 488**	Up 6.5%
Consumption of purchased or acquired electricity, non-renewable	GWh	1 163	1 246	**1 047**	Down 16%
Renewable share of electricity consumption	%	83%	80,5%	**84%**	Up 3.5%
Energy recovery	GWh	698	711	**909**	Up 28%
Energy recovery of total consumption	%	12%	11%	**14%**	Up 3%
Consumption of fuel (excluding feedstock) non-renewable	GWh	1,39	0,32	**44**	The large change in number is probably due to improved data gathering.
Consumption of fuel (excluding feedstock) renewable	MWh	0	0	**0**	
Consumption of purchased or acquired heat	MWh	0	0	**0**	
Consumption of purchased or required steam, renewable	MWh	0	0	**0**	
Consumption of purchased or required steam, non-renewable	MWh	48 936	54 000	**58 750**	Up 8.8%
Total energy consumption	GWh	7 457	6 773	**7 023**	Up 3.7%

The colour indicates a positive or negative development year on year.

Elkem's environmental policy is to minimise the environmental impact of its production. As the production requires vast quantities of virgin raw materials transported over long distances it is of the upmost importance to fully utilise and not waste any of these materials. In addition, Elkem's business system builds on a zero-waste philosophy focusing on the reduction of all kinds of waste throughout the value chain with a high focus on the efficient utilisation of all resources, reduction of waste generation, and on reuse, recycling or sales of residual waste.

Key events 2021

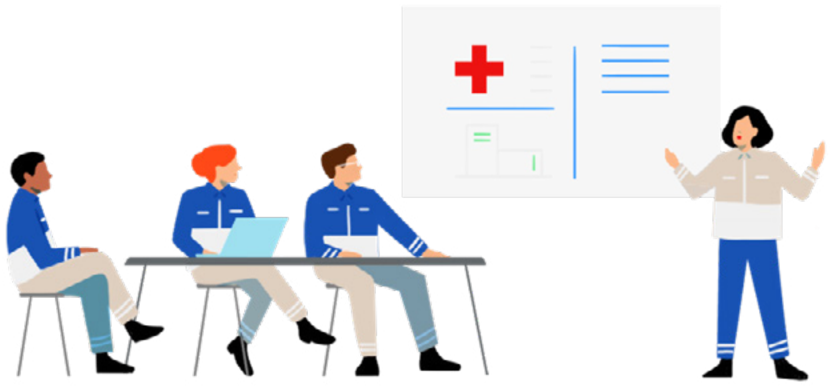
→ 70% of process waste generated in 2021 was either reused or recycled
→ Circularity was introduced as one of three key pillars in the climate roadmap, see page 78 ↗

Key risks

× Cost risk: Increased cost of hazardous waste handling storage and disposal with tightening local legislation
× Restrictions in use of biobased sources

Key opportunities

→ Cost / profit opportunity with less raw material cost and more sellable products
→ Climate opportunity with less raw material transportation and increased circularity



Commitment

All physical waste streams have value, and it is our goal to realise that value and avoid disposal or destruction.

To enable circular economies, in our operations and with partners.

Policies

→ Elkem's General policy
→ EHS policy

Elkem's corporate policies ↗

Elkem's value chain includes numerous process flows, including mining, high-temperature calcining, high-temperature smelting, and chemical processing.

Major waste streams from our process flows are:
→ Tailings and off-spec from mining activities
→ Degraded raw materials and off-spec from calsining and smelting
→ Spent synthesis mass, filtration cakes and spent solvents from chemical processing.
→ Dust and sludges from air and water treatment facilities
→ Dirty packaging.

Management and utilisation:
Several processes have been put in place to reduce waste. The focus is mainly on process improvements to avoid generating waste and to reduce consumption of raw materials and intermediates in the different processes, in addition to reuse and recycling:
→ Reduce waste generation
→ Reuse and recycle (spent mass neutralisation and packaging)
→ Incineration with and without energy recovery.

Any residual waste left after other efforts is disposed of in accordance with local regulations, including limited landfilling in approved landfills. 70% of processed waste generated in 2021 was either reused or recycled.

The value chain for Elkem's products consists of *four main types of production*, each with specific potential waste streams:

Quartz is found both as rock formations in mountain seams and as stones in prehistoric riverbeds. The extraction process includes the use of explosives for mountain seam extraction or diggers to remove topsoil for riverbed extraction. Quartz is then further processed with washing, crushing and sizing. No hazardous chemicals are used in the process. Main waste streams from the process are tailings from the extraction or washing and off-spec (quality or size) from crushing and sizing. Most of the waste streams are utilised to restore open-pit mines or sold as by-products (sands and gravels to the construction industry), while some are landfilled in connection with the restoration of mining sites. Elkem is also developing alternative usages for sands in agriculture and sports.

Waste in connection with shipment: It is usually in bulk with no specific packaging.

Hazard classification: As quartz is a naturally occurring mineral there are no hazardous wastes in the process.

Carbon production consists of high-temperature treatment of anthracite and petroleum coke. And the mixing of these with binders creates different types of paste used for electrodes, fill materials and additives in the metallurgical smelting industry. Major waste streams are degraded raw materials and off-spec production. Most of this can be reprocessed safely back into new batches of product. The remaining waste is delivered to approved suppliers for hazardous waste treatment. New, non-hazardous (green) binders are under development to reduce the use of Coal Tar Pitch High Temperature (CTPHT).

Waste in connection with shipment: The primary raw materials are received in bulk, eliminating packaging. Finished products are delivered to customers in big-bags or on pallets, giving customers a potential source of waste. However, the packaging materials are of good enough quality and can be reused multiple times.

Hazard classification: Degraded raw materials and off-spec production can contain binders consisting of CTPHT which is listed as a substance of very high concern.

Silicon smelting consists of a high-temperature chemical reaction that transforms quartz and carbon (coal, charcoal, or wood chips) into silicon. In addition, alloying, crushing, and sizing operations are used to tailor the product to customer needs in the electronics, foundry, and chemical industries.

Major waste streams are degraded raw materials, slag from smelting, particles in off-gas emissions and fines generated during crushing and sizing operations. In the early 1970s, Elkem pioneered off-gas capture and utilisation by developing necessary bag filter technology to capture off-gas from smelting furnaces and other technologies to turn it into a valuable product used in hundreds of products today. This technology turns over 150,000 tonnes of waste into products every year.

The other waste streams have historically been sold as low-value off-grade or landfilled on site. Teams of dedicated professionals have worked on increasing the utilisation of these streams for many years now treating them as valuable raw materials that can either be re-introduced to Elkem's different production processes or sold as value added products to customers. As a result of this work Elkem harvests more than 100,000 tonnes of process products every year, reducing costs at our plants and generating new solutions for our customers.

Waste in connection with shipment: Except for charcoal, which is supplied in big-bags and alloying materials which are often shipped in smaller containers, most raw materials are supplied in bulk reducing the need for packaging. Finished products are also shipped either in bulk or in big-bags on pallets that can be reused.

Hazard classification: None of the major waste streams are defined as hazardous. Some alloying materials and chemicals used to process silicon after smelting are hazardous, but do not represent major waste streams. These are always delivered to certified third party suppliers for disposal.

Silicone formulation consists of many different chemical processes and reactions that result in specialty products closely tailored to customer needs. A number of different waste streams, both hazardous and non-hazardous are generated throughout and between the different production processes. Main waste streams include acid water, used solvents, hydrolysis, sludge and waste masses. Waste reduction is included in discussion on annual objectives and improvement plans conducted by the production teams and our research and innovation departments.

Waste in connection with shipment: Substantial amounts of packaging is needed for raw materials, intermediates, and finished products. Waste reduction efforts focus on reuse (IBCs, pallets and drums) and recycling.

Hazard classification: A large part of the waste generated during the production processes is hazardous waste. All hazardous waste is either treated on-site (incineration, neutralisation, reuse) or sent to certified service providers for destruction.

Generic waste streams: Elkem also has generic waste streams such as used oil from vehicles and equipment, and packaging materials from sourced goods. Each site has dedicated systems to sort waste on site and deliver waste to approved service providers that will recycle or re-use it whenever possible.

KPIs

	Metric	2019	2020	2021	% change 2020 - 2021	Comment
Total waste generated	**Tonnes**	**-**	**356 156**	**397 247**	**Up 12%**	
Non-hazardous waste to landfill	Tonnes	-	48 077	**58 465**	Up 22%	Includes both onsite and offsite landfills
Hazardous waste to landfill	Tonnes	-	6 031	**5 200**	Down 14%	Delivered to approved sites
Non-hazardous waste to destruction	Tonnes	-	2 399	**15 660**	**	Includes incineration both with and without energy recovery
Hazardous waste to destruction	Tonnes	-	62 004	**38 791**	Down 37%	Includes incineration both with and without energy recovery
Total waste directed to disposal	**Tonnes**	**-**	**118 544**	**118 116**	**Down 0.3%**	**30% of total waste generated**
Byproducts to recycling/sale ex. microsilica	Tonnes	-	94 690	**137 998**	Up 46%	Raw materials, slag and production fines
Oils and chemicals to recycling	Tonnes	-	1 945	**69**	**	
Scrap, packaging, etc. to recycling	Tonnes	-	4 687	**4 491**	Down 4%	
Microsilica	Tonnes	-	136 322	**136 573**		Off-gas fume processed to sales product
Total waste diverted from disposal (reused or recycled)	**Tonnes**	**-**	**237 645**	**279 131**	**Up 17%**	**70% of total waste generated**
Mining activities*	Tonnes	-	**308 263**	**320 687**	**Up 4%**	**Tailings and crushing residue (natural rock without chemical processing) from mining.**

The colour indicates a positive or negative development year on year.

**All of the waste in the mining activities was returned to the mining sites for further use in mining activities or as part of our programme to refurbish mining site for return to farming or to their natural state.*

*** The major changes in number is due to changes in classification as the reporting structure in Elkem is improving. We continue to work internally to improve the quality of the data.*

How does Elkem Silicones Division tackle the climate change down the value chain? Find out more here

Environmental Water management

Water represents a critical input in many of Elkem's main production processes. Elkem is also indirectly dependent on water as more of 80% of its electricity is hydro-power. It is therefore of the utmost importance to ensure that our water footprint is sustainable. Water related challenges vary strongly across Elkem's value chain and are mainly centered around preventing hazardous discharge.

Key events 2021

- Elkem disclosed its CDP Water rating for the first time. Received a B- rating
- Elkem did not have any significant environmental water spills

Targets

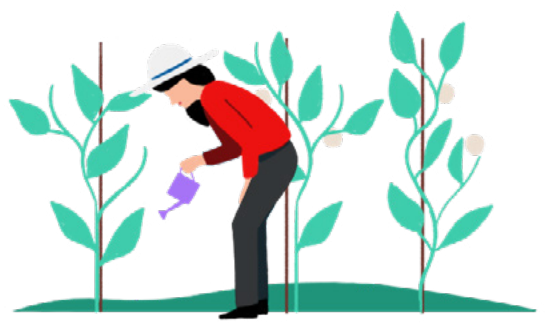
- Full water discharge permit compliance
- Zero spills of D4/D5
- New water consumption targets will be announced in 2022

Key risks

- × Water availability
- × Water quality (contamination and discharge)
- × Water-related regulatory framework and permits
- × Stakeholder conflict
- × Biodiversity and ecosystems

Key opportunities

- Strong environmental management systems
- Improvements of water handling particularly the production expansion project at the Xinghou plant in China



Commitment

Elkem is committed to efficient and strong management of water resources, focusing on sustainable production and emission and discharge control. In addition, Elkem is committed to full regulatory compliance in all areas we operate.

Policies

- EHS policy
- General policy

Elkem's corporate policies ↗

Water consumption and scarcity
Elkem acknowledges the importance of stewarding water as a shared resource. Thus, we have implemented programmes to monitor and reduce water withdrawal, consumption, and discharge.

The primary utilisation of freshwater is split into four areas:

- Water as a raw material for production
- Water used to cool production equipment and products
- Water used for cleaning, and
- Water used for emergency preparedness.

The first two represent the majority of all water usagenand require good quality to avoid product contamination, equipment corrosion and clogging, and contamination of water infrastructure.

Water consumption (discharge and withdrawals) are monitored depending on availability and source and reported to corporate every quarter. Some water withdrawals are measured directly with in-line water meters for continuous measurement, while others are calculated by capacity reflecting actual operational time. Figures on water withdrawals in areas with water scarcity are generally controlled by third party as water is purchased by an external supplier.

Discharge volumes of process water are reported quarterly to corporate management. Discharge of cooling water, returned to the source of extraction at similar quality as the raw water extracted, is not monitored directly as the volume and quality equals withdrawn water. The cooling water is only subject to heat exchange and most of the cooling systems are closed avoiding extensive evaporation. Loss of cooling water in open cooling towers is not measured.

Many of Elkem's production sites are subject to regulations requiring permits for discharge to water. Specific parameters are included in each plant's permit and reported minimum annually. A total of 17 water discharge parameters are also measured or calculated and reported quarterly to corporate from applicable plants.

Almost all of Elkem's production units are located in areas with ample access to water and no significant water stress issues. This is not only important for our production processes, but also for our electricity base which is mainly based on hydropower. A small number of sites are located in areas with long-term or periodic water scarcity (north-east China, South Africa, India), but not water stress. In these areas, Elkem's water withdrawals are low due to the nature of the actual production. Water management measures have been implemented in all areas including systematic risk assessments (including those done in connection with TCFD), and measures to limit withdrawal.

All sites have readily available potable water free of charge and unlimited for all employees and contractors working on site. Sanitary facilities, including toilets and hand/face washing facilities, are also available across all sites. In addition, showers and changing rooms are available across all sites where employees need to shower after work. Working uniforms for this type of work are also provided and cleaned by the company free of charge.

Indirect use in the value chain outside of Elkem has not yet been fully evaluated except discussions around water availability for hydroelectric power that is deemed critical as an energy source for most of Elkem's smelters.

Water management
While most water consumption issues represent low risk as production sites with high consumption are

Environmental Water management

located in areas with ample water supply, environmental issues connected to water discharge are more critical. Most of our major production sites are located close to large bodies of water (both fresh and saltwater basins) where uncontrolled discharge could have lasting negative environmental impact. Water management is therefor also focused on fully understanding the environmental effect of all water discharges in connection with our production and ensuring systems are in place for effective water monitoring and treatment to ensure compliance with public discharge permits and improvement targets to reduce discharge of harmful substances.

Enablers to meet these strategic targets, specifically for water-related issues, are:

- → Substitution of raw materials
- → Good housekeeping practices
- → Development of new processes and production technology
- → An advanced control programme, including environmental monitoring
- → Wastewater treatment and reduction by recycling or reuse
- → Transparency (CDP Water).

Discharge to water and water treatment

Many of Elkem's production sites are subject to regulations requiring permits for discharge to water. Specific parameters are included in each plant's permit and reported minimum annually. A total of 17 water discharge parameters are measured or calculated and reported quarterly to corporate EHS from applicable plants.

The three most critical discharges to water are organic substances that can affect oxygen concentration in water (Chemical Oxygen Demand), Silicone Cyclics (D4, D5 and D6) and Polycyclic aromatic hydrocarbon (PAH). The two first are an inherent part of upstream and intermediate silicones production while the third is found in the carbon paste production.

Chemical oxygen demand (COD) indicates the amount of oxygen consumed by reactions in a measured solution, which is used to quantify the number of organics in the water. The potential impact of higher COD levels in water is related to reduced levels of dissolved oxygen (DO). A reduction of DO can lead to anaerobic conditions, which is harmful to fish and biota. Therefore, compliance is ensured through extensive monitoring to minimize the generation of organic waste in production processes, infrastructure maintenance to prevent leakage from production units and pipelines and optimal operations of on-site water treatment to ensure purification before discharge.

D4, D5 and D6 are important intermediates in the production of Silicones and have been defined in the EU as Substances of Very High Concern (SVHC). D4 is categorised as Persistent, Bioaccumulative and Toxic (PBT) and D5 and D6 are categorised as very Persistent, very Bioaccumulative (vPvB) substances. Internal spills may cause adverse environmental effects if they enter sewage systems that cannot treat and remove D4/D5 residues, but the main concern is not in our own production. The main concern is residual amounts that may remain in our customer's consumer wash-off products and enter sewage systems during final use. This may adversely affect the marine environments because of low biodegradability and the risk of bioaccumulation. The compounds are, however, easily degraded by photooxidation.

Elkem's strategy to reduce the risk of harm with D4/D5/D6 is threefold. The first part involves a high focus on process control and on avoiding spills and leakages in our own production processes. The second part is dedicated R&D efforts together with our customers to reduce residual D4/D5/D6 in their products. The third part includes substantial investments in China, both in upstream and downstream production, to replace cyclic materials such as D4, D5, and D6 with linear materials.

PAH discharges originate when coal-tar pitch is used as a binder in the production of carbon products including smelting furnace electrodes which is one of the main products in Elkem Carbon Solutions. PAH is typically bound to particles and not easily biologically available, but it is still strictly regulated as it is defined as SVHC by the EU. PAHs have moderate to high acute toxicity to aquatic life and birds and can have adverse long-term effects including tumours, reproduction, development, and immunity. Compliance with discharge permits is ensured through process control and extensive water treatment on-site to limit the amount of PAH in discharges to water. Elkem has also invested substantial funds in R&D activities and holds a leading position in the development of alternative binders without PAH.

For more information about how Elkem handles SVCH, see the product governance chapter

Performance in 2021

There were no significant spills into water in 2021, defined as those that have a lasting environmental impact, or significant environmental incidents.

Improvement plan launched in 2021	Status 2022
Strengthen transparency by adoption to CDP Water.	Disclosed with B- rating.
Improve descriptions of water risk assessments, measures, and control programmes.	In 2021, Elkem disclosed comprehensive data on the groups water management according to the CDP Water reporting regime. This include figures on annual water withdrawal, consumption and discharges, including business-related water risks.
Improve reporting on run off water from plant areas.	New targets on water consumption will be disclosed in 2022.

KPIs

	Metric	2019	2020	2021
Withdrawal				
Total freshwater withdrawal	Megaliters	-	86 900	**85 654**
Fresh surface water, including rainwater, water from wetlands, rivers, and lakes	Megaliters	-	46 644	**46 698**
Groundwater - renewable	Megaliters	-	613	**581**
Third party sources	Megaliters	-	39 913	**38 391**
Discharge				
Discharge of cooling water	Megaliters	-	59 000	**52 925**
Discharge of process water	Megaliters	-	16 500	**7 020**
Fresh surface water	Megaliters	-	5 000	**4 936**
Brackish surface water/seawater	Megaliters	-	43 000	**54 883**
Third-party destinations	Megaliters	-	11 000	**126**
COD flow	Thousand kg	-	263	**202**
Total water discharge	Megaliters	-	75 500	**59 945**
Total water consumption	Megaliters	-	30 000	**25 709**

Social

Safe operations are always our first priority. We believe that all incidents can and should be prevented, and a zero-harm philosophy guides our everyday work. We consider a skilled, engaged, and diverse workforce the key to our continued success.

Today's operations are built on operational excellence and continuous improvement and development. Elkem's global team of more than 7000 people have a shared commitment to our stakeholders: to deliver our and your potential. Our employees are our most valuable resource. As such, Elkem takes responsibility for all activities on Elkem's properties and is committed to ensuring that employees and contractors working on Elkem sites can do so without being harmed. Elkem is also committed to influence our suppliers and business partners.

Overall, the total number of injuries went up in 2021, and we are not satisfied with that. This just shows that our health and safety work can never lose focus.

The on-going Covid-19 pandemic has shown us the differences in social disparity between different countries and continents. At Elkem, we believe a sustainable future depends on our ability to reduce disparities and create social prosperity.

Elkem is committed to build a culture that reduces inequality and respects cultural differences. Therefore, providing a safe and healthy work environment where employees are safeguarded is a key priority. In addition, it is important that individual involvement is promoted. As part of our commitment to a safe work environment, Elkem also considers the protection and promotion of human rights, workers' rights, decent living wages, and equal opportunities vital to our operations.

The material topics that Elkem has an impact on and is impacted by:

→ Health and safety
→ Human rights

Key highlights

→ Launching the Elkem people policy
→ Launching the human rights eLearning course
→ No high consequence injuries

8 DECENT WORK AND ECONOMIC GROWTH

78%
had development discussions

25%
female share

3.7
total recordable injury rate

Social Health and safety

A robust health and safety culture is the essence of our licence to operate. Our environment, health and safety (EHS) efforts are based on a zero-harm philosophy and our EHS management system is implemented to work systematically towards this goal. Even though the number of recordable injuries and the total recordable injury rate (TRIR) increased from 2020 to 2021, there were no fatalities and no high consequence injuries.

Key events 2021

→ Total recordable injury rate, employees: 3.7
→ Total recordable injury rate, contractors: 3.5
→ Zero high - consequence injuries

Targets

→ Zero recordable injuries – employees and contractors
→ Zero cases of serious occupational illness

Key risk

× Major risks related to Elkem's production and processes include fire, explosion, toxic chemical exposure, and contact with heavy industrial vehicles and equipment.

Comprehensive risk assessment and mitigation is done for all processes and work operations throughout Elkem with broad participation of employees at all levels. Management of Change and routine review of assessments and measures are an integrated part of Elkem's risk management.

Commitment

Elkem is committed to a 100% safe workplace with zero-harm and zero injuries. Our commitment to EHS covers all employees and contractors.

Policies

→ General policy
→ EHS policy

Elkem's corporate policies ↗

Management approach
Elkem's production activities involve inherent dangers, exposures and emissions that may cause substantial harm as operations include high temperature smelting (>2,000°C) and advanced processing of hazardous chemicals. A zero-harm philosophy and an organisation that is fully committed to giving the health and safety of employees and contractors working on site their first priority is paramount to our success and licence to operate.

Even though Elkem bears the full responsibility for ensuring a safe and healthy workplace we also expect our employees, and contractors working on Elkem property to be fully committed to a safe and healthy workplace and to do their part in achieving this. Elkem works continuously to provide our employees and contractors with the right skills and tools to understand and deal with any risks they may meet in our workplace.

Elkem has developed comprehensive systems for risk management that are across at all Elkem sites worldwide. We show our commitment by:
→ Having clearly defined responsibilities and accepting accountability for Health and Safety at all levels of the organisation
→ Always prioritising individual health and safety when making decisions
→ Setting ambitious goals and striving for continuous improvement in Health and Safety
→ Using the same EHS systems, tools, and methods, and having the same expectations to EHS performance wherever we operate worldwide.

Elkem has a strict reporting regime for injuries and requires all injuries to be reported, investigated, and mitigated independent of severity. Overall, the total number of injuries went up in 2021, and we are not satisfied with that. This just shows that our health and safety work can never lose focus. We observe that there were no high-consequence work-related injuries in 2021, down from 1 in 2020 and 3 in 2019. Total recordable injury rate went up from 2.3 to 3.7, and lost workday rate (LWR) was 1.5, up from 0.8 in 2020. There were no fatalities at the Elkem plants in 2021.

In addition to recordable injuries, a total of 190 high potential work-related incidents (High Risk Incidents) were identified at Elkem sites in 2021, up from 147 in 2020. The main increase in numbers is connected to increased focus on reporting this type of incident at more sites to be able to find causes and implement measures before real harm happens. All recordable injuries and high-potential incidents are fully investigated, and measures are implemented to prevent similar incidents from happening in the future. Detailed information is also shared with other sites to ensure implementation of learnings from the incidents at all applicable Elkem sites.

EHS management system and auditing
Elkem has a comprehensive in-house developed corporate EHS management system called FOKUS (after the Norwegian word for "focus", implying the need for significant attention on the organisation's EHS issues) that applies to all sites and activities worldwide. The system is built around recognised international standards for EHS management and covers relevant EHS topics identified through extensive risk assessment at all sites.

The system's requirements and provisions cover all Elkem employees and all contractors working on Elkem property. In addition, suppliers of raw materials and goods are asked to comply with basic EHS rules and regulations as part of contractual purchasing agreements.

Elkem's EHS management system defines EHS as a line management responsibility where managers at all levels of the organisation are accountable for the EHS performance in their organisations and locations.

To ensure the line management's ability to fulfil this responsibility, each site has an EHS organisation based on the size of the organisation and the level of risk. Elkem's corporate Vice President for EHS is responsible for Elkem's EHS management system. Compliance with the system is internally audited at the site by corporate and divisional resources routinely. The internal corporate EHS audit programme aims to audit all production sites minimum every other year. The target for 2021 was 24 audits including a backlog from 2020 because of Covid-19 travel restrictions. As travel restrictions continued in 2021, only 8 of these were done during the year covering most of Europe. In addition, alternative digital follow-up has been initiated pending travel permission.

Incidents management

General requirements for recording, notification and classification of injuries and incidents are based on criteria from US OSHA which are relevant for our type of industry. Elkem has a comprehensive digital incident management system and expects all employees to report any injuries, incidents, unsafe conditions, deviations and non-compliances. All reports are subject to investigation, mitigation and sharing where appropriate for learning and improvement. Serious incidents are subject to comprehensive root cause analysis. Recordable injuries and high-risk incidents are presented for corporate management on a weekly basis for discussion. In addition to reporting, incident management also includes emergency preparedness. All sites have emergency plans and emergency resources tailored to their level of risk. This varies from simple first aid and fire extinguishing equipment, to fully equipped in-house emergency response teams.

Covid-19 management

From the start of the Covid-19 pandemic Elkem has established Crisis Management Teams at all sites around the world under the coordination of the Corporate Crisis Management team and VP for EHS and CSR. All sites have updated emergency and contingency plans to protect employee health and keep production and business activities running. Sites report weekly infection and quarantine numbers to corporate. Approximately 450 employees have tested positive to Covid-19 from the start in early 2020. With a few exceptions there have been no severe illnesses among employees and no substantial production disruptions.

Health and safety training

Elkem employees receive comprehensive documented EHS training to ensure a complete understanding of hazards in the workplace and how they can avoid harm during daily operations.

Training activities include:

→ Basic training in Elkem's EHS management system FOKUS mandatory for all employees
→ Specific work-related training for each work operation and each tool employees are required to use to ensure they have necessary competence to do the job in a safe and health manner
→ Awareness training to ensure each employee understands how their personal behaviour can affect the health and safety of themselves and others
→ Training needs and completed training activities are reviewed annually through development discussions with each employee and documented at site level.

Contractor health and safety on site

Elkem's zero-harm philosophy applies also to all contractors working on site and contractors are subject to the same health and safety requirements as Elkem employees when working on Elkem property. Contractor companies are screened before being contracted, and contractor employees receive specific EHS training from Elkem before they are allowed to work at Elkem plants.

For more comprehensive information ↗

KPIs

Employees

Work-related injuries	Metric	2019	2020	2021	% change 2020 - 2021
Fatalities	Absolute numbers Rate	1 0.1	0 0	**0 0**	No change
High-consequence work-related injuries	Absolute no. Rate	1 0.1	1 0.1	**0 0**	No change
Lost workday injuries	Absolute no. Rate	14 1.1	10 0.8	**21 1.5**	Rate: Up 88%
Other recordable injuries	Absolute no. Rate	14 1.1	19 1.5	**30 2.2**	Rate: Up 47%
Total recordable injuries	Absolute no. Rate	28 2.2	29 2.3	**51 37**	Rate: Up 61%
Hours worked	Number	13 037 309	13 097 248	**13 706 429**	Up 5%

Contractors

Work-related injuries	Metric	2019	2020	2021	% change 2020 - 2021
Fatalities	Absolute numbers Rate	0 0	0 0	**0 0**	No change
High-consequence work-related injuries	Absolute no. Rate	0 0	0 0	**0 0**	No change
Lost workday injuries	Absolute no. Rate	7 2.0	6 2.2	**7 1.5**	Rate: Down 32% due to more hours worked
Other recordable injuries	Absolute no. Rate	9 2.6	7 2.5	**10 2.1**	Rate: Down 16% due to more hours worked
Total recordable injuries	Absolute no. Rate	16 4.6	13 4.7	**17 3.5**	Rate: Down 26% due to more hours worked
Hours worked	Number		2 761 047	**4 797 159**	Up 74%

The colour indicates a positive or negative development year on year.

2021 employee injury breakdown

→ Zero fatalities and high consequence work-related injuries
→ 21 out of 35 plants with zero lost workday recordable injuries
→ A total of 51 recordable injuries, up from 29 in 2020 - Total recordable injuries include lost workday, medical treatment, and restricted work injuries, where main types of injuries were lacerations, bone fractures, burns and sprains/strains.

Social Human rights

Elkem believes that companies that act responsibly and create value by securing sustainable economic growth will be successful in the long term. A safe and healthy working environment and promotion of labour rights are key priorities. In addition to the growing general acceptance of business' duty to respect human rights, there has been a rise in countries considering and passing human rights laws that regulate business activities. Such laws are found in many countries where Elkem operates, e.g., Canada, France, the Netherlands, Germany, Norway, the United Kingdom, and the United States (California).

Key events 2021

→ Established a cross-functional human rights working group with representatives from Compliance, EHS, ESG Office, HR, Supply Chain, and the labour unions
→ Launched a human rights e-Learning course, available for all employees

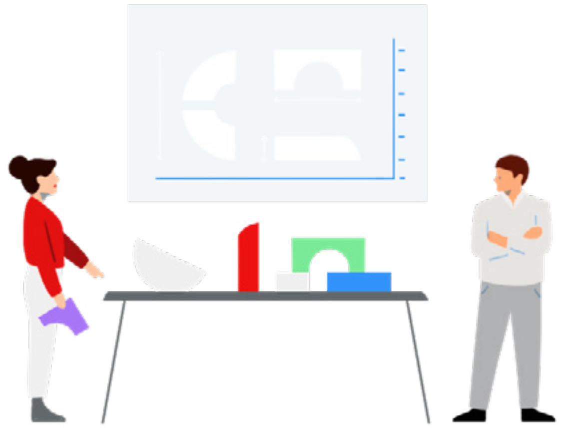
Targets

→ In 2022, we will conduct a company-wide human rights risk and impact assessment with support from external experts
→ We will also promote our newly launched Human Rights eLearning to key employee target groups

Key risk

× The 2022 risk assessment will provide an updated overview of the human rights and labour rights risk picture of Elkem. This will be presented in the ESG report 2022.

Elkem is an important community player in several of the locations where sites and plants are based. Community dialogue helps understand the role the company plays. More information about our community involvement can be found on our website. ↗



Commitment

Elkem is committed to the UN Declaration and International Conventions on Human Rights, the OECD Guidelines for Multinational Enterprises, the ILO Declaration on Fundamental Principles and Rights at Work, ILO's core conventions and relevant local legislations in the countries where we operate. We are a member of the United Nations Global Compact and follow the United Nations Guiding Principles on Business and Human Rights.

Policies

→ Code of conduct
→ Human rights policy
→ Code of conduct for business partners
→ People policy

Elkem's corporate policies ↗

As an international company, Elkem operates in a global market, both as a producer of materials and products and as a buyer of commodities and services. It is important to acknowledge that this global footprint puts us at risk of being complicit in human rights violations.

We have a long history of encouraging and ensuring employee representation, and we have demonstrated a strong EHS focus in all our operations. However, we also have a wide-ranging, multi-tiered supply chain where it is difficult to achieve full transparency on labour conditions. In addition, we operate in countries where human rights are under pressure.

As a company, we cannot resolve all these issues. Still, we recognise our responsibility to identify human rights risks in our value chains and mitigate them to the best of our ability.

Human rights
Respect is one of Elkem's values. The group is fully committed to avoid complicity in human rights abuses, and to respect, protect and promote human rights throughout our operations.

Elkem's Modern Slavery Act statement ↗

In the Elkem-spirit of continuous improvements, we have strengthened our framework to safeguard human rights. In 2021 we established a cross-functional human rights working group with representatives from Compliance, EHS, ESG Office, HR, Supply Chain, and the labour unions.

Elkem recognises that respecting human rights begins with understanding what human rights are and how our business activities may impact them. That is why we also launched a new human rights e-Learning course in 2021. The e-Learning course will be promoted to the broader Elkem organisation in 2022.

As we grow and enter new and challenging markets, we see the need to take a more systematic approach to our human rights strategy. In 2022, we will conduct a company-wide human rights risk- and impact assessment (HRIA) with support from external experts. Based on the HRIA, we will identify Elkem's human rights priorities and launch a human rights action plan.

Labour rights
Elkem acknowledges all employees' right to form and join trade unions of their own choice. We have a long tradition of including and involving employees and their unions and believe this improves decision-making processes.

In 2021 the reported number of employees that are part of collective bargaining agreements are 39%, down from 64%. As this is a major gap, we are looking into the reported data accuracy of previous years and continuously develop and understand the definitions and reporting frames of this topic.

What is important to Elkem is a good and constructive dialogue between the employees and the leadership. Elkem recognises and respects the freedom of association and the right to collective bargaining in accordance with local, national legislation and practices. In countries where the local laws, practice or traditions

Social Human rights

do not support this, Elkem encourage channels and arenas where the employees are informed about the company's status and allowed to get information, raise concerns, and influence decisions affecting them.

The level of trade union coverage varies from country to country. In some countries the operators are organised under one collective bargaining agreement. In other countries there are no unions represented in Elkem's entities. At sites where there are no formalised labour unions, local management is encouraged to set up channels and arenas for collaboration where employees are informed about the company's status and allowed to raise concerns and influence decisions that affect them. The EBS tools and culture supports this as involvement in decisions is part of the management system.

Elkem complies with local statutory requirements regarding freedom of association in all countries where we are present. Pursuant to the Norwegian Companies Act provisions, employees have three representatives and two observers on the board of Elkem ASA. Elkem also has a European Works Council (EWC), which is in accordance with the European Union Directive 2009/38/EC. The meetings take place annually.

Working hours shall be in accordance with local law or agreements. Where the operation of the business makes it necessary to deviate from this, measures shall be taken to secure sufficient time for rest between each working period, and the actual working hours shall be in line with the intentions above.
Employees are entitled to medical treatment covered by the company in the event of sickness or injury resulting directly from their work at Elkem. In the event of work-related disablement or death, employees or their surviving immediate family member(s) will receive insurance payments and/or pension. In addition, employees shall be protected from being dismissed due to pregnancy or responsibility for new-born children, consistent with local customs and laws.

Child and forced labour

Elkem strongly condemns human trafficking as a breach of fundamental human rights. Employment in Elkem shall always be on a voluntary basis and without any form of threats, force, or unlawful recruitment.

Elkem has operations in parts of the world where there is a risk of child labour and forced labour, such as parts of Asia, South America, and Africa. We take this risk seriously, and we will not tolerate the use of child or forced labour in any of our operations and facilities. We expect the suppliers and contractors with whom we do business to uphold the same standards and codify this through our code of conduct for business partners. More information about our sustainable supplier management practices can be found in the supply chain management chapter on page 142. ↗

There were no confirmed incidents of child or forced labour in Elkem in 2021.

The human rights policy protects the rights of the employees and the stakeholders that are specifically vulnerable to our activities. The age limit for working in Elkem is 18 years, with the exception of vacation substitutes and vocational students, where the limit is 16 years. Vacation substitutes under 18 years old and students are only allowed to do light and simple work that is deemed safe and does not conflict with school participation. Elkem does not allow children below the age of 16 to be employed in our operations. Apprenticeships or other programmes are accepted for children under 16, but only if this enhances the child's education.

Some supplier production sites or some of our own plants are considered high-risk work and must be done only by trained and qualified people. Several measures are in place to ensure compliance with these procedures and our human rights policy. Elkem has strict routines to ensure that all official permits and registrations are in accordance with local law, and that all employees have written employment contracts or other documentation in line with local legal requirements, insurance coverage and correct tax payments. EHS audits are regularly conducted at all plants, with specific focus on these topics for plants in high-risk areas.

KPIs

	Metric	2019	2020	2021	Comment
Employees covered by collective bargaining agreements	%	61%	64%	**39%**	Se comment on page 123
Human rights impact assessment to identify operations and suppliers at significant risk for incidents of child and forced labour	Status			**Decided**	Will be conducted in 2022
Reported confirmed cases of child or forced labour	Number	0	0	**0**	

At Elkem, we believe that our people are our most valuable asset. The collective sum of the individual differences, life experiences, knowledge, inventiveness, self-expression, unique capabilities, and talent that our employees invest in their work not only represents a significant part of our culture, but also our reputation and company's achievements. By embracing equal opportunities, and a diverse and inclusive company culture, Elkem aims to increase our capabilities within innovation, customer centricity, cultural awareness, and compliance.

Key events 2021

- Appointed a dedicated global DEI resource
- Development of a global DEI strategy for Elkem

Targets

- Kick-off DEI strategy implementation with the corporate management
- Launch awareness training for all employees
- Develop inclusive leadership assessment
- Review of all HR policies & processes in light of DEI

Key risks

- Legal challenges as a result of non-compliance
- Poor attraction & retention of top talent
- Impact of low inclusion on continuous improvement and innovation

Key opportunities

- Attract and retain diverse talent
- Tap into diverse perspectives leading to better continuous improvement and innovation
- Reduce employee turnover costs

Commitment

Elkem is committed to creating equal opportunities for all employees working in a diverse and inclusive environment. We appreciate that every individual is unique and valuable and should be respected for their individual abilities. We have zero tolerance for any form of harassment or discrimination.

Our responsibility to our people, customers, stakeholders, and communities is to accelerate equality for all.

Policies

- Code of conduct
- Speak up policy
- People policy
- Global recruitment procedure

Elkem's corporate policies ↗

Elkem will provide equal employment opportunities and treat all our employees – and job seekers – fairly. All Elkem employees are expected to promote and act in accordance to the Elkem values of respect, involvement, precision, and continuous improvement.

Diversity, equality & inclusion (DEI)
Our DEI vision is to cultivate a diverse, equitable and inclusive workplace where all employees feel engaged, valued and a sense of belonging. Diversity, equality, and inclusion are key pillars in our people strategy. They represent the collective sum of the individual differences, life experiences, knowledge, innovation, and unique capabilities that our employees offer and invest in their work.

Diversity
Diversity is the conscious act of intentionally seeking to employ a workforce that consists of individuals with a range of characteristics such as: gender, religion, race, national or ethnic origin, cultural background, social group, disability, sexual orientation, marital status, age, and political opinion as outlined in our code of conduct.

Equality
Equality is about creating fair access, opportunity, and advancement for all employees.

Inclusion
Inclusion means inviting and welcoming employee ideas, knowledge, perspectives, approaches and styles into the discussion to leverage continous improvements, innovation and maximise business success.

Promoting diversity, equality, and inclusion are essential in attracting and retaining our talent, increasing profitability, maintaining competitive advantage and sustaining success in Elkem. Our objective is to create a culture of inclusivity where all voices are valued. We know that our company benefits from employees who feel safe to ask questions, challenge the way we do things, are always looking for continuous improvements, actively learn from their successes and failures, and bring diverse perspectives to the table. By creating and sustaining a diverse, equal and inclusive work culture, Elkem aims to increase our ability to provide advanced material solutions shaping a better and more sustainable future for all of our stakeholders.

At Elkem, we believe that integrity is a competitive advantage. We strive to be open, honest and respectful in our relationships with each other. We believe that we all have the right to work in an open and safe environment free from bullying, harassment, and discrimination.

Every year, Elkem delivers mandatory Global Compliance training for all employees. Our code of conduct training includes topics such as reporting, retaliation and discrimination in the workplace. We use our Speak Up whistle blowing channel to ensure everyone has the opportunity to report any misconduct or potential non-compliance. Elkem's grievance mechanism is targeted towards stakeholders who have feedback or concerns related to our plants, projects, or other business activities worldwide. It is a channel to present issues to the leaders of these activities, coordinated by Elkem's ESG office. We believe that our leaders are the drivers of cultural change. Their commitment and role model behaviour is

Social Diversity, equality, and inclusion

key to our success. Elkem has consciously introduced diversity & inclusion into our leadership development program to provide our leaders with the tools and techniques they need to incorporate DEI within their teams and throughout Elkem.

In 2021, Elkem appointed a global DEI Lead. Elkem also established a targeted plan to further support global and local DEI goals to promote diversity, equality, and inclusion.

For more information on our current activities and action plans please see 2021 Activity and reporting duty report (ARP). ↗

Board of directors and management

Elkem's board of directors consists of 11 members from Germany, France, China and Norway. Three out of eight shareholder elected board members are women, per the Norwegian Public Limited Liability Companies Act. Furthermore, one out of the three employee elected representatives, is female. The female share of the board is 36%. One of the eleven board members are in the age group 30–50 years old. The rest of the members are 51 years or older.

The corporate management team of Elkem consists of nine people from France, Norway, and Brazil. The management team consists of eight men and one woman. One of the members is in the age group of 30 to 50 years old and the rest are 51 years or older, and this is the same as in 2020. The female share of management teams are at 30%, an increase from 24% in 2020. As the female share in the company is at 25%, this is a welcoming development. However, there are great differences within the organisation. At some sites women account for over 50% of the site management whilst at other locations, there are no women in the management team.

Age distribution

The age distribution is an indicator of experience and background. The tracking indicates some changes in the demography the last years, where the company now has more younger (<30) and older (>50) employees than previously.

KPIs

	Metric	2019	2020	2021	% change 2020 - 2021
Female share					
Female share in company	%	25%	25%	**25%**	No change
Female share in management	%	23%	24%	**30%**	Up 6%
Female share in leadership programme	%	32%	19%	**N/A**	Not organised due to Covid-19 travel restrictions
Female leaders overall	%	24%	25%	**24%**	Down 1%
Female share in trainee programme	%	-	58%	**43%**	Down 15%
Female share of part time workers	%	-	60%	**45%**	Down 15%
Female share of temporary employees	%	-	18%	**29%**	Up 11%
Female share white collar	%	34%	34%	**36%**	Up 2%
Female share blue collar	%	18%	21%	**17%**	Down 4%
Gender pays differences	Status	N/A	N/A	**Started**	Initial project started, mapping organisation in Iceland and Norway
Parental leave - average women (Norway only)	Weeks		38.7	**38**	Down 0.7 weeks
Parental leave - average men (Norway only)	Weeks		18.5	**16**	Down 2.5 weeks
Age distribution, employees					
< 30 years	%	16%	14%	**16%**	
30-50 years	%	59%	60%	**56%**	
>50 years	%	25%	26%	**28%**	
Age distribution, management teams					
< 30 years	%		3%	**6%**	
30-50 years	%		64%	**60%**	
>50 years	%		33%	**34%**	
Salary: CEO to median employee (NOR) wage	Ratio		11:1	**7:1**	

The colour indicates a positive or negative development year on year.

Elkem published its first equality statement in 2021. The report is available online

Supported by a strong and consistent company culture, Elkem continuously works to be a safe and attractive employer for our current and future employees. Developing the organisation to enable strategy implementation, and systematic competence development and performance management of each employee, are key to ensure the successful and sustainable growth of the company.

Key events 2021

- Launch of Elkem people policy
- Turnover rate: 8.4%
- Employees that has had development discussions: 78%

Target

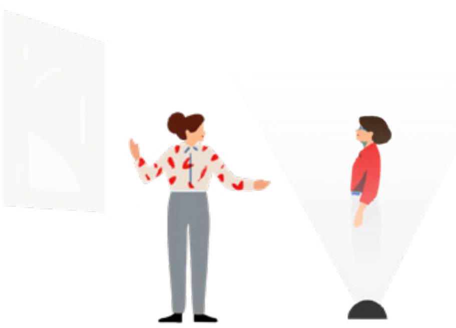
- 100% of employees of all positions and locations shall have an annual development discussion with their leader

Key risks

- × Ability to attract necessary resources – both the competencies and necessary capacity - in the remote locations of the Elkem plants
- × Lack of development opportunities and follow-up (ref. development discussion implementation rate) may result in demotivated employees and a high turnover rate
- × Restrictions on travelling due to the pandemic make it challenging to exchange best practises and create good teamwork

Key opportunities

- As an attractive employer and industry leader worldwide, Elkem can retain and attract highly skilled and motivated employees that support the shared strategic goals
- Global operations offer exciting development opportunities to all employees



Commitment

Elkem is committed to empowering people to become experts in their own responsibility areas through involvement, respect, continuous improvement, and precision.

All contractors are subject to the same safety standards as our own employees and receive training and follow-up to ensure this.

Policies

- Elkem people policy
- Elkem code of conduct

Elkem's corporate policies ↗

Our people are our most important investment. Elkem's human resource strategy, organisation and development are vehicles to develop the culture to leverage the organisation's critical competencies, core values, and behaviour. It is also a vehicle to deliver on the business strategy. Our critical position planning process is designed to identify gaps, future competence and capacity needs and gap closing strategies, including organisation models, to ensure that the necessary capability and capacity are in place when and where we need it.

Elkem's global people policy was launched in 2021 and established principles related to the people processes and the company's obligation to handle employment matters consistently, supporting the employees throughout their employment life cycle with Elkem. The people policy aims to cover key material issues for employees globally.

Elkem business system (EBS) – our common culture

EBS is Elkem's business system and leadership philosophy that carries our common culture, language, and provides working- and continuous improvement methods for all employees. EBS is a key component to achieve operational excellence across of our value chain. Building on our values; respect, involvement, precision, and continuous improvement, EBS is the foundation of Elkem's company culture. At the heart of EBS is the dedication to involve all employees in improvement work and Elkem takes great pride in empowering our employees as experts in their own responsibility areas. We consider delegated and decentralised decision-making to be a strength and key element of our business culture. The EBS principle of empowering people is key to understanding Elkem's view on labour rights and employee involvement. We seek to achieve increased efficiency in the product value chain through the people value chain in a team-based structure with orderly working and wage conditions, providing a wide range of opportunities for personal development.

Developing a shared language and culture takes time. When Elkem establishes or acquires a new organisation, the priority is always to implement our EHS and EBS standards and systems, regardless of the location or previous organisation of the site. Some Elkem sites are at the beginning of this journey, while other entities have come a long way.

Product value chain → World class quality products

↑ Requires ↓

People value chain → World class performers

Social Human development

EBS assessments to promote involvement and continuous improvement includes:

- A corporate EBS team biannually assesses all sites through observations and discussions to evaluate the progression, involvement, and improvements and encourage further development
- The assessment's topics are divided into three main parts: i) Daily operations related to work teams and daily management, 5S visual management and problem-solving, ii) systematic improvements related to flow and control and capability and iii) sponsorship, strategy, learning and competence development
- Across all levels, Elkem's leadership focuses on involvement, knowledge and information sharing and on the management's commitment to empowering their employees through continuous improvement and shared goals and tools.

Over the last years, Elkem has expanded its presence globally, particularly in China. Our previous experience from China shows that cultural and maturity differences have not prevented the implementation and development of EBS. We are continuously hiring and training new local employees and conducting assessments to find the gaps and improvement areas to further develop our organisation.

Every employee shall know their targets and plan together with their leaders what support and resources they need to meet them, to develop further and perform well. All employees are expected to contribute to a performance culture that drives continuous improvement. It shall be safe for all employees to challenge the status quo to drive a culture of innovation. This requires that all employees receive regular constructive feedback on their performance and contribution to the working environment.

At Elkem, this is done through formal and informal channels, starting with the individual's job description and the annual Development Discussion (DD). In the DD, individual targets are agreed upon, performance is discussed, and feedback is given. This is done to support changing work priorities aligned with strategic goals. In addition, and as part of the DD, the leader also receives feedback from the employee to enhance both individual performance and cooperation.

All employees are responsible for their personal and professional development, utilising Elkem's internal and external competency development offering. Elkem is committed to ensure that the entire workforce have access to learning and development opportunities and resources to develop their skills and knowledge to be competent in their roles. Leaders are responsible for supporting all employees to attain, build and demonstrate the Elkem values, skills, and competencies needed to succeed in their roles. The DD is used to agree on a plan for the current competencies required to be successful and prepares employees for the future by ensuring relevant competencies. We encourage and support our employees to acquire relevant and formal education if needed for the current position or develop into other future roles.

Elkem offers a wide range of internal training. The offering is continuously evaluated and further developed. In addition, the increased use of digital channels enables faster and broader roll-out of competency development.

Elkem encourages employees to take on new challenges and job responsibilities to develop themselves and to contribute to the company's culture of sharing and cross-divisional -functional and -geographic learning. Elkem offers good conditions to support employees on such development steps if a change includes a relocation. Elkem's global target is for 100% of employees across all locations and levels to have an annual development discussion with their leader. In 2021, 78% of Elkem employees had a DD, a decrease from 85% in 2020. Achieving 100% during the pandemic has been challenging. Also, when acquiring new plants and entities, the first priority is to ensure the safety of our new colleagues and to start the implementation of EBS.

The Elkem competency development model:

10%

development through classroom/ online based training activities

70%

development through taking input from classroom/online training and putting it into practice as part of the daily work with supervisor, colleagues, mentors, and improvement work in improvement teams

20%

development through taking on new challenges

Flexibility and work-life balance

To reach Elkem's overarching goals, the company needs to develop an organisational culture based on participation, teamwork, and people empowerment. Elkem is committed to providing flexibility in working hours and -location in accordance with local laws and regulations. Such flexibility can be offered by the company at the employee's request, provided that flexible working hours or -location does not in any way prevent or hinder the employee in performing his/her job tasks. Managing professional and personal life can be challenging. Across the whole company, working terms must allow employees to combine working and family life. Elkem recognises that a better work-life balance can improve employee motivation, performance, and productivity, and reduce stress. Therefore, we want to support employees to achieve a better balance between work and their other priorities, such as: dependent care responsibilities, special leave needs, leisure activities, further learning and other interests.

Turnover

Elkem strives to retain existing employees and attract new ones. The turnover rate indicates the attractiveness of Elkem as an employer and how well Elkem manages to keep employees on board. The total turnover rate in the Elkem group was 8,4% in 2021. The female share of new hires was overall 27% and the female share of leavers was 23%, indicating a positive trend for the company, meaning that over time we will increase the female share and diversity in the workforce.

Changes to the organisation, number of people and needed competencies can happen both as increase and reduction. When it is necessary to reduce the workforce, the process shall always comply with relevant legislation and agreements. Furthermore, the management shall involve employees and their representatives early to run a transparent and constructive process, both for the employees who leave the company and those who continue. Therefore, change management is an essential part of leadership development activities in Elkem.

Contractors and temporary hires

All Elkem employees shall have a written employment contract or other written documentation for employment complying with local legislation.This also applies for contractors and temporary hires.

Elkem invests in people and thus aims to offer permanent employment and limit non-regular employment. However, during peak times, contracted and temporary work can be considered for time-limited projects or projects in need of specialised, non-core competencies. Elkem is committed to fair compensation and priority rights to potential permanent employment in such cases.

Contractors are subject to the exact same EHS requirements as our employees, and all contractors receive full training and follow-up to ensure that they work in a safe and healthy environment. The number of contracted employees (non-Elkem employees working full-time for more than three months as a substitute for hired employees) at Elkem was 433 in 2021.

KPIs

	Metric	2019	2020	2021	% change 2020 - 2021
Total employees	Number	6 370	6 856	**7 074**	Up 3%
Turnover rate	%	8%	6%	**8.4%**	Up 2.4%
Female share of new hires	%	30%	26%	**27%**	Up 1%
Female share of leavers	%	17%	23%	**23%**	No change
Blue collar / operators	%	67%	65%	**55%**	
White collar / staff	%	33%	35%	**45%**	
Contractors	Number	882	420	**433**	
Europe	Number	327	115	**159**	
Asia	Number	155	265	**238**	
America	Number	157	40	**36**	
Africa	Number	0	0	**0**	
Temporary hire rate (%) to permanent employment	%	-	6%	**7%**	Up 1%
Part time workers rate (%) to permanent employment	%	-	3%	**6%**	Up 3%
Development discussions	%	65	85	**78**	Down 7%

The colour indicates a positive or negative development year on year.

Governance

Sustainability is central to Elkem's business strategy, and the company works proactively to ensure integrity and responsibility in all operations. Elkem believes that companies that act responsibly and create value by securing production with the lowest possible environmental impact will be successful in the long term.

Elkem is committed to develop its business in accordance with the UN Sustainable Development Goals and the Paris agreement. As a member of the United Nations Global Compact, Elkem aims to ensure that our business is aligned with the ten UN Global Compact principles. Elkem is committed to following the United Nations Guiding Principles on Business and Human Rights.

Elkem's operations affect several stakeholder groups, such as employees, customers, suppliers, and local communities. Elkem works proactively to ensure safe and healthy working conditions and high integrity towards all stakeholder groups. We consider trust and partnerships key to success and long-term value creation. Elkem has implemented policies, procedures, and training to ensure a strong compliance culture across the group to secure good corporate governance. For a complete overview of the governance structure and how the company's ESG work is organised, please see "Sustainability governance" in the introduction chapter.

Elkem seeks to obtain a satisfactory regulatory framework for all its operations. We are committed to do so in accordance with our Code of conduct, with complete transparency and no hidden agenda. Therefore, we participate in relevant industry organisations and take lobby positions when needed. A full list of the organisations we participate in can be found under membership organisations overview here. ↗

The material topics that Elkem has an impact on and is impacted by:

- Product governance, including chemical safety
- Responsible value chain / supply chain management
- Supplying the green transition

Key highlights

- Implementation of the TCFD framework and publishing the first TCFD report
- Significantly strenghtened internal compliance function
- An internal product governance project was launched, aiming to coordinate initiatives and set new targets

Governing tools and policies are available online

How does our commitment to UN Global Compact impact our work? Read more ↗

WE SUPPORT

92%
new suppliers subject to assessment and pre-qualification screening

28 min
average compliance training

96%
employees that have signed the code of conduct

Product stewardship is the responsible and proactive management of health, safety, and environmental aspects of a product throughout its lifecycle. Elkem is in a unique position where it covers the entire value chain from the raw material quartz via metallurgical silicon to specialty silicones. Hence, all aspects of product stewardship apply to the various production steps. Below you can find some key aspects of product governance in Elkem.

Key event 2021

- In 2021 Elkem launched a product governance project to coordinate and communicate the cross-divisional initiatives within the product governance and stewardship

Target

- Identify areas of key priority and set valid KPIs. The KPIs will be developed in 2022

Commitment

Proactive management of use of chemicals and the protection of the environment and the human health are fundamental pre-requisites for conducting our business and securing our license to operate.

Policies

- Product stewardship policy
- Procurement policy
- Responsible sourcing of biocarbon

Elkem's corporate policies ↗

Renewable raw materials and bio-based products
Biocarbon is a strategic raw material for the sustainable production of Elkem's silicon and ferrosilicon products and include wood chips, charcoal, and biocarbon agglomerates. Elkem is committed to sustainable and ethical raw material sourcing in accordance with internationally accepted principles and standards, e.g. FSC (Forrest Stewardship Council) and PEFC (Programme for the Endorsement of Forrest Certification). Elkem's sourcing contracts as well as Elkem's corporate standards comply with the highest level of sustainability and responsible sourcing of natural raw materials.

Mining activities and biodiversity
Elkem has a strong commitment to exclude protected areas from mining activities. Elkem's mining activities are strictly coordinated with the national mining authorities. Since quartz is a common mineral and not of environmental concern, Elkem can search for sourcing of its raw material solely from non-protected areas.

Elkem makes environmental risk and impact assessments part of the mandatory steps when applying for mining permits, including the consultation with biodiversity experts. During mining operations, emissions to water and air are monitored as foreseen, as well as the impact on soil, vegetation, and the landscape. All activities are audited by the national mining authorities. As a mitigation measure, annual provisions are made, earmarked for the restoration of the mine after end activity. Elkem has received awards in Spain even received awards for sustainable development and good environmental practices of its quartz mining activities.

As a member of IMA-Europe (Industrial Minerals Association), Elkem commits to the mining industry's sustainability charter: Biodiversity and Environment | IMA Europe. ↗

Elkem is committed to responsible sourcing of minerals, so as not to support any possible conflict with human rights abuses or environmental degradation. Read our conflict mineral statement here. ↗

Transport safety
The transport of hazardous goods is heavily regulated internationally, e.g. through UN Transport Regulations or the International Maritime Organization (IMO) that result in a number of standards for packed material (IMDG), transport of solid bulk cargoes (IMSBC) and transport of liquids in bulk (IBC).

All transport is provided by professional transport companies that follow these standards and regulations.

At the plant sites, transport of hazardous goods by truck occurs, and strict procedures have been implemented for each hazardous substance to ensure the safe transport, including loading, unloading and handling.

Checklists covering the condition of the vehicles and equipment, as well as speed and alcohol control, are standard routines at plant site. All plants are ISPS ports (International Ship and Port facility Security) with restricted access. All personnel must undergo safety training, and transport companies participate in safety drills with the plant's own fire brigade.

Hazardous substances management
It is Elkem's policy to assess safer alternatives for hazardous substances of concern and promoting its substitution and reduction. The duty to substitute hazardous chemicals is part of the national Labour Law, and it is practised in all our laboratories and plants,

whenever technically possible.
D4, D5, D6 are important intermediates in the production of downstream Silicones. These are classified as Substances of Very High Concern (SVHC) and closely controlled throughout the production, storage, and shipping processes. While a substitution is not possible, production processes are constantly improved to reduce the residual amount in the downstream products.

Coal tar pitch is another SVHC-substance and listed on ECHA's authorisation list. It is an important raw material in the production of Søderberg electrode paste and other pastes. Elkem Carbon has successfully substituted coal tar pitch with non-hazardous and green alternatives for a number of pastes and intends to substitute for Søderberg electrodes, too.

The European chemicals legislation REACH requires suppliers of articles (manufacturers or importers) to inform its European downstream users about the presence of substances of very high concern (SVHC) when their concentration exceeds 0.1% (w/w). Elkem regularly monitors its product portfolio for SVHC substances that are subject to existing or future regulatory restrictions or that are associated with particular concerns. We review our management plans regularly defining the specific risks associated with each identified SVHC substance. We review all possible options to mitigate identified risks including possible substitution where possible, phasing-out any substance posing an unacceptable risk to human health and/or the environment or limiting the exposure of the SVHC substance if substitution is not deemed possible.

In addition to complying with all chemical production regulations, the Silicones division is a signatory of the Responsible Care Global Charter of the International Council of Chemical Associations (ICCA). Through participation in the Responsible Care programme, Elkem is committed to manage chemicals safely throughout the life cycle. This includes both proactively identifying and managing chemical risks and concerns throughout our operations and replacing substances in the portfolio that pose unacceptable risk to human health, safety and environment.

Product safety program

The safety of Elkem's products is ensured by two main pillars, i.e. the chemical safety assessment through the European chemicals legislation REACH and the mandatory safety data sheets (SDS) as a hazard communication tool for our valued customers, as well as our own employees.

Elkem's management commits to a zero-harm policy. This includes detailed standard operating procedures (SOP), the duty to familiarize with relevant safety data sheets, and safe job analyses. Specific databases (Inosa) store the formal requirements and make them traceable. Incident investigation and corrective actions are part of the corporate EHS standard and supported by a dedicated software tool (Synergi). Auditing is an import process in Elkem's safety program and includes both auditing of Elkem's suppliers and contractors as well as internal audits and audits by our customers. This is part of Elkem's ISO 9001 and ISO 14001 certifications.

Chemical safety

Compliance with chemical product regulations include product registrations, product authorisations, safety data sheets and product labels. There are also industry specific regulations that Elkem complies with, for example for products that are in contact with food and water (packaging) or health care (band aid/wound care).

With a portfolio of more than 4,000 different products that are used in a multitude of applications, regulatory and product compliance is key for Elkem. The document management system OSCAR has been implemented in the Silicones division and ensures that compliance, certificates, and regulatory statements are easily available for distribution to customers.

Elkem is committed to comply with international regulatory requirements and provides safety data sheets (SDS) for all products in accordance with UN Globally Harmonized System of Classification and Labelling of Chemicals (GHS). In all markets where Elkem's products are promoted, the products must meet specific requirements and comply with certain technical, regulatory, health and environmental standards.

Key events in 2021 for chemical safety:

- As signatories of the CEFIC improvement plan Elkem Silicones has committed to proactively review and update all its REACH dossiers by 2027
- Elkem Silicones completed all necessary pre-registrations in Turkey under KKDIK regulation by late 2020 and submitted all relevant notifications under UK REACH in October 2021
- Successful submissions and exemptions of several PLC (polymers of low concerns) under Korea-REACH
- Met the EU Poison Center Notifications (PCN) requirements for professional and consumer uses that went into force early 2021
- Supported over 2500 non-standard customer requests in 2021 needing strong PSRA support.

Animal testing policy

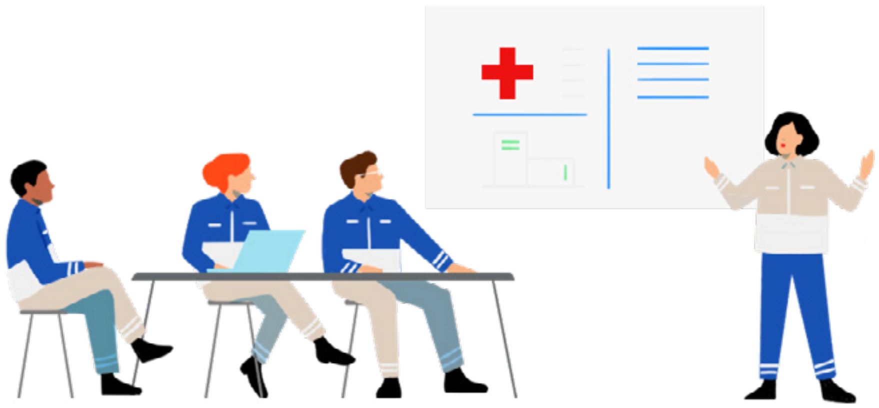
Elkem commits to abstain from animal testing except where legally required. All toxicological necessary vertebrate animal studies conducted by Elkem Silicones are validated and coordinated centrally via an Elkem toxicologist. Central coordination ensures that the product stewardship team is aware of all existing and relevant data supporting product safety and covering global regulatory needs. All studies are in compliance with European cosmetic regulations.

Policy on emerging technologies

Elkem is aware of risks and controversies associated with the use of emerging technologies. Elkem does not use GMO (genetically modified organisms) and has no research activities within stem cells or genetic engineering.

Elkem does however utilise nanoforms of existing products because they are key enablers for sustainable constructions (Elkem Microsilica®) and for battery technology (silicon). Elkem is committed to assess risks related to the use of nanoparticles, and to implement measures to reduce potential exposure as it is foreseen by national occupational hygiene legislation. Furthermore, nanoforms require a specific chemical safety assessment under the European REACH legislation to ensure their safe use.

Elkem follows an internal procedure for the assessment of new products (incl. nanoforms) through the corporate product stewardship team.



Responsible sourcing is a strategic priority for Elkem. Elkem's total global procurement spend is approximately NOK 16 billion per year, covering supplies of raw materials, energy, goods, services and logistics. The active supply base consists of about 18,000 suppliers globally. The number of raw material suppliers is relatively low while the number of suppliers of other goods and services are high.

Key events 2021

- → 83% of new business partners signed code of conduct
- → 92 % of new raw material suppliers pre-qualified and pre-assessed

Targets

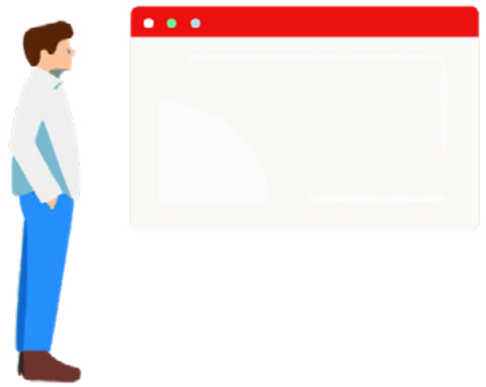
- → All new raw material suppliers subject to assessment and pre-qualification screening
- → All new suppliers of raw material subject to supplier audit
- → All new suppliers to sign Elkem's code of conduct for business

Key risks

- × Violations of human rights in the supply chain, mainly child labour and forced labour
- × Carbon material (coal) required for smelting processes
- × Limited availability of sustainable biocarbon
- × Unsustainable land use for quartz mining and biocarbon production, and biodiversity loss

Key opportunities

- → Increase share of biocarbon and biochemicals
- → Professional partner with stronger environmental and social standards



Commitment

Elkem is committed to consider ethics, labour rights, social and environmental issues when sourcing products and services across all procurement categories and across all operations.

Policies

Elkem has policies and procedures in place to ensure and govern responsible sourcing. This includes:

- → Procurement policy, outlining Elkem's procedures for prequalification and management of suppliers.
- → Policy for sourcing of bio-carbon, outlining Elkem's commitment to sustainable forest management and the requirements for procuring bio-based reductants in Elkem.

Elkem's corporate policies ↗

As one of the world's leading suppliers of advanced silicon-based materials with operations throughout the value chain from quartz to speciality silicones, Elkem continuously strives to improve how we source our supplies. The procurement organisation is responsible for raw material supply, logistics, goods, and services required for Elkem's operations. Elkem's procurement organisation is decentralised, with procurement functions at corporate,t divisional and plant level. We further differentiate between procurement of major raw materials, and indirect materials. Suppliers of major raw materials are always considered critical suppliers, and suppliers of indirect materials may be regarded as critical, depending on an independent assessment. The corporate supply chain has the overall global responsibility for developing and maintaining Elkem's procurement and logistics strategy, and Elkem's international procurement policies and procedures.

Supplier contracts ensure that risk assessments and audits can be conducted before prequalification and at any stage of the supplier contract.

The business partner code sets out Elkem's expectations to suppliers regarding ethics, labour rights and social and environmental issues. We require all suppliers to endorse the business partner code and maintain their commitment throughout the relationship. The business partner code is considered an integral part of any agreement that regulates the relationship between Elkem and a supplier.

Supplier due diligence and screening

The procurement function is responsible for carrying out pre-qualification and risk assessments of suppliers based on corporate requirements within environment, health and safety, social responsibility, anti-corruption and compliance with laws and regulations. In 2021 a new contract lifecycle management (CLM) system went live. In 2022, Elkem plans to implement a new supplier relationship management (SRM) system and process for supplier prequalification. In parallel, Elkem will implement the "Dow Jones" compliance tool, a third-party risk management tool providing support to understand compliance risk and take mitigating actions.

All new suppliers of raw materials are screened against environmental and social criteria aligned with the expectations of the Global Reporting Initiative (GRI). For high-risk suppliers, additional due diligence assessments are performed (integrity due diligence). The new system will enable a more unified process for screening and vetting of suppliers across all divisions and jurisdictions, tracking and monitoring suppliers' compliance throughout the contract lifecycle, as well as identifying and managing supplier risk. Regular audits are performed by plant personnel or corporate personnel, focusing on supplies that are associated with risk. Elkem is also using external partners to perform audits on their behalf.

Governance Supply chain management

Supplier due diligence and screening under the pandemic

Historically has Elkem done 100% audits on their new raw material suppliers. Due to the limitations given by the pandemic we have not been able to keep this level in 2021. The target is to get back on a high level when the restrictions are lifted.

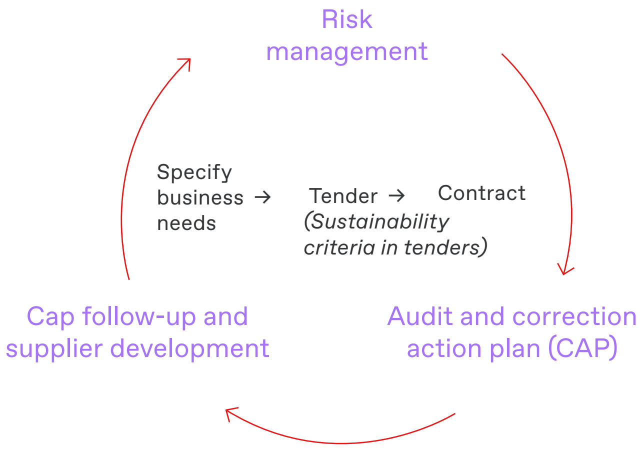
There was one reported concern regarding adverse human rights in the supply chain in 2021.

EHS in the supply chain

Elkem has developed detailed requirements for high-risk suppliers and contractors regarding health, safety, and environmental standards for mining, transportation, storage, and loading operations. In addition, Elkem is actively involved in promoting and monitoring safe and decent working conditions. This includes health and safety training and providing correct personal protection equipment for suppliers' employees when necessary. Elkem also carries out age control to prevent child labour and ensure responsible working conditions for young employees. Elkem requires suppliers and contractors to engage their employees with written contracts on fair terms and give them information about their right to organise and collectively bargain with management where this is legally possible.

Elkem's requirements are regularly discussed in meetings with suppliers. High-risk suppliers must demonstrate their understanding of legal requirements and hazards in their operations and present plans showing how risk will be eliminated or controlled while working for Elkem. Elkem performs audits and inspections, in connection with routine visits for quality, technical and business follow-up, and as unannounced site visits. External auditors also conduct supplier audits on Elkem's behalf. Violations of Elkem's requirements are registered and addressed with verbal or written warnings in addition to requests for improvements when necessary. Repeated violations may lead to requirements for speedy implementation of improvement plans, financial penalties, or termination of contracts with immediate effect.

Our process for responsible sourcing



KPIs

	Metric	2019	2020	2021	Comment/ % change 2020 - 2021
Updated process and system for supplier management	Project status	In progress	In progress	**Implemented**	
Share of new raw materials suppliers subjected to assessment and pre-qualification screening in 2021	%	100%	100%	**92%**	Down 8%
Share of new raw material suppliers subjected to supplier audit in 2020	%	100%	>90%	**19%**	The last two years, it has been hard to conduct audits due to Covid-19
Adverse human rights concerns in supply chain reported	Number	0	0	**1**	
Share of new suppliers who have signed Elkem's code of conduct for business partners	%	-	90% *	**83%**	Down 7%

The colour indicates a positive or negative development year on year.

**new suppliers from second half of the year, when tracking started.*

Elkem considers good corporate governance a prerequisite to build trust and value creation. The regulatory requirements and stakeholder expectations to establish effective compliance programmes continuously increase and require organisations to have a positive culture and good internal procedures to prevent non-compliance, misconduct, corruption, and fraud.

Key events 2021

- → Elkem has significantly invested in strengthening its internal compliance function. Part of the investment included hiring a new Chief Compliance Officer and Senior Compliance Officer
- → Elkem also strengthened its legal function by engaging with a specialist company focused on antitrust and export control
- → Number of employees that have signed the code of conduct: 96%

Target

- → Fully implement a TPRM solution for screening of intermediaries, customers, and suppliers
- → Strengthen our compliance capacity in China and France
- → Deliver and implement a new set of group policies, procedures, and internal control

Key risks

- × High-risk markets
- × High-value investments
- × Government interactions
- × Licenses and permits
- × Business partners

Key opportunities

- → To empower employees and partners through targeted training and awareness activities
- → To reduce financial and reputational risk through effective implementation of a compliance program
- → To build stakeholder trust through transparent disclosure of compliance performance

Commitment

Elkem bases its activities on the principles of honesty and respect for other people. We will meet the same ethical standards, respecting the laws, cultures, dignity, and rights of individuals everywhere we operate. We have a zero-tolerance policy towards any form of corruption and conduct our business in accordance with applicable anti-money laundering and antitrust laws.

Policies

- → Code of conduct
- → Speak up policy
- → Investigation procedure
- → International trade sanctions global procedure and tool
- → Competition law compliance policy and manual

Elkem's corporate policies ↗

Compliance training
Elkem is committed to providing relevant and engaging compliance training. However, in 2021, travel restrictions and social distancing measures made face-to-face training more challenging to conduct. Therefore, our focus switched to enhancing the online training program with new ethics, anti-bribery and corruption, and antitrust modules. The eLearning programme was made available in multiple languages and is mandatory for all employees in the defined target groups.

Training is supported by written commitment by employees to our key policies. The training and signing is ongoing and the target is 100% coverage of commitment.

Anti-competitive practices
Elkem is committed to avoiding anti-competitive practices across its entire operation. The competition law compliance policy outlines what behaviour is considered acceptable and not. Elkem also conducts anti-competitive practice risk assessments to identify high-risk jurisdictions and employee groups that are the most exposed to anti-competitive practices. Additional assessments are made to identify red flags and mitigate any gaps.

Anti-bribery and corruption
Elkem has a zero-tolerance policy against corruption. Elkem has multiple operations across jurisdictions and in several high-risk countries. Elkem also interacts with government officials for permits and other administrative issues.

Elkem takes a risk-based approach to its compliance work, and the risk assessments provide vital information to maintain and further develop our anti-bribery and corruption programme. Our risk-based approach is applied across the group, i.e. when entering new markets and introducing new products. To read our full anti-corruption policy, visit Elkem's website. ↗

Working with business partners
We know that bribery cases, human rights breaches, environmental disasters and EHS scandals often involve business partners, such as agents, consultants, suppliers, joint venture partners and distributors. It is important to Elkem to work with business partners of high ethical integrity. In 2021, Elkem introduced a new screening tool to facilitate better vetting and continuous monitoring of business partners against sanction lists and adverse media. The functionality of the tool will be expanded to enable risk based due diligence, audit target identification and monitoring of business partners throughout their lifecycle.

Speak up / whistleblowing
Elkem encourages all of its employees and external parties to report possible dishonest or illegal conduct in the business to HR or the legal/compliance department without carrying the risk of adverse reactions. Elkem has established grievance mechanisms and channels for reporting misconduct. The speak up channel can be used to report misconduct and non-compliance with Elkem's code of conduct and is available to all employees and external stakeholders. It allows for anonymous reporting in all Elkem languages with clear

guidance on reporting concerns. A reporter will not be required to leave a name or contact information. Elkem has also developed a procedure to escalate severe matters to management, the audit committee, and the external auditor to ensure that issues of concern reach top management.

The speak up channel and the speak up policy are available and communicated through Elkem's intranet site, and corporate website. The channel and policy are also promoted during employee training and are accessible via physical posters and handouts at plants and offices.

Misconduct reports are handled by corporate compliance and in accordance with applicable legislation on misconduct reporting. Elkem has a zero tolerance for retaliation against those who report a concern and will sanction those who retaliate.

The Elkem speak up policy ↗

KPIs

	Metric	2019	2020	2021
Average minutes of compliance training per employee*	Minutes / employee	TBC	54 minutes	**28 minutes**
Total number and nature of misconduct reports	Number	-	11 → Corruption and fraud: 11	**13** **→ Company / professional code violation: 1** **→ EHS violation: 1** **→ Corruption and fraud: 1** **→ Human rights violation: 1** **→ Conflicts of interest: 1** **→ Inappropriate workplace behaviour: 7** **→ Sanctions violation: 1**
Number of confirmed cases of corruption** and fraud	Number	-	3	**0**
Number of confirmed incidents in which employees were dismissed or disciplined for corruption**	Number	-	2	**0**
Public legal cases regarding corruption** brought against the organisation or its employees	Number	-	0	**0**
Confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption**	Number	-	0	**0**
Total number of cases reported through the grievance mechanism	Number	-	-	**2** **→ Both cases were resolved**
Employees with confirmed commitment to the code of conduct	%	100%	98%	**96%**
Employees with confirmed commitment to anti-bribery and anti-corruption policy	%	100%	51%	**78%**
Employees with confirmed commitment to competition law policy	%	100%	74%	**89%**

Due to organisational and reporting changes in 2020 and 2021, the reported categories have changed from 2020. The table reflects the current reporting structure in the company.

**2021 training included eLearning courses concerning ethics and Elkem's code of conduct, anti-bribery, and corruption, and antitrust. The courses were distributed to different risk-based target groups.*

*** In this context, corruption is defined as in GRI 205 and includes practices such as bribery, facilitation payments, fraud, extortion, collusion, and money laundering; the offer or receipt of gifts, loans, fees, rewards, or other advantages as an inducement to do something that is dishonest, illegal, or represents a breach of trust. It can also include practices such as embezzlement, trading in influence, abuse of function, illicit enrichment, concealment, and obstructing justice.*

Our tax strategy can be found online ↗

Financial Statements 2021

Content

Consolidated statement of profit or loss

Amounts in NOK million	Note	2021	2020
1 January - 31 December			
Revenue	7	**33 083**	24 025
Other operating income	7	**586**	631
Share of profit (loss) from equity accounted companies	5	**49**	35
Total operating income	6	**33 717**	24 691
Raw materials and energy for production		**(15 861)**	(12 858)
Employee benefit expenses	9	**(4 530)**	(4 028)
Other operating expenses	11	**(5 536)**	(5 121)
Amortisation and depreciation	15, 16, 17	**(1 816)**	(1 710)
Impairment losses	15, 16, 17	**(76)**	(17)
Operating profit (loss) before other items		**5 899**	957
Other items	12	**(114)**	(130)
Operating profit (loss)		**5 785**	827
Share of profit (loss) from equity accounted financial investments	5	**37**	(15)
Finance income	13	**40**	31
Foreign exchange gains (losses)	13	**241**	17
Finance expenses	13, 16	**(276)**	(278)
Profit (loss) before income tax		**5 827**	584
Income tax (expense) benefit	14	**(1 163)**	(306)
Profit (loss) for the year		**4 664**	278
Attributable to:			
Non-controlling interests' share of profit (loss)		**36**	39
Owners of the parent's share of profit (loss)		**4 628**	239
Earnings per share in NOK:			
Basic	30	**7.49**	0.41
Diluted	30	**7.44**	0.41

Consolidated statement of comprehensive income

Amounts in NOK million	Note	2021	2020
1 January - 31 December			
Profit (loss) for the year		**4 664**	278
Remeasurement of defined benefit pension plans	9	**69**	(55)
Tax effects on remeasurement of defined benefit pension plans	14	**(10)**	13
Change in fair value of equity instruments		**3**	7
Share of other comprehensive income (loss) from equity accounted companies	5	**-**	-
Total items that will not be reclassified to profit or loss		**62**	(35)
Currency translation differences		**358**	46
Hedging of net investment in foreign operations		**130**	(168)
Tax effects hedging of net investment in foreign operations	14	**(29)**	37
Cash flow hedges	26	**1 103**	(818)
Tax effects on cash flow hedges	14	**(243)**	180
Share of other comprehensive income (loss) from equity accounted companies	5	**13**	(11)
Total items that may be reclassified to profit or loss in subsequent periods		**1 333**	(734)
Currency translation differences		**-**	-
Cash flow hedges	26	**(407)**	670
Tax effects on cash flow hedges	14	**89**	(147)
Total reclassification adjustments for the period		**(317)**	523
Other comprehensive income (loss) for the year, net of tax		**1 078**	(246)
Total comprehensive income for the year		**5 742**	32
Attributable to:			
Non-controlling interests' share of comprehensive income		**36**	40
Owners of the parent's share of comprehensive income		**5 706**	(8)
Total comprehensive income for the year		**5 742**	32

Consolidated statement of financial position

Amounts in NOK million	Note	**31.12.2021**	31.12.2020
Assets			
Property, plant and equipment	*15, 19*	**15 722**	14 131
Right-of-use assets	*16, 19*	**1 017**	875
Other intagible assets	*17, 19*	**1 602**	1 319
Goodwill	*18, 19*	**941**	919
Deferred tax assets	*14*	**48**	96
Investements in qeuity accounted companies	*5*	**241**	183
Derivatives	*25, 26*	**304**	59
Other assets	*22*	**478**	432
Total non-current assets		**20 353**	18 015
Inventories	*20*	**7 716**	5 241
Trade receivables	*21*	**4 297**	2 796
Derivatives	*25, 26*	**283**	148
Other assets	*22*	**1 551**	1 212
Restricted deposits	*23*	**609**	322
Cash and cash equivalents	*23*	**7 040**	3 154
Total current assets		**21 497**	12 873
Total assets		**41 850**	30 888
Equity and liabilites			
Paid-in capital	*29*	**8 097**	6 296
Retained earnings		**11 692**	6 232
Non-controlling interests		**86**	108
Total equity		**19 874**	12 635
Interest-bearing liabilities	*16, 23*	**8 409**	7 189
Deferred tax liabilities	*14*	**505**	336
Employee benefit obligations	*9*	**611**	679
Derivatives	*25, 26*	**18**	252
Provisions and other liabilities	*24*	**182**	326
Total non-current liabilities		**9 724**	8 782
Trade payables		**4 614**	3 157
Income tax payables		**914**	65
Interest-bearing liabilities	*16, 22*	**1 972**	3 292
Bills payable	*23*	**2 096**	1 053
Employee benefit obligations	*9*	**976**	740
Derivatives	*25, 26*	**23**	101
Provisions and other liabilities	*24*	**1 657**	1 064
Total current liabilites		**12 252**	9 471
Total equity and liabilities		**41 850**	30 888

Oslo, 8 March 2022

Zhigang Hao
Chairman of the Board

Dag Jakob Opedal

Olivier Tillette de Clermont-Tonnerrev

Yougen Ge

Anja-Isabel Dotzenrath

Helge Aasen
CEO

Grace Tang

Marianne Færøyvik

Terje Andre Hanssen

Marianne Elisabeth Johnsen

Knut Sande

Consolidated statement of cash flows

Amounts in NOK million	Note	**2021**	2020
Operating profit (loss)		**5 785**	827
Amortisation, depreciation and impairment losses	*15, 16, 17*	**1 892**	1 727
Changes in working capital[1]		**(2 020)**	232
Equity accounted companies	*5*	**(15)**	(7)
Changes fair value of derivatives		**(9)**	(196)
Changes in provisions, bills receivable and other		**(88)**	(69)
Interest payments received		**34**	28
Interest payments made		**(242)**	(239)
Income taxes paid		**(423)**	(192)
Cash flow from operating activities		**4 913**	2 111
Investments in property, plant and equipment and intangible assets	*15, 16, 17*	**(3 266)**	(2 346)
Received investment grants	*8*	**138**	145
Proceeds from sale of property, plant and equipment	*15, 16, 17*	**31**	12
Acquisition of subsidiaries, net of cash acquired	*4, 31*	**-**	(1 032)
Payment of contingent consideration related to acquisitions (IFRS 3)	*4, 24*	**(78)**	-
Acquisition of and capital contribution to joint ventures	*5*	**-**	(40)
Other investments / sales		**(10)**	(2)
Cash flow from investing activities		**(3 185)**	(3 262)
Dividends paid to non-controlling interests		**(58)**	(29)
Dividends paid to owners of the parent		**(96)**	(349)
Capital increase	*29*	**1 900**	-
Net sale (purchase) of treasury shares	*29*	**(278)**	-
Net changes in bills payable and restricted deposits	*23*	**709**	113
Payment of lease liabilities	*16, 23*	**(118)**	(104)
New interest-bearing loans and borrowings	*23*	**3 177**	1 636
Payment of interest-bearing loans and borrowings	*23*	**(3 180)**	(1 433)
Cash flow from financing activities		**2 056**	(166)
Change in cash and cash equivalents		**3 784**	(1 317)
Currency translation differences		**101**	(24)
Cash and cash equivalents opening balance		**3 154**	4 496
Cash and cash equivalents closing balance	*23*	**7 040**	3 154

[1] See note 6 Operating segments for definition of working capital

Consolidated statement of changes in equity

2021

Amounts in NOK million	Share Capital	Other paid-in captial	**Total paid-in capital**	Foreign currency translation reserve	Cash flow hedge reserve	Other retained earning	**Total retained earning**	**Total owner share**	Non-controlling interests	**Total**
Opening balance	2 907	3 389	**6 296**	806	(189)	5 615	**6 232**	**12 527**	108	**12 635**
Profit (loss) for the year	-	-	**-**	-	-	4 628	**4 628**	**4 628**	36	**4 664**
Other comprehensive income for the year	-	-	**-**	460	544	75	**1 079**	**1 079**	(0)	**1 078**
Total comprehensive income for the year	-	-	**-**	460	544	4 703	**5 706**	**5 706**	36	**5 742**
Share-based payments (note 10)	-	28	**28**	-	-	-	**-**	**28**	-	**28**
Capital increas (note 29)	291	1 610	**1 900**	-	-	-	**-**	**1 900**	-	**1 900**
Net movement treasury shares (note 29)	-	(32)	**(32)**	-	-	(246)	**(246)**	**(278)**	-	**(278)**
Dividends to equity holders (note 28)	-	(96)	**(96)**	-	-	-	**-**	**(96)**	(58)	**(154)**
Closing balance	3 197	4 899	**8 097**	1 266	355	10 071	**11 692**	**19 789**	86	**19 874**

2020

Amounts in NOK million	Share Capital	Other paid-in captial	**Total paid-in capital**	Foreign currency translation reserve	Cash flow hedge reserve	Other retained earning	**Total retained earning**	**Total owner share**	Non-controlling interests	**Total**
Opening balance	2 907	3 709	**6 616**	891	(73)	5 422	**6 240**	**12 855**	96	**12 952**
Profit (loss) for the year	-	-	**-**	-	-	239	**239**	**239**	39	**278**
Other comprehensive income for the year	-	-	**-**	(85)	(116)	(46)	**(247)**	**(247)**	1	**(246)**
Total comprehensive income for the year	-	-	**-**	(85)	(116)	193	**(8)**	**(8)**	40	**32**
Share-based payments (note 10)	-	29	**29**	-	-	-	**-**	**29**	-	**29**
Dividends to equity holders (note 28)	-	(349)	**(349)**	-	-	-	**-**	**(349)**	(29)	**(378)**
Closing balance	2 907	3 389	**6 296**	806	(189)	5 615	**6 232**	**12 527**	108	**12 635**

Consolidated statement of financial position

1. General information

Elkem ASA is a limited liability company located in Norway and whose shares are publicly traded on Oslo Børs. Elkem ASA is owned 52.9% by Bluestar Elkem International Co. Ltd S.A., Luxembourg, which is under the control of Sinochem Holdings Co., Ltd (Sinochem), a company registered and domiciled in China.

Elkem is one of the world's leading providers of advanced material solutions shaping a better and more sustainable future. The company develops silicones, silicon products and carbon solutions by combining natural raw materials, renewable energy and human ingenuity. Elkem helps its customers create and improve essential innovations like electric mobility, digital communications, health and personal care as well as smarter and more sustainable cities. With a strong track record since 1904, its global team of more than 7,000 people has a joint commitment to stakeholders: Delivering your potential. In 2021, Elkem achieved an operating income of NOK 33,717 million.

Following changes in Elkem's internal reporting to management the composition of Elkem's operating and reporting segments has changed as of the first quarter of 2021. Segment information for prior periods has been restated to align with the new segment presentation. For further information see Note 6 Operating segments.

The consolidated financial statements for Elkem ASA (hereafter Elkem/the group), including notes, for the year 2021 were approved by the Board of Directors of Elkem ASA on 8 March 2022 and will be proposed to the Annual General Meeting on 27 April 2022.

2. Basis for preparing the consolidated financial statements

Compliance
The consolidated financial statements are prepared and based on International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) and effective at 31 December 2021. All subsidiaries are using accounting policies consistent within the group.

Relevant financial reporting principles are described in each note to the consolidated financial statements.

Preparation of consolidated financial statements
The consolidated financial statements are prepared on a historical cost basis, with the exception of derivative financial instruments and financial assets available for sale, which are measured at fair value.

The presentation currency of Elkem is Norwegian Krone (NOK). All financial information is presented in NOK million, unless otherwise stated. As a result of rounding adjustments, the amounts shown in one or more columns included in the consolidated financial statements, may not add up to the total.
In text, the current year's figures are presented outside parentheses, followed by the comparative figures presented in parentheses.

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

Foreign currency translation
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 translated using the closing rate at the end of the reporting period, and any gains (losses) are reported in the statement of profit or loss. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was measured. Currency gains (losses) related to operating activities, i.e. receivables, payables, bank accounts for operating purposes including current intragroup balances, are recognised as a part of other items. Currency effects recognised in finance income and expenses are only related to financing activities such as loans, lease liabilities, long-term placements and dividends.

Foreign currency differences are recognised in other comprehensive income for the following items:

→ a financial asset or liability designated as a hedging instrument in a cash flow hedge, to the extent that the hedge is effective
→ loans in foreign currencies designated as hedging instruments in a hedge of a net investment in a foreign operation

Consolidated financial statements
In consolidation of the statement of profit or loss and the statement of financial position, separate group entities with other functional currency than the group's presentation currency, are translated directly into the presentation currency as follows:

→ Assets and liabilities are translated using the exchange rate at the end of the reporting period
→ Income and expenses are translated using an average exchange rate per month
→ Equity transactions, except for profit or loss for the period, are translated using the transaction date rates

All resulting exchange differences are booked as a separate component in other comprehensive income (OCI)

Any goodwill arising on 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 operations. 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 statement of profit or loss.

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 bank guarantee 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. Dividends received from joint ventures and associates that do not operate within Elkem's main business areas are included in investing activities.

Dividend to shareholders
Dividend is recognised as a liability when the shareholders right to payment is established which is the time of Annual General Meeting.

Changes in accounting policies and correction of material errors
Changes in accounting policies and correction of material errors are recognised retrospectively by restating the comparative amounts for the prior period presented, including the opening balance of the prior year.

Elkem has previously recognized the yearly cost of purchased CO2 quotas as other operating expenses from the period the need to purchase quotas occurred. From 2021 the cost of purchased CO2 allowances are recognised as part of raw materials and energy for production and is distributed linearly over the year.
It is deemed that the change in principle will provide more reliable and relevant information about the cost of CO2 quotas. The change in principle does not have a material impact on the annual accounts but will impact the recognition of cost between quarters. Further, the change in principle does not impact comparable figures as Elkem had a surplus of quotas in 2020 and therefore no quota cost. For more information see note 8 Grants.

New and revised standard- adopted
New or revised accounting standards and interpretations implemented as of 1 January 2021 are among others COVID-19-Related Rent Concessions (Amendments to IFRS 16) and Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IFRS 7, IFRS 4 and IFRS 16). The new or revised accounting standards and interpretations do not represent a significant impact to Elkem's accounting policies.

New standards, interpretations and amendments - not yet effective
The consolidated financial statements will be affected by future changes in IFRS. No standards, interpretations or amendments published at the balance sheet date are expected to have significant effect on the group.

3. Accounting estimates

The preparation of the consolidated financial statements according to IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. When management makes estimates and assumptions concerning the future, the resulting accounting estimates will, by definition, seldom equal the actual outcome.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions of reported estimates are recognised in the period in which the estimates are revised and in any future period affected. Changes in accounting estimates are recognised prospectively by including them in the statement of profit or loss in the period of the change and future periods, if the change affects both.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed in the different notes.

Information about judgements, assumptions and estimation uncertainties at 31 December 2021 that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

→ Note 4 Composition of the group
→ Note 8 Grants
→ Note 9 Employee benefits
→ Note 14 Taxes
→ Note 15 Property, plant and equipment
→ Note 16 Leases
→ Note 17 Intangible assets
→ Note 18 Goodwill
→ Note 19 Impairment assessment
→ Note 24 Provisions and other liabilities
→ Note 25 Financial assets and liabilities

4. Composition of the group

Principle

Consolidation

The consolidated financial statements include the financial statements of Elkem ASA and entities controlled directly or indirectly by Elkem ASA. 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 the group obtains control, and are deconsolidated from the date that control ceases.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the group and to non-controlling interests, presented on separate lines in the financial statements.

All intra-group assets and liabilities, equity, income and expenses and gains and losses are eliminated in full on consolidation.

Business combinations

Business combinations are 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 fair value of transferred assets and liabilities. Elkem's contingent consideration is classified as a financial liability and measured at fair value at the acquisition date. The liability is subsequently measured at fair value at each reporting date, with changes recognised in other items in the statement of profit or loss. Acquisition-related costs are expensed as incurred.

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

During a measurement period of maximum one year provisional amounts recognised at the acquisition date are adjusted to reflect new information obtained about facts and circumstances that existed on the date of acquisition. Any adjustments of identified assets or liabilities in the acquisition are offset by a corresponding increase / decrease in goodwill.

Business combinations under common control

Business combinations involving entities under common control are accounted for on a historical cost basis. This means applying book value accounting, which is applied in the following manner:

→ 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 statement of profit or loss reflects the result of the combining entities for the full year, irrespective of when the combination took place.
→ Comparative figures are restated.
→ The purchase price is booked against equity at the acquisition date.

Judgements and estimates

Business combinations

Elkem uses valuation models as a basis for the measurement of the fair value of net identifiable value of transferred assets and liabilities in a business combination. Fair values are normally not readily observable in an active market for individual assets and liabilities in the business which Elkem operates.

Property, plant and equipment is valued using the cost approach and by estimating the current cost to purchase or replace the asset, at today's current condition. Intangible assets are identified and valued based on a relief from royalty method and multi-period excess earnings method, whereby; the relief from royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the patents being owned, and the multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.

Valuations are subject to numerous assumptions, the fair value estimates may impact assessment of possible impairment of assets and / or goodwill in future periods.

Elkem ASA and the following subsidiaries and joint operations make up the composition of the group and are included in the consolidated financial statement:

Company	*Functional currency*	Country of incorporation	31.12.2021 Equity interest	31.12.2020 Equity interest	Owner
Elkania DA	*NOK*	Norway	50%	50%	Elkem ASA
Elkem (Thailand) Co., Ltd.	*THB*	Thailand	100%	100%	Elkem ASA
Elkem Carbon (China) Co., Ltd.	*CNY*	China	100%	100%	Elkem Carbon Singapore Pte. Ltd.
Elkem Carbon AS	*NOK*	Norway	100%	100%	Elkem ASA
Elkem Carbon Malaysia Sdn. Bhd.	*MYR*	Malaysia	100%	100%	Elkem Carbon AS
Elkem Carbon Singapore Pte. Ltd.	*SGD*	Singapore	100%	100%	Elkem Carbon AS
Elkem Chartering Holding AS	*NOK*	Norway	80%	80%	Elkem ASA
Elkem Digital Office AS	*NOK*	Norway	100%	100%	Elkem ASA
Elkem Distribution Center B.V.	*EUR*	Netherlands	100%	100%	Elkem ASA
Elkem Dronfield Ltd.	*GBP*	United Kingdom	100%	100%	Elkem UK Holdings Ltd.
Elkem Egypt for Industry, Contracting & Trading S.A.E.	*USD*	Egypt	100%	100%	Elkem International AS
Elkem Ferroveld JV	*ZAR*	South Africa	50%	50%	Elkem Carbon AS
Elkem Foundry (China) Co., Ltd.	*CNY*	China	100%	100%	Elkem ASA
Elkem GmbH	*EUR*	Germany	100%	100%	Elkem ASA
Elkem Iberia S.L.U	*EUR*	Spain	100%	100%	Elkem ASA
Elkem International AS	*NOK*	Norway	100%	100%	Elkem ASA
Elkem International Trade (Shanghai) Co., Ltd.	*CNY*	China	100%	100%	Elkem International AS
Elkem Ísland ehf.	*NOK*	Iceland	100%	100%	Elkem ASA
Elkem Japan K.K.	*JPY*	Japan	100%	100%	Elkem ASA
Elkem Korea Co., Ltd.	*KRW*	Republic of Korea	100%	100%	Elkem ASA
Elkem Ltd.	*GBP*	United Kingdom	100%	100%	Elkem UK Holdings Ltd.
Elkem Madencilik Metalurji Sanayi Ve Ticaret Ltd. STI	*EUR*	Turkey	100%	100%	Elkem International AS
Elkem Materials, Inc.	*USD*	USA	100%	100%	NEH LLC
Elkem Materials Delaware, Inc.	*USD*	USA	100%	100%	Elkem Materials, Inc.
Elkem Materials Processing (Tianjin) Co., Ltd.	*CNY*	China	100%	100%	Elkem ASA
Elkem Materials Processing Services BV	*EUR*	Netherlands	100%	100%	Elkem ASA
Elkem Materials South America Ltda.	*BRL*	Brazil	100%	100%	Elkem Materials, Inc.
Elkem Metal Canada Inc.	*CAD*	Canada	100%	100%	Elkem ASA
Elkem Milling Services GmbH	*EUR*	Germany	100%	100%	Elkem ASA
Elkem Nordic A.S.	*DKK*	Denmark	100%	100%	Elkem ASA
Elkem Oilfield Chemicals FZCO Ltd.	*AED*	UAE	51%	51%	Elkem ASA
Elkem Paraguay S.A.	*USD*	Paraguay	100%	100%	Elkem ASA [5]
Elkem Participações Indústria e Comércio Limitada	*BRL*	Brazil	100%	100%	Elkem Carbon AS
Elkem S.a.r.l.	*EUR*	France	100%	100%	Elkem ASA
Elkem S.r.l.	*EUR*	Italy	100%	100%	Elkem ASA
Elkem Silicon Materials (Lanzhou) Co., Ltd. [1]	*CNY*	China	100%	100%	Elkem ASA
Elkem Silicon Product Development AS	*NOK*	Norway	100%	100%	Elkem ASA
Elkem Siliconas España S.A.U	*EUR*	Spain	100%	100%	Elkem ASA
Elkem Silicones (UK) Ltd.	*GBP*	United Kingdom	100%	100%	Elkem UK Holdings Ltd.
Elkem Silicones Brasil Ltda.	*BRL*	Brazil	100%	100%	Elkem ASA
Elkem Silicones Canada Corp	*CAD*	Canada	100%	100%	Elkem ASA
Elkem Silicones Czech Republic, s.r.o.	*CZK*	Czech Republic	100%	100%	Elkem ASA
Elkem Silicones Finland OY	*EUR*	Finland	100%	100%	Elkem ASA
Elkem Silicones France SAS	*EUR*	France	100%	100%	Elkem ASA
Elkem Silicones Germany GmbH	*EUR*	Germany	100%	100%	Elkem ASA
Elkem Silicones Guangdong Co., Ltd. [2]	*CNY*	China	100%	100%	Elkem ASA
Elkem Silicones Hong Kong Co., Ltd.	*HKD*	Hong Kong	100%	100%	Elkem ASA
Elkem Silicones Korea Co., Ltd.	*KRW*	Repulic of Korea	100%	100%	Elkem ASA
Elkem Silicones Material Zhongshan Co., Ltd. [3]	*CNY*	China	100%	100%	Elkem Silicones Guangdong Co., Ltd.
Elkem Silicones México S. De R.L. De C.V.	*MXN*	Mexico	100%	100%	Elkem ASA
Elkem Silicones Poland sp. z o.o.	*PLN*	Poland	100%	100%	Elkem ASA
Elkem Silicones Scandinavia AS	*NOK*	Norway	100%	100%	Elkem ASA
Elkem Silicones Services S.à.r.l.	*EUR*	France	100%	100%	Elkem ASA
Elkem Silicones Shanghai Co., Ltd.	*CNY*	China	100%	100%	Elkem ASA
Elkem Silicones USA Corp.	*USD*	USA	100%	100%	Elkem ASA
Elkem Siliconi Italia S.r.l.	*EUR*	Italy	100%	100%	Elkem ASA
Elkem Singapore Materials Pte. Ltd.	*SGD*	Singapore	100%	100%	Elkem ASA
Elkem South Asia Private Limited	*INR*	India	100%	100%	Elkem ASA
Elkem UK Holdings Ltd.	*GBP*	United Kingdom	100%	100%	Elkem ASA
Elkem Uruguay S.A.	*USD*	Uruguay	100%	100%	Elkem ASA
Euro Nordic Logistics BV	*EUR*	Netherlands	80%	80%	Elkem Chartering Holding AS
Euro Nordic Netherlands BV	*EUR*	Netherlands	80%	80%	Euro Nordic Logistics BV
Explotación de Rocas Industriales y Minerales S.A. (ERIMSA)	*EUR*	Spain	100%	100%	Elkem ASA
Iniconce, S.L	*EUR*	Spain	100%	100%	Explotación de Rocas Industriales y Minerales S.A.
Jiangxi Bluestar Xinghuo Silicones Co., Ltd.	*CNY*	China	100%	100%	Elkem ASA
NEH LLC	*USD*	USA	100%	100%	Elkem ASA
NorenoComercial Importada e Exportadora Limitada	*BRL*	Brazil	100%	100%	Elkem Participaçòes Indústria e Comércio Limitada
Norsil, S.A.	*EUR*	Spain	100%	100%	Iniconce, S.L
Tifwer Trade S.A.	*USD*	Uruguay	100%	100%	Elkem Uruguay S.A.
Vianode AS [4]	*NOK*	Norway	100%	100%	Elkem ASA

[1] Previously Bluestar Silicon Material Co., Ltd.
[2] Previously Guangdong Polysil Technology Co. Ltd.
[3] Previously Zhongshan Jucheng Chemical Material Co., Ltd.
[4] Previously Elkem Advanced Battery Materials AS
[5] Ownership changed in 2021 through debt conversion; Elkem ASA owns 79% and Elkem Uruguay S.A owns 21%

Changes in composition of the group in 2021, business combination
No business combinations have taken place in 2021.

Changes in composition of the group in 2020, business combination
In 2020 Elkem invested NOK 1,032 million to acquire two new subsidiaries (business combinations). The amount comprises cash consideration transferred, reduced by cash and cash equivalents of the acquiree, see note 31 Supplemental information to the consolidated statement of cash flows. Acquisition-related costs of NOK 22 million is recognised in other items in the statement of profit or loss, whereof NOK 6 million in 2019 and NOK 16 million in 2020 as at 31 December.

In December 2019 Elkem entered into an agreement to acquire all of the shares in Guangdong Polysil Technology Co. Ltd. (new name 2021) and its subsidiary (hereafter Polysil). Polysil is a leading Chinese silicone elastomer & resins material manufacturer with strong positions in baby care and food grade silicones, as well as silicone products for the electronics and medical markets. Polysil and Elkem's complementary product and market positions provide a solid platform for further specialisation and growth in China and globally. The parties have agreed an enterprise value for Polysil of up to CNY 941 million, including potential earn-out depending on pre-agreed criteria. The transaction was completed 1 April 2020.

The table below summarise the total consideration and the amounts recognised for assets acquired and liabilities assumed in the business combination.

Consideration	Polysil group
Cash transferred on acquisition	792
Deferred and contingent consideration	549
Agreed enterprise value	1,341
Net debt and working capital adjustment	179
Total consideration	**1,520**

Assets acquired and liabilities assumed

Amounts in NOK million	Carrying amount	Excess value	Fair value
Property, plant and equipment	113	50	163
Right-of-use assets	26	25	52
Other intangible assets	0	510	510
Deferred tax assets	2	-	2
Inventories	101	-	101
Trade receivables	171	-	171
Other assets, current	5	-	5
Cash and cash equivalents	178	-	178
Deferred tax liabilities	-	(88)	(88)
Trade payables	(58)	-	(58)
Employee benefits obligations, current	(10)	-	(10)
Provisions and other liabilities, current	(13)	-	(13)
Total identifiable net assets	516	498	1 014
Non-controlling interests	-	-	-
Goodwill	-	506	506
Total recognised	516	1 004	1 520

Part of the purchase price is among other factors contingent on Polysil's EBITDA performance in 2020 and 2021, similar as defined in note 6 Operating segments. The nominal range of outcomes are between CNY 0 million and CNY 210 million (NOK 0 million to NOK 274 million), as a maximum. Based on Polysil's performance after purchase date, the estimated value of the contingent consideration is set to maximum. Adjusted for discounting effects the fair value of the contingent consideration as at 31 December 2020 is NOK 261 million. The contingent consideration is due in instalments. As at 31 December 2020 NOK 77 million is recognised as current and NOK 184 million is recognised as non-current provisions and other liabilities. In 2021 NOK 78 million of the contingent consideration is paid and as at 31 December 2021 NOK 40 million is recognised as current and NOK 163 million is recognised as non-current provisions and other liabilities.

The excess value for other intangible assets is related to technology with NOK 257 million and customer relationships with NOK 253 million, see note 17 Intangible assets and note 18 Goodwill.

The goodwill of NOK 506 million is attributable to the know-how in the acquired business and synergies for the Silicones segment.

The fair value of acquired receivables is NOK 171 million, of which NOK 8 million is expected to be uncollectable at the date of acquisition.

From date of acquisition to 31 December 2020 Polysil has contributed NOK 592 million to the operating income and NOK 124 million to the profit (loss) for the year. If the acquisition had taken place on 1 January 2020, the operating income of Elkem would have increased with NOK 148 million and the profit would have increased with NOK 29 million.

5. Investments in equity accounted companies

Principle
Joint arrangements
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 recognise Elkem's share of the profit or loss, and other comprehensive income of the investee after the date of acquisition. In cases where a joint venture's loss or other comprehensive income exceed the initially recognised cost the carrying amount is presented to reflect Elkem's liability to finance the joint venture only to the extent that Elkem has an obligation to fund the investees operations. Any liability to finance a joint venture is presented either as part of provisions and other liabilities, current, or netted against Elkem's receivables towards the joint venture.

The group's interest in joint operations is recognised in relation to its interests in the 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
→ Expenses, including its share of any expenses incurred jointly

Investments 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% and 50% of the voting power of another entity. Investments 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 recognise the investor's share of the profit or loss and other comprehensive income of the investee after the date of acquisition. In cases where an associates' loss or other comprehensive income exceed the initially recognised cost the carrying amount is presented to

reflect Elkem's liability to finance the associate only to the extent that Elkem has an obligation to fund the investees operations. Any liability to finance an associate is presented either as part of provisions and other liabilities, current, or netted against Elkem's receivables towards the associate. The group's investments in associates includes goodwill identified on acquisition.

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

Share of profit from investments in associates and joint ventures

Share of profit (loss) from investments in associates and joint ventures is recognised in the statement of profit or loss depending on the purpose of the investments. Investments that are closely related to the group's main activities are recognised as share of profit from equity accounted companies, included in operating income. Investments in associates and joint ventures that do not operate within Elkem's main business areas are recognised as share of profit from equity accounted financial investments.

Elkem has interests in the following joint arrangements and associates

Name of entity	Business office	Country	Principal actvities	Classification	% equity interests 2021	% equity interests 2020
Elkem Ferroveld JV	Ferrobank Emalahleni	South Africa	Electrode paste production	Joint operation	**50 %**	50 %
Elkania DA	Hauge i Dalane	Norway	Microfine weighting material	Joint operation	**50 %**	50 %
Klafi ehf	Grundartangi, Akranes	Iceland	Transportation / harbour services	Joint venture	**50 %**	50 %
North Sea Container Line AS	Haugesund	Norway	Shipping services	Joint venture	**50 %**	50 %
North-Sea Management AS	Haugesund	Norway	Shipping services	Joint venture	**50 %**	50 %
Salten Energigjenvinning AS	Oslo	Norway	Energy production	Joint venture	**50 %**	50 %
Weldermate AS	Oslo	Norway	Robot welding systems	Joint venture	**50 %**	-
GIE Osiris[1]	Roussillon	France	Business supplies and equipment	Associate	**25 %**	25 %
Combined Cargo Warehousing BV	Moerdijk	Netherlands	Warehousing	Associate	**33 %**	33 %
EPB Chartering AS	Oslo	Norway	Deep sea charter services	Associate	**25 %**	25 %
Euro Nordic Agencies Belgium NV	Antwerpen	Belgium	Ship agencies services	Associate	**50 %**	50 %
Euro Partnership BV	Moerdijk	Netherlands	Ship management services	Associate	**50 %**	50 %
Future Materials AS	Grimstad	Norway	Marketing of research facilities	Associate	**20 %**	20 %

[1] Elkem purchased an additional 7% of the shares in GIE Osiris in December 2020. The shares were previously classified as other shares.

The share of equity interests is equal to Elkem's voting rights. Of the entities above, Salten Energigjenvinning AS (SEAS) is classified to not operate within Elkem's main business areas.

Elkem has on 31 January 2022 entered into agreement to purchase the remaining 50% of the shares in Salten Energigjenvinning AS. See note 34 Events after the reporting period.

There is no quoted market price for the investments.

See note 32 Related parties for commitments and transactions related to SEAS and the other joint ventures and associates.

Movements in equity accounted investments

Amounts in NOK million	**2021** Joint ventures	Associates	Total	**2020** Joint ventures	Associates	Total
Opening balance	**74**	**106**	**181**	54	58	112
Acquisition of shares and capital contributions	**-**	**-**	**-**	40	-	40
Change in equity interests	**-**	**-**	**-**	-	46	46
Dividend received	**(28)**	**(7)**	**(34)**	(20)	(8)	(28)
Share of profit (loss) from equity accounted companies	**19**	**31**	**49**	27	8	35
Share of profit (loss) from equity accounted financial investments	**37**	**-**	**37**	(15)	-	(15)
Part of other comprehensive income	**12**	**-**	**12**	(11)	-	(11)
Currency translation differences	**1**	**(4)**	**(3)**	(0)	2	2
Closing balance	**115**	**126**	**241**	74	106	181
Recognised in investments in equity accounted companies	**115**	**126**	**241**	77	106	183
Recognised in provisions and other liabilities, current (note 24)	**-**	**-**	**-**	(3)	-	(3)

Share of profit and carrying amount for equity accounted companies

Amounts in NOK million	**2021 Share of profit**	**31.12.2021 Carrying amount**	2020 Share of profit	31.12.2020 Carrying amount
Klafi ehf	**(1)**	**1**	(1)	1
North Sea Container Line AS	**19**	**65**	27	74
North-Sea Management AS	**1**	**3**	1	2
Salten Energigjenvinning AS	**37**	**46**	(15)	(3)
Weldermate AS	**-**	**0**	-	-
GIE Osiris	**-**	**44**	-	46
Combined Cargo Warehousing BV	**1**	**5**	1	5
EPB Chartering AS	**18**	**36**	(4)	18
Euro Nordic Agencies Belgium NV	**(0)**	**2**	1	2
Euro Partnership BV	**11**	**39**	10	35
Future Materials AS	**-**	**0**	-	0
Total	**86**	**241**	20	181

Summary of financial information for joint ventures

Amounts in NOK million	2021	2020
Current assets, including cash and cash equivalents NOK 92 million (NOK 97 million)	234	226
Non-current assets	817	689
Current liabilities, including current financial liabilities NOK 0 million (NOK 0 million)	112	116
Non-current liabilities, including non-current financial liabilities NOK 651 million (NOK 377 million)	710	651
Net assets/equity	**229**	149
Elkem's carrying amount	115	74
Total operating income	777	632
Total expenses, including depreciation and amortisation NOK 5 million (NOK 7 million) and other items	(715)	(598)
Financial income, including interest income NOK 0 million (NOK 0 million)	125	1
Financial expenses, including interest expenses NOK 11 million (NOK 4 million)	(76)	(11)
Tax expense	(0)	1
Total profit for the year	**110**	24
Other comprehensive income	24	(22)
Total comprehensive income	134	2
Elkem's share of profit for the year	55	12
Elkem's share of other comprehensive income	12	(11)

Summary of financial information for associates

Amounts in NOK million	2021	2020
Total operating income	152	120
Total expenses	(53)	(113)
Total profit for the year	99	8
Other comprehensive income	-	-
Total comprehensive income	**99**	8
Elkem's share of profit for the year	31	8
Elkem's share of other comprehensive income	-	-
Net assets/equity	**417**	345
Elkem's carrying amount	126	106

6. Operating segments

Principle

Elkem identifies its segments according to the organisation and reporting structure as decided and followed up by group management. Operating segments are components of a business that are evaluated regularly by the chief operating decision maker, defined as the CEO, for the purpose of assessing performance and allocating resources. Elkem's operating segments represent separately managed business areas with unique products serving different markets.

Segment performance is evaluated based on EBITDA and operating profit (loss) before other items (EBIT), see definitions below. Elkem's financing and income tax are managed on group basis and are not allocated to operating segments.

Transactions between operating segments are conducted on an arm's length basis in a manner similar to transactions with third parties.

Revenues are, in addition, disaggregated by geographical market based on the location of the customer.

Non-current assets by geographical areas are based on the location of the entity owning the assets.

The segment reporting is based on the accounting policies applied for the group, except for internal commodity contracts that meet the definition of a financial instrument in IFRS 9 Financial instruments or contain embedded derivatives that are required to be reported separately and measured at fair value under IFRS 9. In the segment reporting these contracts are recognised in their entirety on delivery, similar to contracts that meet the own use exemption in IFRS 9. The accounting effect between recognising the contracts in accordance with the own use exemption in IFRS 9 and as a financial instrument, are reported in Other. Realised effects from the group's power and foreign exchange hedging programme, including embedded derivatives, on the different group segments are specified in separate table below.

Lease payments under internal lease agreements are recognised as operating expenses on a straight-line basis over the lease term.

Elkem's 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 and battery projects.

Eliminations comprise intersegment sales and profit. Elkem follows internationally accepted principles for transactions between related parties within the group. In general, Elkem 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.

In the first quarter of 2021, Elkem changed its internal reporting to management, impacting the composition of Elkem's operating and reporting segments. To further streamline operations in China, Elkem Silicon Material (Lanzhou) Co., Ltd. (Yongdeng Silicon) is included in Silicones division from 1 January 2021, previously reported in Silicon Products division. Comparative figures are restated.

In the third quarter of 2020, Elkem changed its internal reporting to management, impacting the composition of Elkem's operating and reporting segments. The Silicon Materials division and Foundry Products division were merged and are now reported combined. Centralised sales functions are allocated to respective divisions. Previously sales functions were included in Other. Strategic projects, such as biocarbon and battery projects are reported separately and included in Other. Previously these projects were included in Foundry Products and Carbon Solutions respectively.

Major customers
Elkem has a range of customers, but no single customer amounts to 10% or more of total operating income.

Main items by operating segment
2021

Amounts in NOK million	Silicones	Silicon Products	Carbon Solutions	Other	Eliminations	Total
Revenue from sale of goods (note 7)	17 206	13 557	1 917	64	-	**32 743**
Other revenue (note 7)	43	96	21	179	-	**340**
Other operating income (note 7)	117	422	5	41	-	**586**
Share of profit from equity accounted companies (note 5)	0	(1)	-	51	-	**49**
Total operating income from external customers	17 366	14 074	1 943	335		**33 717**
Operating income from other segments	63	710	234	398	(1 404)	**-**
Total operating income	17 429	14 783	2 176	733	(1 404)	**33 717**
Operating expenses	(13 758)	(11 081)	(1 669)	(777)	1 358	**(25 926)**
EBITDA	3 672	3 702	508	(44)	(46)	**7 791**
Operating profit (loss) before other items (EBIT)	2 528	3 154	360	(97)	(46)	**5 899**
Cash flow from operations	1 448	2 273	376	3	-	**4 100**
Working capital	2 517	3 487	276	(518)	(90)	**5 673**
Capital employed	12 960	7 932	945	308	(90)	**22 055**
Reinvestments						**(1 657)**
Strategic investments						**(1 717)**
Movement CAPEX payables						**245**
Cash flow from investments in property, plant and equipment and intangible assets, including received investment grants						**(3 128)**

Main items by operating segment
2020

Amounts in NOK million	Silicones (restated)	Silicon Products (restated)	Carbon Solutions	Other	Eliminations (restated)	Total
Revenue from sale of goods (n ote 7)	12 558	9 699	1 917	(217)		**23 665**
Other revenue (note 7)	37	146	21	161		**360**
Other operating income (note 7)	162	380	5	83		**631**
Share of profit from equity accounted companies (note 5)	-	(1)	-	36		**35**
Total operating income from external customers	12 757	10 224	1 943	64		**24 691**
Operating income from other segments	43	580	234	412	(1 258)	**-**
Total operating income	12 800	10 804	2 176	476	(1 258)	**24 691**
Operating expenses	(11 474)	(9 582)	(1 669)	(743)	1 224	**(22 007)**
EBITDA	1 326	1 221	508	(267)	(34)	**2 684**
Operating profit (loss) before other items (EBIT)	269	685	360	(312)	(34)	**957**
Cash flow from operations	499	889	376	(208)	0	**1 522**
Working capital	1 229	2 557	276	(439)	(44)	**3 536**
Capital employed	10 414	6 806	945	255	(44)	**18 329**
Reinvestments						**(1 387)**
Strategic investments						**(835)**
Movement CAPEX payables						**22**
Cash flow from investments in property, plant and equipment and intangible assets, including received investment grants						**(2 201)**

Realised effects from hedging programs
by operating segment 2021

Amounts in NOK million	Silicones	Silicon Products	Carbon Solutions	Other	Eliminations	Total
Revenue from sale of goods, Currency (note 26)	-	27	-	65		**92**
Operating expenses, Power (note 26)	-	295	2	17		**315**
Total realised effects hedge accounting	-	322	2	82		**407**

Realised effects from hedging programs
by operating segment 2021

Amounts in NOK million	Silicones	Silicon Products	Carbon Solutions	Other	Eliminations	Total
Revenue from sale of goods, Currency (note 26)	-	(4)	-	(216)		**(220)**
Operating expenses, Power (note 26)	-	(397)	-	(53)		**(450)**
Total realised effects hedge accounting	-	(401)	-	(269)		**(670)**

Definitions

EBITDA is defined as Elkem's profit (loss) for the period, less income tax (expense) benefit, finance expenses, foreign exchange gains (losses), finance income, share of profit from equity accounted financial investments, other items, impairment losses and amortisation and depreciation.

EBIT, also referred to as operating profit (loss) before other items is defined as Elkem's profit (loss) for the period, less income tax (expense) benefit, finance expenses, foreign exchange gains (losses), finance income, share of profit from equity accounted financial investments and other items.

Cash flow from operations is EBITDA including reinvestments, changes in working capital and equity accounted companies.

Reinvestments generally consist of 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.

Working capital is defined as accounts receivable, inventory, other current assets, accounts payable, employee benefit obligations (current) and other current liabilities. Accounts receivables 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 CAPEX payables. 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, investments in equity accounted companies, grants payable, accounts payable and prepayments related to purchase of non-current assets.

Elkem's definitions may be different from other companies.

Total revenue by geographic market based on customer location

Amounts in NOK million	2021	2020
Norway	814	843
Other Nordic countries	1 637	779
United Kingdom	1 094	791
Germany	2 903	2 347
France	791	531
Italy	1 274	888
Poland	511	457
Spain	765	531
Other European countries	2 791	2 106
Europe	12 579	9 273
Africa	217	154
USA	3 451	2 755
Canada	368	244
Brazil	1 046	871
Other South American countries	326	214
America	5 191	4 084
China	10 534	7 301
Japan	1 197	998
South Korea	549	400
Other Asian countries	2 624	1 938
Asia	14 904	10 637
Rest of the world	99	97
Total revenue before hedging effects	32 991	24 245
Realised effects from hedging programs (note 26)	92	(220)
Total revenue	33 083	24 025

Non-current assets by geographical areas based on entity location

Amounts in NOK million	2021	2020
Norway	4 606	4 122
Other Nordic countries	528	503
United Kingdom	37	31
Germany	49	93
France	3 535	3 248
Italy	126	131
Poland	1	0
Spain	281	270
Other European countries	70	74
Europe	9 232	8 471
Africa	89	69
USA	710	567
Canada	523	425
Brazil	255	153
Other South American countries	436	444
America	1 924	1 590
China	8 411	7 287
Japan	3	4
Other Asian countries	343	438
Asia	8 757	7 730
Total non-current assets	20 001	17 859

Non-current assets are presented less derivatives and deferred tax assets.

7. Operating income

Principle

Operating income consists of:

a. Revenue
b. Other operating income
c. Share of profit (loss) from equity accounted companies (note 5)

(a) Revenue

Revenue is measured based on the consideration specified in a contract with a customer. Elkem recognises revenue when Elkem transfers control over a goods or service to a customer.

A five-step process is applied before revenue can be recognised:

→ identify contracts with customers
→ identify the separate performance obligation
→ determine the transaction price of the contract
→ allocate the transaction price to each of the separate performance obligations, and
→ recognise the revenue as each performance obligation is satisfied.

Sale of goods

Elkem's main performance obligation is related to sale of goods where the obligation is to deliver agreed volume of products within the agreed specification. Elkem has both short-term and long-term contracts. Short-term contracts, normally within one month, cover delivery of an agreed volume at market price at the date the order is placed. These types of contracts are most common for commodity products, such as sales of ferrosilicon and silicones and sales to customers in China. The long-term contracts cover a period of a few months and up to one year, where the prices normally are fixed within a volume range. Elkem has for sale of metallurgical silicon some contracts that cover a period longer than one year. In these contracts the prices are normally negotiated on an annual basis. Some of Elkem's sales contracts include an element of freight services, see separate section below for accounting policies.

Revenue is recognised when control of the goods is transferred to the customer, at an amount that reflects the consideration to which Elkem expects to be entitled in exchange for those goods. Control is transferred to the buyer, according to the agreed delivery term for each sale. Delivery terms are based on Incoterms 2021 issued by International Chamber of Commerce, and the main terms are

"F" terms, where the buyer arranges and pays for the main carriage. The risk is transferred to the buyer when the goods are handed 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 is transferred to the buyer when the goods are handed over to the carrier engaged by the seller.

"D" terms, where the group arranges and pays for the carriage and retains the risk of the goods until delivery at the agreed destination. The ownership is transferred to the buyer upon arrival at the agreed destination, usually the purchaser's warehouse.

The goods are normally sold with standard warranties that the goods comply with the agreed-upon specifications. These standard warranties are accounted for using IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Elkem does not have any other significant obligations for returns or refunds.

Freight services included in sale of goods

Freight components included in sale of goods on incoterms "C" terms are considered as a separate performance obligation and recognised over the period the service is performed. Shipping and handling services that occur before the customer takes control of the goods for sales on "D" terms are considered to be part of fulfilling the sale of the goods.

Sale of power and revenue connected to energy recovery

Sale of electric power and revenue connected to energy recovery, mainly heat supply in the form of steam and hot water, el-certificates and el-tax, are recognised in income based on volume and price agreed with the customer. Revenue connected to energy recovery is mainly based on long-term contracts where the prices are regulated yearly based on changes in CPI or government regulated prices, except for the el-certificates where the price is based on the observable market price at date of delivery.

Revenue from sale of services

Revenue from sale of services is recognised when the services have been provided. Sale of services are mainly related to management agreements with related parties based on a cost plus a margin and sale of shipping and handling related services.

(b) Other operating income

Insurance settlements

Income from insurance settlements are recognised as other operating income when it is virtually certain that the group will receive the compensation. Expected cash flows from credit insurance contracts where such contracts are deemed to be an integral part of the sale transactions is presented net against impairment losses assets / receivables, included in other operating expenses. See note 21 Trade receivables.

Grants

See note 8 Grants

Details of revenue from contracts with customers 2021

Amounts in NOK million	Silicones	Silicon Products	Carbon Solutions	Other	Total
Sale of goods, Silicones	17 111	-	-	-	**17 111**
Sale of goods, Silicon Products	94	13 529	-	-	**13 623**
Sale of goods, Carbon Solutions	-	-	1 917	-	**1 917**
Revenue from energy recovery and other energy related income	19	32	1	57	**108**
Service agreements with related parties (note 32)	2	8	12	50	**73**
Other revenue from contracts with customers	21	55	7	71	**155**
Total revenue from contracts with customers	17 247	13 624	1 937	178	**32 987**
Rental income	2	1	-	1	**4**
Realised currency hedging effects (note 26)	-	27	-	65	**92**
Total revenue	17 249	13 652	1 937	244	**33 083**

Details of revenue from contracts with customers 2020

Amounts in NOK million	Silicones (restated)	Silicon Products (restated)	Carbon Solutions	Other	Total
Sale of goods, Silicones	12 479		-	-	**12 479**
Sale of goods, Silicon Products	79	9 703	-	-	**9 782**
Sale of goods, Carbon Solutions	-	-	1 625	-	**1 625**
Revenue from energy recovery and other energy related income	-	28	2	32	**62**
Service agreements with related parties (note 32)	6	4	12	106	**128**
Other revenue from contracts with customers	30	111	2	23	**166**
Total revenue from contracts with customers	12 594	9 846	1 640	160	**24 241**
Rental income	1	2	0	1	**5**
Realised currency hedging effects (note 26)	-	(4)	-	(216)	**(220)**
Total revenue	12 595	9 845	1 640	(55)	**24 025**

Details of other operating income

Amounts in NOK million	**2021**	2020
Gain on disposal of fixed assets	**0**	1
Insurance settlements	**27**	46
Grants (note 8)	**554**	560
Other	**5**	25
Total other operating income	**586**	631

8. Grants

Principle

Grants are recognised when it is reasonably assured that Elkem will comply with the conditions attached to them and the grants will be received. Tax credits related to R&D projects are classified as government grants if they ultimately are settled with cash, tax credits settled only via taxes are classified as tax allowances.

Grants are recognised in the statement of profit or loss as other operating income, over the periods necessary to match them with the cost they are intended to compensate. Grants relating to cost of production of goods are recognised in profit or loss when the produced goods are sold. Grants relating to property, plant and equipment (fixed assets) and intangible assets are deducted from the carrying amount of the asset and recognised in profit or loss as a reduction of the depreciation charge over the lifetime of the asset. A forgivable loan from government is treated as a government grant when it is reasonable assured that the entity will meet the terms for forgiveness. The benefit of government loan at a below-market rate of interest is treated as government grant.

Details of grants

	2021		2020	
Amounts in NOK million	**Other operating income**	**Deduction of carrying amount FA/IA**	Other operating income	Deduction of carrying amount FA
R&D grants from the Norwegian government	**59**	**15**	63	5
R&D grants from the French government	**59**	**-**	60	-
Other R&D grants	**14**	**-**	8	-
CO2 compensation from the Norwegian Environment Agency	**367**	**-**	340	-
Energy recovery related grants	**-**	**14**	-	18
Other government grants	**53**	**43**	67	17
Covid-19 grants	**2**	**-**	19	-
Total government grants	**553**	**72**	556	40
Norwegian NOx fund for reduced emission of NOx	**-**	**31**	-	134
Other grants	**1**	**-**	4	-
Total grants from other than governments	**1**	**31**	4	134
Total grants	**554**	**103**	560	173

	2021	2020
Grants receivable related to fixed (FA) and intangible assets (IA) (note 22)	**63**	97
Grants receivable related to income (note 22)	**633**	585
Grants payable (note 24)	**(15)**	(15)
Grants, deferred income (note 24)	**(18)**	(21)

CO_2 allowances
CO2 emission allowances allocated from the government are classified as grants, measured at nominal value (zero). The CO2 allowance scheme pertains to the group's plants in Europe. If actual emissions exceed the number of allocated allowances, additional allowances must be purchased. The cost of purchased CO2 allowances are recognised as part of raw materials and energy for production and is distributed linearly over the year as the number of allocated allowances will not be revised unless there is a substantial change in the production level at the plants. Any gain on sale of CO2 allowances is classified as revenue. The previous scheme for allocation of free CO2 allowances from the authorities lasted until 2020. The allocation of free allowances for the period 2021-2025 is approved by the EFTA surveillance authority, with no major changes to the structure, but is yet to be finally decided by the national authorities. Elkem expect the allocation of allowances to continue in accordance previous periods with an increased reduction in the allocation of 2.2% annually. As of 31 December 2021, Elkem group had a surplus of approximately 400,000 allowances measured at nominal value zero. The estimated fair value of these allowances is NOK 320 million. For Elkem ASA the surplus is zero. Cost of additional allowances needed to settle the quota obligation for 2021 is accrued for, based on the market prices as at 31 December 2021.

The final decision on the allowance allocation for 2021-2025 is expected before the settlement deadline for 2021, 30 April 2022.

CO_2 compensation
The Norwegian government has since 2013 had a CO2 compensation scheme to compensate for CO2 costs included in the power price for the manufacturing industry. The compensation scheme is based on a corresponding scheme for EU and is approved by the EFTA surveillance authority ESA. The previous CO2 compensation scheme ended 31 December 2020 and a new scheme for 2021-2025 is approved for EU but has yet to be implemented into Norwegian regulation. However, a continuation of the CO2 compensation is included in a proposed Norwegian regulation and provisions are included in the Norwegian national budget for 2021. The CO2 compensation scheme applies for Elkem's Norwegian Silicon and Ferrosilicon plants and the percentage of the costs compensated was approximately 75% in 2020. The compensation is based on the market price of CO2 allowances and will as such vary with the price development. Elkem has recognised CO2 compensation for 2021, at the same level as for 2020. The estimated compensation is based on the terms and conditions in the proposed regulation and supported by the provision in the National budget . As the grant compensates power costs, which are costs recognised as part of the cost price of inventory during the production process, the compensation is recognised in the statement of profit or loss when the produced goods are sold.

Covid-19
Due to the Covid-19 outbreak, several government bodies implemented temporary measures in 2021 to help businesses affected by the outbreak. Elkem has received NOK 2 million (NOK 19 million) in Covid-19 related grants recognised as other operating income in the statement of profit or loss.

NOx Fund
The industry in Norway pays a fee for their emission of NOx to a public foundation run by 15 industry and commerce associations. The foundation is self-financed by the fees and the purpose is to support projects that reduces NOx emissions from the industry in Norway.

Other
The remaining grants are mainly related to R&D and energy recovery projects.

9. Employee benefits

Principle

Employee benefits
Employee benefits are all forms of considerations given by an entity in exchange for service rendered by employees or for termination of employment.

Employee benefits include both current and non-current benefits, and are expensed as incurred, together with any social security taxes applicable.

Current benefits consist of wages and salaries, bonuses, holiday payments and other short-term benefits that are expected to be settled within 12 months after the balance sheet date. Non-current benefits consist mainly of jubilee and long-service benefits, post-employment benefits and post-retirement benefits, not expected to be wholly settled within the next twelve months.

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 and there is 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 measured at fair value and deducted in calculating the net pension obligation. Actuarial assumptions are used to measure both the obligation and the expense and effects of changes in estimates due to financial and actuarial assumptions are recognised as other comprehensive income. Service costs are recognised as part of employee benefit expenses and net interest on pension liabilities / assets are recognised as a part of finance expenses. Past service costs arising due to amendments in benefit plans are expensed as incurred.

Multi-employer defined benefit plans where available information is insufficient to be able to calculate each participant's obligation, are accounted for as contribution plans.

Judgements and estimates
Estimation uncertainty is mainly related to defined benefit pension plans, where the calculation of pension obligations is based on financial and actuarial assumptions, such as discount rates, future salary and pension adjustments, expected turnover and mortality. Deviations between applied assumptions and actual results in future periods will have effects on the calculated obligation. See information about sensitivity on pension obligations based on changes in main actuarial assumptions below.

Employee benefit expenses

Amounts in NOK million	2021	2020
Salaries, holiday pay and variable compensation	(3 459)	(3 122)
Employer's national insurance contributions / social security tax	(727)	(654)
Pension expenses	(137)	(121)
Share-based payments (note 10)	(28)	(29)
Other payments / benefits	(179)	(102)
Total employee benefit expenses	**(4 530)**	(4 028)
Average number of full-time equivalents	7 178	6 931

Remuneration to management

Amounts in NOK million	2021	2020
Fixed compensation	(31)	(30)
Variable compensation - STI	(29)	(14)
Variable compensation - LTI	(9)	(10)
Other benefits	(1)	(2)
Pension benefits	(5)	(5)
Total management remuneration	**(76)**	(61)
Remuneration provided to the board of directors	(5)	(4)
Remuneration provided to the committee remuneration	(0)	(0)

For more details on the remuneration to management see "Report on salary and other remuneration to leading personnel in Elkem ASA for the financial year 2021".

Employee benefit assets and obligations

	Non-current		Current	
Amounts in NOK million	**31.12.2021**	31.12.2020	**31.12.2021**	31.12.2020
Pension contribution fund (note 22)	**1**	3	**2**	3
Employee prepayments etc.	**-**	-	**8**	10
Total employee benefit assets	**1**	3	**10**	13
Salaries, holiday pay and variable compensation	**-**	-	**761**	547
Social security tax / contributions	**-**	-	**203**	177
Pension plan obligations, net	**492**	554	**-**	-
Other benefit plans	**119**	125	**12**	16
Total employee benefit obligations	**611**	679	**976**	740

(a) Salaries, holiday pay and variable compensation
The obligations are related to incurred employee benefits, not paid.

(b) Pension plans
The group has both defined contribution and defined benefit plans. For defined contribution plans the cost is equal to the group's contribution to the employee's pension savings during the period. For defined benefit plans the cost 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 are the main pension plan for Elkem's Norwegian entities, where the contribution to each individual pension plan is 5% of annual salary up to 7.1G and 15% of annual salary between 7.1-12G. 1G refers to the Norwegian national insurance scheme's basic amount, which is NOK 106 399 as at 1 May 2021. Pension on salary above 12G is not supported by external service providers and is therefore handled as a separate plan and included under defined benefit plans.

In addition, a Norwegian multi-employer early retirement scheme called AFP, where sufficient information to calculate each participant's pension obligation is not available, is accounted for as it is a defined contribution plan in accordance with the Ministry of Finance's conclusion. The participants in the pension plan are jointly responsible for 2/3 of the plan's pension obligation, the government is responsible for the remaining part. The pension premium in 2021 is 2.5% of the employees' salary between 1 and 7.1G, covering this year's pension payments and contribution to a security fund for future pension obligations. The yearly premium for 2022 is set to 2.6%.

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 19%, France 44%, other Europe 17%, Canada 18%, other countries 2%, based on net pension obligation per 31 December 2021. In Canada provisions are also made for medical insurance as well as pension benefit plans.

The Norwegian pension plans are unfunded and comprise pension on salaries above 12G, where the expense is 15% of annual base salary that exceeds 12G plus interest on the individual calculated pension obligation, and some individual retirement schemes that are closed.

Net interest is calculated based on net pension obligations 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 obligations are presented as a part of finance expenses.

Breakdown of net pension expenses

Amounts in NOK million	**2021**	2020
Current service expenses	**(40)**	(34)
Administration expenses	**(1)**	(1)
Net pension expenses, defined benefit plans	**(40)**	(35)
Defined contribution plans	**(78)**	(69)
Early retirement scheme AFP (Norway)	**(18)**	(17)
Total pension expenses	**(137)**	(121)
In addition, interest expenses on net pension liabilities are recognised as a part of finance expenses	**(8)**	(7)

Net defined benefit obligations

Amounts in NOK million	**2021**	2020
Present value of funded pension obligations	**(509)**	(510)
Fair value of plan assets	**487**	460
Net funded pension obligations	**(22)**	(50)
Present value of unfunded pension obligations	**(470)**	(504)
Net value of funded and unfunded obligations	**(492)**	(554)

Movements in the defined benefit obligations and plan assets

	2021			2020		
Amounts in NOK million	**Defined benefit obligations**	**Defined benefit plan assets**	**Net pension plan obligations**	Defined benefit obligations	Defined benefit plan assets	Net pension plan obligations
Opening balance	**(1 014)**	**460**	**(554)**	(908)	434	(474)
Current service expenses incl. social contribution tax	**(40)**	**-**	**(40)**	(34)	-	(34)
Interest (expenses) income	**(18)**	**10**	**(8)**	(20)	12	(7)
Administration expenses	**-**	**(1)**	**(1)**	-	(1)	(1)
Remeasurement gains (losses)	**59**	**9**	**69**	(77)	23	(55)
Contributions from employer	**-**	**15**	**15**	-	14	14
Benefits paid	**40**	**(23)**	**17**	38	(19)	19
Other changes	**-**	**-**	**-**	2	(0)	2
Currency translation differences	**(5)**	**16**	**10**	(15)	(3)	(18)
Closing balance	**(978)**	**487**	**(492)**	(1 014)	460	(554)

Breakdown of pension plan assets

	31.12.2021		31.12.2020	
Amounts in NOK million	**Distribution%**	**Fair value of plan assets**	Distribution%	Fair value of plan assets
Cash, cash equivalents and money market investments	**11 %**	**55**	13 %	58
Bonds	**19 %**	**95**	13 %	60
Shares	**38 %**	**185**	31 %	142
Property	**30 %**	**148**	1 %	5
Other plan assets [1]	**1 %**	**4**	42 %	195
Total pension plan assets	**100 %**	**487**	100 %	460

[1] *Includes insurance contracts (Buy in policies and Annuity insured contracts)*

Actual return on plan assets	**4.3 %**	**19 878**	8.1%	34 987

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 non-current pension funds, except next year's expected contributions which are classified as current (see note 22 Other assets)

Pension assets, defined benefits and contribution plans

Amounts in NOK million	31.12.2021	31.12.2020
Current part of contribution fund	2	3
Non-current part of contribution fund	1	3
Total pension funds	**3**	6

Pension assets, defined benefits and contribution plans

	Norway		France		Canada		Germany		UK	
Discount rate	**2.0%**	(1.4%)	**0.9%**	(0.5%)	**3.0%**	(2.5%)	**1.0%**	(0.8%)	**1.6%**	(1.3%)
Expected rate of salary increase	**na**	(na)	**2.1%**	(2.1%)	**3,5%**	(3.5%)	**3.0%**	(3.0%)	**na**	(na)
Annual regulation of pensions paid	**1.5%**	(1.3%)	**na**	(na)	**na**	(na)	**2.0%**	(2.0%)	**na**	(na)

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

Sensitivity on pension obligations based on changes in main actuarial assumptions
The defined benefit pension schemes expose the group to actuarial risk 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. Negative amounts show an expected decrease in the net pension liability.

Assumption

	Discount rate		Life expectancy		Salary growth	
Amounts in NOK million	0.5% increase	0.5% decrease	1 year increase	1 year decrease	0.5% increase	0.5% decrease
2021: Effect on the pension liability in NOK million	(63)	71	25	(25)	24	(22)
2020: Effect on the pension liability in NOK million	(62)	76	27	(27)	28	(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 status for the individual plan.

Expected contribution for the pension plans next year and average duration for the main defined benefit plans

Amounts in NOK million	Norway	France	Canada	Germany	UK
Contribution to be paid to defined pension plans next year	5	35	18	3	5
Weighted average duration of the defined benefit obligations	13 years	11 years	17 years	14 years	14 years

(c) Other benefit plans
Other employee benefits consist of provisions related to jubilee and long-service benefits, and post-employment benefits to be paid until ordinary retirement age for former employees in Elkem's Chinese entities.

Of total non-current provisions, NOK 74 million (NOK 74 million) relate to jubilee and long-service benefits in the Silicones segment, mainly in France. Estimated duration of the obligation is 12 years. Non-current provisions for other employee benefits for Elkem's Chinese entities, in the Silicones segment, are calculated to NOK 30 million (NOK 36 million), mainly consisting of post-employment benefits. The benefits are related to employees laid off due to reorganisation, no further obligations are expected to incur and the estimated remaining duration is 17 years.

A profit-sharing plan is applicable for French entities with more than 50 employees, where the bonus liability must be calculated based on profit after tax, using a specific formula given by the authorities. There are no incurred benefits related to such plans at the reporting date.

10. Share-based payment

Principle
The fair value of options granted under the share-based payment programme is recognised as an employee benefit expense with a corresponding increase in equity for equity settled awards. The total amount to be expensed is determined by reference to the fair value of the options granted. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions.
It recognises the impact of the revision to original estimates, if any, in the statement of profit or loss, with a corresponding adjustment to equity.

Social security contributions payable in connection with an option grant are considered an integral part of the grant itself and the charges are treated as cash-settled transactions.

Judgements and estimates
Estimating fair value for share based payment transactions requires determination of the most appropriate valuation model and assumptions to the valuation model. The fair value at the grant date is determined using the Black-Scholes option pricing model, which takes into account the exercise price, the life of the option, the current price of the underlying shares, the expected volatility of the share price, any dividends expected on the shares and risk-free interest rate for the life of the option. The expected share price volatility is based on historical volatility for a selection of comparable listed companies adjusted with a premium taking into account the maturity of the peers compared to the Group. The risk-free interest rate is based on Norwegian government bonds with same maturity as the option.

Elkem's share option scheme
The Group has granted share options to management and selected key employees. Each option gives the right to acquire one share in Elkem ASA on exercise.

The share options vest annually in equal tranches over a three-year period following the date of grant, with one-third vesting each year. The options will expire two years after vesting, in total 5 years after the date of grant. No option holder may in any calendar year realise a total gain on exercise of options which is in excess of the two times the option holder's base salary in the same calendar year, provided however that the maximum gain for Elkem's CEO shall be four times the CEO's base salary. See "Report on salary and other remuneration to leading personnel in Elkem ASA for the financial year 2021" for description of the option programme and options granted to Elkem's corporate management.

When the options are exercised, the corresponding number of shares are transferred to the employee. The proceeds received from the exercise of the options (net of any directly attributable transaction costs) are credited directly to equity.

Components of share-based payments employee benefit expenses

Amounts in NOK million	2021	2020
Share-based payment	**(28)**	(29)
Social security contribution	**(16)**	(7)
Total expenses related to share-based payments	**(44)**	(36)

Components of share-based payments employee benefit expenses

Amounts in NOK million	2021	2020	2019	2018
Quantity granted	**7 451 000**	8 000 000	8 000 000	7 850 000
Date of Grant	**29 Jul 2021**	29 Jul 2020	29 Jul 2019	18 Sep 2018
Exercise price (NOK)	**31.20**	19.10	23.53	38.52
Share price (NOK)	**32.90**	17.19	24.66	38.16
Expected lifetime*	**3.34**	3.12	3.12	3.01
Volatility*	**34.4 %**	46.0 %	35.8 %	31.4 %
Interest rate*	**0.9 %**	0.2 %	1.3 %	1.3 %
Dividend*	**6.5 %**	6.5 %	6.5 %	6.5 %
FV per instrument*	**5.19**	2.95	4.08	4.85
Vesting conditions	**Service**	Service	Service	Service

**Weighted average parameters of instruments*

Outstanding instruments

		31. Desember 2021		31. Desember 2020	
Amounts in NOK million	*Exercise price*	Number of instruments outstanding	Remaining contractual life	Number of instruments outstanding	Remaining contractual life
2018 programme	*38.52*	4 650 000	1.21	7 267 000	1.69
2019 programme	*23.53*	2 967 500	2.37	7 500 000	2.58
2020 programme	*19.10*	5 411 272	2.94	8 000 000	3.58
2021 programme	*31.20*	7 451 000	3.58	-	-
Total outstanding		**20 479 772**	**2.70**	22 767 000	2.64

Quantity and weighted average prices

	31. Desember 2021		31. Desember 2020	
Amounts in NOK million	Number of instruments	Weighted average exercise price	Number of instruments	Weighted average exercise price
Outstanding options 1 January	22 767 000	26.76	14 767 000	30.91
Granted during the year	7 451 000	31.20	8 000 000	23.53
Exercised during the year [2]	(6 271 228)	22.16	-	-
Forfeited during the year	(900 000)	21.16	-	-
Expired during the year	(2 567 000)	38.52	-	-
Outstanding options 31 December	20 479 772	28.55	22 767 000	26.76
Of which exercisable (vested)	5 728 772	35.30	7 417 000	33.47
Average share price at exercise date (NOK per share)		34.00		-

**Weighted average parameters of instruments*

11. Other operating expenses

Details of operating expenses

Amounts in NOK million	2021	2020
Loss on disposal of fixed assets	**(5)**	(15)
Freight and commission expenses	**(1 661)**	(1 413)
Leasing short-term and low value contracts (note 16)	**(56)**	(42)
Machinery, equipment, spare parts and operating materials	**(1 336)**	(1 285)
External services [1]	**(2 051)**	(1 949)
Insurance expenses	**(106)**	(97)
Impairment losses trade and other receivables	**9**	(16)
Other operating expenses [2] [3]	**(330)**	(304)
Total other operating expenses	**(5 536)**	**(5 121)**

[1] *Including services from auditor, see specification below*
[2] *Including changes in inventories of finished goods and work in progress of positive NOK 1 million (positive NOK 26 million)*
[3] *Including capitalised salary on fixed asset projects of positive NOK 114 million (positive NOK 99 million)*

Research and development
During 2021, Elkem expensed NOK 716 million (NOK 548 million) as research and development related to process, product and business development, including technical customer support and improvement projects. In addition, Elkem capitalised development expenses of NOK 300 million (NOK 162 million).

Grants relating to research and development amount to NOK 132 million (NOK 130 million) and are recognised in other operating income. In addition NOK 15 million (NOK 5 million) is recognised as a reduction of intangible assets.

Audit fees
KPMG is the group auditor of Elkem.

Fees to KPMG and other audit firms

Amounts in NOK million	2021	2020
KPMG		
Audit fee	(19)	(18)
Other assurance services	(1)	(2)
Tax services	(0)	(0)
Other services	-	(1)
Other audit firms		
Audit fee	(2)	(2)
Other assurance services	(0)	(0)
Tax services	(1)	(2)
Other services	(1)	(2)
Total fees to KPMG and other audit firms	**(24)**	(27)

Fees to auditors are reported exclusive of VAT.

12. Other items

Principle

Other gains (losses)

Other gains (losses) consists of changes in fair value of financial instruments that are not designated as a part of a hedging relationship, any ineffective part of hedging relationships and foreign exchange gains (losses) related to operating activities such as trade receivables, trade payables, bank accounts / overdrafts. Foreign exchange gains (losses) related to financing activities, mainly interest-bearing liabilities and group loans, are classified as a part of financial income and expenses.

Other income (expenses)

Other income and (expenses) consists of transactions and events that are related to acquisition of business, gains / (losses) on disposal of businesses, restructuring programme and profit and loss effects from other shares. In addition, performance incentives for Elkem employees related to such items. Cost related to liquidated / wound-up businesses, costs of public requirements or updated regulations related to events / periods before purchase of the business, e.g., environmental measures, are included in other income and expenses.

Acquisition related costs may include both costs related to acquisitions done, not completed and cancelled projects. Investments in equity instruments with an ownership below 20% are normally classified as other shares. Dividends from such shares are recognised when shareholders' right to receive dividends is determined by the shareholder's meeting. Fair value changes in other shares related to listed companies are recognised as other income (expenses).When the options are exercised, the corresponding number of shares are transferred to the employee. The proceeds received from the exercise of the options (net of any directly attributable transaction costs) are credited directly to equity.

Details of other items

Amounts in NOK million	2021	2020
Changes in fair value commodity contracts (note 25) [1]	(1)	(144)
Embedded EUR derivatives power contracts, interest element (note 25)	3	234
Ineffectiveness on cash flow hedges (note 26)	3	(12)
Net foreign exchange gains (losses) - forward currency contracts	14	49
Operating foreign exchange gains (losses)	20	(83)
Total other gains (losses)	39	44
Dividends from other shares	3	1
Change in fair value from other shares measured at fair value through profit or loss	2	0
Gains (losses) on disposal of subsidiaries	-	-
Restructuring expenses (note 24) [2]	41	(158)
Dismantling and environmental expenses (note 24) [3]	(181)	-
Other [4]	(17)	(18)
Total other income (expenses)	(153)	(174)
Total other items	**(114)**	(130)

[1] Mainly fair value changes of the 30-øringen power contract, see note 25 Financial assets and liabilities. Due to changes in the price structure of the "30-øringen" contract from 2021, the contract is designated as a hedging instrument from 1 January 2021. This means that fair value changes from 1 January 2021 is recognised as raw materials and energy for production in statement of profit or loss in the same period(s) as the hedged objects affects the profit or loss.

[2] Elkem launched a group wide productivity improvement programme in first quarter of 2020. The amount includes restructuring and direct related expenses.

[3] Includes NOK 171 million related to expenses in connection with relocation of workers buildings located in proximity to the Silicones Xinghuo plant, as required by the authorities.

[4] Mainly related to business projects / acquisitions

13. Finance income and expenses

Principle

Interest income is recognised on an accrual basis and is classified as finance income.

Foreign exchange gains (losses) related to financing activities including group loans are classified as a part of financial income and expenses, and foreign exchange gains (losses) related to operations are classified as a part of other items.

Interest expenses are recognised on an accrual basis using the effective interest method and are classified as financial expenses. Interest is capitalised as a part of the carrying amount of a self-constructed item of property, plant and equipment when the construction period takes a substantial period of time, meaning more than 9-12 months, depending on the total amount, and borrowing costs are being incurred.

Financial expenses also include interest on net pension liabilities, unwinding of discounted provisions and contingent liabilities, and interest on lease liabilities.

Details of net finance income (expenses)

Amounts in NOK million	2021	2020
Interest income on loans and receivables	34	27
Other financial income	6	4
Total finance income	40	31
Net foreign exchange gains (losses) [1]	241	17
Interest expenses on interest-bearing liabilities measured at amortised cost	(206)	(221)
Interest expenses from other items measured at amortised cost [2]	(23)	(22)
Capitalised interest expenses	5	4
Interest expenses on lease liabilities	(26)	(17)
Unwinding of discounted liabilities	(8)	(10)
Interest expenses on net pension liabilities	(8)	(7)
Other financial expenses	(10)	(4)
Total finance expenses	(276)	(278)
Net finance income (expenses)	6	(229)

[1] Some / part of loans are designated as a hedging instrument, hence the unrealised part of net foreign exchange gains (losses) are recognised against OCI, see note 26 Hedging.

[2] Interest expenses from other items measured at amortised cost mainly consist of interest on bills payable and factoring agreements.

14. Taxes

Principle

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. Current tax payables includes any adjustment to tax payable in respect of previous years. Income tax is recognised in the statement of profit or loss except to the extent that it relates to items recognised directly in equity or in other 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.

Penalties and interest related to income taxes are recognised as income tax expense in the statement of profit or loss. Accrued penalties and interest are recognised in the statement of financial position in income tax payable and provisions for the current and non-current portions respectively.

Deferred tax

Deferred tax assets and liabilities are calculated using the liability method with full allocation of 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 statement of 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. Deferred tax assets arising from tax losses are recognised when there is convincing evidence of recoverability. The tax rates substantively enacted 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 Elkem intends to settle current tax liabilities and assets on a net basis, or to realise the tax assets and settle the liabilities simultaneously.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Judgements and estimates

Part of the basis for recognising deferred tax assets is based on applying the loss carried forward against future taxable income in the group, which requires use of estimates for calculating future taxable income. Deferred tax assets are not recognised for start-up projects and entities with longer periods of losses unless there is convincing evidence of recoverability. Elkem recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred asset to be recovered. For example, when start up projects becomes profitable or the market condition has changed so the entity has longer periods with historic taxable profits and future forecasted taxable profits.

Income tax recognised in profit or loss

Amounts in NOK million	2021	2020
Profit (loss) before income tax	5 827	584
Current taxes	(1 145)	(234)
Deferred taxes	(18)	(72)
Total income tax (expense) benefit	(1 163)	(306)

Income taxes recognised in other comprehensive income (OCI)

Amounts in NOK million	2021	2020
Remeasurement of defined benefit pension plans	(10)	13
Hedging of net investment in foreign operations	(29)	37
Cash flow hedges	(153)	33
Total tax charged to OCI	(192)	82

Reconciliation of income tax (expense) benefit

Amounts in NOK million	2021	2020
Profit (loss) before income tax	5 827	584
Expected income taxes, 22% of profit before tax (22%)	(1 282)	(128)
Tax effects of:		
Difference in tax rates for each individual jurisdiction	(94)	(8)
Preferential tax rates	12	41
Permanent differences		
Tax effects of income from Norwegian controlled foreign companies (NOKUS)	(8)	(7)
Tax effects share of profit (loss) from equity accounted companies	19	5
Tax effects non-deductible expenses	(24)	(18)
Tax relief based on value of equity	18	-
Tax effects non-taxable income	76	44
Other effects		
Tax effects of changes in unrecognised deferred tax assets	157	(186)
Tax credits utilised	-	11
Other current taxes paid	(35)	(46)
Previous year tax adjustment	15	(12)
Total income tax (expense) benefit	**(1 163)**	**(306)**
Effective tax rate	20 %	52 %

Three companies in China are taxed under the regulations for "High and new technology company" which mean that the tax rate is 15% compared to the regular 25%. The companies have to confirm to the authorities every other year that they fulfil the conditions for "High and new technology company" in order to apply the preferential tax rate.

Tax effects of non-taxable income is mainly due to additional R&D deduction and non-taxable R&D grants that are settled through the taxable profit.

Other current taxes paid relates mainly to taxes that are indirectly calculated based on profit (loss) before income tax and withholding taxes on dividends.

Deferred tax assets and deferred tax liabilities

	31.12.2021		31.12.2020	
Amounts in NOK million	Deductible temporary difference	Deferred tax	Deductible temporary difference	Deferred tax
Derivatives including cash flow hedges	17	4	378	83
Property, plant and equipment and Intangible assets	795	198	1 015	155
Pension liabilities	465	121	525	148
Trade receivables	89	16	130	22
Inventories	639	157	164	39
Provisions	208	53	257	56
Other differences	302	68	377	83
Debt waiver	595	161	595	169
Tax losses carried forward	2 353	582	2 986	821
Gross deferred tax assets	**5 463**	**1 359**	**6 426**	**1 576**
Unrecognised deferred tax assets for tax loss carried forward	(1 960)	(486)	(2 623)	(699)
Unrecognised debt waiver	(595)	(161)	(595)	(169)
Unrecognised deferred tax assets other items	(1 361)	(340)	(1 198)	(197)
Recognised deferred tax assets	1 548	372	2 010	511
Netting		(324)		(414)
Net deferred tax assets		**48**		**96**
Derivatives including cash flow hedges	560	123	220	48
Property, plant and equipment and intangible assets	2 734	610	2 685	644
Inventories	210	46	166	37
Other differences	243	50	96	21
Gross deferred tax liabilities	3 748	828	3 168	751
Netting		(324)		(414)
Net deferred tax liabilities		**505**		**336**
Net deferred tax (liabilities) assets recognised		**(457)**		**(240)**

Unrecognised deferred tax assets other items, are mainly related to Property, plant and equipment.

Movements in net deferred tax assets and deferred tax liabilities

Amounts in NOK million	2021	2020
Opening balance	(240)	(178)
Recognised in profit or loss for the year	(18)	(72)
Effect of business combination	0	(81)
Recognised in other comprehensive income	(192)	82
Currency translation differences	(7)	10
Closing balance	**(457)**	**(240)**

Tax losses carried forward 31 December 2021

Amounts in NOK million	Gross tax losses carried forward	Net tax losses carried forward	Unrecognised tax losses	Recognised deferred tax losses carried forward
France	1 602	431	(347)	84
China	183	39	(28)	11
Brazil	170	58	(58)	-
Malaysia	96	23	(23)	-
Paraguay	298	29	(29)	-
Canada	3	1	(1)	-
Mexico	1	0	(0)	-
Total tax losses to carried forward	2 353	582	(486)	95

Tax losses carried forward 31 December 2020

Amounts in NOK million	Gross tax losses carried forward	Net tax losses carried forward	Unrecognised tax losses	Recognised deferred tax losses carried forward
France	1 702	552	(462)	90
China	637	138	(138)	-
Brazil	181	61	(61)	-
USA	33	7	-	7
United Kingdom	10	2	-	2
Norway	9	2	-	2
Malaysia	41	10	(10)	-
Paraguay	259	26	(26)	-
India	7	2	(2)	-
Mexico	2	1	-	-
Iceland	105	21	-	21
Total tax losses to carried forward	**2 986**	**821**	(699)	122

Tax losses carried forward by expiry date

	31.12.2021		**31.12.2020**	
Amounts in NOK million	**Total unrecognised losses**	**Total recognised losses**	Total unrecognised losses	Total recognised losses
2020	**-**	**-**	0	-
2021	**-**	**-**	(39)	-
2022	**-**	**-**	-	-
2023	**(29)**	**-**	(40)	-
2024	**-**	**-**	-	-
> 2024	**-**	**11**	-	-
Without maturity	**(458)**	**84**	(620)	122
Total tax losses carried forward	**(486)**	**95**	(699)	122

Pending tax issues with tax authorities

The Norwegian Tax Office decided in February 2021 to increase Elkem ASA's taxable income for the fiscal years 2016-2019 by in total NOK 781 million, which lead to an increase in the income tax (expense) benefit by NOK 181 million. The reassessments relate to loan arrangements / debt waiver agreements acquired by Elkem ASA in 2016 through the cross-border parent-subsidiary merger with Bluestar Silicones International Sarl. Elkem is of the opinion that the reassessment is unfounded and will appeal. Based on legal advice, Elkem's assessment is that the defence against the action will be successful, and the increase in taxable income is therefore not recognised in profit or loss. The amount was paid in first quarter of 2021 and a corresponding receivable for the paid income tax is recognised in 2021, see note 22 Other assets.

Debt waiver

Elkem Silicones France SAS has four Elkem internal debt waiver agreements where internal loans were converted to equity and the converted amounts were treated as taxable income. Elkem Silicones France SAS can only utilise the agreements to the extent that the company has an accounting profit according to IFRS. All debt that is repaid under the agreements can be deducted against taxable income. Nominal value of the agreements as of 31 December 2021 are NOK 595 million (NOK 595 million) corresponding to EUR 64 million (EUR 64 million). The amount is included in tax effect of changes in unrecognised deferred tax assets in the reconciliation of income tax (expense) benefit above and as illustrated below. Elkem Silicones France SAS has repaid NOK 0 million (NOK 0 million) that gives a tax credit of NOK 0 million (NOK 0 million).

Debt waiver 31 December 2021

Amounts in NOK million	2010	2012	2013	2014	**Total**
Gross value of debt waiver	54	186	149	207	**595**
Utilised 2021	-	-	-	-	**-**
Total debt that can be reversed	54	186	149	207	**595**
Deferred tax asset unrecognised [1)]	15	50	40	56	**161**
The respective agreements expire in	4 years	6 years	7 years	8 years	

Debt waiver 31 December 2020

Amounts in NOK million	2010	2012	2013	2014	**Total**
Gross value of debt waiver	54	186	149	207	**595**
Utilised 2020	-	-	-	-	**-**
Total debt that can be reversed	54	186	149	207	**595**
Deferred tax asset unrecognised [1)]	15	53	42	59	**169**
The respective agreements expire in	5 years	7 years	8 years	9 years	

1) Based on tax rate 27.0% (28.4%), which is applicable in France.

15. Property, plant and equipment

Principle

Property, plant and equipment (PPE) are stated in the consolidated statement of financial position at cost less accumulated depreciation and accumulated impairment losses. PPE acquired in business combinations are recognised at fair value at the acquisition date. PPE acquired in a business combination under common control are reflected at their carrying amounts. Assets in the course of construction are carried at cost less any recognised impairment loss. Such assets are classified to the appropriate categories of PPE when completed and ready for the intended use. When significant parts of an item of PPE have different useful lives, they are accounted for as separate items.

Initial cost includes expenditures that are directly attributable to the acquisition of the asset, cost of materials, direct labour, any other costs directly attributable to bringing the assets to working condition for their intended use and estimated dismantling or removal 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 statement of profit or loss when incurred.

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

An item of PPE 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 PPE, determined as the difference between the sales proceeds and the carrying amount of the asset, is recognised under other operating income or other operating expenses in the statement of profit or loss.

Accounting principle for impairment of assets, see Note 19 Impairment assessment.

Judgements and estimates

Estimated useful lives, residual values (if any) included in calculation of depreciation of PPE are reviewed and, if necessary, adjusted at least annually.

Details of property, plant and equipment
2021

Amounts in NOK million	Land	Buildings and other property	Plant, machinery, equipment and motor vehicles	Office and other equipment	Construction in progress	**Total**
Cost						
Opening balance	184	7 474	21 720	582	1 799	**31 759**
Additions	17	55	67	132	2 762	**3 033**
Transferred from CiP	21	344	1 122	186	(1 674)	**-**
Reclassification	-	7	1	(14)	(105)	**(110)**
Disposals	(0)	(21)	(290)	(12)	(6)	**(328)**
Currency translation differences	(5)	205	423	(8)	42	**656**
Closing balance	217	8 064	23 043	866	2 819	**35 009**
Accumulated depreciation						
Opening balance		(2 738)	(11 929)	(377)		**(15 043)**
Additions		(236)	(1 211)	(76)		**(1 523)**
Reclassification		(6)	(2)	9		**1**
Disposals		17	228	10		**255**
Currency translation differences		(37)	(171)	4		**(203)**
Closing balance		(2 999)	(13 085)	(430)		**(16 514)**
Impairment losses						
Opening balance	(11)	(384)	(2 162)	(0)	(26)	**(2 584)**
Additions	-	(9)	(54)	(1)	(3)	**(67)**
Reclassification	-	-	(0)	0	-	**-**
Disposals	-	0	35	0	2	**38**
Currency translation differences	0	(25)	(134)	(0)	(2)	**(160)**
Closing balance	(11)	(419)	(2 315)	(1)	(28)	**(2 774)**
Carrying amount						
Closing balance	206	4 646	7 644	435	2 790	**15 722**
Original cost of assets fully depreciated but still in use	0	1 368	6 455	126	-	**7 950**
Estimated useful life	Indefinite	5–50 years	3–50 years	3–20 years		
Depreciation plan		Straight-line	Straight-line	Straight-line		

Capitalised interest is NOK 5 million in 2021. The weighted average cost of capital for capitalisation of loan interest in 2021 is in the range of 2.5% and 3.1% per annum.

Elkem has decided to transfer the production at Elkem Carbon Malaysia to other Elkem Carbon Solutions production sites. An impairment loss of NOK 60 million is recognised in 2021 due to the transfer, of which NOK 55 million is related to impairment of property, plant and equipment and NOK 5 million to right-of-use assets. The impairment loss of PPE is mainly related to plant, machinery, equipment and motor vehicles and buildings and other property.

Details of property, plant and equipment 2020

Amounts in NOK million	Land	Buildings and other property	Plant, machinery, equipment and motor vehicles	Office and other equipment	Construction in progress	Total
Cost						
Opening balance	178	6 908	20 245	523	1 583	**29 437**
Additions	0	16	28	4	1 963	**2 011**
Transferred from CiP	-	335	1 297	41	(1 673)	**-**
Reclassification	(0)	3	(35)	33	(21)	**(21)**
Business combinations (note 4)	-	114	49	0	-	**163**
Disposals	-	(15)	(270)	(24)	(55)	**(364)**
Currency translation differences	6	113	406	3	3	**532**
Closing balance	184	7 474	21 720	582	**1 799**	**31 759**
Accumulated depreciation						
Opening balance		(2 494)	(10 837)	(338)		**(13 668)**
Additions		(238)	(1 140)	(43)		**(1 421)**
Reclassification		(0)	16	(16)		**-**
Disposals		13	225	23		**261**
Currency translation differences		(18)	(192)	(5)		**(215)**
Closing balance		(2 738)	(11 929)	(377)		**(15 043)**
Impairment losses						
Opening balance	(11)	(378)	(2 103)	(0)	(75)	**(2 567)**
Additions	-	(1)	(16)	-	(0)	**(17)**
Disposals	-	1	26	0	52	**79**
Currency translation differences	(1)	(7)	(69)	(0)	(3)	**(80)**
Closing balance	(11)	(384)	(2 162)	(0)	**(26)**	**(2 584)**
Carrying amount						
Closing balance	172	4 352	7 629	205	**1 773**	**14 131**
Original cost of assets fully depreciated but still in use	-	890	4 633	62	-	**5 585**
Estimated useful life	Indefinite	5–50 years	3–50 years	3–20 years		
Depreciation plan		Straight-line	Straight-line	Straight-line		

Capitalised interest is NOK 4 million in 2020. The weighted average cost of capital for capitalisation of loan interest in 2020 is 1.9% per annum.

See note 33 Pledge of assets and guarantees for level of pledge PPE.

16. Leases

Principle

Right-of-use assets are presented separately in the statement of financial position, whereas lease liabilities are recognised in interest-bearing liabilities.

Right-of-use-assets

Elkem`s policy in general is to own critical assets related to the production cycle, including production buildings and land where this is not controlled by the local government or other parties. The group`s main lease contracts comprise office buildings and machinery / storage assets to be used at production sites. The less significant lease contracts comprise employee cars, machinery and equipment.

Elkem assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Elkem applies single recognition and measurement approach for all leases, except for:

- → Lease contracts for which the lease term ends within 12 months as of the date of initial application are not capitalised (short-term leases). Elkem's short-term lease commitments are mainly related to rental of equipment in connection with maintenance or installation of new equipment.
- → Lease contracts for which the underlying asset is of low value, mainly office equipment, are not capitalised.
- → Lease of intangible assets are not capitalised.
- → Lease payments on contracts that are not capitalised are recognised as other operating expenses on a straight-line basis over the lease term.

Elkem recognise right-of-use assets at the commencement date of the lease (i.e., the date the underlying assets is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis from the commencement date to the earlier of the lease term and the remaining useful life of the right-of-use asset for assets where Elkem does not obtain ownership of the leased asset at the end of the lease term. Depreciation expense on the right-of-use asset is presented as depreciation in the statement of profit or loss. Right-of-use assets are subject to impairment assessments as described in note 19 Impairment assessment.

Lease liabilities

At the commencement date of a lease, Elkem recognise lease liabilities measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Non-lease components like insurance, electricity and other property-related expenses to be paid to landlord are excluded from the lease commitment for offices. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by Elkem and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs. Elkem uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease cannot be readily determined. The incremental borrowing rate is based on the respective country's risk-free rate for the term corresponding to the lease term, adjusted for own credit risk. Updated incremental borrowing rates are applied to new lease contracts recognised on a quarterly basis.

Lease liability is remeasured upon the occurrence of certain events like change in the lease term, lease payments or reassessment of options which in general implies a change in the carrying amount of the right-of-use asset. If any changes to the contractual terms and conditions; like increase of scope Elkem needs to assess whether the change implies a separate lease if the change has a standalone price. The existing right-of-use asset is adjusted if the increase of scope does not indicate a standalone price or for any other modifications.

Judgements and estimates

The lease term is determined as the non-cancellable period of a lease, together with any periods covered by an option to extend the lease if Elkem is reasonably certain to exercise that option and any periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. Elkem's main renewal options relate to lease of buildings for office and production purpose, included in Plant, buildings and other property, and lease of land and it is reasonably certain that the renewal option will be used. Elkem reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise, or not to exercise, the option to renew.

Details of right-of-use assets
2021

Amounts in NOK million	Land	Buildings and other property	Plant, machinery, equipment and motor vehicles	Office and other equipment	**Total**
Cost					
Opening balance	415	529	134	10	**1 087**
Additions/lease modifications	0	239	18	2	**260**
Reclassification	(0)	0	0	(1)	**-**
Partial or full termination of agreements	-	(41)	(10)	-	**(51)**
Currency translation differences	17	2	(5)	(0)	**14**
Closing balance	432	730	138	11	**1 310**
Accumulated depreciation					
Opening balance	(51)	(105)	(53)	(3)	**(212)**
Additions/lease modifications	(4)	(77)	(34)	(2)	**(116)**
Reclassification	(7)	(0)	0	0	**(7)**
Partial or full termination of agreements	-	40	9	-	**49**
Currency translation differences	(3)	(1)	2	0	**(2)**
Closing balance	(66)	(143)	(75)	(5)	**(288)**
Impairment losses					
Opening balance	-	-	-	-	**-**
Additions	-	(1)	-	(4)	**(5)**
Currency translation differences	-	(0)	-	(0)	**(0)**
Closing balance	-	(1)	-	(4)	**(5)**
Carrying amount					
Closing balance	366	586	62	2	**1 017**
Estimated useful life	1–99 years	1–25 years	2–5 years	3-6 years	
Depreciation plan	Straight-line	Straight-line	Straight-line	Straight-line	

Details of right-of-use assets
2020

Amounts in NOK million	Land	Buildings and other property	Plant, machinery, equipment and motor vehicles	Office and other equipment	**Total**
Cost					
Opening balance	239	357	99	8	**702**
Additions/lease modifications	123	197	47	2	**369**
Reclassification	-	-	-	-	**-**
Business combinations (note 4)	52	-	-	-	**52**
Partial or full termination of agreements	(1)	(25)	(17)	-	**(43)**
Currency translation differences	2	(0)	5	(0)	**7**
Closing balance	415	529	134	10	**1 087**
Accumulated depreciation					
Opening balance	(42)	(52)	(27)	(1)	**(123)**
Additions/lease modifications	(8)	(70)	(36)	(2)	**(115)**
Reclassification	(1)	-	-	-	**(1)**
Partial or full termination of agreements	1	13	10	-	**24**
Currency translation differences	(1)	4	0	0	**3**
Closing balance	(51)	(105)	(53)	(3)	**(212)**
Carrying amount					
Closing balance	363	424	82	6	**875**
Estimated useful life	1–99 years	1–25 years	1–10 years	1-5 years	
Depreciation plan	Straight-line	Straight-line	Straight-line	Straight-line	

Carrying amounts of lease liabilities and the movements during the period

Amounts in NOK million	**2021**	2020
Opening balance	**663**	407
Additions / lease modifications [1]	**258**	350
Payments	**(144)**	(120)
Interest expenses on lease liabilities	**26**	17
Currency translation differences	**(2)**	9
Closing balance (note 23)	**801**	663

[1] Elkem has a limited number of lease contracts with extension and termination options, where the options are not expected to be exercised and hence where no liability is recognised.

The maturity analysis of lease liabilities is disclosed in note 23 Interest-bearing assets and liabilities

Amounts recognised in consolidated statement of profit or loss

Amounts in NOK million	**2021**	2020
Depreciation of right-of-use assets	**(116)**	(115)
Interest expenses on lease liabilities (note 13)	**(26)**	(17)
Leasing expenses, short-term leases (note 11)	**(44)**	(30)
Leasing expenses, low value assets (note 11)	**(11)**	(9)
Leasing expenses, variable lease payments (note 11)	**(2)**	(4)
Total amount recognised in consolidated statement of profit or loss	**(199)**	(174)

17. Intangible assets

Principle

Intangible assets are stated in the consolidated financial statements 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, commencing when the asset is available for use. Assets that are an integral part of a group of assets are amortised from the date the related asset group as a whole is ready for its intended use. Such assets are impairment tested annually.

The estimated useful lives 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 to be derived from its use. 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 other operating income or other operating expenses in the statement of 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 in the statement of financial position if the group can demonstrate technical 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. Expenditures related to research and development activities, see note 11 Other operating expenses.

Accounting principle for impairment of assets, see Note 19 Impairment assessment.

Judgements and estimates

Estimated useful lives are used in calculation of amortisation of intangible assets, these are reviewed, and if necessary adjusted, at least annually.

Details of intangible assets
2021

Amounts in NOK million	Land use rights	Technology and licences	Software	Development	Other intangible [1]	Intangible assets under construction	**Total other intangible assets**
Cost							
Opening balance	108	836	469	714	322	305	**2 753**
Additions [2]	-	1	16	-	-	324	**342**
Transferred from CiP	-	2	6	80	-	(87)	**-**
Reclassification	-	8	81	-	-	29	**118**
Disposals	-	-	(9)	-	(0)	-	**(9)**
Currency translation differences	(5)	(19)	4	(19)	12	(2)	**(28)**
Closing balance	103	828	567	775	335	568	**3 175**
Accumulated amortisation							
Opening balance	(56)	(487)	(349)	(486)	(55)		**(1 433)**
Additions	(1)	(41)	(50)	(53)	(31)		**(177)**
Reclassification	-	-	(1)	-	-		**(1)**
Disposals	-	-	5	-	0		**5**
Currency translation differences	3	15	(3)	21	(1)		**35**
Closing balance	(55)	(513)	(398)	(519)	(87)		**(1 572)**
Impairment losses							
Opening balance	(1)	-	-	-	-	-	**(1)**
Additions	-	-	(4)	-	-	-	**(4)**
Disposals	-	-	4	-	-	-	**4**
Currency translation differences	0	-	-	-	-	-	**0**
Closing balance	(1)	-	-	-	-	-	**(1)**
Carrying amount							
Closing balance	47	315	169	256	248	568	**1 602**

Estimated useful life	3-10 years	3-15 years	3-10 years	3-16 years	3-10 years		
Amortisation plan	Straight-line	Straight-line	Straight-line	Straight-line	Straight-line		

1) Other intangible assets consists mainly of customer relationships.

2) Additions in 2021 consists mainly of capitalisation of development projects of NOK 300 million of which NOK 228 million is related to Elkem's biocarbon initiative and battery projects.

Details of intangible assets
2020

Amounts in NOK million	Land use rights	Technology and licences	Software	Development	Other intangible [1]	Intangible assets under construction	**Total other intangible assets**
Cost							
Opening balance	101	557	421	663	92	152	**1 987**
Additions [1]	-	2	17	-	0	188	**207**
Transferred from CiP	-	-	6	29	0	(35)	**-**
Reclassification	-	0	22	0	0	(0)	**22**
Business combinations (note 4)	-	257	0	-	253	-	**510**
Disposals	-	-	(2)	(4)	-	(1)	**(7)**
Currency translation differences	6	20	5	25	(23)	0	**33**
Closing balance	108	836	469	714	322	305	**2 753**
Accumulated amortisation							
Opening balance	(50)	(419)	(304)	(407)	(29)		**(1 209)**
Additions	(3)	(44)	(42)	(60)	(26)		**(174)**
Reclassification	-	-	-	-	-		**-**
Disposals	-	-	2	2	-		**4**
Currency translation differences	(3)	(24)	(6)	(21)	0		**(54)**
Closing balance	(56)	(487)	(349)	(486)	(55)		**(1 433)**
Impairment losses							
Opening balance	(1)	-	-	-	-	-	**(1)**
Currency translation differences	(0)	-	-	-	-	-	**(0)**
Closing balance	(1)	-	-	-	-	-	**(1)**
Carrying amount							
Closing balance	51	349	120	227	268	305	**1 319**
Estimated useful life	3–10 years	3–15 years	3–10 years	3–16 years	3–10 years		
Amortisation plan	Straight-line	Straight-line	Straight-line	Straight-line	Straight-line		

1) Other intangible assets consists mainly of customer relationships

2) Additions in 2020 consists mainly of capitalisation of development projects of NOK 162 million.

18. Goodwill

Principle
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 the statement of profit or loss as other items. 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.

Accounting principle for impairment of assets, see Note 19 Impairment assessment.

Judgements and estimates
The fair value of an acquired entity's net identifiable assets used to initially measure goodwill are dependent on assumptions such as future cash flows and discount rate.

Judgments and estimates for impairment of assets, see Note 19 Impairment assessment.

Details of goodwill

Amounts in NOK million	**2021**	2020
Opening balance	**919**	466
Business combinations (note 4)	**-**	506
Currency translation differences	**22**	(53)
Closing balance	**941**	919

Origin of goodwill per CGU
31 December 2021

Amounts in NOK million	Silicones	Silicon Products	Carbon Solutions	**Total**
Elkem Silicones Guangdong Co., Ltd.	485	-	-	**485**
Elkem Silicones Korea Co., Ltd	119	-	-	**119**
Elkem Silicones	76	-	-	**76**
Elkem Rana AS	-	40	-	**40**
Elkem Oilfield Chemical FZCO	-	21	-	**21**
Elkem Materials Process Services BV	-	0	-	**0**
Elkem Nagpur	-	37	-	**37**
Elkem Dronfield Ltd.	-	16	-	**16**
Ferroveld JV	-	-	41	**41**
Elkem Partiçipacòes Indústria e Comércio Limitada	-	-	7	**7**
Elkem Carbon (China) Co., Ltd.	-	-	1	**1**
NEH LLC	-	83	15	**98**
Total goodwill	680	197	64	**941**

Origin of goodwill per CGU
31 December 2020

Amounts in NOK million	Silicones	Silicon Products	Carbon Solutions	**Total**
Elkem Silicones Guangdong Co., Ltd.	455	-	-	**455**
Elkem Silicones Korea Co., Ltd	126	-	-	**126**
Elkem Silicones	80	-	-	**80**
Elkem Rana AS	-	40	-	**40**
Elkem Oilfield Chemical FZCO	-	20	-	**20**
Elkem Materials Process Services BV	-	0	-	**0**
Elkem Nagpur	-	37	-	**37**
Elkem Dronfield Ltd.	-	16	-	**16**
Ferroveld JV	-	-	43	**43**
Elkem Partiçipacòes Indústria e Comércio Limitada	-	-	7	**7**
Elkem Carbon (China) Co., Ltd.	-	-	1	**1**
NEH LLC	-	80	15	**95**
Total goodwill	661	192	66	**919**

19. Impairment assessments

Principle

Impairment exists when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less cost of disposal calculation is based on data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs of disposing the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that Elkem is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

A CGU is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

Indicators of impairment will typically be changes in technological development, changes in market conditions and changes in the competitive situation.

Impairment loss and reversal of previous impairment losses are recognised as impairment losses in the statement of profit or loss.

Goodwill

Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination. 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, property plant and equipment and right-of-use assets

Intangible assets with indefinite useful lives are tested for impairment annually, or more frequently when there is an indication of impairment. For the other non-financial assets Elkem assess, at each reporting date, whether there is an indication that an asset may by impaired. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Judgements and estimates

The recoverable amounts of assets of CGUs subject to impairment testing are determined based on value-in-use calculations, which are to a large extent based on estimated future cash flows. These calculations require the use of estimates for cash flows, the choice of discount rate before tax for discounting the cash flows, and to determine the CGU.

(a) Impairment test of goodwill

Discounted cash flow models are applied to determine the value in use for the cash-generating unit. 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. Growth rate used in Elkem's DCF models is 2.0% (1.5%).

EBITDA levels

EBITDA level represents the operating profit (loss) before depreciation and amortisation. The key assumptions used in reaching the forecast figures are sales prices, volume mix, operating costs and productivity targets.

Sales prices, volume and product mix: The 2022 budget is used as a basis for the forecast the next four years. Elkem has seen an increase in sales prices for most of Elkem's products in 2021 and prices are currently very favourable for Elkem. For Elkem's Silicones business the sales prices in China have been very volatile in 2021. In the impairment assessment Elkem has assumed sales prices will normalise and the price assumptions are below the current market situation. There are no observable long-term market prices for Elkem's products, but there are external independent sources such as CRU for the Silicon Products market that are used as a basis for the budget. Elkem works continuously to improve the specialty ratio and this is reflected in the impairment models. Sales volumes are adjusted for necessary maintenance stops.

Raw materials and energy for smelting: Most of Elkem's plants have long term energy contracts that covers their future need of power. For Elkem's spot exposure observable market prices are used adjusted for CPI. Raw material prices are based on 2022 budget and are adjusted to reflect expected volume / mix changes.

Other operating costs: These are estimated based on the current level and adjusted for 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 and are based on today's maintenance level and technology. 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.

Currency rates and inflation

The value-in-use calculation is performed in the functional currency for the CGU. The currency rates are based on official forward rates from Reuters. The long-term inflation (CPI) are based on external predictions and reflect the CPI which each CGU is located.

Discount rates

The required rate of return is 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 Norwegian 10-year risk-free interest rate. The rates are adjusted for inflation differential and country risk premium. The discount rates also take into account the debt premium, market risk premium, corporate tax rate and asset beta.

Goodwill acquired through business combination are allocated to Silicones, Silicon Products and Carbon Solutions, which are also operating and reportable segments. The following give an overview of carrying amount of goodwill allocated to each of the CGUs including pre-tax discount. The pre-tax discount rates in the table are converted to a NOK cash flow rates for comparison purposes.

Cash Generating Units

	Carrying amount		WACC	
Amounts in NOK million	**31 December 2021**	31 December 2020	**31 December 2021**	31 December 2020
Silicones	**680**	661	**9.2%**	9.1%
Silicon Products	**197**	192	**8.5%**	8.9%
Carbon Solutions	**64**	66	**9.6%**	11.1%
Goodwill	**941**	919		

Sensitivity for test of goodwill

- An increase of 4% points in WACC, for each CGU's WACC, will not result in impairment for the CGUs.
- A growth rate equal to zero, for the cash-flows for each CGU will not result in impairment for the CGUs.
- A decrease in the forecasted EBITDA levels of 30% for the cash-flows for each CGU will not result in impairment for the CGUs.

(b) Impairment test for Intangible assets, property plant and equipment and right-of-use assets
For the assets with impairment indicators the recoverable amount was determined estimating the value in use of the assets, see the goodwill section above for assumption used. In 2021 Elkem has identified impairment indicators for one of its CGUs, below. The CGU was not assessed to be impaired, as the recoverable amount exceed the carrying amount for the CGUs.

In 2020 Elkem identified impairment indicators for Silicones, Elkem Rana (within Elkem ASA), Elkem Island and Bluestar Silicon Material (Yongdeng) combined with Jiangxi Bluestar Xinghuo Silicones. With the exception of Silicones, the three other CGU's have performed better in 2021 than the forecasts applied in last year's models, and no new impairment indicators are identified.

Silicones
Elkem has identified impairment indicators within the Silicones segment, Silicones excluding Jiangxi Bluestar Xinghuo Silicones, Elkem Silicon Materials (Lanzhou), Elkem Silicones Korea and Polysil, which are tested separately. The total carrying amount of the CGU is NOK 5,356 million. The impairment indicators are largely due to increasing raw material prices and a significant portion of the sales on annual contracts with fixed prices. A price increase was communicated to the market in Q2 and efforts on price increase show result in Q4 with improved results.

The assumptions applied follow the assumptions as applied for the goodwill, see section above. It is assumed sales prices based on the cost level expected for 2022 and stable production. Pre-tax discount rate used in the DCF calculation for the CGU is 9.2%. An increase of 4% points in WACC or a growth rate used to extrapolate the cash-flows after five years equal to zero or a decrease in forecasted EBITDA of 30% points, will not result in an impairment for the CGU.

20. Inventories

Principle
Inventories are measured at the lower of cost and net realisable value. Inventory consists of raw materials, semi-finished goods and finished goods, in addition to operating materials and spare parts that do not meet the definition of property, plant and equipment. Raw materials, and operating materials and spare parts, are recognised at cost of purchase including transport and handling to their present location. Finished and semi-finished goods are measured at cost of raw materials, energy for production and cost of conversion up to the actual completion stage. Cost of conversion comprise operating expenses directly related to production of the products and an allocation of direct fixed operating expenses. Net realisable value represents the estimated selling price for inventories less estimated costs of completion and variable selling expenses.

Cost of goods sold is recognised in different lines in the statement of profit or loss based on nature; raw materials and energy for production, employee benefits and other operating expenses. Cost of conversion related to goods sold is reported net of cost of conversion for goods produced as 'Changes in inventories of finished goods and work in progress', included in other operating expenses.

Entities within the group sell goods to other group entities, consequently finished goods from one entity become raw materials or semi-finished goods for another group entity. The classification of goods in the group's statement of financial position is based on the separate entity's classification.

Judgement and estimates
The assessment of net realisable value for the inventory is based on estimated market prices in the period the inventory is expected to be sold. The actual market price will differ from the estimates used.

Details of inventory

	31.12.2021			31.12.2020		
Amounts in NOK million	**Cost price**	**Provision**	**Net total**	Cost price	Provision	Net total
Raw materials	**2 767**	**(74)**	**2 693**	1 202	(10)	1 192
Semi-finished goods	**343**	**(41)**	**302**	417	(11)	406
Finished goods	**4 198**	**(63)**	**4 135**	3 159	(71)	3 088
Operating materials and spare parts	**610**	**(23)**	**586**	578	(23)	555
Total inventories	**7 918**	**(202)**	**7 716**	5 356	(115)	5 241

This year's change in provision for impairment of inventory, a loss of NOK 87 million (gain of NOK 3 million), is recognised as a part of raw materials and energy for production.

21. Trade receivables

Principle
Trade and bills receivables are initially recognised at transaction price, 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 provision for expected credit losses. Current receivables with no stated interest rate are recognised at their nominal amount.

A bill receivable is a document where the customer formally agrees to pay for delivered goods or services at maturity date and are normally guaranteed by a financial institution. A bill receivable is transferable and can be used to pay trade payables (endorsed) or settled in cash with a finance institution (discounted). The bills receivables-document effectively replaces, for the specified amount, the open debt exchanged for the bill. Bills receivables are mainly used by Elkem's Chinese entities, towards financial institutions, and the duration is normally below six months.

Trade receivables are derecognised when settled or when transferred to a third party and the group has no further risk related to the receivables. Bills receivables are derecognised when they are settled on due date or when the risk and reward are transferred to a third party. Transferral to a third party can be done by discounting a bill receivable before due date or by endorsing the bill receivable, meaning that it is accepted by the supplier as payment for goods or services received.

Elkem calculates the expected credit losses (ECL) for trade receivables in accordance with the simplified approach. All expected cash flows, including cash flows from credit insurance contracts where such contracts are deemed to be an integral part of the transactions, into consideration. The assessment is based on historical experienced losses adjusted for forward-looking estimates on changes in risk / probability that credit losses will occur for the different customer groups /segments where applicable.

Judgements and estimates

Judgement is applied when determining expected credit loss on trade receivables. The judgement is based on experienced losses in the past and expectations about future economic conditions for the different customer groups / business areas. Calculation of expected credit losses takes into account cash flows from credit insurance contracts when such contracts are deemed to be an integral part of the transaction. Elkem generally secures its trade receivables by credit insurance from a reputable credit insurance company, see note 27 Financial risk.

Details of trade receivables

Amounts in NOK million	**31.12.2021**	31.12.2020
Trade receivables	**3 343**	1 931
Trade receivables, related parties (note 32)	**33**	36
Allowance for expected credit losses	**(69)**	(92)
Bills receivable	**990**	920
Total trade receivables	**4 297**	2 796

Elkem has entered into factoring agreements of a total of EUR 126.5 million, NOK 1,265 million, whereof EUR 25 million is extended in 2021 compared to 2020. The agreements include a recourse clause for maximum 5% of the face value of the individual receivables sold under the agreement. 95% of the receivables under the agreement are derecognised and the recourse amount is recognised as a current liability. As at 31 December 2021 NOK 1,039 million (NOK 962 million) is derecognised and NOK 57 million (NOK 51 million) is recognised as current liability (see note 24 Provisions and other liabilities) under the agreement. In addition Elkem has entered into a factoring agreement for a limited number of its customers. The factoring agreement is without recourse and as at 31 December 2021 NOK 42 million (NOK 17 million) is derecognised under the agreement.

Bills receivable consist of NOK 989 million (NOK 917 million) bank acceptance bills and NOK 2 million (NOK 4 million) commercial acceptance bills.

A total of NOK 4,253 million (NOK 4,104 million) in unmatured bills receivables are discounted or endorsed. These bills are derecognised as there are no remaining credit risk related to discounted bills, and the credit risk for endorsed bills are assessed to be insignificant.

Analysis of gross trade receivables by age, presented based on the due date

Amounts in NOK million	**31.12.2021**	31.12.2020
Not due	**2 883**	1 552
Overdue by:		
1–30 days	**352**	295
31–60 days	**48**	28
61–90 days	**27**	16
More than 90 days	**66**	77
Total trade receivables[1]	**3 376**	1 967

1) Bills receivable is not included in the ageing table

Movements in allowance for expected credit losses

Amounts in NOK million	**2021**	2020
Opening balance	**(92)**	(76)
Business combinations (note 4)	**-**	(8)
Realised losses during the year / Received on earlier losses	**12**	5
Provision for expected credit losses	**(10)**	(33)
Reversal of earlier provisions	**24**	20
Currency translation differences	**(4)**	1
Closing balance	**(69)**	(92)

Analysis of allowance for expected credit losses, presented based on related trade receivables

Amounts in NOK million	**31.12.2021**	31.12.2020
Not due	**(14)**	(7)
Overdue by:		
1–30 days	**(1)**	(2)
31–60 days	**(0)**	(0)
61–90 days	**(4)**	(9)
More than 90 days	**(50)**	(73)
Total allowance for expected credit losses	**(69)**	(92)

22. Other assets

Principle

Other shares

Investments in equity instruments with an ownership below 20% are normally classified as other shares and recognised in other non-current assets in the statement of financial position. Other shares consist of equity investments in both listed and unlisted companies. Shares in listed companies are measured at fair value through profit or loss. Investments in equity instruments that do not have a quoted market price in an active market are classified as financial assets measured at fair value through other comprehensive income (OCI). Changes in fair values recognised in OCI cannot be subsequently recycled to statement of profit or loss. Dividends from such investments are recognised as other items in the statement of profit or loss.

Financial assets

A financial asset is recognised in the statement of financial position when Elkem becomes party to a contract. Assets to be acquired as a result of a firm commitment to sell goods or services are recognised at the time Elkem has performed under the agreement. At initial recognition, the financial assets are carried in the statement of financial position 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, once Elkem has transferred substantially all the risk and rewards of control of these assets. Any rights or obligations retained in any transferred assets are booked separately as assets or liabilities.

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.

Loans and receivables

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 statement of profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

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 statement of profit or loss. The provision is equal to the difference between the carrying amount and the estimated future recoverable cash flows.

Current assets
Current 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 provision for expected credit losses. Current receivables with no stated interest rate are recognised at their nominal amount.

Judgements and estimates
Judgement is applied when assessing the value of shares in unlisted companies. For estimates related to valuation of financial assets, see note 25 Financial assets and liabilities.

Judgement is applied when determining the estimated expected credit loss on other receivables and prepayments. The judgement is based on experienced losses in the past and expectations about future economic conditions for the different counterparties.

Details of other assets

	Non-current		Current	
Amounts in NOK million	**31.12.2021**	31.12.2020	**31.12.2021**	31.12.2020
Other shares	**32**	27	**-**	-
Restricted deposits	**41**	39	**-**	-
Other deposits	**34**	14	**-**	-
Pension assets, defined benefits and contribution plans (note 9)	**1**	3	**2**	3
Prepayments for construction of fixed assets	**24**	67	**-**	-
Prepayments for goods and equipment	**-**	-	**169**	78
Prepayments for other expenses	**72**	44	**87**	81
Prepayments to related parties (note 32)	**-**	-	**18**	5
Receivables from related parties, interest-bearing (note 32)	**1**	1	**-**	-
Receivables from related parties, interest free (note 32)	**-**	-	**1**	0
Grants receivable (note 8)	**202**	157	**493**	525
Value added tax	**47**	36	**361**	367
Corporate income tax	**-**	-	**237**	105
Interest receivables	**-**	-	**1**	1
Other receivables	**8**	8	**155**	43
Assets at fair value through profit or loss	**-**	-	**14**	-
Other assets	**15**	36	**14**	3
Total other assets	**478**	432	**1 551**	1 212
Provision for impairment included in total other assets			**(69)**	(59)

Restricted deposits mainly consist of restricted deposits related to the ongoing tax litigation in Elkem's business in Brazil of NOK 14 million (NOK 15 million), see note 24 Provisions and other liabilities, and deposit for pension guarantee, related to unfunded pension liabilities for salaries above 12G, of NOK 27 million (NOK 24 million). Other receivables includes NOK 87 million (NOK 0 million) related to settlement of power derivatives.

Corporate income tax receivable partly consists of Elkem ASA's pending tax issues with tax authorities (see note 14 Taxes). Elkem's assessment is that the defence against the action will be successful, but that the case consideration might take up to 3 years. Parts of Elkem's income tax receivables is correspondingly expected to be settled later than one year.

23. Interest-bearing assets and liabilities

Principle
Interest-bearing liabilities
The liabilities are initially recognised at fair value of the amount required to settle the associated obligation, net of prepaid costs directly attributable to the liability. 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.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred to a third party. Financial liabilities are derecognised when they are extinguished.

Bills payable
A bill payable is a document where the buyer formally agrees to pay for purchased goods or services at maturity date and are normally guaranteed by a financial institution. The bills payable are initially recognised when the supplier accepts the bill of exchange and is recognised at the amount equal to the trade payables it replaces. Bills payable are used by Elkem's Chinese entities, and the duration is normally below six months. When the bill payable is guaranteed by a financial institution it is normally required to deposit a certain per centage of the nominal value of the bill payable into a restricted bank account. All bills payable in Elkem are bank acceptance bills.

Cash and cash equivalents
Cash and cash equivalents are held for the purpose of meeting short-term fluctuations in liquidity. Deposits with a term of 3 months or less on acquisition are included. Bank overdrafts are presented within interest-bearing current liabilities in the statement of financial position. Restricted deposits are presented separately in the statement of financial position and excluded from cash and cash equivalents presented in the statement of cash flows.

Lease liabilities
See note 16 Leases for accounting policies for right-of-use assets and lease liabilities.

Details of interest-bearing assets (liabilities)

	Non-current		Current	
Amounts in NOK million	**31.12.2021**	31.12.2020	**31.12.2021**	31.12.2020
Interest-bearing liabilities				
Lease liabilities (note 16)	**685**	566	**116**	97
Loans from external parties, other than bank	**3 125**	1 996	**1 264**	2 407
Bank financing	**4 599**	4 627	**572**	762
Accrued interest	**-**	-	**20**	27
Total interest-bearing liabilities	**8 409**	7 189	**1 972**	3 292
Total bills payable	**-**	-	**2 096**	1 053
Total interest-bearing liabilities including bills payable	**8 409**	7 189	**4 067**	4 345
Interest-bearing assets				
Cash and cash equivalents	**-**	-	**7 040**	3 154
Restricted deposits bills payable	**-**	-	**601**	315
Other restricted deposits	**41**	39	**8**	6
Receivables from related parties	**1**	1	**-**	-
Loans to external parties	**8**	8	**-**	-
Accrued interest income	**-**	-	**1**	1
Total interest-bearing assets	**50**	48	**7 650**	3 477
Net interest-bearing assets / (liabilities)	**(8 359)**	(7 140)	**3 583**	(869)

Interest-bearing liabilities by currency

	31.12.2021		31.12.2020	
Amounts in NOK million	Currency amount	**NOK**	Currency amount	NOK
EUR	608	**6 083**	677	7 094
USD	4	**38**	9	77
NOK	3 038	**3 038**	2 122	2 122
CNY	2 333	**3 240**	1 663	2 169
Other currencies	-	**77**	-	73
Total interest-bearing liabilities		**12 476**		**11 534**

Maturity of interest-bearing liabilities
31 December 2021

Amounts in NOK million	2022	2023	2024	2025	2026	2027 and later	**Total**
Lease liabilities	116	101	80	64	53	387	**801**
Loans from external parties, other than bank	1 264	7	1 118	1 000	500	500	**4 389**
Bank financing	572	4 398	206	3	3	4	**5 186**
Bills payable	2 096						**2 096**
Accrued interest	20						**20**
Total interest-bearing liabilities excluding prepaid loan fees	4 067	4 506	1 404	1 067	557	891	**12 492**
Prepaid loan fees							**(16)**
Total interest-bearing liabilities							**12 476**

Maturity of interest-bearing liabilities
31 December 2020

Amounts in NOK million	2021	2022	2023	2024	2025	2026 and later	**Total**
Lease liabilities	97	82	56	48	39	340	**663**
Loans from external parties, other than bank	2 407	1 327	15	392	262	-	**4 403**
Bank financing	762	70	4 566	4	4	8	**5 414**
Bills payable	1 053						**1 053**
Accrued interest	27						**27**
Total interest-bearing liabilities excluding prepaid loan fees	4 345	1 479	4 638	444	304	348	**11 559**
Prepaid loan fees							**(25)**
Total interest-bearing liabilities							**11 534**

Loan agreements
The main non-current loan agreements as of 31 December 2021 are a term loan of EUR 400 million (EUR 400 million), a term loan of EUR 5 million (EUR 11 million), issued bond loans of a total of NOK 2,500 million (NOK 0 million) and a series of loans issued in the Sculdschein market of EUR 61 million (NOK 135 million). The main loan agreements are granted to Elkem ASA.

One of the loans issued in the Schuldshein market (EUR 15 million) is a fixed rate loan with a fixed rate of 1.8160%. Given the market conditions as at 31 December 2021 the loan would have been approximately EUR 0.2 million higher, due to the difference between fixed and market rate.

The bond loans are listed on Oslo Børs. There are no covenants related to the bond loan. There are no material differences between fair value of the bond loan and book values.

The loan facilities are unsecured, but part of the loans has financial covenants related to them, see below.

Credit facilities
As of 31 December 2021 the group is granted credit facilities of NOK 3,144 million. The credit facilities are undrawn at 31 December 2021.

As of 31 December 2020 the group is granted credit facilities of NOK 3,250 million where of NOK 16 million are drawn at 31 December 2020.

The main revolving credit facilities are granted to Elkem ASA, but the facilities can be utilised by Elkem ASA and its subsidiaries. The main facilities amount to EUR 250 million (NOK 2,465 million) and NOK 250 million respectively. See note 27 Financial risk, section (c) liquidity risk for more information.

Hedging
Some / part of loans are designated as a hedging instrument, see note 26 Hedging.

Loan covenant
Elkem has financial covenants related to its main bank financing and parts of loans from external parties, other than bank (Schuldshein), in Norway. The interest-bearing loans in China have no connected financial covenants. In addition to the covenants on these loan facilities in Norway there are loan covenants related to the credit facilities in Elkem Metal Canada Inc of CAD 2 million. Elkem and Elkem Metal Canada Inc. are compliant with their covenants at the end of 2021 and 2020.

The covenants for the interest-bearing loan facilities in Norway relate to the financial performance of Elkem and are as specified in the table below.

Covenant Elkem related to drawn loan of NOK 5,971 million (NOK 6,607 million) in Elkem ASA

Amounts in NOK million		31.12.2021	31.12.2020	Loan covenant
Total Equity	NOK	19 874	12 635	
Total Assets	NOK	41 850	30 888	
Equity ratio		**47 %**	41 %	> 30%
EBITDA	NOK	7 791	2 684	
Net interest payable	NOK	209	234	
Interest cover ratiov		**37.33**	11.47	> 4.00

Movements in interest-bearing liabilities

		Cash flows		Non-cash changes		
Amounts in NOK million	31.12.2020	Receipts/ Payments	Additions and lease modification	Reclassification	Currency translation differences	31.12.2021
Lease liabilities	566	-	258	(138)	(1)	**685**
Loans from external parties, other than bank	1 996	2 464	-	(1 266)	(69)	**3 125**
Bank financing	4 652	132	-	(5)	(164)	**4 615**
Total movements non-current	7 214	2 596	258	(1 409)	(233)	**8 425**
Lease liabilities	97	(118)		138	(1)	**116**
Loans from external parties, other than bank	2 407	(2 373)	-	1 266	(36)	**1 264**
Bank financing	762	(226)	-	5	31	**571**
Total movements current	3 266	(2 717)	-	1 409	(6)	**1 952**
Total movements	10 479	(122)	258	-	(239)	**10 376**

Movements in interest-bearing liabilities

		Cash flows		Non-cash changes		
Amounts in NOK million	31.12.2019	Receipts/ Payments	Additions and lease modification	Reclassification	Currency translation differences	31.12.2020
Lease liabilities	323	-	350	(114)	6	**566**
Loans from external parties, other than bank	3 928	-	-	(2 066)	133	**1 996**
Bank financing	4 089	356	-	(71)	278	**4 652**
Total movements non-current	8 340	356	350	(2 251)	**418**	**7 214**
Lease liabilities	85	(104)	-	114	3	**97**
Loans from external parties, other than bank	266	44	-	2 066	31	**2 407**
Bank financing	887	(197)	-	71	1	**762**
Total movements current	1 237	(257)	-	2 251	**35**	**3 266**
Total movements	9 577	99	350	-	**453**	**10 479**

24. Provisions and other liabilites

Principle

Provisions

A provision is recognised when the group has a present obligation (legal or constructive) 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.

Contract obligations

Contract obligations are liabilities assumed in business combinations, liabilities related to cancellation of contracts and contracts that includes guarantees for losses.

Other liabilities

The liabilities are initially recognised at fair value of the amount required to settle the associated obligation, net of prepaid costs directly attributable to the liability.

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 disclosed in the notes if probable.

Judgements and estimates

Elkem has several types of provisions due to its operations. Such liabilities are normally uncertain in timing and amount, and recognised amounts are estimates based on available information at the end of the reporting period. The estimated liability is based on expected cash flows necessary to settle the obligation, adjusted for any related risk and discounted by using the pre-tax interest applicable for the specific entity. The estimates are updated when new or updated information is available, or at a minimum at each reporting date. The actual outcome will differ from the estimate.

Details of provision and other liabilities

	Non-current		Current	
Amounts in NOK million	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Employee withholding taxes and other public taxes	-	-	**133**	95
Value added tax	-	-	**223**	111
Prepayments	-	-	**375**	223
Prepayments from related parties (note 32)	-	-	**10**	27
Liabilities to related parties (note 32)	-	-	**32**	64
Provisions	**127**	127	**287**	205
Contract obligations power	-	-	**4**	3
Contract obligations equity accounted financial investments (note 5)	-	-	**-**	3
Contingent consideration acquisition of subsidiaries (note 4)	**40**	184	**163**	77
Accrued expenses	-	-	**320**	139
Grants, deferred income (note 8)	-	-	**18**	21
Grants payable (note 8)	**15**	15	**-**	-
Recourse liability factoring agreement (note 21)	-	-	**57**	51
Other liabilities	-	-	**35**	44
Total provisions and other liabilities	**182**	326	**1 657**	1 064

The contingent consideration acquisition of subsidiaries relates to the acquisition of Polysil on 1 April 2020, see note 4 Composition of the group.

Movements in contingent consideration

Amounts in NOK million	**2021**	2020
Opening balance	**261**	-
Initial fair value of contingent consideration (note 4)	**-**	549
Fair value adjustment of contingent consideration upon payment	**1**	-
Unwinding	**6**	9
Payments	**(78)**	(239)
Currency translation differences	**13**	(58)
Closing balance	**203**	**261**

Movements in provision
2021

Amounts in NOK million	Restructuring	Site restoration	Environmental measures	Litigations	Customers	Other provisions	**Total provisions**
Opening balance	127	31	94	60	9	12	**332**
Additional provisions recognised	-	2	16	10	0	171	**199**
Used during the year	(17)	(0)	-	(1)	(5)	(47)	**(72)**
Reversal of provisions recognised	(41)	-	-	-	-	-	**(41)**
Currency translation differences	1	(0)	(0)	(3)	(0)	(2)	**(4)**
Closing balance	70	32	109	66	4	134	**415**
Hereof non-current	-	32	55	40	-	0	**127**
Hereof current	70	0	54	26	4	134	**287**
Closing balance	70	32	109	66	4	134	**415**

Movements in provision
2020

Amounts in NOK million	Restructuring	Site restoration	Environmental measures	Litigations	Customers	Other provisions	**Total provisions**
Opening balance	-	29	97	69	10	12	**217**
Additional provisions recognised	199	1	1	7	4	3	**215**
Used during the year	(25)	-	(2)	(4)	(3)	(3)	**(37)**
Reversal of provisions recognised	(40)	-	(5)	-	(2)	-	**(47)**
Currency translation differences	(6)	0	2	(13)	0	1	**(16)**
Closing balance	127	31	94	59	9	12	**332**
Hereof non-current	-	31	50	39	-	8	**127**
Hereof current	127	-	44	21	9	4	**205**
Closing balance	127	31	94	60	9	12	**332**

Restructuring
The provision is related to Elkem's group wide productivity improvement programme launched in first quarter of 2020. See note 12 Other items

Site restoration
The site restoration provisions are related to the necessary site remediation work that Elkem will have to undertake in respect of its quartz mines.

Environmental measures
Elkem has worldwide operations representing potential exposure towards environmental consequences. Elkem has established clear procedures to minimise environmental emissions, well within public emission limits. The provisions relate to clean up costs for a closed down production site and landfills, mainly in Canada and Norway, and also estimated cost for clean-up cost of polluted soil and fjord in relation to production sites in Norway and France.

Litigations
The provisions due to litigations are mainly related to tax cases in the Carbon division in Brazil.

Tax cases in Brazil can take a substantial amount of time before resolution by the tax authorities, hence the time of settlement is uncertain. Provisions are made for each case based on the estimated amount expected to be paid, including interest and penalties. In accordance with Brazilian regulations, agreed amounts have been transferred to restricted bank accounts and are adjusted for interest. The restricted cash is recognised in other non-current assets, see note 22 Other assets.

Customers
The provisions are related to customer complaints, mainly in the Silicones division.

Other provisions
Consist mainly of a provision related to relocation of workers buildings located in proximity to the Silicones Xinghuo plant, required by the authorities.

Contingent liabilities
Due to its operations Elkem could be included in criminal or civil proceedings related to, among others, product liability, environment, health and safety, anti-competitive, anti-corruption, trade sanctions or other similar laws or regulations or other forms of commercial disputes which could have a material adverse effect on Elkem. See section litigation above for ongoing cases and see note 14 Taxes for ongoing tax audits by authorities.

25. Financial assets and liabilities

Principle

Financial assets
A financial asset or a financial liability is recognised in the statement of financial position when Elkem becomes party to a contract. Assets to be acquired and liabilities to be incurred as a result of a firm commitment to purchase or sell goods or services are recognised at the time one of the parties has performed under the agreement.

At initial recognition, the financial assets are carried in the statement of financial position at fair value plus any transaction costs directly attributable to the acquisition or issue of the asset. Financial assets are derecognised when the right to future cash flows have expired or been transferred to a third party, once the group has transferred substantially all the risk and rewards of control of these assets. Any rights or obligations retained in any transferred assets are booked separately as assets or liabilities.

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 liabilities
Non-derivative financial liabilities include interest-bearing liabilities, bills payable and trade payables. The liabilities are initially recognised at fair value of the amount required to settle the associated obligation, net of prepaid costs directly attributable to the liability. 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.

Financial liabilities are derecognised when they are extinguished.

Derivatives

Derivative financial assets and liabilities include financial instruments or contracts where the value changes in response to the change of a specified rate, price or index and commodity contracts within the scope of IFRS 9.

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 the statement of 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 statement of profit or loss immediately, unless the derivative is designated and is effective as a hedging instrument, in which case the change in fair value is recognised in statement of profit or loss in the same period(s) as the hedged objects affects the profit or loss.

Derivatives are presented as current assets or liabilities, unless they are expected to be realised more than 12 months after the reporting period. In that case, they are classified as non-current assets or liabilities.

Embedded derivatives

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. Derivatives embedded in financial liability of a non-financial host are separated from the host and accounted for as separate derivatives if; the economic characteristics and risks are not closely related to the host, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the hybrid contract is not measured at fair value through profit and loss. Elkem has long-term power contracts settled in other currencies than the entity's functional currency. The currency portion of these contracts is an embedded derivative and is recognised and presented as an independent derivative, see section derivatives above.

Commodity contracts within the scope of IFRS 9

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 IFRS 9 Financial instruments - recognition and measurement. The group currently has energy contracts in Norway that do not meet the own use criteria, since the power under the contracts is delivered in another grid area to where the plants are located. Transfer between different grid areas is assessed to be net settlement and considered to be two different transactions. Such contracts are therefore measured at fair value through profit or loss and classified as derivatives, unless they are designated as hedging instruments.

Judgements and estimates

Estimates are used for financial assets and liabilities where there are no listed prices or direct observable prices. Calculation of fair value is in such cases based on observable prices for similar contracts, as far as possible. For contracts with a duration beyond the period of observable prices, the assumptions are derived based on the latest observable data.

See assumptions used at the balance sheet date in chapter (a) Fair value measurement below, and sensitivity of the main power contracts in note 27 Financial risk.

Assets by category
31 December 2021

Amounts in NOK million	Note	Assets at fair value through profit or loss	Assets at fair value - hedging instruments	Assets at fair value through other comprehensive income	Loans and receivables at amortised cost	Non-financial assets	Total
Derivatives, non-current	22	6	308	-	-	-	**314**
Other assets, non-current	21	6	-	27	84	362	**478**
Trade receivables		-	-	-	4 297	-	**4 297**
Derivatives, current	22	(12)	286	-	-	-	**274**
Other assets, current	23	14	-	-	157	1 381	**1 551**
Restricted deposits	23	-	-	-	609	-	**609**
Cash and cash equivalents		-	-	-	7 040	-	**7 040**
Total		14	593	27	12 187	1 743	

Liabilities by category
31 December 2021

Amounts in NOK million	Note	Liabilities at fair value through profit or loss	Liabilities at fair value - hedging instruments	Liabilities at amortised cost	Non-financial liabilities	Total
Interest-bearing liabilities, non-current [1]	23	-	3	8 406	-	**8 409**
Derivatives, non-current [2]		(71)	88	-	-	**18**
Provisions and other liabilities, non-current	24	40	-	-	142	**182**
Trade payables		-	-	4 614	-	**4 614**
Interest-bearing liabilities, current [1]	23	-	8	1 964	-	**1 972**
Bills payable	23	-	-	2 096	-	**2 096**
Derivatives, current [2]		(16)	40	-	-	**23**
Provisions and other liabilities, current	24	163	-	448	1 047	**1 657**
Total		116	138	17 527	1 189	

Assets by category
31 December 2020

Amounts in NOK million	Note	Assets at fair value through profit or loss	Assets at fair value - hedging instruments	Assets at fair value through other comprehensive income	Loans and receivables at amortised cost	Non-financial assets	Total
Derivatives, non-current		18	41	-	-	-	**59**
Other assets, non-current	22	4	-	23	62	343	**432**
Trade receivables	21	-	-	-	2 796	-	**2 796**
Derivatives, current		28	120	-	-	-	**148**
Other assets, current	22	-	-	-	44	1 168	**1 212**
Restricted deposits	23	-	-	-	322	-	**322**
Cash and cash equivalents	23	-	-	-	3 154	-	**3 154**
Total		51	161	23	6 378	1 511	

Liabilities by category
31 December 2020

Amounts in NOK million	Note	Liabilities at fair value through profit or loss	Liabilities at fair value - hedging instruments	Liabilities at amortised cost	Non-financial liabilities	Total
IInterest-bearing liabilities, non-current [1]	23	-	15	7 173	-	**7 189**
Derivatives, non-current [2]		(61)	313	-	-	**252**
Provisions and other liabilities, non-current	24	184	-	-	142	**326**
Trade payables		-	-	3 157	-	**3 157**
Interest-bearing liabilities, current [1]	23	-	8	3 285	-	**3 292**
Bills payable	23	-	-	1 053	-	**1 053**
Derivatives, current [2]		34	67	-	-	**101**
Provisions and other liabilities, current	24	77	-	301	685	**1 064**
Total		234	403	14 969	827	

1) In addition to the hedging instruments specified below, currency effect of EUR loan is designated as a hedging instrument in a cash flow hedge of highly probable future sales. See note 26 Hedging.

2) The group applies hedge accounting for certain contracts and certain parts of power contracts. The negative value reported as assets and liabilities at fair value is representing the value of parts of power contracts where hedge accounting is not applied.

There are no material differences between fair value and the carrying amount for financial liabilities and financial assets at amortised cost.

(a) Fair value measurement
Elkem's financial instruments measured to fair value are categorised into three levels based on the inputs to the valuation techniques used to measure fair value.

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.

Assets and liabilities measured at fair value 31.12

Amounts in NOK million	Level 1	Level 2	Level 3	Total 2021	Level 1	Level 2	Level 3	Total 2020
Financial assets at fair value through profit or loss	6	39	(31)	**14**	4	46	-	**51**
Derivatives designated in a hedging relationship	-	175	418	**593**	-	161	-	**161**
Assets at fair value through other comprehensive income	-	-	27	**27**	-	-	23	**23**
Total assets	6	214	414	**634**	4	207	23	**235**
Financial liabilities at fair value through profit or loss	-	(87)	203	**116**	-	(105)	339	**234**
Derivatives designated in a hedging relationship	-	138	-	**138**	-	371	31	**403**
Total liabilities	-	51	203	**254**	-	266	371	**637**

Level 1:
Financial assets measured at level 1 apply to external quoted shares, which are measured based on the quoted prices. Dividends from the external shares are classified as other items.

Level 2:
Financial assets and liabilities measured at level 2 applies to forward currency contracts, commodity contracts and embedded currency derivatives. The contracts are measured at fair value by estimating the future cash flows.

Level 3:
The financial assets and liabilities at fair value through profit or loss measured at level 3 consist of power contracts and shares in unlisted companies. The power contracts are assessed to be settled net in cash and are therefore within the scope of IFRS 9 and recognised as financial instruments.

When valuing the power contracts observable data is used, such as power price, currency rates, CPI and CfD, when available. The power prices for long-term electricity contracts in Norway are not directly observable in the market for the whole contract length. Power prices are observable until 2031, CfD prices are only observable for a short time period and currency rates are observable until 2026. Valuation of the contracts for the remaining periods are based on the latest observable data adjusted for CPI, if relevant.

Overview of contracts and the assumptions used for assessment of fair value for the level 3 contracts

Contracts with Statkraft
Power contracts with Statkraft consist of one contract bought from Norske Skog in 2010, that lasts until 31 December 2020, and swap contracts that lasts until 31 December 2021. The usage of power from the contract bought from Norske Skog is restricted to industrial purposes. Elkem pays fixed power prices to Statkraft, specified for each contract / year. There are no effects from this contract in 2021.

As of 1 January 2013, the Statkraft contract bought from Norske Skog has been designated as a hedging instrument in a cash flow hedge of highly probable future purchases, hence 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 in the statement of profit or loss, classified as other items. Reversal of unrealised effects from the contract will be offset by realised effects, only the interest element will affect the statement of profit or loss. Swap contracts with Statkraft are booked according to hedge accounting principles from 1 January 2016.

Power contract "30-øringen"
"30-øringen" power contract lasts until 31 December 2030 and the power from the contract is restricted to be used at Elkem ASA plants. For the years 2019 - 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, starting 1 January 2021, the price is fixed based on the average spot price the preceding five years, adjusted for inflation. The fixed price and the threshold price are based on a start date and thereafter adjusted with inflation annually. Changes in fair value for the "30-øringen" contract are classified as other items. Due to the change in the contact's price structure of the instrument from 2021, the contract is designated as a hedging instrument from 1 January 2021. This means that fair value changes from 1 January 2021 is recognised as raw materials and energy for production in statement of profit or loss in the same period(s) as the hedged objects affects the profit or loss.

Power contract with Salten Energigjenvinning AS
Elkem ASA has agreed to purchase all power produced from Salten Energigjenvinning AS at a fixed price per year, for 15 years from start-up date, 1 July 2021. Elkem owns 50% of Salten Energigjenvinning AS, hence the information below relates to the 50% of the contract that is against the external part. The contract has been designated as a hedging instrument in a cash flow hedge of highly probable future need for power. Changes in fair value of the power contract are from the same date booked against OCI. Elkem has on 31 January 2022 entered into agreement to purchase the remaining 50% of the shares in Salten Energigjenvinning AS. See note 34 Events after the reporting period.

Assumptions for valuation of the contracts

- → Discount rate: 3,5% (2.8%) p.a. for contract with Salten Energigjenvinning AS and for the "30-øringen" power contract, and 1.68% (1.68%) for contracts with Statkraft. The assumptions are based on the estimated risk of the contract, including credit risk.
- → Inflation: 2% (1.5%) p.a.
- → Power prices: Market prices per 31 December 2021 until 2031.
- → CfDs: 4-year average historic CfD prices based on Nord Pool prices.
- → Exchange rate EUR: Observable rates for the next 5 years, thereafter calculated rates based on long-term interest rates.
- → Volume for the contract with Salten Energigjenvinning AS: estimated production volume based on concept study and similar production facilities.

For external shares measured at level 3, book value of equity adjusted for excess values at purchase date is used as an approximation of fair value. See note 24 Provision and other liabilities for value of contingent liabilities.

Movements in fair value measurement level 3

Amounts in NOK million	2021	2020
Opening balance	**(348)**	90
Acquisition / business combinations	**-**	(549)
Transfer to investment in equity accounted companies	**-**	(46)
Change in fair value recognised in OCI, cash flow hedges	**737**	(453)
Settlement / realised effects	**(157)**	721
Other changes in fair value through profit or loss, unrealised	**(9)**	(113)
Currency translation differences	**(13)**	2
Closing balance	**212**	(348)

(b) Details of financial instruments

Details of currency exchange contracts 31 December 2021

Purchase currency	Purchase ccy million	Sale currency	Sale ccy million	Type of instrument	Currency deal rate	Due	Fair value NOK	Notional amount[1] NOK
CAD	40	USD	32	Fwd	1,2549	2022	(4)	284
NOK	1 231	EUR	120	Fwd	10,2303	2022	20	1 203
NOK	2	GBP	0	Fwd	11,6549	2022	(0)	2
NOK	169	JPY	1 844	Fwd	0,0916	2022	27	141
NOK	615	JPY	6 256	Fwd	0,0984	2023-2026	112	479
NOK	392	USD	45	Fwd	8,6557	2022	(9)	399
USD	1	JPY	102	Fwd	0,0088	2022	0	8
NOK	709	EUR	69	Embedded [2]	10,3355	2022	1	686
NOK	4 039	EUR	371	Embedded [2]	10,8877	2023-2034	(18)	3 709
Total fair value [3]							**129**	

Details of currency exchange contracts 31 December 2020

Purchase currency	Purchase ccy million	Sale currency	Sale ccy million	Type of instrument	Currency deal rate	Due	Fair value NOK	Notional amount [1] NOK
NOK	5	CAD	1	Fwd	6,8522	2021	(0)	5
CAD	3	EUR	2	Fwd	1,5291	2021	(1)	23
CAD	14	USD	10	Fwd	1,3259	2021	4	89
NOK	1 523	EUR	141	Fwd	10,8328	2021	44	1 472
NOK	92	GBP	8	Fwd	12,1595	2021	4	88
NOK	377	JPY	4 014	Fwd	0,0940	2021	44	332
NOK	578	JPY	6 093	Fwd	0,0949	2022-2025	59	504
NOK	314	USD	33	Fwd	9,4234	2021	30	284
USD	0	JPY	43	Fwd	0,0095	2021	(0)	4
NOK	621	EUR	61	Embedded [2]	10,2001	2021	(36)	638
NOK	4 007	EUR	372	Embedded [2]	10,7675	2022-2034	(190)	3 896
Total fair value [3]							**(42)**	

1) Notional value of the contracts, based on currency rates 31 December.

2) Embedded EUR derivatives in own use power contracts.

3) The spot element of forward currency contracts with duration more than 3 months are designated as hedging instruments in a cash flow hedge of highly probable future sales, hence this part is classified as 'Derivatives used for hedging' in the table 'Assets and liabilities classified by category' above. The interest element of these contracts and contracts of duration < 3 months are classified as 'Assets/liabilities at fair value through profit or loss'.

Details of power contracts and other commodity contracts within the scope of IFRS 9 31 December 2021

Amounts in NOK million	Volume GWh / Oz	Due	Fair value	Notional amount[1]
Forward power contracts financial institutions	98	2022	23	52
Forward power contracts financial institutions	44	2023	4	15
Power contract "30-øringen"	501	2022	167	157
Power contract "30-øringen"	4 011	2023-2030	163	1 378
Power contract with Salten Energigjenvinning AS (note 32) [3]	124	2022	35	32
Power contract with Salten Energigjenvinning AS (note 32) [3]	1 733	2023-2036	22	555
Equity warrants Platinum		2022	3	3
Commodity contracts Platinum	8 954	2022	0	7
Total fair value contracts within scope of IFRS 9 [2]			**417**	

Details of power contracts and other commodity contracts within the scope of IFRS 9 31 December 2020

Amounts in NOK million	Volume GWh / Oz	Due	Fair value	Notional amount[1]
Forward power contracts financial institutions	91	2021	(3)	28
Forward power contracts financial institutions	44	2022	(3)	15
Power contract "30-øringen"	501	2021	(29)	150
Power contract "30-øringen"	4 512	2022-2030	(32)	1 454
Power contracts Statkraft, swap	201	2021	(20)	69
Power contract with Salten Energigjenvinning AS (note 32)	124	2021	(2)	30
Power contract with Salten Energigjenvinning AS (note 32)	1 733	2022-2035	(27)	568
Commodity contracts Platinum	7 874	2021	12	36
Total fair value contracts within scope of IFRS 9 [2]			**(103)**	

*1) Notional value of underlying asset at the end of reporting period, calculated as volume * price * currency rate as 31 December (if other currencies than NOK).*

2) Certain power contracts and part of power contract Statkraft are designated as hedging instruments, the remaining contracts / parts of contracts are classified as 'Assets/liabilities at fair value through profit and loss'.

3) Volume is not changed from last year due to delayed contract commencement date.

(c) Offsetting

Financial assets
31 December 2021

Amounts in NOK million	Gross amount of financial assets	Gross amount of financial liabilities set off in the statement of financial position	Net amounts of financial assets recognised / presented	Financial instruments not set off in the statement of financial position	Cash collateral pledged	Net amount
Power contracts including embedded derivatives	414	-	414	-	-	414
Forward currency contracts	170	-	170	16	-	186
Total	**585**	**-**	**585**	**16**	**-**	**601**

Financial liabilities
31 December 2021

Amounts in NOK million	Gross amount of recognised financial liabilities	Gross amount of recognised financial assets set off in the statement of financial position	Net amounts of financial liabilities presented	Financial instruments not set off in the statement of financial position	Cash collateral pledged	Net amount
Power contracts including embedded derivatives	17	-	17	-	-	17
Forward currency contracts	24	-	24	16	-	40
Total	**41**	**-**	**41**	**16**	**-**	**57**

Financial assets
31 December 2020

Amounts in NOK million	Gross amount of financial assets	Gross amount of financial liabilities set off in the statement of financial position	Net amounts of financial assets recognised / presented	Financial instruments not set off in the statement of financial position	Cash collateral pledged	Net amount
Forward currency contracts	195	-	195	(10)	-	185
Total	**195**	**-**	**195**	**(10)**	**-**	**185**

Financial liabilities
31 December 2020

Amounts in NOK million	Gross amount of recognised financial liabilities	Gross amount of recognised financial assets set off in the statement of financial position	Net amounts of financial liabilities presented	Financial instruments not set off in the statement of financial position	Cash collateral pledged	Net amount
Power contracts including embedded derivatives	342	-	342	-	-	342
Forward currency contracts	11	-	11	(10)	-	0
Total	**353**	**-**	**353**	**(10)**	**-**	**343**

26. Hedging

Principle

Hedge accounting

Elkem has previously applied IAS 39 for its hedging relationships, based on a policy choice in IFRS 9. From 1 April 2020, IFRS 9 is applied also for hedge accounting. The change in policy has not resulted in any accounting effects. According to the group's policy derivatives can be designated 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 hedging instruments in fair value hedges, are recognised in the statement of 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 the statement of profit or loss. Realised effects are recognised through statement of profit or loss, in the same line item as the hedged objects.

iii) Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and included in foreign currency translation reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss within other items. Gains and losses accumulated in equity are reclassified to the statement of profit or loss when the foreign operation is partially disposed of or sold.

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 in the statement of profit or loss when the forecast transaction is ultimately recognised in the statement of profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss reported in equity is immediately transferred to the statement of profit or loss.

Elkem's hedging instruments

Cash flow hedge

Elkem has forward currency contracts, embedded EUR derivatives in power contracts and a EUR loan amounting to EUR 11 million (EUR 16 million) where the spot element is designated as hedging instruments and Elkem's highly probable future revenue in corresponding currencies is designated as the hedging objects in this hedging relationship, defined as a cash flow hedge. In addition certain power commodity contracts, defined as financial instruments, are designated as hedging instruments in a cash flow hedge of price fluctuations for highly probable future purchases. Hence, the effective part of changes in fair value of the financial instruments is booked against OCI, and recycled to profit or loss as an adjustment of revenue and power cost (included in raw materials and energy for production) when realised.

Net investment hedge

Elkem entered in 2017 into a bank loan amounting to EUR 275 million. In 2018 the bank loan of EUR 275 million was re-financed and increased to EUR 400 million. The spot rate of the initial loan amount, EUR 275 million, has been designated as a hedge of the net investment in the group's subsidiaries with EUR as functional currency. The fair value and carrying amount of the borrowing at 31 December 2021 was NOK 2,749 million (NOK 2,880 million). The foreign exchange gain of NOK 130 million (a loss of NOK 168 million) on translation of the borrowing from EUR to NOK at the end of the reporting period is recognised in other comprehensive income and accumulated in the foreign currency translation reserve in the statement of changes in equity. There was no ineffectiveness to be recorded from net investment hedges.

See note 27 Financial risk for Elkem's hedging policy.

Cash flow hedging instruments, by type

Amounts in NOK million	**31.12.2021 Assets fair value**	**31.12.2021 Liabilities fair value**	31.12.2020 Assets fair value	31.12.2020 Liabilities fair value
Forward currency contracts	**146**	**18**	161	10
Power contracts financial institutions	**27**	**-**	-	6
Power contract "30-øringen"	**364**	**-**	-	-
Power contracts Statkraft swap	**-**	**-**	-	3
Power contract Salten Energigjenvining AS	**58**	**-**	-	29
Power contracts embedded derivatives	**-**	**110**	-	332
Currency effect loan EUR	**-**	**10**	-	23
Total hedging instruments	**593**	**138**	161	403
Less non-current portion:				
Forward currency contracts	**102**	**-**	41	-
Power contracts financial institutions	**4**	**-**	-	3
Power contract "30-øringen"	**180**		-	-
Power contracts Statkraft swap	**-**	**-**	-	-
Power contract Salten Energigjenvining AS	**22**	**-**	-	27
Power contracts embedded derivatives	**-**	**88**	-	283
Currency effect loan EUR	**-**	**5**	-	15
Current portion of hedging instruments	**285**	**45**	120	75

As at 31 December 2021 financial power contracts designated in a hedging relationship comprise 24% of expected consumption in 2022 and about 20% in the period 2023 - 2030.

Elkem has hedged approximately 15% of the expected revenues in EUR and approximately 8% of expected revenues in USD for 2022. For the years 2023-2034 EUR is hedged at 31 December 2021, at a range of 3 - 6%.

Financial instruments 31 December 2021

Amounts in NOK million	Net 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
Forward currency contracts	146	127	25	24	29	49
Embedded EUR derivatives	(17)	(110)	(21)	(21)	(19)	(48)
Power contracts	414	448	242	57	32	117
Warrants [2]	3	-	-	-	-	-
Commodity contracts Platinum	0	0	0	-	-	-
Total [1]	547	465	245	60	42	118
EUR loan designed as cash flow hedging instrument	(107)	(10)	(5)	(5)	-	-
Total		**455**	**240**	**54**	**42**	**118**

Financial instruments 31 December 2020

Amounts in NOK million	Net 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
Forward currency contracts	184	150	109	6	7	28
Embedded EUR derivatives	(227)	(332)	(49)	(50)	(50)	(183)
Power contracts	(116)	(37)	(7)	(5)	(4)	(21)
Commodity contracts Platinum	12	-	-	-	-	-
Total [1]	(146)	(219)	53	(49)	(47)	(176)
EUR loan designed as cash flow hedging instrument	(168)	(23)	(8)	(8)	(8)	0
Total		(242)	**45**	**(57)**	**(55)**	**(176)**

1) Hedge accounting is applied for certain contracts and for parts of contracts.

2) Subscription SAFE (Simple Agreement for Future Equity)

Of total changes in fair value of power contracts designated as hedging instruments NOK 0 million (negative NOK 9 million) is recognised in profit or loss, and classified as other items (see note 12 Other items), due to ineffectiveness in the hedging relationship. Effects from recognition of ineffectiveness from forward currency contracts are negative NOK 3 million (negative NOK 3 million).

Realised effects hedge accounting, recycled from OCI

Amounts in NOK million	**31.12.2021**	31.12.2020
Realised effects from forward currency contracts, recognised in revenue	**127**	(164)
Realised effects from embedded derivatives EUR, recognised in revenue	**(31)**	(45)
Realised effects from EUR loans, recognised in revenue	**(4)**	(11)
Realised effects from power contracts, recognised in raw materials and energy for production	**315**	(450)
Total realised effects hedge accounting	**407**	**(670)**

In addition, Elkem applies hedge accounting principles related to currency risk from a net investment in foreign operation, see note 23 Interest-bearing assets and liabilities.

Movements in OCI related to hedging instruments
2021

Amounts in NOK million	Opening balance	Net change in fair value	Reclassified to P&L	Closing balance
Hedging of future sales, forward currency contracts	150	104	(127)	127
Hedging of future need for power, contracts with financial institutions	(6)	65	(33)	27
Hedging of future need for power, contract "30-øringen" [3]	-	625	(262)	364
Hedging of future need for power, contracts with Statkraft (swap) [2]	(3)	15	(12)	0
Hedging of future need for power, contract with Salten Energigjenvinning	(29)	94	(8)	58
Hedging of future sales, embedded EUR derivatives in own use power contracts [2]	(332)	191	31	(110)
Hedging of future sales, currency effects EUR loan	(23)	8	4	(10)
Hedging of future sales, platinum contracts [3]	-	0	-	0
Total (before tax)	**(242)**	**1 103**	**(407)**	**455**

Movements in OCI related to hedging instruments
2020

Amounts in NOK million	Opening balance	Net change in fair value	Reclassified to P&L	Closing balance
Hedging of future sales, forward currency contracts	22	(35)	164	150
Hedging of future need for power, contracts with financial institutions	(4)	(24)	23	(6)
Hedging of future need for power, contract with Statkraft [1]	(72)	(322)	394	(0)
Hedging of future need for power, contracts with Statkraft (swap) [2]	28	(64)	33	(3)
Hedging of future need for power, contract with Salten Energigjenvinning	45	(74)	-	(29)
Hedging of future sales, embedded EUR derivatives in own use power contracts [2]	(95)	(282)	45	(332)
Hedging of future sales, currency effects EUR loan	(18)	(17)	11	(23)
Total (before tax)	**(94)**	**(818)**	**670**	**(242)**

1) Hedge accounting from 2013.
2) Hedge accounting from 2016.
3) Hedge accounting from 2021.

27. Financial risks

Elkem is exposed to financial risks from fluctuations in markets prices for finished goods, raw materials, currency exchange rates and interest rates ((a) Market risk). In addition, Elkem is exposed to financial risks related to (b) Counterparty credit risk and (c) Liquidity risk. This may have considerable impact on Elkem's financial performance.

Elkem's principle is to organise resources close to the value chain. Risk management is an integrated part of Elkem's business activities, included in the line management's responsibility. Financial risks, including financing, liquidity, currency, interest rates, and counterparty risks are generally managed centrally by Group Finance and Treasury. Elkem has financial risk policies in place, approved by the board of directors.

Elkem's financial risk exposure and business performance are evaluated regularly, and the main risks are analysed in terms of impact, likelihood and correlation. Based on the overall risk evaluation Elkem may accept or seek to further reduce the risks arising from operational activities.

(a) Market risk
(i) Price risk
Commodity prices
Elkem is exposed to fluctuations in market prices for finished goods and raw materials. The market risk assessment is based on a holistic approach as prices for Elkem's products tend to fluctuate with underlying macroeconomic conditions. The same dynamics tend to apply to prices for the main raw materials, giving Elkem a certain degree of natural hedging.

For the main upstream products and raw materials Elkem seeks to reduce the risk exposure by entering sales and purchase contracts for corresponding time periods and volumes. The goal is to partly offset changes in sales prices through changes in raw material costs.

A significant part of Elkem's sales consist of specialised products. These products have generally more stable pricing. Elkem's integrated value chain mitigates the supply chain and pricing risks and also give flexibility to realise value at various levels through the value chain. Elkem aims to ensure sales volumes and raw material supply by entering into long-term customer relationships.

Power
Electric power is a key input factor and Elkem enters into long-term power contracts to reduce the future exposure to changes in power prices, particularly in Norway where electricity prices based on hydro power tend to have different pricing dynamics than for Elkem's products and other raw materials.

Normally all plants have covered their future need for power by entering into power contracts, classified as own use contracts according to IFRS 9, hence such contracts are off-balance. For plants located in Norway, Elkem's policy is that minimum 80% of the expected power consumption shall be covered by fixed price contracts for current and next year. For the following periods, the ratio extends until 4 years ahead, declining with 10%-point per year ending at 50%. Elkem currently fulfils this minimum hedge policy, and also has a substantial amount of contracts at fixed price for the later years. Optimisation of 24-hour-, seasonal- and capacity utilisation variations are solved through utilising financial and physical contracts that are traded bilaterally. The purpose of the hedging activities is to reduce volatility in the power cost and to increase the predictability of the cost base. Fair value of commodity contracts is especially sensitive for future changes in energy prices.

Changes in fair value of commodity contracts, classified as financial instruments, reflect unrealised gains or losses, and are calculated as the difference between market price and contract price, discounted to present value. Valuations are based on market information where this is available, if not, valuations are based on estimated market price for non-observable parameters.

Valuation of the power contracts
The assumptions for the fair value measurement of power contracts is described in note 25 Financial assets and liabilities.

Sensitivity analysis - power contracts
Sensitivity on the "30-øringen" contract is as follows (figures in NOK million)

"30-øringen" contract

Amounts in NOK million		Fair value 31.12.2021	Adjusted NPV
Discount rate (used 3.5%)	change to 0%	330	360
Discount rate (used 3.5%)	change to 5%	330	319
CPI (used 2.0%)	change to 1%	330	379
CPI (used 2.0%)	change to 3%	330	279
Power price	decrease -10%	330	166
Power price	increase + 10%	330	494

(ii) Currency risk

Elkem has revenues and operating costs in various currencies. The prices of finished goods are to a large extent determined in international markets, primarily denominated in US dollar, Chinese yuan and Euro. This is partly offset by purchases of raw materials denominated in the same currencies. Elkem aims to establish natural hedging positions if this is possible and economically viable. Financial derivatives are then used to hedge the remaining net currency risk exposures. Elkem has net positive operating cash flows in mainly Euro, US dollar, Chinese yuan and Brazilian real. Due to the location of its plants, Elkem has net cost positions in certain other currencies, mainly Norwegian krone, but also Canadian dollars and Icelandic krona.

Elkem's policy is to hedge the net positive cash flows in foreign currencies against the functional currency NOK to even out fluctuations in result and cash flow. The target is to hedge expected net cash flow for 0–3 months on a 90% hedging ratio. Expected net cash flow for 4–12 months should be hedged on a rolling basis targeting a 45% hedging ratio. The hedging ratio for 4–12 months may vary subject to internal approval. Chinese yuan (CNY) is not included in the hedging programme. Elkem has hedged Japanese yen until 2026, related to a long-term customer contract. Elkem uses hedge accounting for all cash flow hedges over 3 months. Embedded EUR derivatives in power contracts are included in the foreign exchange hedging programme. To ensure an effective hedge, according to the hedge accounting principles, the spot element of the forward currency contracts is designated as hedging instruments and highly probable future revenue as hedging object in a hedging relationship, covering the exposure beyond 3 months.

Elkem realised a gain of NOK 92 million from hedging programme (loss of NOK 220 million).

Elkem aims to mitigate the balance sheet risk by keeping interest-bearing debt in the same currencies as the group's assets. Elkem has mainly interest-bearing debt in Euro, Chinese yuan and Norwegian krone.

Currency effects recognised in financial statement, excluding effects from cash flow hedging

Amounts in NOK million	**2021**	2020
Net foreign exchange gains (losses) - forward currency contracts - recognised in other items	**14**	49
Operating foreign exchange gains (losses) - recognised in other items	**20**	(83)
Net foreign currency exchange gains (losses) on financing activities - recognised in foreign exchange gains (losses)	**241**	17
Currency translation differences - recognised in other comprehensive income	**358**	46
Hedging of net investment in foreign operations - recognised in other comprehensive income	**130**	(168)

Currency exposure

The amounts in the tables below are based on exchange-rates against NOK per 31 December.

Exchange rates against NOK per 31 December

Amounts in NOK million	**2021**	2020
USD	**8,8242**	8,5285
EUR	**9,9978**	10,4713
CNY	**1,3891**	1,3045
CAD	**6,9449**	6,6937

Currency exposure affecting statement of profit or loss

The tables show carrying amount of assets and liabilities denominated in foreign currencies different from the entities functional currency, where changes in currency rates will affect profit and loss. The tables include notional amount of currency exchange contracts (note 25 Financial assets and liabilities). Amounts are presented in NOK based on currency rates as at 31 December.

31 December 2021

Amounts in NOK million	USD	EUR	CNY	CAD	NOK	Other	**Total**
Other non-current assets	-	-	-	-	-	-	**-**
Trade receivables	927	457	-	-	0	98	**1 483**
Other assets	-	-	-	-	-	-	**-**
Restricted deposits	-	-	-	-	-	-	**-**
Cash and cash equivalents	1 172	25	80	(95)	0	387	**1 570**
Total monetary assets	2 100	482	80	(95)	0	485	**3 052**
Interest-bearing liabilities	-	4 023	-	-	-	-	**4 023**
Other liabilities	-	-	-	-	-	-	**-**
Trade payables	442	117	3	0	2	56	**620**
Bills payable	-	-	-	-	-	-	**-**
Total monetary liabilities	442	4 141	3	0	2	56	**4 644**
Derivatives, notional value	399	5 598	-	-	-	631	**6 629**
Net currency exposure financial position	1 258	(9 257)	77	(95)	(1)	(202)	**(8 220)**

31 December 2020

Amounts in NOK million	USD	EUR	CNY	CAD	NOK	Other	**Total**
Other non-current assets	-	-	-	-	-	-	**-**
Trade receivables	399	22	-	0	-	62	**483**
Other assets	-	-	-	-	-	-	**-**
Restricted deposits	-	-	-	-	-	-	**-**
Cash and cash equivalents	161	929	0	(17)	(0)	146	**1 220**
Total monetary assets	560	952	0	(17)	(0)	208	**1 702**
Interest-bearing liabilities	-	4 214	-	-	-	-	**4 214**
Other liabilities	-	-	-	-	-	-	**-**
Trade payables	115	113	9	0	20	33	**289**
Bills payable	-	-	-	-	-	-	**-**
Total monetary liabilities	115	4 327	9	0	20	33	**4 503**
Derivatives, notional value	284	6 006	-	5	-	924	**7 220**
Net currency exposure financial position	161	(9 381)	(9)	(22)	(20)	(750)	**(10 020)**

Sensitivity on profit and loss from financial assets and liabilities
The sensitivity related to financial instruments on Elkem's profit or loss, is based on a strengthening / weakening of all currencies by 10% against the Norwegian krone, which is the presentation currency for Elkem. If the Norwegian krone is strengthened by 10% against all other currencies, the isolated effect on financial assets and liabilities would have been an effect on profit before tax of approximately

NOK 821 million (NOK 1,000 million), whereof NOK 424 million (NOK 389 million) will be booked against OCI. Effects booked against OCI are recycled through profit before tax when the hedged items are realised, offsetting an opposite effect from the hedged objects.

Currency exposure affecting currency translation differences / equity
The table shows Elkem's total assets and liabilities denominated in the group's main currencies translated to NOK at the currency rates at 31 December and gives an overview of the group's total currency exposure that will affect currency translation differences both in the consolidated statement of comprehensive income and / or profit and loss.

31 December 2021

Amounts in NOK million	USD	EUR	CNY	CAD	NOK	Other	**Total**
Other non-current assets	47	285	43	-	72	31	**478**
Trade receivables	1 387	660	1 549	21	184	497	**4 297**
Other assets	20	185	262	12	939	134	**1 551**
Restricted deposits	2	-	604	-	3	-	**609**
Cash and cash equivalents	1 438	219	1 448	221	3 066	647	**7 040**
Total monetary assets	2 894	1 349	3 906	254	4 264	1 308	**13 976**
Asset non-monetary items	1 864	4 878	11 162	837	7 710	1 423	**27 874**
Total assets	4 758	6 227	15 068	1 092	11 974	2 731	**41 850**
Interest-bearing liabilities	38	6 083	1 144	-	3 038	77	**10 380**
Other liabilities	39	225	469	25	664	235	**1 657**
Trade payables	567	1 049	1 705	95	1 011	186	**4 614**
Bills payable	-	-	2 096	-	-	-	**2 096**
Total monetary liabilities	644	7 357	5 414	121	4 714	498	**18 747**
Liabilities non-monetary items	139	709	606	188	1 403	184	**3 228**
Total liabilities	782	8 065	6 020	308	6 117	683	**21 976**

31 December 2020

Amounts in NOK million	USD	EUR	CNY	CAD	NOK	Other	**Total**
Other non-current assets	36	231	65	-	69	31	**432**
Trade receivables	679	185	1 414	9	111	397	**2 796**
Other assets	27	190	189	9	695	102	**1 212**
Restricted deposits	2	-	317	-	3	-	**322**
Cash and cash equivalents	660	1 186	740	12	18	538	**3 154**
Total monetary assets	1 404	1 793	2 724	30	896	1 067	**7 916**
Asset non-monetary items	1 541	4 462	8 374	650	6 700	1 245	**22 972**
Total assets	2 946	6 255	11 098	680	7 597	2 312	**30 888**
Interest-bearing liabilities	77	7 094	1 116	-	2 122	72	**10 481**
Other liabilities	47	182	319	28	369	119	**1 064**
Trade payables	201	947	1 035	60	786	128	**3 157**
Bills payable	-	-	1 053	-	-	-	**1 053**
Total monetary liabilities	324	8 223	3 523	88	3 277	319	**15 754**
Liabilities non-monetary items	90	659	302	160	1 124	164	**2 498**
Total liabilities	414	8 882	3 825	248	4 401	482	**18 253**

Sensitivity on statement of financial position from financial assets and liabilities
The sensitivity related to financial instruments on Elkem's statement of financial position, is based on a weakening / strengthening of all currencies by 10% against the Norwegian krone, which is the presentation currency for Elkem. If the Norwegian krone is strengthened by 10% against all other currencies, the isolated effect on financial assets and liabilities would have given a reduced equity of NOK 432 million (NOK 546 million). This effect comes in addition to the effects from the sensitivity on profit or loss as calculated above.

(iii) Interest rate risk
Elkem's interest rate risk arises from interest-bearing liabilities granted by external financial institutions. Elkem's liabilities are mainly drawn in Euro, Chinese yuan and Norwegian krone.

Elkem has a floating interest rate policy and is hence exposed to fluctuating interest rates. Prices and sales volumes for Elkem's core products tend to correlate with general economic conditions. A floating interest rate policy is therefore seen as appropriate from a financial risk perspective. Interest rates have stayed low for a number of years due to a low-rate economic environment. However, many central banks have inflation targets and intend to adjust interest rates to control a general rise in the price level. With floating interest rates the group will normally be in a position to benefit from lower interest rates in an economic downturn, but a floating rate policy will also leave the group exposed to future interest rate hikes.

Elkem has the following interest-bearing assets and liabilities
31 December 2021

Amounts in NOK million	Floating	Fixed	**Total**
Interest-bearing liabilities	12 326	150	**12 476**
Interest-bearing assets	7 700	-	**7 700**
Net exposure	4 626	150	**4 776**

Sensitivity
The interest rate sensitivity is based on a parallel shift in the interest rates that Elkem is exposed to. If interest rates had been 50 basis points higher for a full year, based on net debt as at 31 December 2021, with all other variables held constant, the profit (loss) for the year would have been NOK 33 million (NOK 31 million) lower. An overview of Elkem's debt portfolio is presented in note 23 Interest-bearing assets and liabilities.

(b) Counterparty credit risk
Credit risk is the risk of financial losses to the group if a customer or counterparty fails to meet contractual obligations. For Elkem this arises mainly to trade receivable and financial trading counterparties.

Trade receivables are generally secured by credit insurance from a reputable credit insurance company. 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. Of Elkem's revenue outside China 85% - 95% is covered by credit insurance or other trade finance tools.

Elkem realised credit losses of NOK 12 million (NOK 5 million) trade receivables. The maximum exposure to credit risk for trade receivables for the group is NOK 4,306 million per 31 December 2021 (NOK 2,804 million). Please also refer to note 21 Trade receivables.

Evaluation of financial counterparties is based on external credit ratings from Moody's and / or Standard and Poor's. The general 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. Elkem has not had any losses in 2021 or 2020 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. Elkem is exposed to liquidity risk related to its operations and financing.

Elkem'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.

In order to mitigate the operational liquidity risk, Elkem has cash and revolving credit facilities with banks. As at 31 December 2021 Elkem has unrestricted cash of NOK 7,040 million (NOK 3,154 million). In addition, revolving credit facilities amount to NOK 3,144 million (NOK 3,250 million), of which NOK 3,144 million is undrawn (NOK 3,234 million).

The external loan agreements contain 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. Additionally, the ratio of total equity to total assets must be more than 30% at all times. Elkem complies with these covenants as of 31 December 2021 and also complied with the covenants as of 31 December 2020, see note 23 Interest-bearing assets and liabilities.

The policy is to have cash and available credit facilities to cover known capital needs and generally not less than 10% of annual total operating income. 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 2021 for Elkem is shown in the table below.

Year / maturity

Amounts in NOK million	2022	2023	**Total**
Total amount of credit facilities	645	2 499	**3 144**

The table below analyses the group's financial liabilities and assets into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date.

The amounts disclosed in the table are the contractual undiscounted cash flows, and the amounts are including interest payments.

31 December 2021

Amounts in NOK million	2022	2023	2024	2025	2026	2027 and later	**Total**	Carrying amount
Trade receivables	4 297	-	-	-	-	-	**4 297**	4 297
Derivative assets	269	62	37	54	18	154	**594**	588
Trade payables	4 614	-	-	-	-	-	**4 614**	4 614
Derivative liabilities	23	2	(1)	4	7	8	**43**	41
Lease liabilities	116	123	99	80	68	427	**912**	801
Loans from external parties, other than bank	1 334	64	1 174	1 037	519	509	**4 637**	4 389
Bank financing	671	4 477	214	4	4	4	**5 374**	5 186
Bills payable	2 096	-	-	-	-	-	**2 096**	2 096

31 December 2020

Amounts in NOK million	2021	2022	2023	2024	2025	2026 and later	**Total**	Carrying amount
Trade receivables	2 796	-	-	-	-	-	**2 796**	2 796
Derivative assets	148	11	14	15	19	-	**207**	207
Trade payables	3 157	-	-	-	-	-	**3 157**	3 157
Derivative liabilities	102	55	54	46	47	69	**372**	353
Lease liabilities	97	103	75	65	53	385	**779**	663
Loans from external parties, other than bank	2 466	1 351	23	400	265	-	**4 506**	4 403
Bank financing	863	146	4 641	4	4	8	**5 665**	7 918
Bills payable	1 053	-	-	-	-	-	**1 053**	1 053

28. Capital managment

Elkem focuses on having a balanced capital structure, which seeks to reflect the return requirements for the shareholders and the need for a strong financial position to facilitate the group's strategy for growth and specialisation. The target is to have a leverage between 1.0x and 2.0x over a cycle. The leverage ratio is defined as net interest-bearing assets, less non-current interest-bearing assets (see note 23 Interest-bearing assets and liabilities), divided by EBITDA, as defined in the APM section.

Elkem 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. Elkem has centralised the responsibility for group financing and liquidity handling. The policy is to raise financing at parent company level however, country specific exceptions may be made due to local legislation or currency restrictions. Loan maturities are subject to liquidity and refinancing risk and the company aims to have a long-term and smooth maturity profile on its loan portfolio.

Cash pooling is used to secure availability and access to cash across the group. Due to local legislation, not all subsidiaries are able to participate in international cash pooling arrangements. In these cases, repatriation of excess cash is mainly executed through dividend payments and inter-company deposits, while liquidity needs are covered through capital injections and inter-company loans. Liquidity forecasts are prepared and updated on a regular basis. The short-term forecasts are updated weekly. The group's cash position is reported on a daily basis and tracked against respective forecasts. The policy is that available liquidity reserves, defined as cash and cash equivalents and available long-term credit facilities, should exceed 10% of total operating income.

Financial covenants are applicable in some of Elkem's loan agreements. Financial covenants, if required, are standardised across all loan agreements. Financial covenants and other financial policy targets are monitored monthly and included in the company's management reports.

The company intends to pay dividends reflecting the underlying earnings and cash flow. Elkem envisages a dividend pay-out ratio of 30 - 50% b ased on profit for the year. When deciding the annual dividend level, the group's leverage, capital expenditure plans and financing requirements will be taken into consideration. Focus will also be on maintaining appropriate strategic flexibility. For the year 2020 Elkem distributed NOK 0.15 per share in dividends and for the year 2021 the proposed dividend is NOK 3.00 per share.

As at 31 December 2021, Elkem's equity was NOK 19.874 million, including minority interests of NOK 86 million. The equity ratio was 47%.

29. Number of shares

The development in share capital and other paid-in equity is set out in the consolidated statement of changes in equity. The largest shareholders are listed in note 21 to the financial statement of Elkem ASA.

Number of shares in million shares

	2021			2020		
	Shares outstanding	**Treasury shares**	**Total issued shares**	Shares outstanding	Treasury shares	Total issued shares
Beginning of the year	**581 310 344**	**-**	**581 310 344**	581 310 344	-	581 310 344
Capital increase	**58 131 034**	**-**	**58 131 034**	-	-	-
Increase in treasury shares	**(6 403 772)**	**6 403 772**	**-**	-	-	-
End of the year	**633 037 606**	**6 403 772**	**639 441 378**	581 310 344	-	581 310 344

In the annual general meeting held on 27 April 2021, the board of directors was granted an authorisation to repurchase the company's own shares within a total nominal value of up to NOK 291,492,672. 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 2022, but not later than 30 June 2022. 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 27 April 2021, the board of directors was granted an authorisation to increase the company's share capital with an amount up to NOK 291,492,672 - corresponding to 10 per cent of the current share capital. The authorisation is valid until the annual general meeting in 2022, but not later than 30 June 2022. 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 27 April 2021, 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 2022, but not later than 30 June 2022. The authorisation does not cover capital increases against contribution in kind or capital increases in connection with mergers.

The share capital was increased with the issuance of 1 675 000 new shares on 15 February 2021 with proceeds of NOK 39 million. On 30 April 2021 the share capital was increased by issuing 56 456 034 new shares raising proceeds of NOK 1,891 million. At 31 December 2021, Elkem share capital are NOK 3 197 206 890, comprising in total 639 441 378 shares, each with a nominal value of NOK 5. Net expenses after tax related to the capital increases amount to NOK 30,260,816 resulting in total share capital increase of NOK 1,900,429,073.

30. Earningsper share

Principle

The calculation of basic earnings per share (EPS) has been based on profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding. The calculation of diluted EPS has been based profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

	2021	2020
Weighted average number of shares outstanding	**618 160 299**	581 310 344
Effects of dilution	**3 876 305**	94 282
Weighted average number of shares outstanding - diluted	**622 036 604**	**581 404 626**
Owners of the parent's share of profit (loss) (NOK million)	**4 628**	239
Earnings per share (NOK)	**7.49**	0.41
Diluted earnings per share (NOK)	**7.44**	0.41

31. Supplemental information to the consolidated statement of cash flows

Liquidity effects of acquisitions

Amounts in NOK million	2021	2020
Cash transferred on acquisition	-	792
Preliminary net debt and working capital adjustment	-	161
Adjustment amount for final net debt and working capital adjustment	-	18
Settlement of deferred and contingent consideration	-	267
Discounting element on settlement of deferred and contingent consideration	-	2
Foreign exchange gains (losses) from date of control	-	(30)
Cash and cash equivalents of the acquiree	-	(178)
Total acquisition of subsidiaries net of cash acquired	-	**1 032**

Liquidity effects of contingent considerations

Amounts in NOK million	2021	2020
Settlement of deferred and contingent consideration	83	-
Discounting element on settlement of deferred and contingent consideration	3	-
Fair value adjustment on settlement of contingent consideration	1	-
Foreign exchange gains (losses) from date of control	(9)	-
Total payment of contingent consideration related to acquisitions (IFRS 3)	**78**	-

32. Related parties

Related parties' relationships are defined to be entities outside Elkem group that are under control (either directly or indirectly), joint control or significant influence by the owners of Elkem.

Elkem ASA is owned 52.9% by Bluestar Elkem International Co. Ltd S.A., Luxembourg, which is under control of Sinochem Holdings Co., Ltd (Sinochem), a company registered and domiciled in China. All companies under control by Sinochem are considered to be related parties, including among others REC Solar Norway AS and China Blue Chemicals Ltd. On 30 November 2021 Sinochem sold REC Solar Norway AS and transactions are from that date not considered to be related party transactions.

The Group also consider equity accounted companies as related parties.

The structure of Elkem group is disclosed in note 4 Composition of the group and note 5 Investments in equity accounted companies.

Transactions with related parties 2021

Amounts in NOK million	Sale of goods	Purchase of goods	Sale of services [1]	Purchase of services	Interest income	Financial expenses
Bluestar Elkem International Co. Ltd S.A.	-	-	-	-	-	-
Joint ventures and associates	-	(158)	32	(184)	0	-
Related parties within Sinochem	581	(414)	41	(153)	-	-
Other related parties	0	(18)	-	(16)	-	-
Total	**581**	**(591)**	**73**	**(354)**	**0**	**-**

[1] Including sub-lease

Transactions with related parties 2020

Amounts in NOK million	Sale of goods	Purchase of goods	Sale of services [2]	Purchase of services	Interest income	Financial expenses [1]
Bluestar Elkem International Co. Ltd S.A.	-	-	-	-	-	-
Joint ventures and associates	-	-	82	(159)	-	-
Related parties within Sinochem	454	(486)	46	(54)	-	(1)
Other related parties	4	(5)	-	(13)	-	-
Total	**458**	**(491)**	**128**	**(226)**	**-**	**(1)**

1) See note 33 Pledge of assets and guarantees
2) Including sub-lease

Balances with related parties

	Non-current		Current	
Amounts in NOK million	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Receivables from joint ventures and associates, interest-bearing	1	1	-	-
Receivables from related parties within Sinochem, interest free	-	-	1	0
Liabilities to related parties within Sinochem, interest free	-	-	(32)	(64)
Trade receivables, related parties within Sinochem	-	-	17	27
Trade receivables, joint ventures and associates	-	-	16	9
Trade payables, Bluestar Elkem Investment Co. Ltd. S.A	-	-	(5)	(5)
Trade payables, related parties within Sinochem	-	-	(56)	(85)
Trade payables, joint ventures and associates	-	-	(43)	(25)
Trade payables, other related parties	-	-	-	-
Prepayments to related parties within Sinochem	-	-	18	5
Prepayments from related parties within Sinochem	-	-	-	(17)
Prepayments from joint ventures and associates	-	-	(10)	(11)
Financial power contract with joint ventures and associates	22	(27)	35	(2)
Net balances with related parties	**23**	**(26)**	**(60)**	**(166)**

Outstanding balances at year-end are unsecured, and the current receivables and payables are interest-free, with an exception of the non-current receivables. The interest rate for the non-current receivables to the joint ventures and associates are currently 2.5%.

Information about main transactions with related parties:

Related parties within Sinochem

- → Sale of management and technology services to REC Solar Norway AS
- → Sale of raw materials to REC Solar Norway AS
- → Sub-lease of business premises to REC Solar Norway AS (note 16)
- → Sale of silicone to China Bluestar International Chemical Ltd and other companies within Sinochem
- → Purchase of raw materials from companies within Sinochem

Equity accounted companies

Salten Energigjenvinning AS

The group has entered into a cash settled financial agreement to purchase all the power produced from Salten Energigjenvinning AS to a fixed price for the first 15 years of operations. See note 25 Financial assets and liabilities.

Elkem has on 31 January 2022 entered into agreement to purchase the remaining 50% of the shares in Salten Energigjenvinning AS. See note 34 Events after the reporting period.

Other equity accounted companies

- → Purchase of short and deep sea transport from North Sea Containerline AS and EPB Chartering AS
- → Purchase of warehousing for Combined Cargo Warehousing BV

There are no other contingent liabilities or commitments related to the joint ventures and associates.

Key management personnel and board of directors

Information on transactions with key management personnel, see note 9 Employee benefits and "Report on salary and other remuneration to leading personnel in Elkem ASA for the financial year 2021".

33. Pledge of assets and guarantees

Pledges

The main part of Elkem's interest-bearing liabilities are not pledged. Details of liabilities that have pledged assets or guarantees related to them are stated below.

Guaranteed liabilities

Amounts in NOK million	**31.12.2021**	31.12.2020
Guaranteed liabilities	**-**	-

Book value pledged assets

Amounts in NOK million	**31.12.2021**	31.12.2020
Building	**28**	30
Machinery and plant	**0**	0
Other assets	**57**	51

Pledged liabilities

Amounts in NOK million	**31.12.2021**	31.12.2020
Pledged liabilities	**79**	416
		-

Elkem makes limited use of guarantees, see specification below.

Guarantee commitments

Amounts in NOK million	**31.12.2021**	31.12.2020
Guarantee commitment KLIF (Climate and Pollution Agency)	**40**	40
Guarantee commitment tax cases Brazil	**15**	15

34. Events after the reporting period

Principle

Events after the reporting period related to the group's financial position at the end of the reporting period, are considered in the financial statements. 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.

Elkem secured 100% ownership of the Elkem Salten energy recovery plant after acquiring the remaining 50% share in Salten Energigjenvinning AS from Kvitebjørn Energi AS on 31 January 2022.

The investment in the energy recovery plant further strengthens Elkem's efforts to ensure environmentally friendly silicon and ferrosilicon production with the lowest possible emissions and lowest possible use of resources.

The energy recovery plant has been built in partnership between Elkem and Kvitebjørn Energi. The total investment in the energy recovery plant has amounted to around NOK 1,163 million, financed through a NOK 350 million grant from Enova, significant external debt and some equity. The book value of Elkem's 50% share was NOK 46 million at 31 December 2021. Salten Energigjenvinning AS sells the recovered energy from Elkem Silicon Products Salten plant to Elkem and has estimated operating expenses including amortisation and depreciations of NOK 29 million in 2021. The purchase price allocation for the business combination is not finalised at the date Elkem's financial statement is authorised for issue. Further information about the business combination will be provided at a later stage.

Content

Income statement - Elkem ASA

Amounts in NOK million	Note	2021	2020
1 January - 31 December			
Revenue	4	**9 309**	7 198
Other operating income	4, 5	**431**	428
Total operating income		9 740	7 626
Raw materials and energy for production		**(4 268)**	(3 728)
Employee benefit expenses	6,7	**(1 257)**	(1 237)
Other operating expenses	8,9	**(2 172)**	(1 857)
Other gains (losses) related to operating activities	10	**129**	83
Amortisation and depreciation	13,14	**(359)**	(435)
Impairment losses	13,14	**(14)**	(3)
Total operating expenses		(7 941)	(7 177)
Operating profit (loss)		1 799	449
Income from subsidiaries	15	**126**	522
Income (loss) from joint ventures	16	**37**	(15)
Finance income	11	**134**	157
Foreign exchange gains (losses)	11	**377**	(178)
Finance expenses	11	**(198)**	(222)
Profit (loss) before income tax		2 274	713
Income tax (expenses) benefit	12	**(501)**	(298)
Profit (loss) for the year		1 773	416

Balance sheet

Amounts in NOK million	Note	31.12.2021	31.12.2020
Assets			
Property, plant and equipment	13	**3 003**	2 941
Goodwill	14	**20**	24
Intangible assets	14	**111**	115
Investments in subsidiaries	15	**11 982**	11 002
Investments in joint ventures	16	**46**	-
Derivatives	24	**301**	59
Other assets	19	**3 322**	3 652
Total non-current assets		18 785	17 792
Inventories	17	**1 677**	1 473
Trade receivables	18	**1 739**	707
Derivatives	24	**283**	136
Other assets	19	**1 136**	802
Cash and cash equivalents	22	**4 260**	1 799
Total current assets		9 095	4 917
Total assets		27 880	22 709
Equity and liabilites			
Paid-in capital	20, 21	**6 178**	6 208
Retained earnings	20	**5 104**	3 012
Total equity		11 283	9 220
Interest-bearing liabilities	22	**7 292**	6 346
Deferred tax liabilities	12	**306**	128
Pension liabilities	7	**85**	91
Derivatives	24	**18**	252
Provisions and other liabilities	23	**109**	252
Total non-current liabilities		7 810	7 069
Trade payables		**1 553**	910
Income tax payables	12	**446**	181
Interest-bearing liabilities	22	**3 945**	4 509
Derivatives	24	**23**	101
Dividend	20	**1 918**	87
Provision and other liabilities	23	**902**	632
Total current liabilities		8 788	6 420
Total equity and liabilites		27 880	22 709

Oslo, 8 March 2022

Zhigang Hao
Chairman of the Board

Dag Jakob Opedal

Olivier Tillette de Clermont-Tonnerrev

Yougen Ge

Anja-Isabel Dotzenrath

Helge Aasen
CEO

Grace Tang

Marianne Færøyvik

Terje Andre Hanssen

Marianne Elisabeth Johnsen

Knut Sande

Cash flow statement - Elkem ASA

Amounts in NOK million	Note	2021	2020
1 January - 31 Desmeber			
Operating profit (loss)		**1 799**	449
Changes fair value financial instruments	13, 14	**6**	(187)
Amortisation, depreciation and impairment losses		**373**	438
Changes in working capital[1)]		**(481)**	86
Changes in provisions, pension obligations and other		**2**	(91)
Interest payments received		**63**	68
Interest payments made		**(170)**	(173)
Income taxes paid		**(213)**	(40)
Cash flow from operating activities		**1 380**	549
Investments in property, plant and equipment and intangible assets	13, 14	**(467)**	(666)
Received investment grants	5	**90**	109
Proceeds from sale of property, plant and equipment	13	**0**	0
Cash effect from merged companies		**-**	-
Acquisition and capital increase in subsidiaries	15	**(481)**	(1 245)
Acquisition of and cash contributions to joint ventures	16	**-**	(40)
Increase / decrease in loans to subsidiaries	22	**(451)**	(211)
Dividends and group contributions	15	**234**	171
Other investments / sales		**0**	2
Cash flow from investing activities		**(1 075)**	(1 881)
Dividend paid to owners	20	**(96)**	(349)
Capital increase	20	**1 900**	-
Net sale (purchase) of treasury shares		**(278)**	-
New interest-bearing loans and borrowings		**2 500**	340
Repayment of interest-bearing loans and borrowings		**(1 870)**	(373)
Cash flow from financing activities		**2 156**	(382)
Change in cash and cash equivalents		**2 461**	(1 714)
Currency translation differences		**(0)**	0
Net change in cash and cash equivalents		**2 461**	(1 714)
Cash and cash equivalents opening balance	**22**	**1 799**	3 512
Cash and cash equivalents closing balance	**22**	**4 260**	1 799

[1)] Working capital is defined as trade receivables, inventory, other current assets, trade payables and other current liabilities. Other current assets is defined as other current assets less current receivables to related parties, current interest-bearing receivables, tax receivables, grants receivable and accrued interest income. Accounts payable is defined as trade payables less accounts payable related to purchase of non-current assets. Other current liabilities is defined as other current liabilities less provisions.

Notes to the financial statement - Elkem ASA

1. General information

Elkem ASA is a limited liability company located in Norway, whose shares are publicly traded on Oslo Børs. The main activities are related to production and sale of silicon materials, ferrosilicon, specialty alloys for the foundry industry and microsilica. Elkem ASA is owned 52.9% by Bluestar Elkem International Co. Ltd S.A., Luxembourg, which is under the control of Sinochem Holdings Co., Ltd (Sinochem), a company registered and domiciled in China.

The presentation currency of Elkem ASA is Norwegian Krone (NOK). All financial information is presented in NOK million, unless otherwise stated. As a result of rounding adjustments, the amounts shown in one or more columns included in the financial statements may not add up to the total. In text the current year's figures are presented outside parantheses, followed by the comparative figures presented in parentheses.

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 based on a going concern assumption.

Changes in accounting policies
Changes in accounting policies are recognised directly in 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.

Elkem has previously recognised the yearly cost of purchased CO2 quotas as other operating expenses in the period the need to purchase quotas occurred. From 2021 the cost of purchased CO2 allowances are recognised as part of raw materials and energy for production and is distributed linearly over the year. It is deemed that the change in principle will provide more reliable and relevant information about the cost of CO2 quotas. The change in principle does not have a material impact on the annual accounts but will impact the recognition of cost between quarters. Further, the change in principle does not impact comparable figures as Elkem had a surplus of quotas in 2020 and therefore no quota cost. For more information see note 5.

Accounting estimates
In the event of uncertainty, the best estimate is applied, based on the information available when the financial statements 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 Accounting estimates.

Foreign currency translation
Elkem ASA's functional currency is Norwegian Krone (NOK). Transactions in currencies other than the entity's functional currency are translated using the transaction date's currency rate. Monetary items in foreign currencies are presented at the exchange rate applicable on the balance sheet date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date fair value is measured. If the currency exposure of a transaction is designated as a part of a hedging relationship, realised effects from the associated hedging instrument is classified in the same line in the financial statements as the hedged transaction. Currency gains (losses) related to operating activities, i.e. receivables, payables, bank accounts for operating purposes, are classified as a part of other gains (losses) related to operating activities. Currency effects included in finance income and expenses are related to loans and dividends.

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

When products are sold with warranties, the expected warranty amounts are recognised as expenses at the time of the sale, and are subsequently adjusted for any changes in estimates or actual outcome.

Revenue from sale of goods is recognised when the significant risk and reward of the ownership of the goods has passed to the buyer, according to the agreed delivery term for each sale. Delivery terms are based on Incoterms 2021 issued by International Chamber of Commerce, and the main terms are

"F" terms, where the buyer arranges and pays for the main carriage. The risk and reward is passed to the buyer when the goods are handed 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 is passed to the buyer when the goods are handed 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 buyer upon arrival at agreed destination, usually the purchaser's warehouse.

Sale of power and revenue connected to energy recovery

Sale of electric power and revenue connected to energy recovery, mainly heat supply in form of steam and hot water, el-certificates and el-tax, are recognised in income based on volume and price agreed with the customer. Revenue connected to energy recovery is mainly based on long-term contracts where the prices are regulated yearly based on changes in CPI or government regulated prices, except for the el-certificates where the price is based on the observable market price at date of delivery.

Revenue from sale of services

Revenue from sale of services is recognised when the services have been provided. Sale of services are mainly related to management agreements with related parties, based on cost plus a margin.

Other

Income from insurance settlements are recognised when it is virtually certain that the group will receive the compensation, and is recognised as other operating income. Cash flows from credit insurance contracts where such contracts are deemed to be an integral part of the sale transactions is presented as reduction of net against impairment losses assets / receivables, included in other operating expenses. Interest income is recognised on accrual basis. Dividends are recognised when shareholders' right to receive dividends is determined by the shareholders' meeting.

Grants

Grants are recognised when it is reasonably assured that the company will comply with the conditions attached to them and the grants will be received. Grants are recognised in the income statement over the periods necessary to match them with the cost they are intended to compensate. Grants relating to cost of production of goods are recognised in profit or loss when the produced goods are sold. Grants relating to property, plant and equipment and intangible assets are deducted from the carrying amount of the asset, and recognised in the income statement over the lifetime of a depreciable asset by reducing the depreciation charge. Grants related to expenses are classified as other operating income.

Investment in subsidiaries, associates and jointly controlled entities

Subsidiaries are companies in which Elkem ASA has controlling interests, normally obtained when Elkem ASA owns more than 50% of the shares.

Associates are those entities in which Elkem ASA has significant influence, but no control, over the financial and operating policies. Significant influence is presumed to exist when Elkem ASA holds between 20% and 50% of the voting power of another entity. Jointly controlled entities are those entities over whose activities Elkem ASA 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.

Associates

Investments in associates are valued at cost less any write-down for impairment. Dividends received from associated companies are included in the income statement.

Joint ventures

Elkem ASA's interests in jointly controlled entities, which operates within Elkem ASA's main business areas (silicon materials and foundry products), are accounted for using the gross method, meaning that the company's share of the income, expense, assets and liabilities are recognised. Elkem ASA 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 ASA's interests in joint controlled entities, which do not operate within Elkem ASA's main 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 recognise the investor's share of the profit or loss and other comprehensive income of the investee after the date of acquisition. In cases where a joint ventures' loss increases the initially recognised cost, the carrying amount is presented to reflect Elkem's liability to finance the joint venture. Any liability to finance a joint venture is presented either as part of provisions and other liabilities, current, or netted against Elkem's receivables towards the joint venture.

Impairment of investment in subsidiaries, associates and jointly controlled entities

Impairment loss is recognised if the carrying amount exceeds the recoverable amount and the impairment is not considered to be temporary. 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 flow expected to be derived from the asset or the cash generating unit to which it belongs, after taking into account all other relevant information. The impairment is reversed if the basis for the write-down is no longer present.

Intangible assets

Intangible assets are stated in the balance sheet 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 life and amortisation method is 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 of 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 is presented at cost, less accumulated depreciations and any accumulated impairment losses. Construction in progress is 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 life, are accounted for as separate items. Depreciation commences when the assets are ready for their intended use.

Initial cost includes expenditures that are directly attributable to the acquisition of the asset, cost of materials, direct labour, any other costs directly attributable to bringing the assets to working condition for their intended use and estimated dismantling or removal charges, 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 life, 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 from 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 indication exists, the recoverable amount of the individual asset is estimated in order to determine the extent of the impairment loss. 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 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. Any impairment of goodwill is not reversed.

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 and expenses are recognised as incurred.

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
A financial asset or a financial liability is recognised in the balance sheet when the entity becomes party to a contract. Assets to be acquired and liabilities to be incurred as a result of a firm commitment to purchase or sell goods or services are recognised at the time one of the parties has performed under the agreement.

Financial assets are initially recognised 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 has expired or when substantial 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.

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 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 trade receivables, deposits, guarantees and loans. These assets are classified in the balance sheet as either other non-current assets or other current assets. Other current assets are receivables with maturity less than one year.

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 funds and short-term deposits with a term of 3 months or less on acquisition. Bank overdrafts are shown within current interest-bearing liabilities in the balance sheet. Elkem ASA's deposits and drawings within the group cash pool 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 on the date the derivative contracts are entered into, and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in the income statement immediately, unless when 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.

Commodity contracts that do not qualify as hedging instruments are booked at the lower of cost and fair value.

Embedded derivatives are separated from the host contract and booked at fair value, as an independent derivative.

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 company's usage requirements. This applies to power purchase contracts intended for use in the plant's production processes. Such contracts are booked in the balance sheet at cost and in the income statement on realisation.

Hedge accounting
Elkem ASA may designate certain derivatives as hedging instruments for fair value hedges and cash flow hedges. At the inception of the hedging 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 as hedging instruments in fair value hedges, are recognised in the income statement 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 equity are reclassified into the income statement 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 until 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 production, 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.

Cost of goods sold is included in different lines in the income statement based on nature; raw materials and energy for production, employee benefits and other operating expenses, for the remaining part.

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.

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 Elkem 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 items are recognised in correlation to the underlying transaction either in the income statement or directly in equity.

Deferred tax assets are recognised in the balance sheet 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 arising from tax losses are recognised when there is convincing evidence of recoverability. Deferred tax assets and liabilities items are offset if there is a legally enforceable right to offset current tax liabilities and assets.

Employee benefits
Employee benefits consist of wages and salaries, bonuses, holiday payments, share-based payments and other considerations paid in exchange for services rendered from employees, and are expensed as incurred together with any social security tax applicable.

Employee retirement 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 individual pension plan asset. 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, calculated separately for each plan. Social security tax related to pension payments is included in estimated pension liability. Plan assets are measured at fair value and deducted in calculating the net pension obligation. Actuarial assumptions are used to measure both the obligation and the expense and effects of changes in estimates due to financial and actuarial assumptions that are recognised in equity. Service costs are classified as part of employee benefit expenses and net interest on pension liabilities / assets are presented as a part of finance expenses. Past service cost arising due to amendments in benefit plans are expensed as incurred.

Multi-employer defined benefit plans where available information is insufficient to be able to calculate each participant's obligation, are accounted for as contribution plans.

Share-based payment
The fair value of options granted under the share-based payment program is recognised as an employee benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Social security contributions payable in connection with an option grant are considered an integral part of the grant itself and the charges are treated as cash-settled transactions.

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.

Contingent assets and 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. Contingent assets are not recognised. Any significant contingent assets and liabilities are disclosed in the notes.

Events after the reporting period
Events after the reporting period related to Elkem ASA'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 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.

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

Financial instruments
Elkem ASA holds financial instruments such as forward currency contracts and commodity contracts, which are booked at fair value. For commodity contracts denominated in EUR, the embedded EUR derivative is separated from the host contract and booked at fair value. Hedge accounting is applied for these contracts. Commodity contracts that do not qualify as hedging instruments are booked at the lower of cost and fair value. Fair value for the contracts is based on observable prices and assumptions derived from observable prices for comparable instruments. For assumptions applied in fair value measurement of the contracts see details in note 25 Financial assets and liabilities in the consolidated financial statement.

Net book value of contracts booked at fair value as at 31 December 2021 is in total positive NOK 544 million (negative NOK 158 million), see note 24 Financial instruments.

4. Operating income

Operating income by type

Amounts in NOK million	2021	2020
Revenue from sale of goods	**7 269**	5 397
Revenue from sale of goods to related parties	**1 465**	1 380
Other operating revenue	**118**	137
Other operating revenue to related parties	**457**	285
Total revenue	**9 309**	7 198
Sale of fixed assets	**-**	0
Insurance settlement	**25**	29
Grants (note 5)	**406**	398
Total other operating income	**431**	428
Total operating income	**9 740**	7 626

Operating income by geographic market

Amounts in NOK million	2021	2020
Nordic countries	1 681	1 483
United Kingdom	633	396
Germany	1 753	1 088
France	802	630
Italy	522	394
Poland	179	171
Spain	319	205
Netherlands	74	102
Other European countries	1 382	897
Europe	7 345	5 366
Africa	35	16
North America	565	615
South America	41	44
America	606	660
China	284	207
Japan	696	555
South Korea	113	196
Other Asian countries	642	608
Asia	1 734	1 567
The rest of the world	20	17
Total operating income	9 740	7 626

5. Grants

	2021		2020	
Amounts in NOK million	Other operating income	Deduction of carrying amount FA	Other operating income	Deduction of carrying amount FA
R&D grants from the Norwegian government	39	-	54	-
CO2 Compensation from the Norwegian Environment Agency	367	-	340	-
Energy recovery related grants	-	6	-	3
Other government grants	-	-	-	-
Total government grants	406	6	394	3
Norwegian NOx fund for reduced emission of NOx	-	31	-	134
Other grants	-	-	4	-
Total other grants	-	31	4	134
Total grants	406	37	398	136
Grants receivables related to fixed and intangible assets (note 19)		42		95
Grants receivables related to income (note 19)		364		365
Grants, deferred income (note 23)		(5)		(2)

CO2 allowances
CO2 emission allowances allocated from the government are classified as grants, measured at nominal value (zero). The CO2 allowance scheme pertains to the group's plants in Europe. If actual emissions exceed the number of allocated allowances, additional allowances must be purchased. The cost of purchased CO2 allowances are recognised as part of raw materials and energy for production and is distributed linearly over the year as the number of allocated allowances will not be revised unless there is a substantial change in the production level at the plants. Any gain on sale of CO2 allowances is classified as revenue. The previous scheme for allocation of free CO2 allowances from the authorities lasted until 2020. The allocation of free allowances for the period 2021-2025 is approved by the EFTA surveillance authority, with no major changes to the structure, but is yet to be finally decided by the national authorities. Elkem expect the allocation of allowances to continue in accordance with previous periods with an increased reduction factor in the allocation of 2.2% annually. Elkem ASA has a zero surplus of allowances and cost of additional allowances needed to settle the quota obligation for 2021 is accrued for, based on the market prices as at 31 December, 2021.

The final decision on the allowance allocation for 2021-2025 is expected before the settlement deadline for 2021, 30 April 2022.

CO2 compensation
The Norwegian government has since 2013 had a CO2 compensation scheme to compensate for CO2 costs included in the power price for the manufacturing industry. The compensation scheme is based on a corresponding scheme for EU and is approved by the EFTA surveillance authority ESA. The previous CO2 compensation scheme ended 31 December 2020 and a new scheme for 2021-2025 is approved for EU but has yet to be implemented into Norwegian regulation. However, a continuation of the CO2 compensation is included in a proposed Norwegian regulation and provisions are included in the Norwegian national budget for 2022. The CO2 compensation scheme applies for Elkem's Norwegian Silicon and Ferrosilicon plants and the percentage of the costs compensated was approximately 75% in 2020. The compensation is based on the market price of CO2 allowances and will as such vary with the price development. Based on the proposed regulation and the provision in the National budget Elkem has recognised CO2 compensation for 2021, at the same level as for 2020. As the grant compensates power costs, which are costs recognised as part of the cost price of inventory during the production process, the compensation is recognised in the statement of profit or loss when the produced goods are sold.

Covid-19
Due to the Covid-19 outbreak, government bodies implemented temporary measures in both 2021 and 2020 to help businesses affected by the outbreak. Elkem is affected by reduction in social security taxes in 2020. The estimated value of this arrangement is NOK 0 million (NOK 8 million) and is included in Employee benefit expenses.

NOx Fund
The industry in Norway pays a fee for their emission of NOx to a public foundation run by 15 industry and commerce associations. The foundation is self-financed by the fees and the purpose is to support projects that reduces NOx emissions from the industry in Norway.

Other
The remaining grants are mainly related to R&D and energy recovery projects.

6. Employee benefit expenses

Amounts in NOK million	2021	2020
Salaries, holiday pay and variable compensation	(1 024)	(1 005)
Employer's national insurance contributions / social security tax	(126)	(114)
Pension expenses (note 7)	(74)	(77)
Share-based payments	(18)	(29)
Other payments / benefits	(15)	(12)
Total employee benefit expenses	**(1 257)**	**(1 237)**
Average number of full time equivalents	1 295	1 325

For information concerning remuneration to management and share-based payments, see "Report on salary and other remuneration to leading personnel in Elkem ASA for the financial year 2021", note 9 Employee benefits and note 10 Share-based payment in the consolidated financial statement.

7. Employee retirement benefits

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

Elkem ASA' contributions to the employees individual pension plan assets constitutes 5% of base salary up to 7.1G and 15% between 7.1 and 12G. G refers to the national insurance scheme's basic amount in Norway, amounting to NOK 106,399 as at 1 May 2021. Pension on salary above 12G is not supported by external service providers and is therefore handled as a separate plan and included under defined benefit plans.

Elkem ASA participates in the early retirement scheme AFP. This is as a multi-employer plan accounted for as a defined contribution plan, in accordance with the Ministry of Finance's conclusion. The participants in the pension plan are jointly responsible for 2/3 of the plan's pension obligation, the government is responsible for the remaining part. The yearly pension premium in 2021 is 2.5% of the employee's salary between 1 and 7.1G, covering this year's pension payments and contribution to a security fund for future pension obligations. The premium in per cent of salary for 2022 is will be 2.6%.

Defined benefit plans
The defined benefit pension plans are unfunded and comprise pension on salaries above 12G, where the expense is 15% of annual base salary that exceeds 12G plus interest on the individual calculated pension obligation, and some individual retirement schemes. The individual retirement schemes are closed.

Net interest is calculated based on pension liability at the start of the period multiplied by the discount rate and is presented as a part of finance expenses. Remeasurements of the defined benefit plans are recognised directly in equity.

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

Breakdown of pension expenses

Amounts in NOK million	2021	2020
Defined benefit plans	(4)	(3)
Defined contribution plans	(55)	(57)
Early retirement scheme (AFP)	(16)	(17)
Total pension expenses	**(74)**	**(77)**

Amounts in NOK million	31.12.2021	31.12.2020
Present value of pension obligations	(85)	(91)
Fair value of plan assets	-	-
Net value pension liabilities	**(85)**	**(91)**
Active participants in pension scheme for salary above 12G	49	50
Retired participants	50	60
Changes in actuarial gains / (losses) recognised in equity / deferred tax	3	(18)

Principal assumptions used for the actuarial valuation

Amounts in NOK million	2021	2020
Discount rate [1]	2,0 %	1,4 %
Annual regulation of pensions paid	1,5 %	1,3 %

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

8. Other operating expenses

Amounts in NOK million	2021	2020
External distribution expenses	(531)	(521)
Commission expenses sales	(91)	(63)
Machinery, tools, fixtures and fittings	(432)	(363)
Repair, maintenance and other operating expenses	(159)	(157)
Other external expenses (fees, transport, IT services, etc.)	(404)	(360)
Energy and fuel expenses	(103)	(101)
Leasing expenses (note 9)	(58)	(45)
Travel expenses	(9)	(13)
Loss on trade receivables	4	(4)
Miscellaneous manufacturing, administration and selling expenses	(389)	(229)
Total other operating expenses	**(2 172)**	**(1 857)**
Miscellaneous manufacturing, administration and selling expenses include:		
Capitalisation of salary on fixed assets (employee benefit expenses are presented gross in note 6)	10	15
Changes in inventories of finished and semi-finished goods	(4)	(27)

During 2021, Elkem ASA expensed NOK 82 million (NOK 124 million) as research and development related to process, product and business development, including technical customer support and improvement projects.

Grants received related to research and development amount to NOK 39 million (NOK 54 million) and are included in other operating income.

Audit and other services

Amounts in NOK million	**2021**	2020
Audit fee	**(5)**	(6)
Other assurance services	**(1)**	(1)
Tax services	**-**	-
Other services	**-**	-
Total fees to auditor	**(6)**	(7)

9. Operating lease

2021

Amounts in NOK million	**2021**	2020
Leasing expenses, current year (note 8)	**(58)**	(45)
Minimum future lease payments due		
Within one year	**(26)**	(24)
Within two years	**(25)**	(22)
Within three years	**(22)**	(20)
Over three years	**(196)**	(160)

Future leasing obligations are mainly related to rental of office buildings. The rental agreement contains an extension option for 5+5 years for one of the leases.

The future obligation for the extension option is approximately NOK 125 million.

10. Other gains (losses) related to operating activites

Amounts in NOK million	**2021**	2020
Realised currency gains (losses) from forward currency contracts	**158**	(131)
Unrealised currency gains (losses) from forward currency contracts	**(38)**	143
Other currency gains (losses) operational	**8**	5
Realised effects other financial instruments (note 24)	**(59)**	(99)
Unrealised effects other financial instruments	**60**	174
Ineffectiveness on cash flow hedges	**-**	(9)
Total other gains (losses) related to operating activities	**129**	83

11. Finance income and expenses

Amounts in NOK million	**2021**	2020
Interest income	**3**	6
Interest income from related parties (note 25)	**129**	149
Other financial income	**2**	3
Total finance income	**134**	157
Net foreign exchange gains (losses)	**377**	(178)
Interest expenses	**(179)**	(193)
Interest expenses to related parties (note 25)	**(11)**	(25)
Interest on net pension liabilities	**(3)**	(2)
Other financial expenses	**(5)**	(1)
Total finance expenses	**(198)**	(222)
Net finance income (expenses)	**313**	(243)

Foreign exchange gains (losses) in 2021 and 2020 are mainly related to the bank loans in EUR and group loans in EUR and CNY.

12. Taxes

Income tax recognised in income statement

Amounts in NOK million	**2021**	2020
Current tax expenses	**(452)**	-
Previous year tax adjustment	**(6)**	(186)
Deferred tax	**(22)**	(83)
Other taxes	**(21)**	(29)
Total income tax (expense) benefit	**(501)**	(298)

Reconciliation of income tax (expense) benefit

Amounts in NOK million	2021	2020
Profit before tax	2 274	713
Applicable tax rate Norway	22 %	22 %
Tax expense at applicable tax rate	(500)	(157)
Permanent differences		
Tax effect of income from Norwegian controlled foreign companies (NOKUS)	2	(10)
Dividend within the Tax exemption method	27	89
Debt waiver [1]	-	-
Tax effects other permanent differences	(2)	(5)
Other effects		
Previous year tax adjustment [2]	(6)	(186)
Tax effect change in tax rate	-	-
Other current tax paid	(22)	(29)
Total income tax (expenses) benefit	**(501)**	(298)
Effective tax rate	22 %	42 %

1) Elkem ASA has four debt waiver agreements with Elkem Silicones France SAS. Nominal value of the agreements as of 31 December 2021 is NOK 595 million (NOK 595 million), corresponding to EUR 64 million (EUR 64 million), book value NOK 0. Elkem Silicones France SAS has repaid NOK 0 million (NOK 0 million) under this agreement in 2021. Elkem has previously assessed that the effect of repayment is tax exempted. See pending tax issues with tax authorities below.

2) Of the amount NOK 181 million relates to an ongoing tax issue with tax authorities, see pending tax issues with tax authorities below.

Pending tax issues with tax authorities

The Norwegian Tax Office (NTO) decided in February 2021 to increase Elkem ASA's taxable income for the fiscal years 2016-2019 by in total NOK 781 million, which increased the income tax expenses by NOK 181 million in 2020. The reassessments relate to loan arrangements / debt waiver agreements acquired by Elkem ASA in 2016 through the cross-border parent-subsidiary merger with Bluestar Silicones International Sarl. Elkem is of the opinion that the reassessment is unfounded and will appeal. Based on legal advice, Elkem's assessment is that the defence against the action will be successful. According to a decision by the Supreme Court in Norway related to interpretation of Norwegian Accounting Standards, Elkem needs to be virtually certain that the decision by the NTO will be overruled by the Tax Appeal Board, if the decision is not to be reflected in the financial statements. Due to the complexity of the case, Elkem is not currently able to reach a conclusion with that high level of certainty and made a provision of NOK 181 million in Elkem ASA's 2020 financial statements. The amount was paid in the first quarter of 2021.

Deferred tax assets and deferred tax liabilities

Amounts in NOK million	31.12.2021	31.12.2020
Derivatives	(191)	35
Property, plant, equipment and intangible assets	(184)	(168)
Pension liabilities	18	20
Trade receivable	2	3
Inventory	(26)	(26)
Provisions	3	5
Other differences	73	1
Tax loss carry forward	-	2
Net deferred tax assets (liabilities)	**(306)**	(128)

Movement in net deferred tax assets (liabilities)

Amounts in NOK million	2021	2020
Opening balance	**(128)**	(123)
Charged to profit (loss)	(21)	(83)
Changes in deferred tax hedges charged to equity	(156)	75
Change in actuarial gains/losses charged to equity	(1)	4
Effect of transaction with related party, pooling-of-interests method	-	(2)
Currency translation differences	0	(0)
Closing balance	**(306)**	(128)

13. Property, plant, and equipment

2021

Amounts in NOK million	Land	Buildings and other property	Plant, machinery, equipment and motor vehicles	Office and other equipment	Construction in progress	**Total**
Opening balance	7	629	1 771	30	504	**2 941**
Additions	-	0	-	0	405	**406**
Disposals	-	-	-	-	-	**0**
Transferred to/from CiP	2	28	346	3	(379)	**-**
Reclassifications	-	(1)	(2)	3	-	**-**
Impairment losses	-	-	(8)	-	(2)	**(10)**
Depreciation	-	(57)	(267)	(8)	-	**(333)**
Closing balance	9	599	1 840	27	528	**3 003**
Historical cost	9	1 629	5 099	97	528	**7 363**
Accumulated depreciation	-	(1 025)	(3 191)	(70)	-	**(4 286)**
Accumulated impairment losses	(0)	(5)	(69)	(0)	-	**(74)**
Closing balance	9	599	1 840	27	528	**3 003**
Estimated useful life	Indefinite	5-40 years	3-30 years	3-20 years		
Depreciation plan		Straight-line	Straight-line	Straight-line		

2020

Amounts in NOK million	Land	Buildings and other propert	Plant, machinery, equipment and motor vehicles	Office and other equipment	Construction in progress	**Total**
Opening balance	7	609	1 746	29	409	**2 800**
Additions	-	-	0	-	472	**472**
Disposals	-	-	(0)	-	-	**(0)**
Transferred to/from CiP	-	68	301	8	(377)	**-**
Reclassifications	(0)	10	(9)	-	-	**0**
Impairment losses	-	(0)	(3)	-	-	**(3)**
Depreciation	-	(57)	(264)	(8)	-	**(329)**
Closing balance	7	629	1 771	30	504	**2 941**
Historical cost	7	1 619	4 806	97	504	**7 032**
Accumulated depreciation	-	(985)	(2 970)	(67)	-	**(4 022)**
Accumulated impairment losses	(0)	(5)	(64)	(0)	-	**(70)**
Closing balance	7	629	1 771	30	504	**2 941**
Estimated useful life	Indefinite	5-40 years	3-30 years	3-20 years		
Depreciation plan		Straight-line	Straight-line	Straight-line		

14. Intangable assets

2021

Amounts in NOK million	Goodwill	Software	Other intangible assets	Intangible assets under construction	**Total intangible assets**
Opening balance	24	59	16	40	**115**
Additions	-	8	-	14	**22**
Disposals	-	(0)	-	-	**(0)**
Transferred from CiP	-	5	-	(5)	**-**
Impairment losses	-	(4)	-	-	**(4)**
Amortisation	(4)	(19)	(3)	-	**(22)**
Closing balance	20	50	13	48	**111**
Historical cost	40	206	29	48	**283**
Accumulated amortisation	(20)	(156)	(15)	-	**(172)**
Closing balance	20	50	13	48	**111**
Estimated useful life	10 years	3-10 years	3-10 years		
Amortisation plan	Straight-line	Straight-line	Straight-line		

2020

Amounts in NOK million	Goodwill	Software	Other intangible assets	Intangible assets under construction	**Total intangible assets**
Opening balance	28	73	99	21	**193**
Additions	-	1	-	24	**25**
Transferred from CiP	-	5	-	(5)	**-**
Reclassifications	-	-	-	(0)	**(0)**
Impairment losses	-	-	-	-	**-**
Amortisation	(4)	(20)	(83)	-	**(103)**
Closing balance	24	59	16	40	**115**
Historical cost	40	199	29	40	**268**
Accumulated amortisation	(16)	(140)	(13)	-	**(152)**
Closing balance	24	59	16	40	**115**
Estimated useful life	10 years	3-10 years	3-10 years		
Amortisation plan	Straight-line	Straight-line	Straight-line		

15. Investments in subsidiaries

Investment in subsidiaries of Elkem ASA	Owner share Vote rights (%)	Country	**Carrying amount 31.12.2021**	Carrying amount 31.12.2020
Elkem Carbon AS	100 %	Norway	**122**	119
Elkem Chartering Holding AS	80 %	Norway	**1**	1
Elkem Digital Office AS	100 %	Norway	**8**	8
Elkem Distribution Center B.V.	100 %	Netherlands	**0**	0
Elkem Foundry (China) Co., Ltd.	100 %	China	**66**	66
Elkem GmbH	100 %	Germany	**1**	1
Elkem Iberia S.L.U	100 %	Spain	**0**	0
Elkem International AS	100 %	Norway	**5**	5
Elkem International Trade (Shanghai) Co. Ltd. [1]	11 %	China	**1**	1
Elkem Ísland ehf.	100 %	Iceland	**784**	784
Elkem Japan K.K	100 %	Japan	**0**	0
Elkem Korea Co. Ltd.	100 %	Republic of Korea	**1**	1
Elkem Madencilik Metalurji Sanayi Ve Ticaret Ltd. STI [1]	1 %	Turkey	**0**	0
Elkem Materials Processing (Tianjin) Co., Ltd.	100 %	China	**1**	1
Elkem Materials Processing Services BV	100 %	Netherlands	**1**	1
Elkem Metal Canada Inc.	100 %	Canada	**7**	6
Elkem Milling Services GmbH	100 %	Germany	**12**	12
Elkem Nordic A.S.	100 %	Denmark	**5**	5
Elkem Oilfield Chemicals FZCO Ltd.	51 %	UAE	**13**	13
Elkem Paraguay S.A. [1]	79 %	Paraguay	**498**	-
Elkem S.a.r.l.	100 %	France	**-**	-
Elkem S.r.l.	100 %	Italy	**6**	6
Elkem Silicon Materials (Lanzhou) Co., Ltd. [2]	100 %	China	**1 033**	1 033
Elkem Silicon Product Development AS	100 %	Norway	**8**	8
Elkem Siliconas España S.A.U	100 %	Spain	**125**	125
Elkem Silicones Brasil Ltda.	100 %	Brazil	**214**	145
Elkem Silicones Canada Corp.	100 %	Canada	**6**	6
Elkem Silicones Czech Republic, s.r.o.	100 %	Czech Republic	**2**	2
Elkem Silicones Finland OY	100 %	Finland	**5**	5
Elkem Silicones France SAS	100 %	France	**2 160**	2 156
Elkem Silicones Germany GmbH	100 %	Germany	**130**	130
Elkem Silicones Guangdong Co., Ltd. [3]	100 %	China	**1 543**	1 542
Elkem Silicones Hong Kong Co., Ltd.	100 %	Hong Kong	**102**	102
Elkem Silicones Korea Co., Ltd.	100 %	Republic of Korea	**219**	219
Elkem Silicones México S. De R.L. De C.V.	100 %	Mexico	**5**	5
Elkem Silicones Poland sp. z o.o.	100 %	Poland	**4**	4
Elkem Silicones Scandinavia AS	100 %	Norway	**15**	15
Elkem Silicones Services S.à.r.l	100 %	France	**4**	3
Elkem Silicones Shanghai Co., Ltd.	100 %	China	**109**	108
Elkem Silicones USA Corp.	100 %	USA	**261**	261
Elkem Siliconi Italia S.r.l.	100 %	Italy	**24**	24
Elkem Singapore Materials Pte. Ltd.	100 %	Singapore	**0**	0
Elkem South Asia Private Limited	100 %	India	**34**	34
Elkem (Thailand) Co., Ltd.	100 %	Thailand	**3**	2
Elkem UK Holdings Ltd.	100 %	United Kingdom	**78**	78
Elkem Uruguay S.A.	100 %	Uruguay	**33**	33
Explotación de Rocas Industriales y Minerales S.A. (ERIMSA)	100 %	Spain	**80**	80
Jiangxi Bluestar Xinghuo Silicones Co., Ltd.	100 %	China	**4 153**	3 751
NEH LLC	100 %	USA	**98**	98
Vianode AS [4]	100 %	Norway	**1**	0
Total			**11 982**	11 002

1) Elkem ASA and a subsidiary own 100% of Elkem International Trade (Shanghai) Co. Ltd., Elkem Madencilik Metalurji Sanayi Ve Ticaret Ltd and Elkem Paraguay S.A.

2) Previously Bluestar Silicon Material Co., Ltd.

3) Previously Guangdong Polysil Technology Co. Ltd.

4) Previously Elkem Advanced Battery Materials AS

Impairment

For more details see note 19 Impairment assessment in the consolidated financial statement.

Income from investments in subsidiaries

Amounts in NOK million	**2021**	2020
Dividends and group contributions from subsidiaries	**126**	522
Total income from subsidiaries	**126**	522

16. Investments in joint ventures

	Company address	Country	Owner share Voting rights 2021	Owner share Voting rights 2020	Accounting method
Elkania DA	Hauge i Dalane	Norway	50 %	50 %	Gross method
Salten Energigjenvinning AS	Oslo	Norway	50 %	50 %	Equity

Main figures for the investments accounted for by equity method. The figures show Elkem ASA's portion.

Total interests in joint ventures

Amounts in NOK million	**2021**	2020
Opening balance	**(3)**	(17)
Acquisition of and cash contributions to joint ventures	**-**	40
Share of profit / (loss)	**37**	(15)
Share of other comprehensive income	**12**	(11)
Closing balance [1]	**46**	(3)

[1] *Negative amount recognised in Note 23 Provision and other liabilities, current*

Main figures for investments accounted for using the gross method, showing Elkem ASA's portion

Amounts in NOK million	Elkania DA	**Total 2021**
Current assets	26	**26**
Non-current assets	18	**18**
Current liabilities	14	**14**
Non-current liabilities	8	**8**
Net assets	21	**21**
Total revenue	44	**44**
Total expenses	(26)	**(26)**
Financial items	(0)	**(0)**
Tax	-	**-**
Total profit / (loss) for the year	18	**18**

Amounts in NOK million	Elkania DA	Total 2020
Current assets	17	17
Non-current assets	5	5
Current liabilities	11	11
Non-current liabilities	8	8
Net assets	3	3
Total revenue	23	23
Total expenses	(15)	(15)
Financial items	(0)	(0)
Tax	0	0
Total profit / (loss) for the year	8	8

17. Inventories

Amounts in NOK million	**31.12.2021**	31.12.2020
Finished goods	**684**	719
Semi-finished goods	**185**	187
Raw materials	**547**	329
Operating materials and spare parts	**261**	239
Total inventories	**1 677**	1 473
Provisions for write down of inventories	**2**	8

18. Trade receivables

Amounts in NOK million	**31.12.2021**	31.12.2020
Trade receivables	**1 008**	284
Trade receivables, related parties	**740**	438
Provision for doubtful accounts	**(10)**	(16)
Total trade receivables	**1 739**	707

Elkem ASA and its subsidiary Elkem Carbon AS have entered into a factoring agreement of EUR 70 million, NOK 700 million. The agreement includes a recourse clause for maximum 5% of the face value of the individual receivables sold under the agreement. 95% of the receivables under the agreement are derecognised and the recourse amount is booked as a current liability. As at 31 December 2021 NOK 625 million (NOK 517 million) is derecognised and NOK 33 million (NOK 27 million) is recognised as current liability (see note 23 Provisions and other liabilities) under the agreement. In addition Elkem has entered into a factoring agreement for a limited number of its customers. The factoring agreement is without recourse and as at 31 December 2021 NOK 42 million (NOK 17 million) is derecognised under the agreement.

Analysis of gross trade receivables by age, presented based on the due date

Amounts in NOK million	**31.12.2021**	31.12.2020
Not due	**850**	203
1 - 30 days	**141**	52
31 - 60 days	**9**	5
61 - 90 days	**2**	4
More than 90 days	**6**	19
Total trade receivables	**1 008**	284

Elkem applies for credit insurance for all customers when this can be obtained. 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.

Movements in provisions for doubtful accounts

Amounts in NOK million	**31.12.2021**	31.12.2020
Opening balance	**(16)**	(11)
Losses during the year	**2**	-
New provisions	**(3)**	(8)
Reversed provisions	**7**	4
Closing balance	**(10)**	(16)

Analysis of ageing of trade receivables where allowance for expected credit losses are made

Amounts in NOK million	**31.12.2021**	31.12.2020
Not due	**(2)**	(1)
Overdue by:		
1 - 30 days	**(0)**	(0)
31 - 60 days	**(0)**	-
61 - 90 days	**(0)**	(0)
More than 90 days	**(7)**	(14)
Total provisions for doubtful accounts	**(10)**	(16)

19. Other assets

	Non-current		Current	
Amounts in NOK million	**31.12.2021**	31.12.2020	**31.12.2021**	31.12.2020
Shares in associated companies	**9**	9	**-**	-
Other shares	**7**	6	**-**	-
Restricted deposits	**27**	24	**-**	-
Other deposits	**1**	1	**-**	-
Pension assets, defined benefits and contribution plans (note 7)	**0**	0	**1**	2
Prepayments	**0**	-	**43**	34
Receivables from related parties, interest-bearing (note 25)	**3 269**	3 604	**447**	21
Receivables from related parties, interest free (note 25)	**-**	-	**10**	111
Grants receivable (note 5)	**-**	-	**406**	460
Value added tax	**-**	-	**88**	126
Corporate income tax	**-**	-	**-**	-
Interest receivables	**-**	-	**-**	-
Interest receivables from related parties (note 25)	**-**	-	**17**	33
Other receivables	**8**	8	**120**	14
Other assets	**0**	0	**5**	-
Total other assets	**3 322**	3 652	**1 136**	802

20. Equity

2021

Amounts in NOK million	Share capital	Other paid in capital	Total paid in capital	Retained earnings	**Total equity**
Opening balance	2 907	3 302	6 208	3 012	**9 220**
Cash flow hedge	-	-	-	552	**552**
Share of items booked against equity from joint ventures	-	-	-	12	**12**
Remeasurement pension obligations gains (losses)	-	-	-	3	**3**
Currency translation differences	-	-	-	(0)	**(0)**
Share-based payments	-	28	28	-	**28**
Net movement treasury shares	-	(32)	(32)	(246)	**(278)**
Capital increase	291	1 610	1 900	-	**1 900**
Dividends	-	(1 927)	(1 927)	-	**(1 927)**
Profit for the year	-	-	-	1 773	**1 773**
Closing balance	3 197	2 981	6 178	5 104	**11 283**

The share capital of Elkem ASA is NOK 3,197,206,890 divided on 639,441,378 shares of NOK 5 par value. Of this amount Elkem ASA held 6,403,772 treasury shares. The number of shares increased by 58,131,034 share in 2021 in relation to the capital increase. For more information, see note 29 Number of shares in the consolidated financial statements.

For the year 2021 NOK 3.0 per share corresponding to NOK 1,918 million has been allocated for the distribution of dividends to the shareholders. In addition an increased amount of NOK 9 million was allocated for distribution of dividends for 2020, in 2021. This because the right to dividends allocated as based on the financial statement of 2020, also applies to the new shares distributed in 2021, before the date of the general assembly.

2020

Amounts in NOK million	Share capital	Other paid in capital	Total paid in capital	Retained earnings	Total equity
Opening balance	2 907	3 360	6 267	2 883	**9 150**
Cash flow hedge	-	-	-	(268)	**(268)**
Share of items booked against equity from joint ventures	-	-	-	(11)	**(11)**
Share-based payments	-	29	29	0	**29**
Remeasurement pension obligations gains (losses)	-	-	-	(14)	**(14)**
Currency translation differences	-	-	-	0	**0**
Merger	-	-	-	6	**6**
Dividends	-	(87)	(87)	-	**(87)**
Profit for the year	-	-	-	416	**416**
Closing balance	2 907	3 302	6 208	3 012	**9 220**

21. Shareholders

The table shows shareholders holding one percent or more of the total 639,441,378 shares outstanding as of 31 December 2021, according to information in the Norwegian 'securities' registry system (Verdipapirsentralen).

Amounts in NOK million	Number of Shares	Ownership
Bluestar Elkem International Co., Ltd. S.A.	338 338 536	52,9 %
Folketrygdfondet	28 970 924	4,5 %
Must Invest AS	13 200 000	2,1 %
Verdipapirfondet Alfred Berg Gambak	11 946 530	1,9 %
The Bank of New York Mellon SA/NV [1]	8 561 586	1,3 %
Pareto Aksje Norge Verdipapirfond	8 068 100	1,3 %
Verdipapirfondet Storebrand Norge	7 887 370	1,2 %
Elkem ASA	6 403 772	1,0 %
Total shareholders with ownership greater than 1%	423 376 818	66,2 %

1) Nominee accounts

22. Interst-bearing assets and liabilities

Amounts in NOK million	Non-current 31.12.2021	Non-current 31.12.2020	Current 31.12.2021	Current 31.12.2020
Interest-bearing liabilities				
Loans from related parties (note 25)	**145**	118	**2 618**	2 036
Loans from external parties, other than bank	**3 110**	1 953	**1 256**	2 050
Bank financing	**4 037**	4 275	**53**	397
Accrued interest	**-**	-	**19**	25
Total interest-bearing liabilities	**7 292**	6 346	**3 945**	4 509
Interest-bearing assets				
Cash and cash equivalents	**-**	-	**4 256**	1 796
Restricted deposits	**27**	24	**3**	3
Receivables from related parties (note 25)	**3 269**	3 604	**447**	21
Loans to external parties	**8**	8	**-**	-
Interest receivables from related parties (note 25)	**-**	-	**17**	33
Interest receivables from external parties	**-**	-	**-**	-
Total interest-bearing assets	**3 304**	3 636	**4 723**	1 853
Net interest-bearing assets / (liabilities)	**(3 988)**	(2 710)	**778**	(2 655)

Interest-bearing liabilities by currency

Amounts in NOK million	31.12.2021 Currency amount	31.12.2021 NOK	31.12.2020 Currency amount	31.12.2020 NOK
EUR	674	**6 740**	731	7 659
USD	46	**408**	71	606
NOK	3 622	**3 622**	2 517	2 517
Other currencies	-	**467**	-	73
Total interest-bearing liabilities		**11 237**		10 855

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date. The amounts disclosed in the table are discounted.

Maturity of interest-bearing liabilities 31 December 2021

Amounts in NOK million	2022	2023	2024	2025	2026	2027 and later	Total
Loans from related parties	2 618	145	-	-	-	-	**2 763**
Loans from external parties, other than bank	1 256	-	1 110	1 000	500	500	**4 366**
Bank financing	53	4 053	-	-	-	-	**4 106**
Accrued interest	19	-	-	-	-	-	**19**
Total	3 945	4 198	1 110	1 000	500	500	**11 253**
Prepaid loan fees							**(16)**
Total interest-bearing liabilities							**11 237**

Maturity of interest-bearing liabilities 31 December 2020

Amounts in NOK million	2021	2022	2023	2024	2025	2026 and later	Total
Loans from related parties	2 036	-	-	-	-	118	**2 154**
Loans from external parties, other than bank	2 050	1 314	-	377	262	-	**4 003**
Bank financing	397	56	4 244	-	-	-	**4 697**
Accrued interest	25	-	-	-	-	-	**25**
Total	4 509	1 370	-	377	262	118	**10 880**
Prepaid loan fees							**(25)**
Total interest-bearing liabilities							**10 855**

Loan agreements
The main non-current loan agreements as of 31 December 2021 are a term loan of EUR 400 million (EUR 400 million), a term loan of EUR 5 million (11 million), issued bond loans of a total of NOK 2,500 million (NOK 0 million) and a series of loans issued in the Sculdschein market of EUR 61 million (NOK 135 million).

One of the loans issued in the Schuldshein market (EUR 15 million) is a fixed rate loan with a fixed rate of 1.8160%. Given the market conditions as at 31 December 2021 the loan would have been approximately EUR 0.2 million higher, due to the difference between fixed and market rate.

The bond loans are listed on Oslo Børs. There are no material differences between fair value of the bond loan and book values.

The loan facilities are unsecured, but part of the loans have financial covenants related to them, see below.

Credit facilities
Elkem ASA is granted credit facilities of EUR 250 million (NOK 2,499 million) and NOK 250 million, a total of NOK 2,749 million in granted credit facilities. Both facilities remained undrawn at 31 December 2021 and 31 December 2020.

Covenants
The credit facilities and the bank financing in Elkem ASA contain financial covenants based on the consolidated financial statements of Elkem group. In addition parts of the loans from external part, other than bank, contain financial covenants. The financial covenants are identical towards the different parties and remain equal to previous year's covenants. In total drawn loans of NOK 5,971 million (NOK 6,607 million) have covenants as described below. Elkem ASA is compliant with its covenants at the end of 2021 and 2020.

Covenants Elkem group

Amounts in NOK million		31.12.2021	31.12.2020	Loan covenant
Total Equity	NOK	**19 874**	12 635	
Total Assets	NOK	**41 850**	30 888	
Equity ratio		**47 %**	41 %	> 30%
EBITDA	NOK	**7 791**	2 684	
Net interest payable	NOK	**209**	234	
Interest cover ratio		**37.33**	11.47	> 4.00

23. Provisions and other liabilities

	Non-current		Current	
Amounts in NOK million	**31.12.2021**	31.12.2020	**31.12.2021**	31.12.2020
Employee withholding taxes, soc. sec.tax and other public taxes	**-**	-	**48**	45
Value added tax	**-**	-	**81**	39
Prepayments from customers	**-**	-	**51**	27
Prepayments from related parties (note 25)	**-**	-	**6**	25
Payables to related parties (note 25)	**-**	-	**43**	41
Provisions	**33**	31	**7**	16
Contract obligations power	**-**	-	**-**	-
Contract obligations equity accounted investment (note 16)	**-**	-	**-**	3
Obligation to finance subsidiary	**37**	37	**-**	-
Contingent consideration related to purchase of subsidiary	**40**	184	**163**	77
Accrued expenses	**-**	-	**194**	86
Employee benefits	**-**	-	**269**	244
Deferred income, government grants	**-**	-	**5**	2
Recourse liability factoring agreement (note 18)	**-**	-	**33**	27
Other liabilities	**-**	-	**2**	-
Total provisions and other liabilities	**109**	252	**902**	632

Movements in provision 2021

Amounts in NOK million	Restructuring	Site restoration	Environmental measures	Total provisions
Opening balance	13	29	5	**47**
Additional provisions recognised	-	2	0	**2**
Used during the year	(9)	-	-	**(9)**
Reversal of provisions recognised	-	-	-	**-**
Currency translation differences	-	-	-	**-**
Closing balance	3	31	6	**40**
Hereof non-current	-	31	2	**33**
Hereof current	3	-	4	**7**
Closing balance	3	31	6	**40**

Restructuring
Elkem launched a group-wide productivity improvement programme in the first quarter of 2020. The amount includes restructuring and related productivity improvement expenses.

Site restoration
The site restoration provisions are related to the necessary site remediation work that Elkem ASA will have to undertake in respect of its quartz mines.

Environmental measures
Elkem ASA has nationwide operations representing potential exposure towards environmental consequences. Elkem ASA has established clear procedures to minimise environmental emissions, well within public emission limits. The estimated provisions relate to estimated clean-up costs in connection with closed landfills.

24. Financial instruments

Derivatives are initially recognised at fair value at the date on which the contract is entered into 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.

Currency exchange contracts
Elkem ASA's Treasury department enters into forward currency contracts to mitigate Elkem group's foreign currency exposure. Hedge accounting is not applied, the contracts are classified as held for trading and booked at fair value in the income statement. Elkem ASA's Treasury department also offers internal currency hedging for major purchase / sale-contracts entered into by the subsidiaries. Such contracts cannot be designated in a hedging relationship, hence the changes in fair value are recognised in the income statement. There are no currency contracts against subsidiaries as at 31 December 2021.

Embedded EUR derivatives in power contracts are designated as hedging instruments in a cash flow hedge to hedge currency fluctuations in highly probable future sales, from 1 January 2016. Unrealised effects are from that date booked against equity and later reclassified to revenue when realised. Realised hedging effects from such derivatives in 2021 are a loss of NOK 31 million (loss of NOK 45 million). See note 10 Other gains (losses) related to operating activities for information on contracts classified as held for trading.

Details of currency exchange contracts
31 December 2021

Amounts in NOK million

Purchase currency	Purchase ccy million	Sale currency	Sale ccy million	Type of instrument	Currency rate	Due	Fair value [1]	Notional value [2]
CAD	40	USD	32	Fwd	1,255	2022	(4)	284
NOK	1 231	EUR	120	Fwd	10,230	2022	20	1 203
NOK	2	GBP	0	Fwd	11,655	2022	(0)	2
NOK	169	JPY	1 844	Fwd	0,092	2022	27	141
NOK	615	JPY	6 256	Fwd	0,098	2023-2026	112	479
NOK	392	USD	45	Fwd	8,656	2022	(9)	399
NOK	709	EUR	69	Embedded [2]	10,336	2022	1	686
NOK	4 039	EUR	371	Embedded [2]	10,888	2023-2034	(18)	3 709
Total fair value							**129**	

Details of currency exchange contracts
31 December 2020

Amounts in NOK million

Purchase currency	Purchase ccy million	Sale currency	Sale ccy million	Type of instrument	Currency	Due	Fair value [1]	Notional value [2]
NOK	5	CAD	1	Fwd	6,852	2021	(0)	5
CAD	3	EUR	2	Fwd	1,529	2021	(1)	23
CAD	14	USD	10	Fwd	1,326	2021	4	89
NOK	1 523	EUR	141	Fwd	10,833	2021	44	1 472
NOK	92	GBP	8	Fwd	12,160	2021	4	88
NOK	377	JPY	4 014	Fwd	0,094	2021	44	332
NOK	578	JPY	6 093	Fwd	0,095	2022-2025	59	504
NOK	314	USD	33	Fwd	9,423	2021	30	284
NOK	621	EUR	61	Embedded [2]	10,200	2021	(36)	638
NOK	4 007	EUR	372	Embedded [2]	10,768	2022-2034	(190)	3 896
Total fair value							**(42)**	

1) The currency exchange 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, based on currency rates at 31 December.

3) Embedded EUR derivatives in own use power contracts.

Power contracts recognised at fair value
Elkem ASA enters into power contracts to meet its need for power at the plants. Certain contracts are designated as hedging instruments in a cash flow hedge to mitigate price fluctuations in highly probable future need for power. The fair value of these contracts is based on observable nominal values for similar contracts, adjusted for interest effects. In addition, Elkem ASA holds power contracts booked at fair value.

The effective part of change in fair value of contracts designated in hedging relationships is booked temporarily in equity, and recycled to the income statement when the hedged items are realised. Realised effects from the hedging of future need for power are a gain of NOK 315 million (loss of NOK 56 million) is included in raw materials and energy for production.

Any ineffective part of the hedging relationship is recognised as a part of other gains (losses) related to operating activities, see note 10 Other gains (losses) related to operating activities.

Details of power contracts booked at fair value 31 December 2021

Amounts in NOK million	Volume GWh	Due	Fair value	Notional amount [1]
Forward contracts financial institutions	98	2022	23	52
Forward contracts financial institutions	44	2023	4	15
Commodity contract "30-øringen" [1]	501	2022	167	157
Commodity contract "30-øringen" [1]	4 011	2023-2030	163	1 378
Power contract with Salten Energigjenvinning AS (note 25)" [2]	124	2022	35	32
Power contract with Salten Energigjenvinning AS (note 25)" [2]	1 733	2023-2036	22	555
Total fair value			**414**	

Details of power contracts booked at fair value 31 December 2020

Amounts in NOK million	Volume GWh	Due	Fair value	Notional amount [1]
Forward contracts financial institutions	91	2021	(3)	28
Forward contracts financial institutions	44	2022	(3)	15
Commodity contract "30-øringen" [2]	501	2021	(29)	150
Commodity contract "30-øringen" [2]	4 512	2022-2030	(32)	1 454
Commodity contract Statkraft, swap	201	2021	(20)	69
Power contract with Salten Energigjenvinning AS (note 25)	124	2021	(2)	30
Power contract with Salten Energigjenvinning AS (note 25)	1 733	2022-2035	(27)	568
Total fair value			**(116)**	

[1] Notional value based on currency rates at 31 December.

[2] Volume is not changed from last year due to delayed contract commencement date.

25. Related parties

Elkem ASA is owned 52.9% by Bluestar Elkem International Co. Ltd S.A., Luxembourg, which is under control of Sinochem Holdings Co., Ltd (Sinochem), a company registered and domiciled in China. The structure of the Elkem group is disclosed in notes to the consolidated financial statement; note 4 Composition of the group and in note 5 Investments in equity accounted companies. Details of transactions between Elkem ASA and the parent company, subsidiaries, joint ventures and associates and related parties within Sinochem are disclosed below.

2021

Amounts in NOK million	Sale of goods	Purchase of goods	Sale of services	Purchase of services	Interest income	Interest expenses
Bluestar Elkem International Co., Ltd. S.A.	-	-	-	-	-	-
Related parties within Sinochem	5	(154)	20	(0)	-	-
Subsidiaries	1 461	(664)	424	(498)	129	(11)
Joint ventures and associates	-	-	13	(124)	-	-
Total	**1 465**	**(818)**	**457**	**(623)**	**129**	**(11)**

2020

Amounts in NOK million	Sale of goods	Purchase of goods	Sale of services	Purchase of services	Interest income	Interest expenses
Bluestar Elkem International Co., Ltd. S.A.	-	-	-	-	-	-
Related parties within Sinochem	2	(88)	28	(9)	-	-
Subsidiaries	1 378	(627)	229	(262)	149	(25)
Joint ventures and associates	-	-	28	(123)	-	-
Total	**1 380**	**(715)**	**285**	**(393)**	**149**	**(25)**

Balances with related parties

	Non-current		Current	
Amounts in NOK million	**31.12.2021**	31.12.2020	**31.12.2021**	31.12.2020
Trade receivables, Bluestar Elkem Investment Co. Ltd. S.A	**-**	-	**-**	-
Trade receivables, related parties within Sinochem	**-**	-	**-**	10
Trade receivables, subsidiaries	**-**	-	**734**	428
Trade receivables, joint ventures and associates	**-**	-	**6**	0
Receivables from subsidiaries, interest-bearing	**3 269**	3 604	**447**	21
Receivables from joint ventures and associates, interest-bearing	**-**	-	**-**	-
Interest receivable from subsidiaries	**-**	-	**17**	33
Receivables from subsidiaries, interest-free	**-**	-	**10**	111
Loans from subsidiaries, interest-bearing	**(145)**	(118)	**(2 618)**	(2 036)
Other payables to related parties within Sinochem, interest free	**-**	-	**-**	-
Other payables to subsidiaries, interest free	**-**	-	**(43)**	(41)
Trade payables, Bluestar Elkem Investment Co. Ltd. S.A	**-**	-	**(5)**	(5)
Trade payables, related parties within Sinochem	**-**	-	**-**	(14)
Trade payables, subsidiaries	**-**	-	**(534)**	(190)
Trade payables, joint ventures and associates	**-**	-	**12**	(1)
Prepayments from related parties within Sinochem	**-**	-	**-**	(14)
Prepayments from subsidiaries	**-**	-	**(0)**	(0)
Prepayments from joint ventures and associates	**-**	-	**(6)**	(11)
Financial power contract with joint ventures and associates	**22**	(27)	**35**	(2)

Transactions with key management personnel
Information on transactions with key management personnel is included in "Report on salary and other remuneration to leading personnel in Elkem ASA for the financial year 2021" and note 9 Employee benefits in the consolidated financial statement.

Commitment with related parties
Elkem has on 31 January 2022 entered into agreement to purchase the remaining 50% of the shares in its joint venture; Salten Energigjenvinning AS. See note 27 Events after the reporting period.

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
→ Metallurgical silicon to Silicones
→ 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
→ Rent of plant facilities and related services
→ Financial power contract against Salten Energigjenvinning AS

Elkem's set-up for sales is based on an agent structure, rather than a distribution network. Elkem also owns companies sourcing 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 ASA has both non-current receivables and non-current 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.

26. Pledge of assets and guarantees

Guarantee commitments

Amounts in NOK million	**31.12.2021**	31.12.2020
Guarantees given on behalf of the operating plants regarding environmental obligations	**40**	40
Guarantees given on behalf of subsidiaries regarding financing	**576**	375

As part of the factoring agreement parts of Elkem's trade receivables are pledged (see note 18 Trade receivables). The book value of the pledged assets and liability is NOK 33 million (NOK 27 million).

27. Events after the reporting period

Elkem secured 100% ownership of the Elkem Salten energy recovery plant after acquiring the remaining 50% share in Salten Energigjenvinning AS from Kvitebjørn Energi AS on 31 January 2022. The investment in the energy recovery plant further strengthens Elkem's efforts to ensure environmentally friendly silicon and ferrosilicon production with the lowest possible emissions and lowest possible use of resources. The investment in Salten Energigjenvinning AS will be reclassified from joint ventures to investment in subsidiaries after the acquisition.

Declaration by the Board of Directors

We confirm that, to the best of our knowledge, the financial statements for the period from 1 January to 31 December 2021 have been prepared in accordance with applicable standards and give a true and fair view of the group and the company's assets, liabilities, financial position and results of operations.

We confirm that the Board of Directors' report provides a true and fair view of the development and performance of the business and the position of the group and the company, together with a description of the key risks and uncertainty factors that they are facing.

Oslo, 8 March 2022

Zhigang Hao
Chairman of the Board

Dag Jakob Opedal

Olivier Tillette de Clermont-Tonnerrev

Yougen Ge

Anja-Isabel Dotzenrath

Grace Tang

Marianne Færøyvik

Terje Andre Hanssen

Marianne Elisabeth Johnsen

Knut Sande

Helge Aasen
CEO

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To the General Meeting of Elkem ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Elkem ASA, which comprise:

- The financial statements of the parent company Elkem ASA (the Company), which comprise the balance sheet as at 31 December 2021, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Elkem ASA and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2021, the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, 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, and
- the financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 6 years from the election by the general meeting of the shareholders on 20 April 2016 for the accounting year 2016.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of impairment indicators of the carrying value of property plant and equipment

Refer to Note 3 *Accounting estimates* and Note 19 *Impairment assessments*

The key audit matter	*How the matter was addressed in our audit*
As at 31 December 2021 the Group has reported Property, plant and equipment of NOK 15,722 million across several cash-generating units (CGUs). For Property, plant and equipment Management assess, at each reporting date, whether there is a trigger indicating that the carrying amount of an asset may not be recoverable. Due to the potential impact on the Group's consolidated financial statements given the size of the balance and uncertainty related to the future economic environment, and the auditor judgment required when evaluating whether management's assumptions are reasonable and supportable, the assessment of impairment indicators of the carrying value of Property, plant and equipment was considered to be a key audit matter. One CGU within the Silicones segment (Silicones) excluding Jiangxi Bluestar Xinghuo Silicones, Elkem Silicon Materials (Lanzhou), Elkem Silicones Korea and Polysil, which are tested separately for impairment triggers, with a carrying value of NOK 5,356 million was identified to have impairment indicators due to increased raw material costs and pressure on sales prices. As the recoverable amount exceeded the carrying value, the CGU was assessed not to be impaired.	Our audit procedures performed to assess impairment indicators included: • Assessing management's process and results for identification and classification of CGUs to ensure they were appropriate and in accordance with relevant accounting standards; • Obtaining an understanding of management's process and testing design and implementation of the managements control around the impairment trigger assessment; • Evaluating management's impairment trigger assessment and assessing any additional potential indicators of impairment through external and internal trigger indicators; When impairment triggers were identified, our procedures for the relevant CGUs included: • Evaluating and challenging the forecasted cash flows including timing of future cash flows applied in the models with reference to historical accuracy and approved business plans; • Evaluating key assumptions such as forecasted sales prices, raw material prices, inflation rates, energy prices and relevant foreign exchange rates compared against external sources; • Assessing, with the assistance of KPMG valuation specialists, the mathematical and methodological integrity of management's impairment models and the reasonableness of discount rates applied with reference to market data; and • Evaluating the adequacy and appropriateness of the disclosures in the financial statements related to the carrying value of property, plant and equipment.

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Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other accompanying information otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Our opinion on the Board of Director's report applies correspondingly to the board of directors' report on Corporate Governance and the Environmental, Social and Governance report.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and true and fair view of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one

Independent Auditor's Report - Elkem ASA

resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit 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 Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditor's Report - Elkem ASA

Report on Other Legal and Regulatory Requirements

Report on compliance with Regulation on European Single Electronic Format (ESEF)

Opinion
We have performed an assurance engagement to obtain reasonable assurance that the financial statements with file name "549300CVBE06T0SH6T76-2021-12-31-en" have been prepared in accordance with Section 5-5 of the Norwegian Securities Trading Act (Verdipapirhandelloven) and the accompanying Regulation on European Single Electronic Format (ESEF).

In our opinion, the financial statements have been prepared, in all material respects, in accordance with the requirements of ESEF.

Management's Responsibilities
Management is responsible for preparing, tagging and publishing the financial statements in the single electronic reporting format required in ESEF. This responsibility comprises an adequate process and the internal control procedures which management determines is necessary for the preparation, tagging and publication of the financial statements.

Auditor's Responsibilities
Our responsibility is to express an opinion on whether the financial statements have been prepared in accordance with ESEF. We conducted our work in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance that the financial statements have been prepared in accordance with the European Single Electronic Format.

As part of our work, we performed procedures to obtain an understanding of the company's processes for preparing its financial statements in the European Single Electronic Format. We evaluated the completeness and accuracy of the iXBRL tagging and assessed management's use of judgement. Our work comprised reconciliation of the financial statements tagged under the European Single Electronic Format with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Oslo, 9 March 2022
KPMG AS

Øyvind Skorgevik

Øyvind Skorgevik
State Authorised Public Accountant

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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 and 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 year, less income tax (expenses) benefits, finance expenses, foreign exchange gains (losses), finance income, share of profit from equity accounted financial investments, other items, impairment loss and amortisation and depreciation.
- EBITDA margin is defined as EBITDA divided by total operating income.
- EBIT, also referred to as operating profit (loss) before other items is defined as Elkem's profit (loss) for the year, less income tax (expenses), finance expenses, foreign exchange gains (losses), finance income, share of profit from equity accounted financial investments and other items.

Below is a reconciliation of EBIT and EBITDA

2021

Amounts in NOK million	Silicones	Silicon Products	Carbon Solutions	Other	Eliminations	**Elkem**
Profit (loss) for the year						**4 664**
Income tax (expense) benefit						**1 163**
Finance expenses						**276**
Foreign exchange gains (losses)						**(241)**
Finance income						**(40)**
Share of profit from equity accounted financial investments						**(37)**
Other items						**114**
EBIT	2 528	3 154	360	(97)	(46)	**5 899**
Impairment losses						**76**
Amortisation and depreciation						**1 816**
EBITDA	3 672	3 702	508	(44)	(46)	**7 791**

2020

Amounts in NOK million	Silicones	Silicon Products	Carbon Solutions	Other	Eliminations	Elkem
Profit (loss) for the year						278
Income tax (expense) benefit						306
Finance expenses						278
Foreign exchange gains (losses)						(17)
Finance income						(31)
Share of profit from equity accounted financial investments						15
Other items						130
EBIT	269	685	349	(312)	(34)	**957**
Impairment losses						17
Amortisation and depreciation						1 710
EBITDA	1 326	1 221	438	(267)	(34)	**2 684**

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) and including reinvestments.
- 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.

Below is a split of the items included in investment in property, plant and equipment and intangible assets

Amounts in NOK million	**2021**	2020
Reinvestments	**(1 657)**	(1 387)
Strategic investments	**(1 717)**	(835)
Periodisations[1]	**245**	22
Investments in property, plant and equipment and intangible assets	**(3 128)**	(2 201)

[1] Periodisations reflects the difference between payment date and accounting date of the investment.

Amounts in NOK million	2021	2020
Cash flow from operating activities	**4 913**	2 111
Income taxes paid	**423**	192
Interest payments made	**242**	239
Interest payments received	**(34)**	(28)
Changes in provisions, bills receivables and other	**88**	69
Changes in fair value commodity contracts	**9**	196
Other items	**114**	130
Reinvestments	**(1 657)**	(1 387)
Cash flow from operations	**4 100**	1 522

Elkem's financial APMs, ROCE

- ROCE, Return on capital employed, is defined as EBIT divided by the average capital employed, where capital employed comprises working capital, property, plant and equipment, right-of-use assets, investments equity accounted companies and trade payables and prepayments related to purchase of non-current assets.
- Working capital is defined as accounts receivable, inventory, other current assets, accounts payable, 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, investments equity accounted companies, 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:

Capital employed and working capital

Amounts in NOK million	31.12.2021	31.12.2020
Inventories	**7 716**	5 241
Trade receivables	**4 297**	2 796
Bills receivable	**(990)**	(920)
Accounts receivable	**3 307**	1 875
Other assets, current	**1 551**	1 212
Interest-bearing receivables	**-**	-
Other receivables to related parties interest free	**(1)**	(0)
Grants receivables	**(493)**	(525)
Tax receivable	**(237)**	(105)
Assets at fair value through profit or loss	**(14)**	-
Accrued interest	**(1)**	(1)
Other current assets included in working capital	**806**	581
Trade payables	**4 614**	3 157
Trade payables related to purchase of non-current assets	**(605)**	(448)
Accounts payables included in working capital	**4 008**	2 709
Employee benefit obligations	**976**	740
Provisions and other liabilities, current	**1 657**	1 064
Provisions, contingent considerations and contract obligations	**(454)**	(287)
Liabilities to related parties	**(32)**	(64)
Other current liabilities included in working capital	**1 172**	713
Working capital	**5 673**	3 536
Property, plant and equipment	**15 722**	14 131
Right-of-use assets	**1 017**	875
Investments equity accounted companies	**241**	183
Grants payable	**(15)**	(15)
Trade payables- and prepayments related to purchase of non-current assets	**(581)**	(381)
Capital employed	**22 055**	18 329

Elkem's financial APMs, Leverage ratio

→ Net interest-bearing debt that is used to measure 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.

Leverage ratio

Amounts in NOK million	**31.12.2021**	31.12.2020
Net interest-bearing assets / (liabilities)	**(4 776)**	(8 009)
Other restricted deposits, non-current	**(41)**	(39)
Receivables from related parties	**(1)**	(1)
Loans to external parties	**(8)**	(8)
Accrued interest income	**(1)**	(1)
Net interest-bearing assets / (liabilities) less non-current interest-bearing assets	**(4 827)**	(8 058)
EBITDA	**7 791**	2 684
Leverage ratio	**0,6**	3,0

To the Board of Directors in Elkem ASA

Independent auditor's statement

We have undertaken a limited assurance engagement on Elkem ASA's GRI Index for 2021 and key performance indicators for the material topics presented in the GRI index.

- Elkem's GRI Index for 2021 is an overview of which sustainability topics Elkem considers material to its business and which key performance indicators Elkem uses to measure and report its sustainability performance, together with a reference to where material sustainability information is reported. Elkem's GRI Index for 2021 is available at https://www.elkem.com/sustainability/esg-reporting. We have examined whether Elkem has developed a GRI Index for 2021 and whether mandatory disclosures are presented according to the Standards published by the Global Reporting Initiative (www.globalreporting.org/standards) (criteria).
- Key performance indicators for sustainability are available and included in Elkem's ESG report for the period ending 31 December 2021, specifically in the sections "CO2 emissions and mitigation", "Other emissions to air", "Energy management" and "Waste management and circularity", "Water management", "Health and safety", "Human Rights", "Product governance" and "Supply chain management" of the chapter titled "ESG report". The indicators are also available in Elkem's GRI Index for 2021. Elkem has defined the key figures and explained how they are measured in the qualitative disclosures presented alongside the indicators in the annual report (criteria). We have examined the basis for the measurements and checked the calculations of the measurements reported in the ESG report.

Tasks and responsibilities of management

Management is responsible for Elkem's sustainability reporting and for ensuring that it is prepared in accordance with the criteria described above. Their responsibility includes designing, implementing and maintaining internal controls that ensure the development and reporting of the GRI Index and key performance indicators for sustainability.

Our independence and quality control

We are independent of the company in accordance with applicable laws and regulations and the Code of Ethics for Professional Accountants (IESBA Code) and with the ethical requirements that are relevant to our independent statement, and we have fulfilled our ethical obligations in accordance with these requirements and IESBA Code. We use ISQC 1 - Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and maintains a comprehensive quality control system including documented policies and procedures of the ethical standards, professional standards and applicable legal and regulatory claim.

The Auditor's responsibilities

Our task is to express a limited assurance conclusion on Elkem's sustainability reporting based on the procedures we have performed and the evidence we have obtained. We have performed our work and will issue our statement in accordance with the Standard on Assurance Engagements ISAE 3000:

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

"Assurance engagements other than audits or review of historical financial information". A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

Our work involves performing actions to obtain evidence that Elkem's GRI Index for 2021 and key performance indicators for sustainability are developed in accordance with the Standards published by the Global Reporting Initiative and the criteria for reporting and measurement that are explained in relation to the key performance indicators for sustainability. The procedures selected depend on our judgment, including assessments of the risks that the sustainability reporting contains material misstatement, whether due to fraud or error. In making those risk assessments, we take into account the internal control that is relevant for the preparation of the sustainability reporting. The purpose is to design control procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of internal control.

Our procedures include an assessment of whether the criteria used are appropriate, as well as an assessment of the overall presentation of the sustainability reporting. Our procedures include meetings with representatives from Elkem who are responsible for the material sustainability topics covered by the sustainability reporting; review of internal control and routines for reporting key performance indicators for sustainability; obtaining and reviewing relevant information that supports the preparation of key performance indicators for sustainability; assessment of completeness and accuracy of the sustainability reporting; and controlling the calculations of key performance indicators for sustainability based on an assessment of the risk of error.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that

- Elkem's GRI Index for 2021 is not, in all material respects, developed and presented in accordance with the requirements of the Standards published by The Global Reporting Initiative;
- Elkem's key performance indicators are not, in all material aspects, developed, measured and reported in accordance with the definitions and explanations provided in relation to the key performance indicators.

Oslo, 11 March 2022
PricewaterhouseCoopers AS

Anders Ellefsen
Anders Ellefsen
State authorized public accountant (Norway)

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Elkem

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