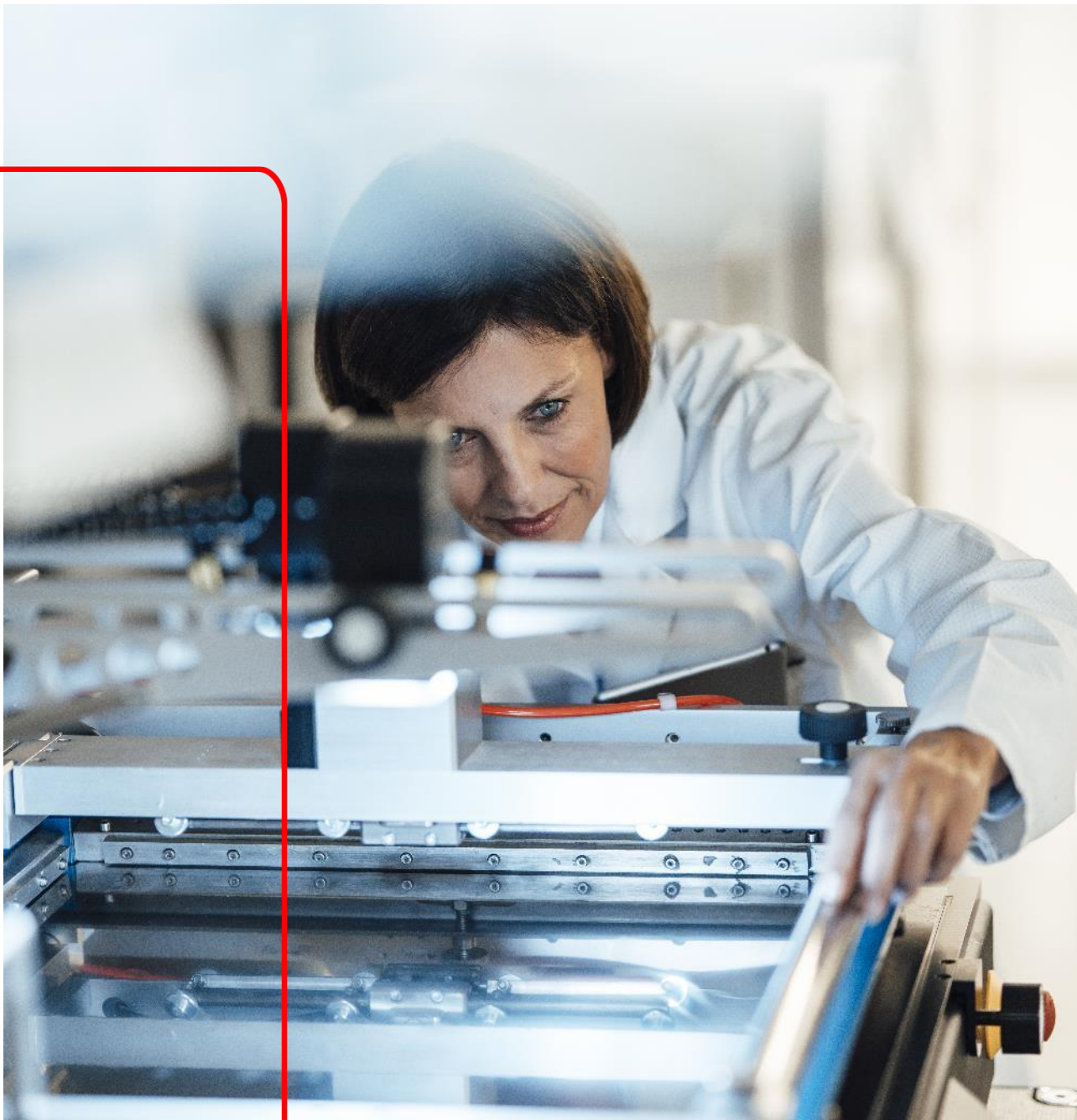




Fourth quarter results 2023



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Highlights 4th quarter 2023

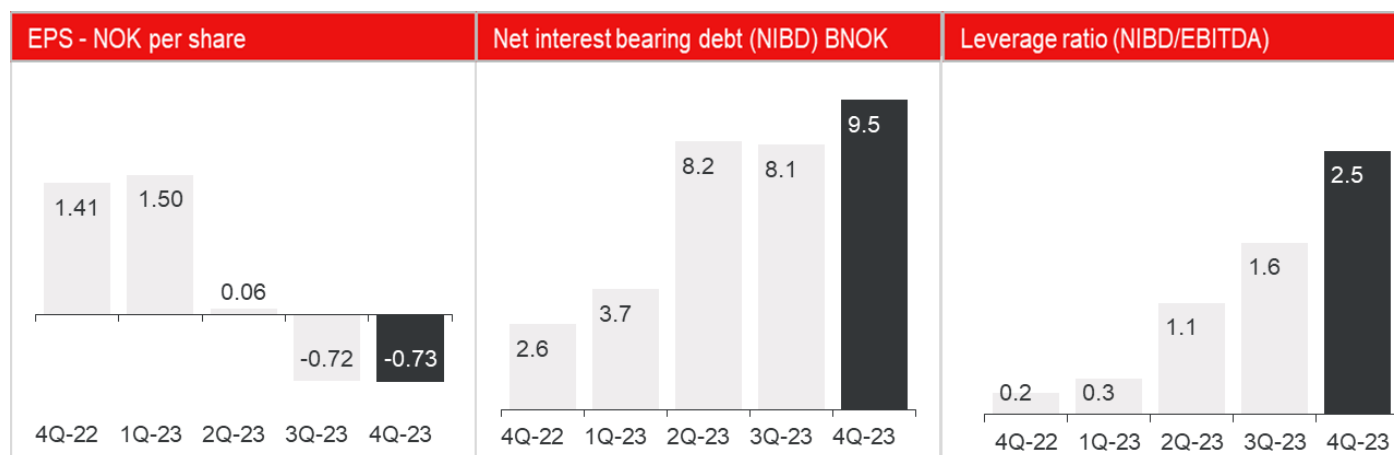
- Elkem's EBITDA was NOK 632 million in the fourth quarter 2023.
- Silicones delivering positive results in challenging markets, as internal improvement programmes take effect.
- Silicon Products negatively impacted by lower contract prices, maintenance stop at Iceland, and fire at the Salten plant.
- Carbon Solutions with strong results despite lower demand, delivering the best full-year result ever.
- Due to low earnings per share (EPS), the board has proposed to the annual general meeting not to pay dividends for 2023.

Key figures

<i>(NOK million, except where specified)</i>	4Q 2023	4Q 2022	YTD 2023	YTD 2022	FY 2022
Total operating income	8,436	10,404	35,545	45,898	45,898
EBITDA	632	1,825	3,771	12,925	12,925
EBITDA margin (%)	7 %	18 %	11 %	28 %	28 %
EBIT ⁽¹⁾	-111	1,267	1,365	10,898	10,898
Profit (loss) for the period ⁽²⁾	-461	894	72	9,561	9,561
Earning per share (EPS) <i>(NOK per share)</i>	-0.73	1.41	0.11	15.09	15.09
Equity ratio (%)	48 %	55 %	48 %	55 %	55 %
Net interest-bearing debt (NIBD)	9,450	2,615	9,450	2,615	2,615
Cash flow from operations	805	1,612	3,027	9,551	9,551
ROCE - annualised (%)	-1 %	16 %	4 %	39 %	39 %

(1) Operating profit before other items and hedge adjustments

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



Fourth quarter concludes a challenging year, signs of recovery

Elkem's profitability in the fourth quarter 2023 was impacted by challenging markets, but there are signs of recovery as commodity sales prices seem to have bottomed out, and the internal improvement programmes are starting to take effect.

Elkem's total operating income for the fourth quarter 2023 was NOK 8,436 million, which was up 7% from the third quarter 2023, explained by improved performance in the Silicones division. Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to NOK 632 million in the quarter, compared NOK 535 million in the third quarter 2023. Earnings per share (EPS) was NOK -0.73 in the quarter and NOK 0.11 year-to-date. Due to the low EPS, the board has proposed to the annual general meeting not to pay dividends for 2023.

The result for the Silicones division clearly improved from a negative EBITDA contribution in the third quarter 2023. The division delivered positive results in challenging markets, helped by lower raw material costs, improved sales of specialties, and positive effects from the internal improvement programmes. The Silicon Products divisions' result declined compared to third quarter 2023, mainly due to lower realised contract prices. In addition, the maintenance stop in Iceland, and the fire at the Salten plant have negatively impacted the result by NOK 85 million. The Carbon Solutions division delivered another strong result despite a decline in sales volume in the quarter. The division delivered its best full-year result ever.

The macro-economic sentiment has been challenging in 2023, characterised by high inflation, interest rate hikes, slow recovery in China, and geopolitical uncertainties. The markets have also been impacted by Chinese exporters discounting prices to get over a prolonged slump in demand. This has resulted in weak demand and lower sales prices in Elkem's main markets and impacted the results negatively. Elkem's operating income for 2023 was NOK 35,545 million compared to NOK 45,898 million in 2022. The EBITDA for 2023 was NOK 3,771 million compared to NOK 12,925 million in 2022. Despite the weaker results in 2023, Elkem is delivering on its financial targets over the business cycle, based on strong top line growth, good profitability, and a sound financial position.

Elkem has introduced a comprehensive improvement programme to counter the weak market conditions, particularly in Silicones. The target is to improve EBITDA by at least NOK 1.5 billion and to reduce capital expenditures by NOK 2.0 billion compared to 2023.

Elkem celebrates its 120 years anniversary in 2024, having grown from being an industrial start-up into a position as one of the world's leading providers of advanced silicon-based materials. Our focus is always on the future – with more than 600 researchers around the world innovating to create new solutions for the green transition, digitalisation, and other global megatrends.

A fire broke out at the Salten plant in Norway on 10 December 2023. The fire started in a building housing raw materials, including carbon materials. The fire was under control and mostly extinguished within 24 hours. No people were injured. One of the plant's three furnaces was restarted on 29 January 2024. We will come back with information when the two other furnaces are expected to restart production.

In January 2024, Elkem signed an agreement to acquire REC Solar Norway AS from REC Solar Holdings AS, a subsidiary of Reliance Industries. This transaction will give Elkem control of industrial areas and facilities in Norway, including areas next to Elkem's activities at Fiskaa in Kristiansand. This will give Elkem the opportunity to gain local synergies and further develop the Fiskaa site, which will be important for our research activities in Kristiansand.

The group's equity as at 31 December 2023 amounted to NOK 24,458 million, which gave a ratio of equity to total assets of 48%. Net interest-bearing debt was NOK 9,450 million, which gave a ratio of net interest-bearing debt to EBITDA of 2.5x. Elkem had cash and cash equivalents of NOK 6,367 million as at 31 December 2023, and undrawn credit lines of more than NOK 6,000 million.

In December 2023, Scope affirmed its BBB issuer rating of Elkem ASA and changed the outlook from stable to negative. The affirmed investment grade rating reflects Elkem's sound financial policy, strong cost position, good global footprint, and integrated position in the silicone industry. The change in outlook reflects the deterioration in revenue and profitability in 2023 and the prospects of a prolonged economic slowdown in the company's main markets.

Elkem has two financial covenants in its loan agreements; the equity ratio shall be equal to or more than 30%, and the interest cover ratio shall exceed 4.0x. Elkem's results for 2023 have been impacted by weak markets and there is a risk of weak market conditions also going forward. At the same time, general interest rates have increased. This may put pressure on Elkem's ability to comply with the interest cover covenant. A waiver process has therefore been initiated with the lenders.

Markets are still challenging going into the first quarter 2024. Elkem is focusing on extraordinary EBITDA improvements to counter weak demand, especially in Silicones. The Silicones markets are expected to remain challenging in the first quarter. The demand in China is expected to improve, but overcapacity will still be an issue, keeping sales prices under pressure. Sale of specialties could improve as destocking comes to an end. The Silicon Products division will see some effects of rising market prices for silicon and ferrosilicon, but this is partly offset by lower prices on specialties. There will be limited negative EBITDA impact from the delayed start-up in Iceland and the stop at Salten. Continued slow market conditions expected for Carbon Solutions, but Elkem is benefitting from strong market positions.

Financial review

Group results

KEY FIGURES	4Q 2023	4Q 2022	YTD 2023	YTD 2022	FY 2022
<i>NOK million</i>					
Total operating income	8,436	10,404	35,545	45,898	45,898
EBITDA	632	1,825	3,771	12,925	12,925
EBIT	-111	1,267	1,365	10,898	10,898
Other items	84	215	516	2,151	2,151
Net financial items	-261	-208	-668	-161	-161
Profit (loss) before income tax	-351	1,178	951	12,236	12,236
Tax	-90	-254	-781	-2,594	-2,594
Profit (loss) for the period	-440	924	170	9,642	9,642

Quarter

Elkem group had total operating income of NOK 8,436 million in 4Q-2023, which was down 19% from NOK 10,404 million in 4Q-2022. Lower operating income was mainly explained by lower sales prices and lower sales volume.

The group's EBITDA for 4Q-2023 was NOK 632 million, down 65% from NOK 1,825 million in the corresponding quarter last year. Lower EBITDA was mainly explained by lower sales prices for Silicon Products. In addition, the maintenance stop in Iceland, and the fire at the Salten plant have negatively impacted Silicon Products' EBITDA by NOK 85 million. The result for the Silicones division clearly improved from a negative EBITDA contribution in the corresponding quarter last year. The division delivered positive results in challenging markets, helped by lower raw material costs, improved sales of specialties, and positive effects from the internal improvement programmes. The Carbon Solutions division delivered another strong result despite a decline in sales volume in the quarter.

EBIT for 4Q-2023 was NOK -111 million, down from NOK 1,267 million in 4Q-2022.

Other items include fair value changes from commodity contracts, gains (losses) on embedded derivatives in power contracts, value changes from currency forward contracts and other income and expenses. Other items amounted to NOK 84 million in 4Q-2023, mainly consisting of gains on power and currency derivatives NOK 165 million, which was partly offset by currency loss on working capital items NOK -33 million and restructuring expenses NOK -43 million.

Net financial items were NOK -261 million in 4Q-2023, compared to NOK -208 million in 4Q-2022. Net interest expenses amounted to NOK -170 million, which was an increase compared to NOK -73 million in the corresponding quarter last year, mainly explained by higher interest rates. Losses on foreign exchange amounted to NOK -89 million, compared to losses of NOK -129 million in 4Q-2022. The foreign exchange losses in 4Q-2023 were mainly explained by negative translation effects on group loans. Other financial expenses amounted to NOK -2 million.

Profit before income tax was NOK -351 million in 4Q-2023 compared to NOK 1,178 million in 4Q-2022.

Tax expenses in the quarter was NOK -90 million, despite negative profit before tax. Positive results in most countries were more than offset by negative results before tax in France and China, where losses are not capitalised as deferred tax assets.

Profit for the period was NOK -440 million, compared to NOK 924 million in 4Q-2022. Owners of the parent's share of profit was NOK -461 million, which gave earnings per share (EPS) of NOK -0.73 in 4Q-2023.

Year to date

The group's total operating income was NOK 35,545 million YTD-2023, which was down 23% compared to YTD-2022. EBITDA YTD-2023 amounted to NOK 3,771 million, which was down 71% from NOK 12,925 million YTD-2022. Lower results were mainly explained by lower sales prices and lower sales volume, but also impacted by negative one-offs during the year. Earnings per share (EPS) amounted to NOK 0.11 YTD-2023.

Cash flow

CASH FLOW FROM OPERATIONS	4Q 2023	4Q 2022	YTD 2023	YTD 2022	FY 2022
<i>NOK million</i>					
EBIT	-111	1,267	1,365	10,898	10,898
Amortisation, depreciation and impairment	743	558	2,406	2,027	2,027
Changes in working capital	873	611	1,584	-1,583	-1,583
Reinvestments	-699	-784	-2,351	-1,682	-1,682
Equity accounted investments	-1	-39	22	-108	-108
Cash flow from operations	805	1,612	3,027	9,551	9,551
Other cash flow items	-2,246	-1,812	-6,044	-7,540	-7,540
Change in cash and cash equivalents	-1,441	-200	-3,017	2,011	2,011

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

Quarter

Cash flow from operations was NOK 805 million in 4Q-2023, compared to NOK 1,612 million in 4Q-2022. The reduction in cash flow from operations was mainly explained by lower EBIT. This was partly offset by working capital changes. The working capital was reduced by NOK 873 million in 4Q-2023, mainly explained by lower inventories and trade receivables.

Reinvestments were NOK -699 million in 4Q-2023, which amounted to 107% of depreciation and amortisation (D&A). Strategic investments were included in other cash flow items and amounted to NOK 799 million, down from NOK 1,418 million in 4Q-2022. The strategic investments were mainly related to the Silicones expansion and specialisation projects in China and France. Other cash flow items also include payment of income taxes of NOK 1,189 million in the fourth quarter.

Change in cash and cash equivalents was NOK -1,441 million in 4Q-2023. Currency exchange differences were NOK -97 million. As at 31 December 2023, the total cash and cash equivalents amounted to NOK 6,367 down from 7,905 million as at 30 September 2023.

Year to date

Cash flow from operations amounted to NOK 3,027 million YTD-2023, down from NOK 9,551 million YTD-2022, mainly explained by lower EBIT. Elkem's reinvestment target is 80-90% of depreciation and amortisation (D&A). Reinvestments YTD-2023 were NOK 2,351 million, which amounted to 102% of D&A. High reinvestments were explained by large, accelerated maintenance projects. Strategic investments ex. M&A amounted to NOK 2,866 million.

Financial position

FINANCIAL POSITION	YTD 2023	YTD 2022	FY 2022
Total equity (NOK million)	24,458	28,773	28,773
Equity ratio (%)	48 %	55 %	55 %
EPS (NOK per share)	0.11	15.09	15.09
Net interest bearing debt (NOK million) ⁽¹⁾	9,450	2,615	2,615
Leverage ratio based on LTM EBITDA (ratio)	2.5	0.2	0.2

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

Quarter and year to date

Elkem's equity as at 31 December 2023 was NOK 24,458 million, down NOK 4,315 million from 31 December 2022. The reduction was mainly explained by dividend payments of NOK 3,919 million. Profit for the period YTD-2023 was NOK 170 million, while other changes in equity were NOK -566 million, mainly consisting of effects recognised through other comprehensive income.

The equity ratio as at 31 December 2023 was 48%. Compared to year-end 2022, the equity ratio was down from 55%, mainly explained by the dividend payment for 2022.

Net-interest bearing debt as at 31 December 2023 was NOK 9,450 million, which was an increase of NOK 6,836 million from 31 December 2022. The increase was mainly explained dividend payment for 2022 and large strategic investments. The leverage ratio was 2.5x as at 31 December 2023.

Segments

Silicones

KEY FIGURES	4Q 2023	4Q 2022	YTD 2023	YTD 2022	FY 2022
<i>MNOK except where indicated otherwise</i>					
Total operating income	3,489	4,144	14,364	19,288	19,288
EBITDA	68	-52	-605	2,022	2,022
EBITDA margin	2 %	-1 %	-4 %	10 %	10 %
Sales volume (thousand mt)	79	97	332	394	394

Quarter

The Silicones division had total operating income of NOK 3,489 million in 4Q-2023 down 16% from NOK 4,144 million in 4Q-2022. Lower operating income was mainly explained by lower sales prices and lower sales volume.

EBITDA for 4Q-2024 was NOK 68 million, up from up from a negative EBITDA in the fourth quarter last year. Improved EBITDA was mainly explained by lower raw material costs and improved sales mix. This was partly offset by lower commodity sales prices. In addition, the cost improvement programme had a positive impact on the results.

The sales volume in the quarter was negatively impacted by weak demand and reduced production.

Year to date

The Silicones division reported total operating income of NOK 14,364 million YTD-2023, which was 26% lower than YTD-2022. The EBITDA was NOK -605 million YTD-2023, significantly weaker than NOK 2,022 million YTD-2022. The weak result YTD-2023 was explained by lower sales prices and lower sales volume, and maintenance stop in second quarter 2023.

Silicon Products

KEY FIGURES	4Q 2023	4Q 2022	YTD 2023	YTD 2022	FY 2022
<i>MNOK except where indicated otherwise</i>					
Total operating income	4,336	5,585	18,403	24,489	24,489
EBITDA	401	1,621	3,304	10,226	10,226
EBITDA margin	9 %	29 %	18 %	42 %	42 %
Sales volume (thousand mt) ¹⁾	121	126	462	522	522

1) Excluding Microsilica and quartz

Quarter

Silicon Products had total operating income of NOK 4,336 million in 4Q-2023, which was down 22% from NOK 5,585 million in 4Q-2022. Lower operating income was mainly explained by lower sales prices.

The EBITDA for Silicon Products was NOK 401 million in 4Q-2023, down 75% from the fourth quarter last year. Lower EBITDA was mainly explained by lower sales prices and negative sales volume and mix effects. This was partly offset by lower costs. The maintenance stop at Iceland and the fire at Salten had negative EBITDA impact of NOK 85 million.

The sales volume was negatively impacted by weak demand.

Year to date

The Silicon Products division reported total operating income of NOK 18,403 million YTD-2023, which was 25% lower than YTD-2022. The division reported an EBITDA of NOK 3,304 million, down 68% from NOK 10,226 million YTD-2022, mainly due to lower sales prices and lower sales volume.

Carbon Solutions

KEY FIGURES	4Q 2023	4Q 2022	YTD 2023	YTD 2022	FY 2022
<i>MNOK except where indicated otherwise</i>					
Total operating income	924	1,054	4,217	3,752	3,752
EBITDA	247	309	1,286	1,166	1,166
EBITDA margin	27 %	29 %	30 %	31 %	31 %
Sales volume (thousand mt)	65	70	279	302	302

Quarter

Carbon Solutions reported total operating income of NOK 924 million in 4Q-2023, down 12% from NOK 1,054 million in 4Q-2022. Lower operating income was explained by lower sales volume, and lower sales prices.

The EBITDA for 4Q-2023 amounted to NOK 247 million, down 20% from NOK 309 million in the corresponding quarter last year. The reduction in EBITDA for the fourth quarter was mainly explained by lower sales volume. A reduction in sales prices were offset by lower raw material costs. The full-year EBITDA was however, the best ever for Carbon Solutions.

The reduction in sales volume in the fourth quarter was explained by general market slowdown and weak steel and metal markets.

Year to date

Carbon Solutions reported total operating income of NOK 4,217 million YTD-2023, which was 12% higher than YTD-2022. EBITDA YTD-2023 was NOK 1,286 million, up 10% from NOK 1,166 million YTD-2022. The improvement was mainly due to higher sales prices, partly offset by higher raw material costs.

Outlook for the first quarter 2024

Markets are still challenging going into the first quarter 2024. Elkem is focusing on extraordinary EBITDA improvements to counter weak demand, especially in Silicones. The Silicones markets are expected to remain challenging in the first quarter. The demand in China is expected to improve, but overcapacity will still be an issue, keeping sales prices under pressure. Sale of specialties could improve as destocking comes to an end. The Silicon Products division will see some effects of rising market prices for silicon and ferrosilicon, but this is partly offset by lower prices on specialties. There will be limited negative EBITDA impact from the delayed start-up in Iceland and the stop at Salten. Continued slow market conditions expected for Carbon Solutions, but Elkem is benefitting from strong market positions.

Condensed consolidated statement of comprehensive income (unaudited)

Amounts in NOK million	Fourth quarter		Year to date	
	2023	2022	2023	2022
Profit (loss) for the period	(440)	924	170	9,642
Remeasurement of defined benefit pension plans	(19)	146	(19)	146
Tax effects on remeasurements of defined benefit pension plans	4	(33)	4	(33)
Changes in fair value of equity instruments	1	(6)	3	(4)
Share of other comprehensive income (loss) from equity accounted investments	(0)	-	(0)	-
Total items that will not be reclassified to profit or loss	(14)	106	(12)	109
Currency translation differences	(411)	(1,092)	476	765
Hedging of net investment in foreign operations	(1)	14	(199)	(142)
Tax effects hedging of net investment in foreign operations	0	(3)	44	31
Cash flow hedges	134	(506)	(1,125)	568
Tax effects on cash flow hedges	(29)	112	247	(125)
Share of other comprehensive income (loss) from equity accounted investments	(12)	7	3	28
Total items that may be reclassified to profit or loss	(319)	(1,468)	(554)	1,125
Other comprehensive income, net of tax	(332)	(1,362)	(566)	1,234
Total comprehensive income	(773)	(438)	(396)	10,876
Attributable to:				
Non-controlling interests' share of comprehensive income	18	24	102	86
Owners of the parent's share of comprehensive income	(790)	(462)	(498)	10,790
Total comprehensive income	(773)	(438)	(396)	10,876

Condensed consolidated statement of financial position (unaudited)

Amounts in NOK million	Note	31 December 2023	31 December 2022
ASSETS			
Property, plant and equipment	4	22,754	19,520
Right-of-use assets	5	854	779
Other Intangible assets	6	1,458	1,385
Goodwill	6	1,015	984
Deferred tax assets		134	151
Equity accounted investments		1,296	1,039
Derivatives	11	977	1,562
Other assets		556	716
Total non-current assets		29,045	26,136
Inventories	7	9,018	10,325
Trade receivables		3,209	4,248
Derivatives	11	411	711
Other assets		2,062	1,698
Restricted deposits	10	388	408
Cash and Cash equivalents	10	6,367	9,255
Total current assets		21,455	26,645
TOTAL ASSETS		50,500	52,781
EQUITY AND LIABILITIES			
Paid-in capital	12	3,498	6,228
Retained earnings		20,827	22,412
Non-controlling interests		133	134
Total equity		24,458	28,773
Interest-bearing liabilities	10	13,509	10,331
Deferred tax liabilities		935	1,123
Employee benefits obligations		507	489
Derivatives	11	235	-
Provisions and other liabilities		279	232
Total non-current liabilities		15,465	12,175
Trade payables		5,281	5,335
Income tax payables		240	1,903
Interest-bearing liabilities	10	1,231	204
Bills payable	10	1,466	1,742
Employee benefit obligations		912	994
Derivatives	11	66	109
Provisions and other liabilities		1,381	1,545
Total current liabilities		10,576	11,832
TOTAL EQUITY AND LIABILITIES		50,500	52,781

Condensed consolidated statement of cash flows (unaudited)

Amounts in NOK million	Note	Fourth quarter		Year to date	
		2023	2022	2023	2022
Operating profit (loss)		(73)	1,397	1,682	12,414
Amortisation, depreciation and impairment	4,5,6	743	558	2,406	2,027
Changes in working capital		873	611	1,584	(1,583)
Equity accounted investments		(1)	(39)	22	(108)
Changes fair value of derivatives		(112)	(312)	(59)	(1,139)
Changes in provisions, bills receivables and other		(260)	426	190	(697)
Interest payments received		52	25	179	66
Interest payments made		(257)	(100)	(716)	(319)
Income taxes paid		(1,189)	(711)	(2,281)	(1,345)
Cash flow from operating activities		(224)	1,854	3,006	9,314
Investments in property, plant and equipment and intangible assets	4,5,6	(977)	(1,327)	(4,856)	(4,058)
Acquisition of subsidiaries, net of cash acquired	3	-	-	(152)	(108)
Disposal of subsidiaries, net of cash		-	-	-	151
Payment of contingent consideration related to acquisitions (IFRS 3)		-	-	(38)	(176)
Acquisition/capital contribution of/to equity accounted investments		(27)	(158)	(329)	(292)
Other investments / sales		7	57	76	79
Cash flow from investing activities		(997)	(1,428)	(5,299)	(4,404)
Dividends paid to non-controlling interests		(24)	-	(104)	(38)
Dividends paid to owners		-	-	(3,815)	(1,900)
Net sale (purchase) of treasury shares	12	-	26	(8)	(38)
Net changes in bills payable and restricted deposits		(111)	173	(237)	(218)
Payment of lease liabilities		(97)	(32)	(209)	(116)
New interest-bearing loans and borrowings		98	916	3,911	6,648
Payment of interest-bearing loans and borrowings		(86)	(1,711)	(262)	(7,237)
Cash flow from financing activities		(219)	(627)	(724)	(2,899)
Change in cash and cash equivalents		(1,441)	(200)	(3,017)	2,011
Currency exchange differences		(97)	(294)	129	205
Cash and cash equivalents opening balance		7,905	9,750	9,255	7,040
Cash and cash equivalents closing balance		6,367	9,255	6,367	9,255

Condensed consolidated statement of changes in equity (unaudited)

Amounts in NOK million	Total paid in capital	Total retained earnings	Total owners share	Non-controlling interests	Total
Closing balance 31 December 2022	6,228	22,412	28,639	134	28,773
Profit (loss) for the period	-	72	72	98	170
Other comprehensive income	-	(570)	(570)	4	(566)
Total comprehensive income	-	(498)	(498)	102	(396)
Share-based payments	8	-	8	-	8
Net movement treasury shares (note 12)	(3)	(5)	(8)	-	(8)
Dividends to equity holders	(2,734)	(1,081)	(3,815)	(104)	(3,919)
Closing balance 31 December 2023	3,498	20,827	24,325	133	24,458

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

Notes to the condensed consolidated financial statements

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

Elkem ASA is a limited liability company located in Norway and whose shares are publicly traded at Oslo Stock Exchange. Elkem ASA's condensed consolidated financial statements for the fourth quarter of 2023 were approved at the meeting of the board of directors on 7 February 2024.

Basis for preparation

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

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

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

Judgements, estimates and assumptions

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

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

Note 2 Operating segments

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

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

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

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

EBIT is defined as Elkem's profit (loss) for the period, less income tax (expenses) benefits, finance expenses, foreign exchange gains (losses), finance income, share of profit from equity accounted financial investments and other items excluding hedge adjustments. Hedge adjustments are realised effects from the part of commodity derivative instruments that initially are designated as hedging instruments, but where the realised effects are recognised in other items due to e.g., hedge ineffectiveness. EBITDA and EBIT are not specified by IFRS Accounting Standards and therefore may not be comparable to apparently similar measures used by other companies.

Elkem's financing and taxes are managed on a group basis and are not allocated to operating segments. Elkem has three reportable segments; Silicones, Silicon Products and Carbon Solutions.

Fourth quarter 2023	Silicones	Silicon Products	Carbon Solutions	Other	Eliminations	Total
Revenue from sale of goods	3,380	3,798	839	(94)	-	7,923
Other revenue	(1)	47	3	55	-	105
Other operating income	107	286	2	3	-	398
Share of profit from equity accounted investments	1	0	-	9	-	10
Total operating income from external customers	3,487	4,131	845	(27)	-	8,436
Operating income from other segments	2	205	79	198	(484)	-
Total operating income	3,489	4,336	924	171	(484)	8,436
Operating expenses	(3,421)	(3,935)	(677)	(323)	553	(7,804)
EBITDA	68	401	247	(152)	69	632
EBIT	(420)	198	208	(165)	69	(111)

Fourth quarter 2022	Silicones	Silicon Products 1)	Carbon Solutions	Other 1)	Eliminations	Total
Revenue from sale of goods	4,014	5,166	932	(44)	-	10,069
Other revenue	46	10	5	51	-	112
Other operating income	52	124	4	7	-	188
Share of profit from equity accounted investments	-	(0)	(0)	36	-	35
Total operating income from external customers	4,113	5,300	940	50	-	10,404
Operating income from other segments	30	284	114	99	(527)	-
Total operating income	4,144	5,585	1,054	149	(527)	10,404
Operating expenses	(4,196)	(3,963)	(745)	(250)	575	(8,580)
EBITDA	(52)	1,621	309	(101)	48	1,824
EBIT	(405)	1,461	278	(115)	48	1,267

Year to date 31 December 2023	Silicones	Silicon Products	Carbon Solutions	Other	Eliminations	Total
Revenue from sale of goods	14,055	16,535	3,742	(401)	-	33,931
Other revenue	23	113	17	280	-	434
Other operating income	220	890	9	16	-	1,135
Share of profit from equity accounted investments	1	0	-	44	-	46
Total operating income from external customers	14,301	17,538	3,768	(61)	-	35,545
Operating income from other segments	63	865	450	506	(1,884)	-
Total operating income	14,364	18,403	4,217	445	(1,884)	35,545
Operating expenses	(14,969)	(15,099)	(2,931)	(977)	2,203	(31,774)
EBITDA	(605)	3,304	1,286	(532)	318	3,771
EBIT	(2,142)	2,610	1,164	(585)	318	1,365

Year to date 31 December 2022	Silicones	Silicon Products 1)	Carbon Solutions	Other 1)	Eliminations	Total
Revenue from sale of goods	18,994	22,361	3,393	(87)	-	44,660
Other revenue	66	72	21	199	-	358
Other operating income	150	542	5	48	-	746
Share of profit from equity accounted investments	-	(0)	(0)	135	-	135
Total operating income from external customers	19,210	22,974	3,419	295	-	45,898
Operating income from other segments	78	1,515	333	392	(2,319)	-
Total operating income	19,288	24,489	3,752	688	(2,319)	45,898
Operating expenses	(17,266)	(14,263)	(2,586)	(920)	2,062	(32,973)
EBITDA	2,022	10,226	1,166	(233)	(257)	12,925
EBIT	743	9,632	1,063	(283)	(257)	10,898

¹⁾ 2022 figures have been restated, see text above

Note 3 Changes in composition of the group

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

	Year-to-date 2023
Net cash outflow	
Cash transferred on acquisition	(152)
Cash and cash equivalents of the acquiree	0
Acquisition of subsidiaries, net of cash acquired	(152)

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

Consideration	
Cash transferred on acquisition	152
Total consideration	152

	Carrying amount	Excess value	Fair value
Non-current assets	14	96	110
Current assets	108	(1)	107
Non-current liabilities	(1)	(20)	(21)
Current liabilities	(67)	-	(67)
Total identifiable net assets	54	75	129
Goodwill	-	23	23
Total recognised	54	98	152

Note 4 Fixed assets

31 December 2023	Land	Plant, buildings and other property	Machinery, equipment and motor vehicles	Office and other equipment	Construction in progress	Total
Cost						
Opening balance	233	8,957	25,406	1,078	5,022	40,696
Additions	0	14	97	22	4,883	5,016
Transferred to/from CiP	12	532	1,534	976	(3,053)	-
Reclassification	(1)	2	(286)	285	-	-
Business combinations	21	33	25	-	2	81
Disposals	-	(76)	(227)	(17)	(13)	(333)
Exchange differences	10	113	417	(15)	2	526
Closing balance	276	9,575	26,965	2,328	6,842	45,987
Accumulated depreciation						
Opening balance		(3,322)	(14,437)	(580)		(18,339)
Addition		(319)	(1,440)	(208)		(1,967)
Reclassification		1	267	(268)		-
Disposals		40	204	16		260
Exchange differences		(39)	(245)	(2)		(287)
Closing balance		(3,639)	(15,650)	(1,043)		(20,332)
Impairment losses						
Opening balance	(11)	(435)	(2,358)	(1)	(30)	(2,836)
Addition	-	(13)	(80)	-	(0)	(94)
Reclassification	-	(9)	22	(14)	-	-
Disposals	-	10	18	0	1	29
Exchange differences	(1)	1	1	0	0	1
Closing balance	(12)	(446)	(2,398)	(15)	(30)	(2,900)
Carrying amount						
Closing balance	264	5,490	8,917	1,271	6,812	22,754

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

Note 5 Right-of-use assets

31 December 2023	Land	Plant and buildings	Machinery, equipment and motor vehicles	Office and other equipment	Total
Cost					
Opening balance	326	659	150	2	1,138
Additions / lease modifications / remeasurements	73	95	57	-	225
Partial or full termination of agreements	-	(30)	(63)	-	(93)
Exchange differences	(3)	9	9	0	15
Closing balance	397	733	153	2	1,285
Accumulated depreciation					
Opening balance	(70)	(191)	(96)	(1)	(359)
Additions	(10)	(93)	(38)	(0)	(141)
Partial or full termination of agreements	-	30	48	-	77
Exchange differences	0	(3)	(6)	(0)	(9)
Closing balance	(80)	(258)	(92)	(2)	(431)
Impairment losses					
Opening balance	-	-	-	-	-
Closing balance	-	-	-	-	-
Carrying amount					
Closing balance	317	476	61	0	854

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

Note 6 Intangible assets

31 December 2023	Goodwill	Land use rights	Technology and licences	Software	Development	Other intangible	Intangible assets under construction	Total other intangible assets
Cost								
Opening balance	984	108	868	627	880	350	377	3,209
Additions	-	-	-	17	-	-	183	200
Transferred to/from CiP	-	-	5	67	94	3	(170)	-
Business combinations	23	-	-	0	-	29	0	29
Disposals	-	-	-	(9)	-	-	-	(9)
Exchange differences	8	7	38	13	56	2	17	133
Closing balance	1,015	116	911	714	1,030	384	407	3,563
Accumulated depreciation								
Opening balance	-	(59)	(579)	(457)	(606)	(122)	-	(1,824)
Addition	-	(2)	(43)	(58)	(65)	(37)	-	(205)
Disposals	-	-	-	9	-	-	-	9
Exchange differences	-	(4)	(32)	(8)	(40)	(0)	-	(84)
Closing balance	-	(65)	(654)	(514)	(711)	(159)	-	(2,103)
Impairment losses								
Opening balance	-	(1)	-	-	-	-	-	(1)
Exchange differences	-	(0)	-	-	-	-	-	(0)
Closing balance	-	(1)	-	-	-	-	-	(1)
Carrying amount								
Closing balance	1,015	49	257	200	319	225	407	1,458

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

Note 7 Inventories

	31 December 2023	31 December 2022
Raw materials	2,321	3,310
Semi-finished goods	466	361
Finished goods	5,147	5,893
Operating materials and spare parts	1,084	761
Total inventories	9,018	10,325
Provisions for write-down of inventories	(314)	(226)

Note 8 Other items

	Fourth quarter		Year to date	
	2023	2022	2023	2022
Change in fair value commodity contracts, interest element	4	0	4	(2)
Embedded EUR derivatives power contracts, interest element	99	78	(73)	218
Ineffectiveness and discontinuation on commodity cash flow hedges	55	259	357	1,471
Ineffectiveness on currency cash flow hedges	-	(1)	-	-
Net gains (losses), forward currency contracts	7	44	(26)	9
Operating foreign exchange gains (losses)	(33)	(185)	308	387
Total other gains (losses)	132	195	571	2,084
Dividends from other shares	3	2	3	4
Change in fair value from other shares measured at fair value through profit or loss	1	1	2	1
Gains (losses) on acquisition and disposal of subsidiaries ¹⁾	-	5	0	159
Restructuring expenses ²⁾	(43)	21	(43)	26
Dismantling and environmental expenses	(4)	(3)	(4)	(72)
Other	(5)	(6)	(13)	(50)
Total other income (expenses)	(48)	20	(55)	67
Total other items	84	215	516	2,151

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

2) Restructuring expenses in 2023 are related to cost saving programme in Elkem Silicones.

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

Note 9 Finance income and expenses

	Fourth quarter		Year to date	
	2023	2022	2023	2022
Interest income on loans and receivables	52	25	179	65
Other financial income	1	0	3	1
Total finance income	54	26	182	67
Foreign exchange gains (losses)	(89)	(129)	(106)	85
Interest expenses on interest-bearing liabilities measured at amortised cost	(203)	(83)	(647)	(229)
Interest expenses from other items measured at amortised cost	(27)	(22)	(102)	(50)
Interest expenses on lease liabilities	(7)	(8)	(27)	(30)
Capitalised interest expenses	16	15	51	20
Unwinding of discounted liabilities	(1)	(1)	(5)	(10)
Interest on net pension liabilities	(1)	(2)	(11)	(9)
Other financial expenses	(0)	(3)	(2)	(5)
Total finance expenses	(225)	(105)	(743)	(313)
Net Finance income (expenses)	(261)	(208)	(668)	(161)

Note 10 Interest-bearing assets and liabilities

	31 December 2023	31 December 2022
Lease liabilities	464	475
Loans from external parties, other than bank	5,279	3,697
Bank financing	7,767	6,160
Total non-current interest-bearing debt	13,509	10,331
Lease liabilities	125	103
Loans from external parties, other than banks	1,060	10
Bank financing, current	18	74
Accrued interest	28	17
Total current interest-bearing debt	1,231	204
Bills payable, current	1,466	1,742
Restricted deposits bills payable, current	351	395
Net bills payable	1,114	1,347
Cash and cash equivalents	6,367	9,255
Other restricted deposits, current	37	12
Other restricted deposits, non-current	51	46
Receivables from related parties, non-current	1	1
Loans to external parties, non-current	9	8
Accrued interest income, current	0	0
Total other interest-bearing assets	6,465	9,323
Net interest-bearing assets (liabilities)	(9,390)	(2,559)

Pledges and guaranteed liabilities

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

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

Pledged liabilities	31 December 2023	31 December 2022
Pledged liabilities	94	125

Elkem ASA has placed a series of unsecured floating rate loans in the Schuldschein market. Total size of the transaction amounts to EUR 200 million where of EUR 52 million was drawn in December 2022 and EUR 148 million in January 2023. Elkem ASA has also issued a green bond of NOK 1,000 million in August 2023. In addition, Elkem Silicones Xinghuo has financed parts of its upgrade of property, plant and equipment with unsecured term loans of a total of CNY 899 million in January, September and December.

Note 11 Cash flow hedging

Hedge Accounting

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

Derivatives as at 31 December 2023

	Nominal value	Fair value	Hereof recognised in OCI	Effects to be recycled from OCI			
				Within 1 year	Within 2 years	Within 3 years	Within 4 years or more
Purchase contracts							
Forward currency contracts	2,365	153	129	69	52	8	-
Embedded EUR derivatives	5,999	(289)	(463)	(101)	(96)	(84)	(182)
Power contracts	1,276	1,211	220	58	42	38	83
Interest rate swap	94	12	12	3	3	3	4
Platinum contracts	0	0	0	0	-	-	-
Total derivatives		1,087	(102)	28	1	(36)	(95)

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

Realised effects hedge accounting, recycled from OCI	Fourth quarter		Year to date	
	2023	2022	2023	2022
Realised effects from forward currency contracts, Revenue	(43)	(19)	(229)	(14)
Realised effects from embedded derivatives EUR, Revenue	(33)	(11)	(122)	(29)
Realised effects from EUR loans, Revenue	(8)	(3)	(15)	(5)
Realised effects from Platinum contract, Revenue	-	-	1	0
Realised effects from power contracts, Raw materials and energy for production	18	98	112	377
Realised effects hedge discontinuation, Other items	27	38	85	38
Realised effect interest rate swap, Finance expenses	(1)	-	(1)	-
Realised effects Salten Energigjenvinning, Business combination	-	-	-	58
Total realised hedging effects recycled from OCI	(40)	102	(170)	424

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

Note 12 Number of shares

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

	Shares outstanding	Treasury shares	Total issued shares
<i>Numbers are whole numbers</i>			
Opening balance at 1 January 2023	634,476,985	4,964,393	639,441,378
Increase treasury shares	(2,000,000)	2,000,000	-
Sale of treasury shares	1,413,303	(1,413,303)	-
Closing balance 31 December 2023	633,890,288	5,551,090	639,441,378

	Fourth quarter		Year to date	
	2023	2022	2023	2022
<i>Numbers are whole numbers</i>				
Weighted average number of shares outstanding	633,890,288	634,034,725	634,991,082	633,563,574
Effects of dilution from share-based payment	-	1,775,946	798,645	2,025,138
Weighted average number of outstanding shares diluted	633,890,288	635,810,671	635,789,727	635,588,712

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

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

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

Appendix - Alternative performance measures (APMs)

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

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

Elkem's financial APMs, EBITDA and EBIT

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

Below is a reconciliation of EBIT and EBITDA:

Fourth quarter 2023	Silicones	Silicon Products	Carbon Solutions	Other	Eliminations	Elkem
Profit (loss) for the period						(440)
Income tax (expense) benefit						90
Finance expenses						225
Foreign exchange gains (losses)						89
Finance income						(54)
Share of profit from equity accounted financial investments						16
Other items						(84)
Hedge adjustments						46
EBIT	(420)	198	208	(165)	69	(111)
Impairment losses						91
Amortisations and depreciations						652
EBITDA	68	401	247	(152)	69	632

Fourth quarter 2022	Silicones	Silicon Products	Carbon Solutions	Other	Eliminations	Elkem
Profit (loss) for the period						924
Income tax (expense) benefit						254
Finance expenses						105
Foreign exchange gains (losses)						129
Finance income						(26)
Share of profit from equity accounted financial investments						11
Other items						(215)
Hedge adjustments						85
EBIT	(405)	1,461	278	(115)	48	1,267
Impairment losses						19
Amortisations and depreciations						538
EBITDA	(52)	1,621	309	(101)	48	1,825

Year to date 31 December 2023	Silicones	Silicon Products	Carbon Solutions	Other	Eliminations	Elkem
Profit (loss) for the year						170
Income tax (expense) benefit						781
Finance expenses						743
Foreign exchange gains (losses)						106
Finance income						(182)
Share of profit from equity accounted financial investments						63
Other items						(516)
Hedge adjustments						199
EBIT	(2,142)	2,610	1,164	(585)	318	1,365
Impairment losses						94
Amortisations and depreciations						2,312
EBITDA	(605)	3,304	1,286	(532)	318	3,771

Year to date 31 December 2022	Silicones	Silicon Products	Carbon Solutions	Other	Eliminations	Elkem
Profit (loss) for the year						9,642
Income tax (expense) benefit						2,594
Finance expenses						313
Foreign exchange gains (losses)						(85)
Finance income						(67)
Share of profit from equity accounted financial investments						17
Other items						(2,151)
Hedge adjustments						635
EBIT	743	9,632	1,063	(283)	(257)	10,898
Impairment losses						28
Amortisations and depreciations						1,999
EBITDA	2,022	10,226	1,166	(233)	(257)	12,925

Elkem's financial APMs, Leverage ratio

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

	31 December 2023	31 December 2022
Net interest-bearing assets (liabilities)	(9,390)	(2,559)
Other restricted deposits, non-current	(51)	(46)
Receivables from related parties, non-current	(1)	(1)
Loans to external parties, non-current	(9)	(8)
Accrued interest income, current	(0)	(0)
Net interest-bearing debt	(9,450)	(2,615)
EBITDA (LTM)	3,771	12,925
Leverage ratio	2.5	0.2

Elkem's financial APMs, ROCE

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

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

Working capital bridge from statutory accounts to company definition

	31 December 2023	31 December 2022	31 December 2022
Inventories	9,018	10,325	10,325
Trade receivables	3,209	4,248	4,248
Bills receivable	(823)	(1,086)	(1,086)
Accounts receivable	2,386	3,162	3,162
Other assets, current	2,062	1,698	1,698
Other receivables from related parties interest-free	(8)	(7)	(7)
Grants receivables	(671)	(620)	(620)
Tax receivables	(261)	(338)	(338)
Accrued interest	(0)	(0)	(0)
Other current assets included in working capital	1,122	733	733
Trade payables	5,281	5,335	5,335
Trade payables related to purchase of non-current assets	(1,313)	(1,117)	(1,117)
Accounts payable included in working capital	3,968	4,219	4,219
Employee benefit obligations	912	994	994
Provisions and other liabilities, current	1,381	1,545	1,545
Provisions, contingent considerations and contract obligations	(101)	(144)	(144)
Liabilities to related parties	(17)	(30)	(30)
Other current liabilities included in working capital	1,263	1,371	1,371
Working capital	6,383	7,637	7,637
Property, plant and equipment	22,754	19,520	19,520
Right-of-use assets	854	779	779
Other Intangible assets	1,458	1,385	1,385
Goodwill	1,015	984	984
Equity accounted investments	1,296	1,039	1,039
Grants payable	(17)	(16)	(16)
Trade payables- and prepayments related to purchase of non-current assets	(1,295)	(1,018)	(1,018)
Capital employed	32,449	30,310	30,310

Elkem's financial APMs, Cash flow from operations

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

	Fourth quarter		Year to date		Year
	2023	2022	2023	2022	2022
Reinvestments	(699)	(784)	(2,351)	(1,682)	(1,682)
Strategic investments	(799)	(1,418)	(2,866)	(2,797)	(2,797)
Periodisation ¹⁾	522	876	361	421	421
Investments in property, plant and equipment and intangible assets	(977)	(1,327)	(4,856)	(4,058)	(4,058)

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

	Fourth quarter		Year to date		Year
	2023	2022	2023	2022	2022
Cash flow from operating activities	(224)	1,854	3,006	9,314	9,314
Income taxes paid	1,189	711	2,281	1,345	1,345
Interest payments made	257	100	716	319	319
Interest payments received	(52)	(25)	(179)	(66)	(66)
Changes in provisions, bills receivables and other	260	(426)	(190)	697	697
Changes in fair value commodity contracts	112	312	59	1,139	1,139
Other items	(84)	(215)	(516)	(2,151)	(2,151)
Hedge adjustments	46	85	199	635	635
Reinvestments	(699)	(784)	(2,351)	(1,682)	(1,682)
Cash flow from operations	805	1,612	3,027	9,551	9,551