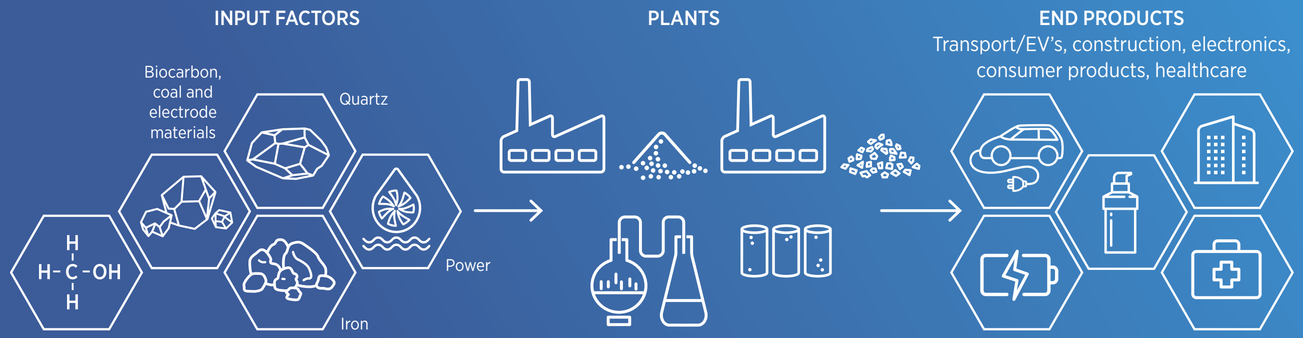
DELIVERING
YOUR POTENTIAL

Annual report **2020**

Elkem in brief



Who we are and what we do

Elkem is one of the world's leading suppliers of silicon-based advanced materials with operations throughout the value chain from quartz to specialty silicones, and attractive market positions in specialty ferrosilicon alloys and carbon materials. In addition to our divisions Silicones, Silicon Products and Carbon Solutions, Elkem established the business initiatives Digital Office, Battery Materials and Biocarbon in 2020.

Elkem's global business combines the strengths of three unique market platforms. The metallurgical business in Norway was founded in 1904 and represents strong industrial traditions and continuous improvement. The chemical business in France adds a strong culture for specialisation, innovation and R&D, while Elkem's substantial presence in China facilitates strong growth opportunities and a dynamic and agile business perspective.

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 6,800 employees with 29 production sites and an extensive network of sales offices worldwide.

Contents

Elkem – key figures and highlights

Key figures

		2020	2019	2018	2017	2016
Total operating income	*NOK million*	**24,691**	22,668	25,230	20,985	16,594
Operating income growth	*%*	**9**	(10)	20	26	-
EBITDA	*NOK million*	**2,684**	2,656	5,793	3,188	1,559
EBITDA margin	*%*	**11**	12	22	15	9
EBIT	*NOK million*	**957**	1,189	4,522	1,927	264.0
Profit (loss) for the year	*NOK million*	**278**	897	3,367	1,249	(268.0)
Cash flow from operations	*NOK million*	**1,522**	2,140	4,030	2,336	1,051
Reinvestments of D&A	*%*	**81**	80	84	72	57
Total assets	*NOK million*	**30,888**	29,004	31,129	25,507	23,092
Net interest-bearing debt	*NOK million*	**8,058**	5,722	3,264	8,111	9,502
Debt leverage		**3.0**	2.2	0.6	2.5	6.1
Equity	*NOK million*	**12,635**	12,952	13,722	8,565	5,830
Equity	*%*	**41**	45	44	34	25
ROCE	*%*	**5**	7	28	13	2
Earnings per share	*NOK*	**0.41**	1.47	5.74	2.08	(0.52)
Number of employees	*Full time equivalent*	**6,856**	6,370	6,280	6,113	6,022
Total recordable injury rate H1+H2	*Injuries per million working hours*	**2.3**	2.2	2.2	3.1	5.3
NOx emissions	*Tonnes*	**6,610**	6,718	7,068	7,109	7,309
CO_2 emissions [1]	*Million tonnes*	**2.92**	2.15	2.54	1.77	1.49
Energy consumption	*TWh*	**6.40**	6.01	6.23	5.28	4.40

[1] Total CO_2 / Scope 1.

Highlights 2020

- Covid-19 impacted Elkem's operations and global markets substantially through the year
- Productivity improvement programme (PIP) launched in Q1 with the ambition to reduce costs by NOK 350 million by 2021
- Investment decision for production of ultra-high purity silicone raw materials for medical applications
- Successful completion of Polysil acquisition
- Change of corporate structure by merging Silicon Materials and Foundry Products into Silicon Products to accelerate specialisation, gain synergies and further improve operational excellence
- Signed new loan facility of NOK 2,000 million to secure refinancing of loan maturities in 2021
- Establishment of Digital Office, Battery Materials and Biocarbon as new business initiatives
- Site selection for potential large-scale battery materials plant at Herøya Industrial Park, Norway
- Decision to build biocarbon pilot plant near Chicoutimi, Canada. The project is supported by grants from Canadian authorities
- Financial support received from Enova for planning the battery materials industrial plant and for project related to increased utilisation of hydrogen
- Granted Gold sustainability rating from EcoVadis
- Elkem granted the 2020 Ringier Technology Innovation Award for Personal Care for its PURESIL™ ORG01 product
- Opened workshop in Shanghai, China dedicated to specialised silicones for hybrid and electric vehicles
- A-rating from CDP, ranking Elkem among the world's leading companies on climate transparency and action

Letter from the CEO

Meeting the challenges while positioning for growth

The world experienced a public health crisis and an economic crisis in 2020. Elkem has met these challenges well, by focusing on three priorities: Putting health and safety first, maintaining high and stable production while positioning for profitable growth. We remain optimistic regarding the longer-term global trends that will drive demand for our products.

The coronavirus pandemic (Covid-19) has dominated the year 2020. The disease was first identified in China in December 2019 and was declared a pandemic in March 2020. With more than 3,000 employees in China, Elkem was exposed early on to the potential spread of the disease. However, it was at our head office in Oslo, Norway, where we faced our first confirmed case on 6 March.

Elkem established a corporate task force to coordinate our global coronavirus response. Our primary focus remained on health and safety, in line with Elkem's zero-harm philosophy. By the end of the year, Elkem has registered 110 confirmed cases among our more than 6,800 employees. We are pleased that all have recovered and are doing well.

Covid-19 also dominated the macroeconomic conditions in 2020. While China has seen an economic slowdown in the first quarter of 2020 the rest of the world was hard hit in Q2 and Q3. Because of our diversified global footprint and decentralised operating model Elkem has dealt with these challenges remarkably well. We have been able to maintain our production mainly in line with normal capacity.

Our financial results have been negatively impacted. The impact was most significant in the first three quarters, starting in China and then in Europe and the Americas as the pandemic continued its spread. The fourth quarter results were less impacted, as we saw a clear recovery in China and improvements also in Europe and the Americas. Towards the end of the year, we continued to experience good demand for Elkem's solutions – even though uncertainty remained high.

However, Elkem has done much more than dealing with the coronavirus crisis. We have used 2020 to lay a solid foundation for profitable growth and increased market share in the years to come. There will come a stage after the pandemic, where focus turns to rebuilding societies and build the post-coronavirus economy, better and more sustainable for all. We are set up to benefit from this.

We believe that long-term megatrends – like sustainability, energy demand, urbanisation, increased standard of living, ageing and growing population, and digitalisation – will continue. This will drive growth in demand for advanced materials, including silicones, silicon and carbon solutions.

Our vision remains to provide advanced material solutions shaping the future. And we have a clear corporate strategy to strengthen our competitive positions through specialisation and growth.

Continued productivity improvement is key to enable profitable growth. Even before the impact of Covid-19, we had started preparing a new productivity improvement programme to improve the company's cost position and streamline the organisation. As announced in March, Elkem has identified a potential of more than NOK 350 million in annual improvements.

In May, we streamlined our corporate structure from four to three business divisions, to accelerate specialisation and further improve operational excellence. This also enables further cost reductions.

Silicones is Elkem's largest business division, but a challenger in most of its segments worldwide. It is focusing on profitable growth and increased market shares, particularly in China, while also improving underlying profitability through operational excellence and specialisation. In April, Elkem completed the acquisition of Polysil, a leading Chinese silicone elastomer and resins material manufacturer. In December, we completed and opened a new production workshop in Shanghai, China, dedicated to specialised silicones for hybrid and electric vehicles.

The Silicon Products division represents Elkem's strong heritage. It has solid market positions globally and defended its positions well in 2020, while running at high capacity. It will continue focusing on improved profitability through operational excellence, while selectively pursuing growth.

The Carbon Solutions division is a strong and highly profitable market leader in its segments. It has managed to maintain strong profitability in 2020 despite a difficult market. It will focus on maintaining its strong positions through operational excellence, while selectively pursuing growth.

This corporate strategy is supported by three initiatives:

- We established a Digital Office in 2020 to drive a digital transformation across the company. We believe that digital technologies can disrupt industries, and we aim to be one of the winners.
- ESG is increasingly important among our stakeholders – and Elkem needs a strong ESG profile and performance in order to meet expectations as we position for the future. In November, Elkem received a Gold sustainability rating from EcoVadis. In December, we received an A rating from CDP, ranking among the world's leading companies on climate transparency and action.
- Finally, we are focusing even more on our people: Optimising our organisation, developing good leadership and improving our performance on diversity.

Elkem is also actively using its competence to develop new sustainable business areas. Elkem will search for partners to these projects, but they clearly demonstrate Elkem's capability to drive development of new green technologies:

- Battery Materials is a unique growth opportunity based on graphite and silicon. Elkem is developing a pilot plant for battery graphite to be opened in early 2021. In August, Elkem selected Herøya Industrial Park in Norway as the site for a potential large-scale plant.
- Biocarbon is a potential breakthrough technology for carbon neutral metals. In September, Elkem decided to invest in a new biocarbon pilot plant in Canada.
- Energy recovery represents circular solutions for lower emissions and higher efficiency. Elkem expects to open a new energy recovery plant at Salten in Norway in 2021.

In short, we have used a difficult year well, meeting the challenges while positioning for growth. This 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.

In 2020 the Elkem team has demonstrated its strength in very difficult times and I am very proud to be part of it!

Thank you for your strong efforts throughout the year and for performing in a very challenging environment. We have all the ingredients in place to make 2021 a successful year for Elkem, while remaining mindful of the unusually high uncertainty in our external environment.

Michael Koenig,
CEO, Elkem ASA

SILICONES
Elkem is one of the foremost fully integrated silicones manufacutrers in the world.

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

12 PLANTS
China - Xinghuo, Shanghai, Zhongshan
France - Roussillon, Saint-Fons
Germany - Lübeck
Italy - Caronno
Spain - Santa Perpetua
USA - York
Brazil - Joinville
India – Pune
Korea – Gunsan

** Share of external sales*

Fully integrated silicones manufacturer

Silicones

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, greases, 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.

KEY FIGURES

	2020	2019	2018
Total operating income (in NOK million)	**12,680**	11,274	13,059
EBITDA (in NOK million)	**1,357**	1,523	3,535
EBITDA margin (in %)	**11%**	14%	27%
Number of employees	**3,801**	3,265	3,189
Sales volume (thousands mt)	**372**	336	314

KEY STRATEGIES

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

SALES

SILICON PRODUCTS

Global producer and provider of silicon, ferrosilicon and related speciality products.

END MARKETS

- Silicones
- Wind mills
- Automotive
- Construction/engineering
- Electronics
- Speciality steel
- Refractories
- Oil & gas

11 PLANTS

Norway - Salten, Thamshavn, Bremanger, Bjølvefossen, Rana
Iceland - Grundartangi
Canada - Chicoutimi
China - Yongdeng, Shizuishan
India - Nagpur
Paraguay – Limpio

3 QUARTS MINES

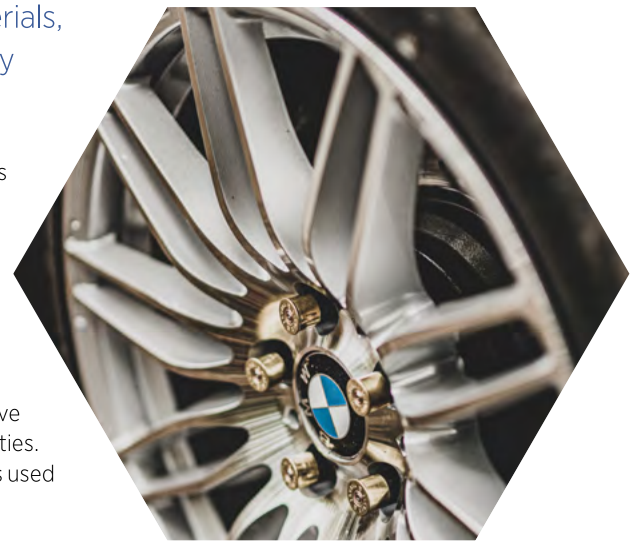
Norway - Tana and Mårnes
Spain - La Corruna

** Share of external sales*

A world leading producer of silicon-based materials

Silicon Products

Elkem is a leading producer of silicon-based materials, including silicon, high-quality ferrosilicon, specialty alloys based on ferrosilicon and microsilica.



Silicon is used in aluminium alloys, silicones and polysilicon, and has a number of favourable chemical and physical properties, including semi-conductivity, making it highly versatile 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 ferrosilicon production and is used in construction, refractory, oilfield and polymer industries.

KEY FIGURES

	2020	2019	2018
Total operating income (in NOK million)	**11,578**	10,933	11,587
EBITDA (in NOK million)	**1,189**	958	2,058
EBITDA margin (in %)	**10%**	9%	18%
Number of employees	**2,313**	2,342	2,363
Sales volume (thousands mt)	**526**	499	512

KEY STRATEGIES

- Improve profitability through operational excellence and a well managed portfolio of specialties
- Selectively pursue growth initiatives

SALES

1.9
NOK BILLION
7% OF GROUP SALES*

CARBON SOLUTIONS

Leading producer of electrode paste and specialty products.

END MARKETS

- Ferroalloys
- Silicon
- Aluminium
- Iron foundries

6 PLANTS

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

** Share of external sales*

A market leader in solutions to smelting industries

Carbon Solutions

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. In 2019, the Søderberg electrode technology, celebrated 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.

KEY FIGURES

	2020	2019	2018
Total operating income (in NOK million)	**1,870**	1,838	1,892
EBITDA (in NOK million)	**438**	312	335
EBITDA margin (in %)	**23%**	17%	18%
Number of employees	**394**	420	422
Sales volume (thousands mt)	**256**	257	289

KEY STRATEGIES

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

Three new business initiatives

Elkem's potential large-scale industrial plant for competitive production of battery materials, Northern Recharge.

Battery materials

Battery materials is a unique growth opportunity based on graphite and silicon.

The demand for batteries and battery materials is expected to increase substantially over the coming years as a result of rapid growth in electrification of transport and increasing needs for energy storage in a sustainable future.

WHAT IS ELKEM DOING?

Elkem is currently constructing a pilot plant for synthetic graphite, the leading anode material in lithium-ion batteries in Kristiansand, Norway. The pilot, which represents an investment of approximately NOK 65 million, aims to conclude process route and qualify products and is expected to open in 2021.

Based on conclusions from the pilot, Elkem will evaluate the basis for competitive production with the Northern Recharge project; the group's potential large-scale industrial plant at Herøya Industrial Park, Norway. Site selection took place in 2020 and an investment decision related to this project is expected in 2021.

Official opening of Elkem biocarbon pilot plant with governmental officials, Chicoutimi Canada.

Digital office

Digital office is a unit responsible for stepping up Elkem's activity within digitalisation by establishing a new global team with responsibility for digital transformation.

WHAT IS ELKEM DOING?

Digital Office aims to support the realisation of Elkem's business strategy by developing a unified digital strategy across the group, creating a shift in pace of delivering digital solutions, developing capabilities and mindsets and creating measurable and scalable impact in each division.

Bicarbon

Bicarbon represents an important initiative on Elkem's road to carbon-neutral metal production.

The use of CO_2 neutral charcoal instead of fossil coal as a reduction agent in the production of silicon and ferrosilicon is a key part of the group's sustainable production strategy.

WHAT IS ELKEM DOING?

In 2020, Elkem decided to invest NOK 180 million in a new biocarbon pilot plant near the Chicoutimi production site in Canada. Based on conclusions from the pilot, the group will evaluate the basis for a large-scale plant.

The Elkem share

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

NOK 0.15	9.905	581.3	16.5 bn
dividend per share 2020	shareholders	million shares	Elkem's market value

Elkem ASA is a public limited company. The share is listed on the Oslo Stock Exchange and the ticker code is ELK. Elkem ASA has one share class with 581.3 million shares. 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.

Elkem's market value was NOK 16.5 billion as at 31 December 2020.

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

SHARE PRICE

The graph on the following page shows Elkem's share price vs. Oslo Stock Exchange Benchmark index.

Elkem's share price opened at NOK 24.88 on 2 January 2020 and closed at NOK 28.38 on 30 December 2020. The highest closing price was NOK 29.60 and the lowest closing price was NOK 11.20.

DIVIDENDS

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 net income for the year.

Elkem paid a dividend of NOK 0.60 per share, representing 41% of net income in 2019.

The proposed dividend for 2020, subject to approval from the annual general meeting in 2021, is NOK 0.15 per share, representing 36% of the net profit.

SHAREHOLDERS

As at 31 December 2020 Elkem had 9,905 shareholders. Non-Norwegian shareholders owned 73.2% of the shares. China National Bluestar was the majority shareholder with 58.2% of the shares.

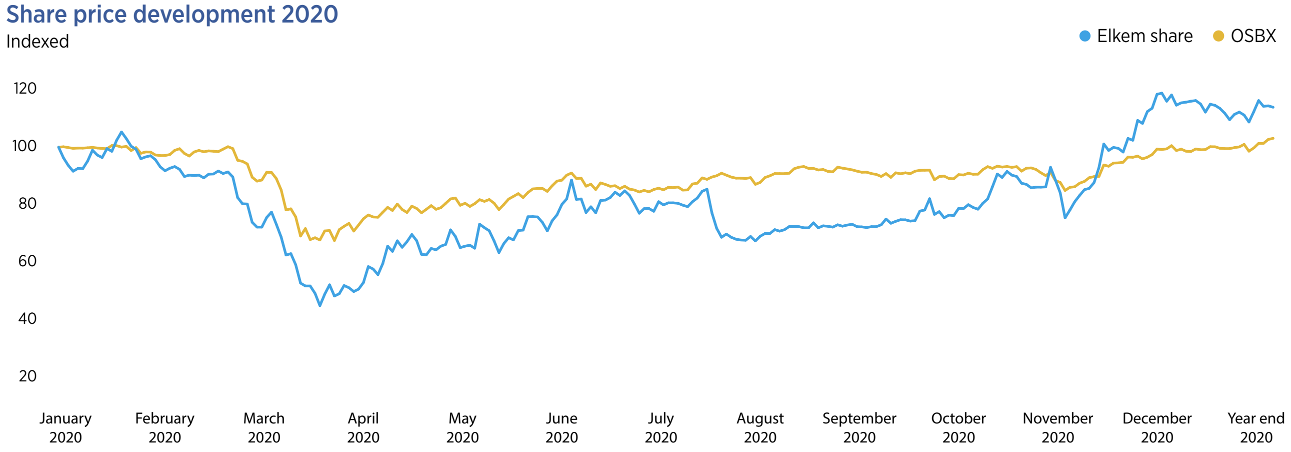
Dividend overview

Year	Earnings per share (NOK)	Dividend per share (NOK)	Date proposed	Date approved	Ex date
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	11.05.2020
2018	5.74	2.60	11.02.2019	30.04.2019	02.05.2019

** Proposed dividend for 2020*

Share price development 2020

Indexed



The 20 largest shareholders as at 31 December 2020*

#	Shareholder	Number of shares	Stake	Citizenship
1	China National Bluestar**	338,338,536	58.20%	China
2	Folketrygdfondet	28,500,172	4.90%	Norway
3	Alfred Berg Kapitalforvaltning	16,679,618	2.87%	Norway
4	Storebrand Asset Management	12,702,496	2.19%	Norway
5	Mondrian Investment Partners	10,247,688	1.76%	United Kingdom
6	DNB Fond	8,851,964	1.52%	Norway
7	Eika Kapitalforvaltning	8,808,526	1.52%	Norway
8	Arctic Fund Management	7,612,930	1.31%	Norway
9	Vanguard	6,379,776	1.10%	United States
10	Nordea Fond	5,694,242	0.98%	Finland
11	KLP Kapitalforvaltning AS	4,952,508	0.85%	Norway
12	Goldman Sachs Asset Management	4,519,576	0.78%	United States
13	Must Invest AS	4,072,980	0.70%	Norway
14	Pareto Fonder	4,042,400	0.70%	Norway
15	BlackRock	3,744,071	0.64%	United States
16	First Fondene	3,297,713	0.57%	Norway
17	Handelsbanken Fonder	2,713,981	0.47%	Sweden
18	WisdomTree Asset Management	2,188,251	0.38%	United States
19	Allianz Global Investors	2,026,111	0.35%	Germany
20	Credit Suisse Asset Management	1,854,799	0.32%	Switzerland
	Total 20 largest shareholders	47,7228,338	82.10%	

** The data is provided through analysis of beneficial ownership and fund manager information provided in replies to disclosure of ownership notices issued to all custodans 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 shareholders as at 31 December 2020, from the Norwegian Central Securities Depositary (VPS), see Note 21 in Notes to the financial statements Elkem ASA.*

*** Elkem ASA is owned 58.2% 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.*

Board of directors' report

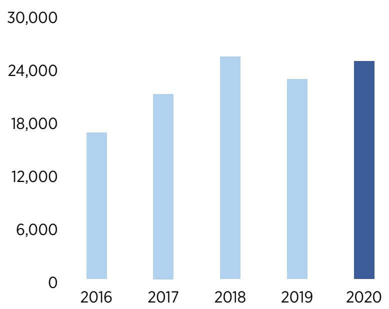
Strong business performance through the pandemic crisis

Elkem has used 2020 to position the company for growth and development after the pandemic crisis. Elkem's mission is to contribute to a sustainable future by providing advanced silicones, silicon, and carbon solutions, adding value to people and society. The board of directors believe that safe and environmentally responsible production is a prerequisite for value creation going forward. With a highly competent organisation, well-invested assets, and attractive market positions, Elkem is committed to create value to all shareholders and stakeholders.

Elkem delivered robust business performance in 2020 even with a negative impact of the global pandemic (Covid-19) crisis. The pandemic outbreak resulted in governmental restrictions on community mobility and social distancing worldwide leading to reduced demand and Elkem customers shutting down operations. Elkem implemented crisis management at corporate, division and plant levels. The situation was closely monitored and risk reduction and value-creating activities were implemented. Elkem had 121 employees testing positive to Covid-19 during 2020. All Covid-19 cases were managed diligently by the local organisations with efforts that prevented further spreading both within Elkem and to Elkem contacts. In 2020, all employees who tested positive with Covid-19 have recovered and returned healthy to work. Elkem had high production utilisation in 2020 despite the crisis and improved production performance overall compared to 2019. Despite logistical challenges and market disruptions, Elkem managed to keep deliveries to customers and benefitted from strong cost positions and integrated value chains.

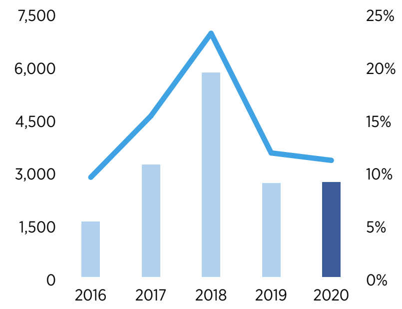
Financial results were negatively impacted by price declines and weaker demand for specialities particularly in EU and the US. Sales towards automotive, construction and healthcare were lower in 2020, negatively impacted by Covid-19. Even though realised prices declined in 2020 and overall market demand was weak, Elkem's sales volumes increased in the year due to an enhanced sales strategy, enabled by competitive cost positions and improved operations compared to 2019. Operational improvements, specialisation and targeted investments were realised throughout 2020 positioning the company to benefit when the pandemic crisis ends, and normalised business conditions re-emerge. Despite a tough year, 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 to all of the group's stakeholders.

Operating income
NOK million

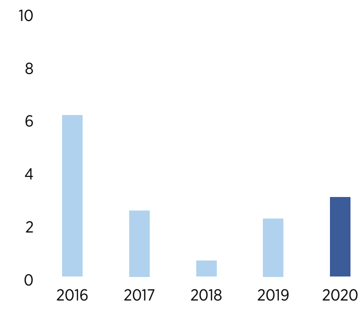


EBITDA
NOK million

Margin



Leverage ratio
(see definition of leverage ratio)



Elkem's consolidated operating income increased by 8.9% year-on-year, to NOK 24,691 million. The EBITDA[1] margin was 10.9% compared to 11.7% in 2019. The leverage[2] ratio was 3.0 times as of 31 December 2020. This is higher than the target leverage range of 1.0 to 2.0 times over the cycle and is a direct consequence of the weak market conditions.

Elkem's policy is to pay a dividend of 30-50% of profit for the year. The board of directors has proposed to the annual general meeting a dividend payment of NOK 0.15 per share for 2020, which would represent 36.5% of profit for the year. The board of directors' view is that proposed dividend is appropriate based on current financial position, market outlook and investment plans.

Continued focus on and improvements within ESG (Environment, Social and Governance) supports Elkem's ambition to be at the forefront in environmentally friendly production of advanced materials. Elkem has strengthened the ESG processes in 2020 to ensure optimal use of internal resources and capital, in addition to better measure performance. Recent top ratings by EcoVadis and CDP confirm that Elkem is among the best performers in this area. A top focus area in Elkem and vital part of ESG is ensuring a safe workplace. Full understanding of health and safety risks has the highest priority in the company and are founded on critical process control combined with a culture of diligence and discipline. Elkem has a strong focus on social and governance issues through the value chain and has strengthened training in anti-corruption and compliance. The channels for grievance and whistleblowing were also strengthened in 2020.

KEY DEVELOPMENTS 2020

Investments enhancing growth and specialisation

Elkem has an ambitious growth strategy supported by organic growth initiatives in addition to bolt-on acquisitions.

- In April 2020, Elkem completed the acquisition of Guangdong Polysil Technology Co. Ltd. (hereinafter Polysil). Polysil is a leading Chinese silicone elastomer and resins material manufacturer with strong positions in baby care and food grade silicones, as well as silicone products for the electronics and medical markets. The integration process has progressed well during 2020 and technologies have been transferred to support Elkem's strategy. The financial performance has been better than expected.
- In 2020 Elkem has progressed the construction of an industrial pilot plant for synthetic graphite to battery anodes in Kristiansand, Norway. The pilot, which represents a net investment of NOK 65 million, aims to conclude process route and qualify products, and is expected to open in March/April 2021. In August 2020, Elkem announced that it has selected Herøya Industrial Park as the site for a potential large-scale plant for battery graphite production in Norway. The project, named Northern Recharge, aims to supply the fast-growing battery industry through a competitive and more sustainable production process with lower CO_2 emissions.
- In September 2020, Elkem decided to invest in a new biocarbon industrial pilot plant in Canada. The project aims to secure industrial verification of Elkem's technology for renewable biocarbon, with a long-term goal of contributing to climate-neutral metal production. The technology also has potential for application in other industry sectors, contributing to reduced CO_2 emissions.
- In addition to the above milestones, Elkem carried out several other value creating activities including making an investment decision for production of ultra-high purity silicone raw materials for medical applications, opening a new production facility in China dedicated to specialised silicones for hybrid and electric vehicles, increasing carbon electrode production capacity in Norway, upgrading the silicon furnace at Salten in Norway reducing NOx emissions and progressing the partnership construction of the largest energy recovery plant in Norway at Salten. Elkem also signed a new loan facility of NOK 2,000 million (undrawn) to secure refinancing of loan maturities in 2021.

Corporate structure and organisation improved

Elkem's divisions have unique strengths and growth potentials. The board has reviewed the corporate structure and implemented concrete initiatives to speed up value creation.

- In first quarter 2020, Elkem launched a new productivity improvement programme aimed to reduce personnel costs of more than NOK 350 million per year, corresponding to 10% of the company's fixed personnel cost base. The implementation started in the first quarter 2020 and is targeted to be finalised by the end of 2021. The programme addresses all divisions, as well as the corporate functions. The aim is to improve Elkem's profitability to fund growth and specialisation in line with long-term strategy. At the end of 2020, Elkem had realised annual run rate cost improvements of NOK 201 million.
- With effect from 1 July 2020, Elkem changed its corporate structure from four to three business divisions. Elkem decided to merge Silicon Materials and Foundry Products into Silicon Products. The merger will improve and sharpen the commercial focus, gain synergies, and further improve operational excellence. To further streamline operations in China, Yongdeng Silicon became part of the Silicones division from 2021.
- In parallel with the change in corporate structure, Digital Office, Battery Materials and BioCarbon were established as new special focus areas directly reporting to the CEO. Digital Office seeks to speed up digitalisation to ensure competitiveness, drive improvements and value creation across the group. The objective is to make Elkem a data-driven company by implementing digital initiatives. Battery Materials and BioCarbon focus areas relate to the ongoing investments into the pilot stations in Kristiansand, Norway and Canada respectively.

[1] EBITDA commented under APM section
[2] Leverage ratio: defined as Net interest bearing debt excluding non-current restricted deposits and interest-bearing financial assets / EBITDA

ESG remained a key focus area and activities were further strengthened

Elkem has the ambition to be in the forefront of environmentally friendly operations within our industry and carry out business activities responsibly and with excellence.

- During 2020, Elkem reorganised its work within corporate social responsibility and established a new ESG steering committee, responsible for managing and monitoring the group's work within environment, social and governance. The objective is to strengthen and improve Elkem's ESG processes.
- In November 2020, Elkem was awarded a Gold level rating by EcoVadis for the company's sustainability performance and corporate social responsibility. With a score of 70/100, Elkem was rated among the top 5% of the more than 65,000 companies assessed. The company has increased its score from 62/100 in 2019 and is among the top companies in the sector of manufacturers of basic products and other non-ferrous metals.
- In December 2020, Elkem was selected for the CDP's A List on climate change, which showcases the companies leading on environmental transparency and action. Out of the more than 5,800 companies scored by CDP, just the top 5% made the climate change A List this year. CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states, and regions to manage their environmental impacts. It is widely recognised as the global benchmark for corporate environmental transparency. This is Elkem's first year of CDP Climate reporting. Elkem plans to report on CDP water security in 2021.

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. The company has more than 6,800 employees, 29 production sites and an extensive network of sales offices worldwide. In 2020 Elkem had total operating income of NOK 24.7 billion. To learn more, please visit 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 specialty products; and Carbon Solutions, a supplier of electrode paste and speciality products to the ferroalloys, silicon and aluminium industries.

The Silicones division *(or Silicones)* is one of the world's foremost fully integrated silicone companies. Elkem Silicones is one of the leaders in this market and has more than 3,800 employees. The division has R&D laboratories 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 51% of 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 digitalisation and energy demand growth. Elkem's Silicones division serves very diverse markets, from energy to cosmetics, via electronics, aerospace, automotive manufacturing, construction, healthcare, mold-making, paper and textile coating, personal care and more. Elkem has a comprehensive range of silicone products, which includes release coatings, engineering elastomers, specialty fluids, emulsions, and resins.

The Silicon Products division is a world-leading supplier of silicon, ferrosilicon, foundry alloys, microsilica, and other specialty products. The Silicon Products division represents approximately 42% of total operating income from external customers. Silicon Products has approximately 2,300 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 array of applications predominantly as an alloying material for aluminium and in the production of silicones and polysilicon. 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 (or Carbon) is the world leading supplier of electrode paste and specialty products to the ferroalloys, silicon, and aluminium industries. The division has approximately 390 employees and plants in Norway, South Africa, Brazil, Malaysia, and China. The Carbon Solutions division accounts for around 7% 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

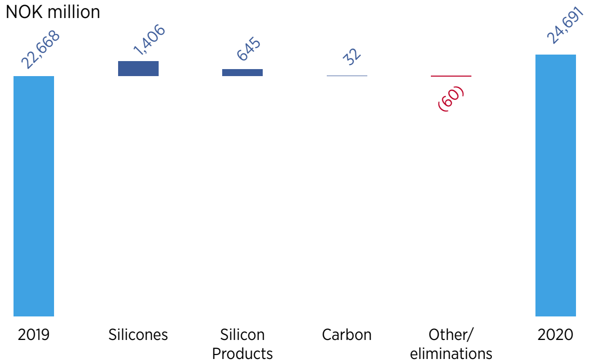
Consolidated profit and loss statement

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 2020.

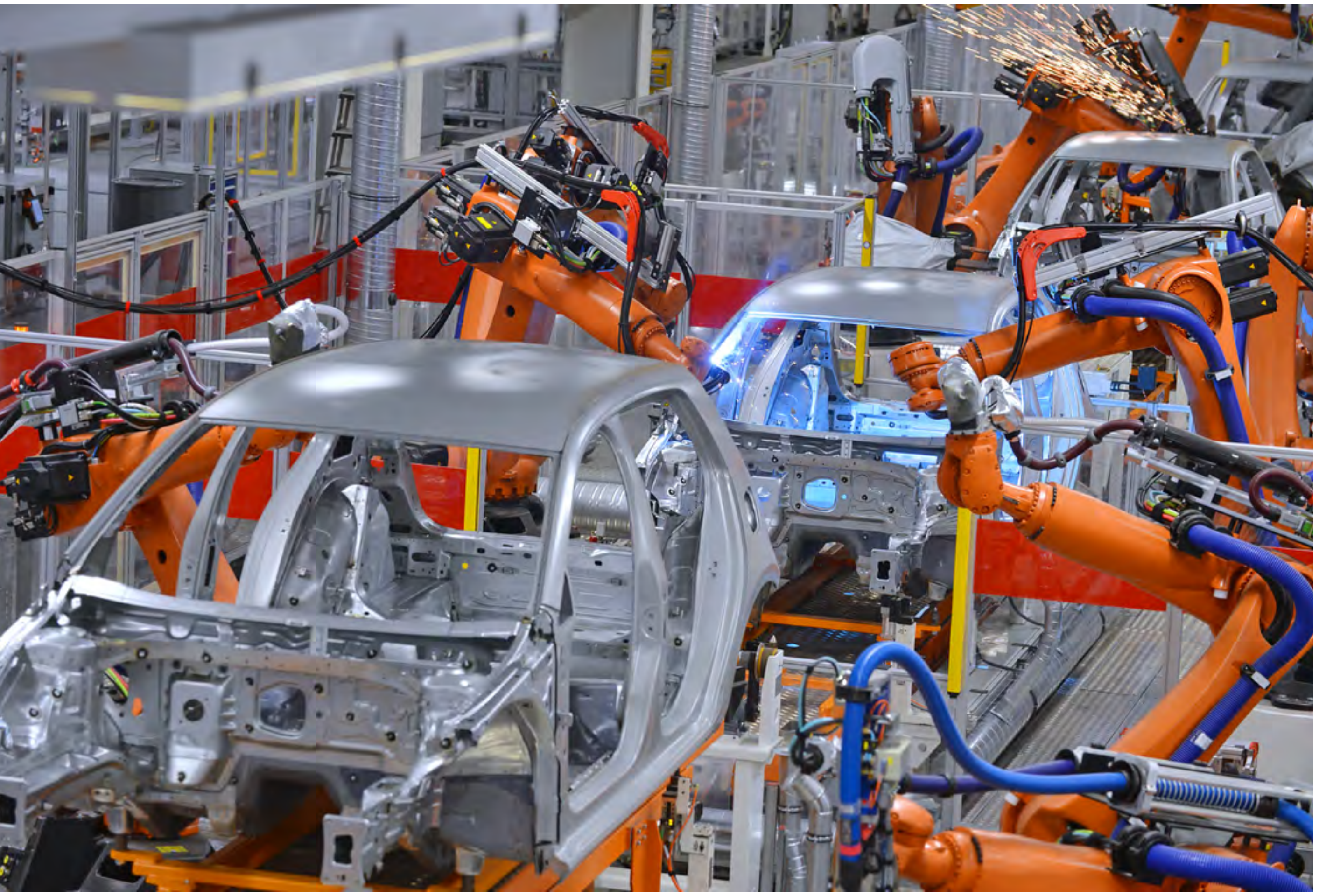
Consolidated operating income for the Elkem group amounted to NOK 24,691 million compared to NOK 22,668 million in 2019. The increase of 8.9% was supported by the acquisition of Polysil in addition to increased sales volume compared to 2019 and positive impact from weakened NOK vs primarily USD, EUR, and CNY from all divisions, partially countered by negative price impact. The Silicones division saw a 12% increase in operating income supported by approximately 11% increase in sales volume and revenue stream from Polysil. This was partly offset by negative price impact in all regions. Operating income for the Silicon Products division increased by 6% supported by higher sales volume of ferrosilicon and silicon. This was partly offset by lower sales volume of foundry alloys particularly towards the automotive industry and lower realised prices compared to 2019. Carbon Solutions' operating income increased by 2% supported by improved prices.

Operating income

NOK million

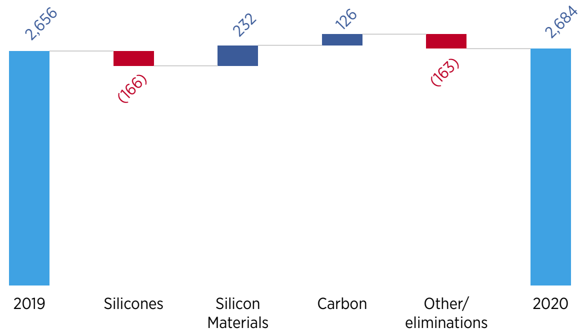


Consolidated EBITDA ended at NOK 2,684 million compared to NOK 2,656 million in 2019. The corresponding margin decreased from 11.7% in 2019 to 10.9% in 2020. EBITDA improved year-on-year for Silicon Products and Carbon Solutions, whereas Silicones EBITDA declined. Silicones experienced negative price impact particularly in China, in addition to negative mix effects in EU and US related to low demand from health,



automotive and construction sectors. Silicon Products improved EBITDA supported by lower raw material cost and improved sales volume overall, however partially countered by negative realised price effects and weaker sales volume towards automotive. Carbon Solutions delivered a strong EBITDA improvement supported by margin management and operational excellence.

EBITDA
NOK million



Consolidated operating profit was NOK 827 million in 2020 compared to NOK 1,384 million in 2019, a reduction of NOK 557 million explained by increased amortisation and depreciation and reduced contribution from other items. Amortisation and depreciation was NOK 1,710 million in 2020 compared to NOK 1,456 million in 2019. The increase in amortisation and depreciation is attributed to translation effects on currency in addition to high investment level in 2019 and 2020. Impairment losses were NOK 17 million in 2020 compared to NOK 11 million in 2019. Other items were NOK 130 million negative in 2020 compared to NOK 195 million positive in 2019. Other items are largely related to restructuring provision related to the ongoing productivity improvement programme, negative impact from change in fair value commodity contracts, partially countered by positive impact from embedded EUR derivatives in power contracts in 2020.

Consolidated profit before income tax ended at NOK 584 million for the year compared to NOK 1,134 million in 2019.

Share of loss from equity accounted financial investments was NOK 15 million in 2020 compared to NOK 12 million in 2019. Finance income was NOK 31 million and foreign exchange gains were NOK 17 million in 2020 compared to NOK 41 million and NOK 15 million in 2019 respectively. Finance expenses were NOK 278 million compared to NOK 295 million in 2019.

The consolidated profit for the year was NOK 278 million, including a NOK 306 million tax expense. The tax expenses were mainly related to countries with taxable profit and tax effects of changes in non-recognised deferred tax assets.

The main items recognised in the consolidated statement of other comprehensive income relate to cash flow hedges (foreign currency hedges and power price hedges). These items had a net expense of NOK 245 million for 2020, compared to a net expense of NOK 133 million in 2019.

The total comprehensive income for the year was NOK 32 million in 2020 compared to NOK 764 million in 2019.

The share of consolidated profit attributable to shareholders of Elkem ASA was NOK 239 million resulting in basic earnings per share NOK 0.41 per share in 2020 compared to NOK 1.47 per share in 2019.

In the third quarter of 2020, Elkem changed its internal reporting to management, impacting the composition of Elkem's operating and reporting segments. Please refer to note 6 for more information.

Divisions business performance

Silicones had an operating income in 2020 of NOK 12,680 million (NOK 11,274 million in 2019). EBITDA was NOK 1,357 million in 2020 compared to NOK 1,523 million in 2019. The EBITDA decrease was caused by lower sales prices stemming from all segments and regions. The negative price impact was partially compensated by 11% increased sales volume year-on-year and positive impact from currency translation. Total sales volume increased from 336,000 metric tons (mt) in 2019 to 372,000 mt in 2020. Silicones experienced weak sales volume in the first quarter, but for the rest of the year the sales volumes exceeded the 2019 levels. The first quarter was impacted by the Covid-19 shutdown in China. The Chinese market recovered after the first quarter, but sales volumes were then weaker in EU and the US as the pandemic moved across the world. The fourth quarter in 2020 ended with all-time high sales volumes reflecting attractive market positions, improved demand, and strong operational performance.

Silicon Products had an operating income in 2020 of NOK 11,578 million (NOK 10,933 million in 2019). EBITDA was NOK 1,189 million in 2020 compared to NOK 958 million in 2019. The higher EBITDA was attributable to improved sales volume, lower raw material prices, favourable currency, and higher other income partially countered by negative underlying sales price development despite slightly positive CRU reference prices. Sales volume improved by 5% year-on-year supported by competitive cost positions enabling Elkem to operate at near full capacity and capturing sales. Sales volume increased from 499,000 mt in 2019 to 526,000 mt in 2020, however the sales volume mix contributed negatively in the year with lower sales towards automotive and foundries in Europe.

Carbon Solutions' operating income in 2020 was NOK 1,870 million (NOK 1,838 million in 2019). EBITDA was NOK 438 million in 2020 compared to NOK 312 million in 2019. The EBITDA result for Carbon Solutions was all-time high. The improved EBITDA is mainly due to improved margin management on sales portfolio in addition to improved operational excellence and cost performance. Sales volumes ended at 256,000 mt in 2020 compared to 257,000 mt in 2019.

Cash flow and statement of financial position

Cash flow from operating activities was NOK 2,111 million for the year, compared to NOK 1,839 million in 2019. Operating profit (NOK 827 million), amortisation, depreciation and impairment (NOK 1,727 million), changes in working capital (NOK 232 million) constitute the biggest positive contribution to cash flow from operating activities in 2020, whereas income taxes paid (NOK 188 million), interest payments made (NOK 239 million) and changes in fair value of derivatives (NOK 264 million) account for the main negative contributors.

The accounts on amortisation, depreciation and impairment increased from 2019 levels. A significant portion of the increase came from Silicones as a result of higher investment levels in 2019 and 2020 in addition to currency translation effects on EUR and CNY compared to NOK. The increased investment level reflects the strategic ambition to grow in particular in Silicones. Changes in working capital was positive year-on-year despite logistic and supply chain challenges. During 2020 management continued with high focus on optimising working capital. Initiatives carried out included 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 further expansion of factoring arrangements for the group. The working capital was at a historic low level at the end of 2020 relative to revenues.

Cash flow from investing activities amounted to NOK 3,262 million for the year, compared to NOK 2,285 million in 2019. The increased cash flow from investing activities in 2020 is mainly explained by the acquisition of Polysil amounting to NOK 1,032 million in 2020. Investments in property, plant and equipment and intangible assets amounted to NOK 2,346 million. Elkem invested NOK 1,387 million into maintenance, EHS, and productivity improvement initiatives during the year. In addition, Elkem invested NOK 835 million into strategic investments.

The strategic investments in 2020 were primarily related to Silicones further investments into Electric Vehicles (EV) in China positioning for a potential growth opportunity, expansion of capacity to produce ultra-high purity silicone raw materials for medical applications and increasing specialisation volume of high consistency rubber (HCR) in China. Silicones also continued building a new Research and Development (R&D) centre in Lyon, France planning to open in Q2-2021. Silicon Products and Carbon Solutions carried out multiple strategic initiatives including a furnace upgrade in Norway Salten to reduce NOx emissions and improving cost position and expansion of calciner production capacity in Norway Kristiansand. Elkem also continued its investments into the battery graphite pilot plant in Kristiansand and BioCarbon pilot plant in Canada.

Cash flow from financing activities was negative NOK 166 million, compared to negative NOK 2,187 million in 2019. The negative cashflow from financing activities in 2019 was related to dividends paid to owners of the parent (NOK 1,511 million) and net changes in bills payable and restricted deposits (NOK 556 million negative). The main items in cash flow from financing activities in 2020 was dividends paid to the owners (NOK 349 million), payment of lease liabilities (NOK 104 million), payment of interest-bearing loans and borrowings (NOK 1,433 million) countered by new interest-bearing loans and borrowings (NOK 1,636 million) and net changes in bills payables and restricted deposits (NOK 113 million).

Change in cash and cash equivalents was negative NOK 1,317 million for the year.

Elkem's financial position was strong at the end of 2020, despite a weakening of some key ratios. The group's equity ratio fell from 44.7% in 2019 down to a low level of 39.4% in second quarter, followed by improved equity ratio at the end of the year of 40.9%. Leverage ratio for the group also had a similar development. Leverage increased from 2.2x EBITDA at the end of 2019 and ended at 3.0x EBITDA after delivering a strong fourth quarter. The board of directors views the group's underlying competitive positions and a strong equity ratio as a good basis to support further growth of the group.

Net interest-bearing debt[3] amounted to NOK 8,058 million as of 31 December 2020. Cash and cash equivalents amounted to NOK 3,154 million in addition to NOK 4,916 million in undrawn credit facilities. Total interest-bearing liabilities was NOK 11,534 million as of 31 December 2020 whereof NOK 4,345 million matures in 2021. Debt maturities in 2021 mainly consist of short-term loans in China mainly for local working capital financing expected to be rolled over, in addition to bonds maturing in December 2021. A 3-year loan facility of NOK 2,000 million was signed in July 2020 to cover the loans maturing in December 2021. The board views the group's cash and financial position to be strong.

GOING CONCERN

The board of directors firmly believes that the Elkem Group has the ability to continue its operations 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 evaluates Elkem's strategic direction, achievements so far and new business opportunities on an annual basis. Elkem's main strategic priorities are specialisation and growth. Specialisation is important to enhance value creation and achieve more stable and higher margins. The demand for Elkem's products is driven by global mega trends and Elkem's goal is to grow faster than the market, particularly within silicones in Asia. In order to achieve its strategic priorities, Elkem focuses on; operational excellence, digitalisation, people development and ESG. Elkem is also exploring the commercial potential of new growth areas like battery materials, biocarbon and energy recovery.

Specialisation and growth

The board of directors intends that Elkem continues to pursue its specialty strategy to reduce cyclicality and increase sales of higher-margin specialty products across each division. Continued investments in R&D will be key 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. Elkem has in recent years completed acquisitions of Basel Chemie in Korea and Polysil in China. Both acquisitions have given access to attractive R&D competence and specialised market positions.

Several global mega trends are expected to drive the growth for Elkem's products. Elkem aims to pursue further growth through organic projects and acquisitions. The main growth focus will be on silicones in Asia. This may be supported by up- and downstream development, as well as potential transactions. In other business areas such as silicon and carbon, the plan is to pursue selected growth initiatives. The overall target is to grow faster than the market and to achieve revenue growth of 5 to 10% per year.

Profitability improvements and operational excellence

Elkem has significant industry experience based on the lean manufacturing principles outlined in Elkem Business System (EBS). The strategy is to ensure that Elkem can remain a low-cost producer based on operational excellence, economies of scale, and an integrated value chain from raw materials to advanced end products.

A productivity improvement programme was launched in 2020. The programme has an identified potential of more than NOK 350 million in annual improvements, mainly related to savings in fixed personnel costs and contractors' costs. By year-end 2020 savings with an annual run rate of NOK 201 million was achieved.

In addition, Elkem's profitability improvement initiatives include systematic efforts to strengthen margins through increased specialisation and well managed product positions. Elkem is also focusing on digitalisation as a strategic measure to improve operations and profitability. The goal is to make Elkem a data-driven company by implementing digital initiatives. These initiatives include projects to streamline processes optimise resource allocation and to develop cultural capabilities and agile working methods.

[3] *See APM section*

A key element of Elkem's strategy is people development. Empowered people are central to EBS and the target is to develop employees to become competent problem solvers and to utilise the full potential of people's skills, experience, and competences.

ESG is becoming increasingly important and the board has stepped up its focus on improvements in all aspects of Environment, Social and Governance. For more information about the group's ESG efforts, see the ESG report, page 50.

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

New growth areas

Elkem is exploring the commercial potential of new growth areas like battery materials, biocarbon and energy recovery.

Elkem Advanced Battery materials is a unique growth opportunity based on Elkem's existing competence in graphite and silicon. The demand for batteries is surging, as a result of the rapid growth of electrification in transport and increasing need for energy storage. Elkem sees significant opportunities for a specialised product with a green footprint. The company is currently constructing an industrial scale pilot plant for battery graphite in Kristiansand, Norway. Commissioning in early 2021, the pilot aims to conclude processing routes and enhance the product qualification process with customers. Based on conclusions from the pilot, Elkem will evaluate the basis for competitive large-scale industrial production at Herøya in Norway. Elkem will progress the project towards a planned final investment decision in 2021. Elkem is also searching for industrial or financial partners to co-invest in the Advanced Battery Materials project.

Elkem has together with partners developed a potential breakthrough technology for production of biocarbon. In 2020, Elkem decided to invest in a new biocarbon pilot plant in Canada to secure industrial verification of Elkem's technology for renewable biocarbon, with a long-term goal of contributing to climate-neutral metal production. Using climate-neutral renewable biocarbon instead of fossil coal as a reduction agent is a key part of Elkem's sustainable production strategy. This includes work to develop competitive and sustainable sources of biocarbon as well as longer-term R&D projects.

Energy recovery plants are circular solutions for lower emissions and higher efficiency. With the first energy recovery plant installed at Elkem Bjølvefossen in 1977, Elkem has more than 40 years of experience from the construction and operation of energy recovery plants. The company is currently completing the energy recovery plant at Elkem Salten in Norway, in partnership with Kvitebjørn Energi. 28% of the energy consumption of the plant is expected to be recovered. Annual power production from Elkem's energy recovery plants are expected to total ~480 GWh including Salten, Thamshavn and Bjølvefossen in Norway.

R&D, vital to support and realise Elkem's strategy on growth and specialisation

Elkem devotes considerable effort and resources to Research and Development (R&D) activities with more than 500 people dedicated globally. Elkem's R&D expenses related to processes and products, including improvement projects and technical support to customers, amounts to approximately NOK 548 million in 2020. In addition, Elkem capitalised development expenses of NOK 167 million in 2020.

R&D is important in order to create and develop innovative products for new market needs. R&D efforts are also key to developing environmentally friendly and energy efficient production technologies, and to optimise production throughout Elkem's value chains, which is why R&D is at the core of the group's 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 contributes to the development of new products with tailored properties for high-end markets, new additives for process aids, or for reinforced materials and support with critical analysis information needed for troubleshooting. Elkem's R&D focus will remain imperative in order to reach the group's ambition related to specialisation and growth based on global mega trends.

Open innovation and collaborative mindset

With more than 20 collaborative projects in partnerships with European governments and clusters, Elkem is highly recognised for its open innovation mindset. Through collaboration, Elkem wants to be at the edge of new technologies exploring the new trends:

- Sustainable processes and products
- Circular economy mainly on recycling (including waste and end-of-life)
- New materials for 3D printing and additive manufacturing processes, battery cells and batteries, and lightweight materials
- New chemistry and processes
- Energy efficiency and CO_2 emission decrease by for example replacing fossil coal with biocarbon in the production of silicon and ferrosilicon alloys
- R&D digitalisation, processes and new materials modelling to speed-up the capture of value

To maintain and develop a technological edge, Elkem is evolving through internal projects and different collaborative platforms, including:

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

R&D initiatives and expansion

At Elkem's production sites, new applications are developed supported by laboratory expertise and analysis to ensure that the latest technologies and capabilities are implemented in practice. This working methodology is used in the Northern Recharge project, where Elkem is currently constructing an industrial pilot plant for synthetic graphite to battery anodes and where Elkem has ambitions to establish large-scale industrial production.

In December 2018, Elkem decided to expand capacity and capability by establishing a new R&D centre dedicated to the Silicones division at the Saint-Fons site in Lyon, France. This new site, intended to be operational in 2021, will bring together 130 researchers. The R&D centre will be at the heart of the Chemistry Valley and the Lyon Metropolis to reinforce innovation within Elkem together with external partners globally.

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 main hub.

As a part of Elkem's specialisation strategy, the Silicones division has increased R&D personnel by more than 20% worldwide the last four years, with a clear strategy to leverage on this capacity worldwide. With the acquisition of Polysil, more than 50 scientists in their research and development centre have strengthened the global R&D team.

ENVIRONMENT, SOCIAL AND GOVERNANCE

Elkem's mission is "to contribute to a sustainable future by providing advanced silicon, silicones and carbon solutions, adding value to our stakeholders globally".

We believe that safe and environmentally responsible production is a prerequisite and that Elkem can contribute to the development of more sustainable solutions. Elkem is committed to continuous efforts to maximise the positive impact on the environment and societies around us, as well as to minimise potential negative impact.

Elkem's values form the foundation for the way we conduct our business. Our 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 and appreciating diversity. *Precision* expresses itself through our work to develop and follow standards of best practice and safe and stable production. *Continuous improvement* means to always look for improvement potential.

Elkem works to ensure best practice within ESG to secure socially responsible and sustainable business practices towards all stakeholders. In order to ensure that Elkem identifies and covers all material environmental, social and governance related topics, an updated materiality analysis was conducted in 2020. A materiality analysis is a method to identify and prioritise the issues that are most important to an organisation and its stakeholders. Key stakeholders, such as labour unions, customers, investors, banks, NGOs, governmental institutions and employers' organisations were interviewed. The topics that Elkem's stakeholders rated highest in term of importance were environmental management, climate change mitigation, health and safety, water and waste management, labour rights and governance and risk management.

The ESG report details our commitment and activities within environment, social and governance and is prepared according to the framework of the Global Reporting Initiative – the most used sustainability reporting framework globally. The ESG report can be found on page 50. This report is an integral part of the Report of the board of directors.

Environment, health and safety

Environment, health and safety (EHS) is the backbone of Elkem's business and is always our first priority. Our EHS efforts are based on a zero-harm philosophy.

The safety of our employees is the most important aspect of our philosophy. We strongly believe, and have shown, that our production can be done without any harm to our 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. Health and safety management is one of the prioritised material topics to Elkem. More information about our management system, reporting and how we follow up throughout the organisation and value chain is available in the Social chapter in the ESG report, page 75.

Elkem has a strict reporting regime for injuries and requires all injuries to be reported, investigated and mitigated independent of severity. Of a lost workday rate of 0.8 injuries per million work hours for own employees, only one injury was defined as high severity in 2020. This is a reduction from 2019 when the lost workdays rate was 1.1 and the number of high severity injuries 3. There were no fatalities at the Elkem plants in 2020.

As a global company, Elkem affects the environment and communities around the world every day.

One of Elkem's key priorities is to minimise the environmental impact through the value chain. This is why Elkem is always looking for new and innovative ways to reduce waste and emissions, and to increase the yield from raw materials. This implies using highly developed production technology and running operations with resource-efficient processes. Environmental and energy management, climate change mitigation and adaption, water and waste management are material topics that Elkem needs to respond to. For more information about the efforts of reducing our environmental footprint and increase the positive impact of our products, see the ESG report under the chapter Environment, page 62.

Diversity and gender equality

Elkem is committed to provide equal opportunities for all employees in an inclusive work culture. Elkem appreciate and recognise that every individual is unique and valuable and should be respected for his or her individual abilities.

Elkem does not accept any form of harassment or discrimination based on gender, religion, race, national or ethnic origin, cultural background, social group, disability, sexual orientation, marital status, age, or political opinion. The group seeks to provide equal employment opportunities and treat all employees – and job seekers fairly.

The company has well-established policies and practice to ensure that there is no discrimination. The policy and established practises include code of conduct, Human Rights policy, recruitment, compensation and benefits, working conditions, possibilities for promotion, development and protection against harassment.

Total share of women in Elkem in 2020 was 25%, and women in leadership roles are also at 25%. The corporate recruitment policy and related training materials includes topics such as including female recruiters and/or managers in each recruitment process and tracking the proportion of female candidates throughout the process. The trainee programmes have been prioritised and attractive to recruit women. The share of women in the trainee programme for 2020 is 58%.

The female share of new hires was 26% 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 relevant to men leave the company than are hired. The female share of part time employees was 60% and the female share of temporary hires was 18%.

Parental leave is only tracked in Norway for 2020, eligible women took on average 38.7 weeks leave, and men took on average 18.5 weeks leave, out of the maximum of 52 weeks regulated by the government.

The age distribution in the company is 14% below 30 years old, 60% between 30 and 50 years old and 26% above 50 years old, similar to the numbers from 2019. For more information about efforts to secure equal opportunities and increase the female share in the company, see the ESG report, page 81.

Governance

The board of directors recognises the importance of good corporate governance. The goal to ensure protection of all shareholders' interests and to ensure 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 lovdata.no. The Norwegian Code of Practice for Corporate Governance may be found at nues.no.

Elkem's board consist of 11 board members of which eight are shareholder elected and three are employee elected. Four of the shareholder-elected board members represent the majority shareholder while the other four shareholder-elected members are independent. Elkem had eight board meetings in 2020. A detailed overview of the board members' attendance may be found in Note 10 of the financial statement.

In 2020 Elkem reorganised its work within corporate social responsibility and established a new ESG steering committee, responsible for managing and monitoring the group's work within environment, social and governance. The ESG steering committee replaced the previous CSR steering committee and is a clear example on Elkem's commitment to strengthen focus and resources within this important area.

The annual statement on corporate governance can be found on page 41 in this report and is an integral part of the Report of the board of directors.

RISK MANAGEMENT

Elkem has global operations and advanced industrial activities. This gives rise to several risks and the board of directors and management closely monitor the business performance through business reviews and risk assessments to verify that adequate measures are in place. The group's main risks are related to strategic risks including ESG, macro-economic conditions, operational performance and safety and compliance related risks.

Elkem's model for risk management

Elkem's model, according to EBS, is to organise resources close to the value chain. This principle also applies to compliance and internal control. Elkem has therefore integrated its risk management and internal control activities as part of the line management's responsibility. This means that the management of each business unit shall ensure:

- Adherence to laws and regulations
- Operations according to Elkem's governing documents, including code of conduct and social responsibility policy
- Qualitative financial reporting
- Realisation of business opportunities and strategy
- Efficient operations

Elkem's total risk exposure and business performance is analysed, evaluated and summarised regularly at corporate, segment and business unit level. The process is bottom up where each of the divisions and key corporate functions go through a defined process to identify and quantify the main risks. The key risks on group level are further analysed both in terms of impact, likelihood and correlation. Based on this, the top ten risks on group level are identified and presented to the board for further assessment of mitigating actions and risk tolerance. The purpose is to identify and assess if the risk picture is acceptable and manageable or if further mitigating actions must be taken. In addition to the top ten risks, the board has added an eleventh risk, which is defined as "black swan", typically an unforeseen event with extreme consequences. History has shown that the biggest overall risk could be related to unexpected incidents which are difficult to foresee and quantify. In 2020, the Covid-19 is an example of such a risk. "Black swan" demonstrates the importance of a general risk preparedness, meaning that the organisation must be able to react quickly and adjust to new market conditions. Covid-19 has impacted Elkem's market conditions significantly in 2020, but the group has managed relatively well through the crisis and been able to maintain stable and good operations and serve its customers whilst securing the health and safety of its employees.

A summary of the risk analysis is presented on page 47.

Business risk

The main risk impacting the group's financial performance is related to prices and sales volumes for silicon-related materials, as well as costs for key raw materials, energy and other consumables. The demand for silicon-based materials has increased over the past years 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 into R&D and capture specialised market positions to reduce commodity price exposure. In addition, Elkem aims to keep a strong financial profile with adequate equity and liquidity reserves to handle and mitigate the effects of economic downturns.

Compliance related risks

Compliance related risks, including failure to comply with all applicable local legislation, international standards on issues such as human rights, labour rights and corruption, are all risk factors that Elkem seeks to mitigate with clear code of conduct and policies, tone at the top, training of our people and internal audits.

Compliance is monitored centrally by corporate help chains, including Environment, Health and Safety (EHS), Human Resources (HR), EBS, Legal and Finance. Elkem's governing documents are available to all employees via Elkem's intranet. Corporate help chains are responsible for internal control within their respective functions including policy and awareness building and conduct audits.

Financial related risks

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. Elkem seeks to reduce the impact from changes in currency exchange rates by a currency hedge programme and loans in foreign currencies. Net cash flows in the main currencies, mainly EUR and USD, are hedged on a 12-month rolling basis using forward contracts. The hedging ratio is 45% on 4-12 months but increased to 90% for contracted cash flows up to 3 months. Chinese yuan (CNY) is not included in the hedging programme because the operating income and costs in China are mainly denominated in the same currency. This means that Elkem has a translation risk for CNY when the results for the Chinese entities are reported in NOK. Elkem aims to mitigate the balance sheet risk by keeping interest-bearing debt in the same currencies as the group's assets. Elkem operates in capital intensive industries and is exposed to interest rate fluctuations on its net interest-bearing debt. Elkem has mainly floating interest rates. This is expected to give an acceptable risk profile as interest rates are expected to be higher in an economic upturn and lower in a downturn, and hence fluctuate in line with Elkem's expected financial performance. However, a floating rate policy gives exposure. The risk is considered to be low in the near to medium term, but the debt portfolio is monitored, and hedging would be evaluated based on exposure and sensitivity.

Liquidity risk related to the company's ability to meet financial obligations is considered low based on satisfactory long-term financing, adequate leverage ratio and equity and access to ample, undrawn credit facilities. Elkem had a cash position of NOK 3,154 million as at 31.12.2020. In addition, Elkem has NOK 4,916 million of undrawn credit facilities. This includes a backstop facility of NOK 2,000 million to cover debt maturities in 2021. Elkem has a good maturity profile on its debt portfolio. It must be taken into consideration that most of the short-term debt consists of liquidity loans in China, which is short term by nature and expected to be rolled over on an ongoing basis. 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.

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

Climate risk

Elkem's has increased the focus on climate related risks and included this in the overview of the group's top risks in 2020. The climate risk assessment is based on possible changes in regulations, customer preference, production technology, physical and market regulations. The company has a fundamentally strong position since 83% of the group's electricity consumption is based on renewable energy, mainly hydro power. For many years Elkem has also pursued a strategy to replace fossil coal with use of biocarbon in its smelting processes. Carbon materials, e.g. coal, charcoal, woodchips etc. are used as reduction agent in the smelting processes to remove the oxygen from the quartz. This results in CO_2 emissions. The target is to have 20% biocarbon share at Norwegian smelters by 2021. In 2020, the number was 19.6%. Elkem's long term target is to increase the biocarbon share to 40% by 2030.

Elkem's products are key raw materials in customer products that are essential for other sustainable solutions. One example is electrification of transportation. The expected demand development for electric vehicles (EVs) represents a significant business potential for Elkem both silicones and battery materials. Elkem's project for new and environmentally friendly production of synthetic graphite to battery anodes is another example of one of the group's attractive green value creation opportunities.

Climate change also poses threats and Elkem has evaluated both the physical and transitional risks in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Elkem's processes and plants are not deemed to be exposed to acute physical risks. Transitional climate risks are mainly defined as strategic and operational risks potentially impacting Elkem's operations such as available technology for reducing emissions, changes in regulations from authorities and changes in consumer preferences.

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 check 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 financial statement with special focus on accounting topics such as provisions and liabilities, estimates and judgements, or issues with 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 future prospects. 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 mega trends such as sustainability, energy demand growth, urbanisation, digitalisation and aging and growing population. The markets for silicones and silicon constitute about 75% of the group's business and are expected to grow at a rate of around 5% per year. Climate risk and environmental regulations will require a need for 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 use of silicones gives a reduction of greenhouse gases that are nine times larger than the emissions from production and end-of-life disposal.

The short-term outlook could, however, be more uncertain based on continued impact from Covid-19 on macro-economic development and financial market conditions. In addition, possible trade tensions and risk of sanctions could also impact demand and supply in Elkem's main markets. The outlook for Elkem's segments has however, improved towards the end of 2020 particularly in China where demand and prices have risen significantly, partly due to government stimulus packages. The outlook has also improved in Europe and North America, but so far at a slower pace.

Elkem will continue to pursue its main strategic initiatives with focus on specialisation and cost competitiveness. Elkem plans to keep reinvestments at 80-90% of amortisations and depreciations 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. In 2020, Elkem launched a new performance improvement programme with the aim to reduce cost by more than NOK 350 million on an annual basis by end of 2021. The programme was ahead of plan by end of 2020. In addition, Elkem decided to merge the Silicon Materials and Foundry Products divisions to gain further synergies and enable better and more streamlined operations.

Elkem's position is considered to be strong at the turn of the year despite the fact that debt leverage increased during 2020. The leverage has been affected by lower EBITDA due to challenging markets conditions and Covid-19 effects, but the equity ratio, cash flow generation and liquidity position of the group were considered to be robust.

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 0.15 per share for 2020, which would represent 36.5% 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 on the annual general meeting.

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 7,626 million in 2020 compared to NOK 6,268 million in 2019. The operating profit ended at NOK 449 million in 2020, compared to NOK 371 million in 2019.

Net change in cash and cash equivalents amounted to NOK 1,714 million. Cash flow from operating activities amounted to NOK 549 million, countered by investing activities of NOK 1,881 million and cash flow from financing activities of NOK 382 million.

Elkem ASA's equity was NOK 9,220 million at the end of 2020. The equity ratio ended at 41%. Profit for the year was NOK 416 million. The net interest-bearing debt amounted to NOK 5,366 million per 31 December 2020. Cash and cash equivalents amounted to NOK 1,799 million.

Allocation of 2020 net profit:

The profit for the year was NOK 416 million. The board of directors proposes the following allocation (in NOK million):

NOK million	
From other paid in capital	(87)
Proposed dividend	87
Transfer to retained earnings	416
Allocated	**416**

The board of directors of Elkem ASA
Oslo, 10 March 2021

Zhigang Hao
Chair of the Board

Dag Jakob Opedal
Deputy chair

Caroline Grégoire Sainte Marie
Board member

Yougen Ge
Board member

Anja-Isabel Dotzenrath
Board member

Olivier Tillette de Clermont-Tonnerre
Board member

Marianne Elisabeth Johnsen
Board member

Helge Aasen
Board member

Terje Andre Hanssen
Board member

Marianne Færøyvik
Board member

Knut Sande
Board member

Michael Koenig
Chief Executive Officer

Board of directors 2020

Zhigang Hao
Chair of the board

Dag Jakob Opedal
Deputy chair

Caroline Grégoire Sainte Marie
Board member

Anja-Isabel Dotzenrath
Board member

Yougen Ge
Board member

Marianne Elisabeth Johnsen
Board member

Olivier Tillette de Clermont-Tonnerre
Board member

Helge Aasen
Board member

Marianne Færøyvik
Board member

Terje Andre Hanssen
Board member

Knut Sande
Board member

Corporate management team 2020

Michael Koenig
CEO

Morten Viga
CFO

Asbjørn Søvik
SVP Business Development

Håvard Moe
SVP Technology

Katja Lehland
SVP Human Resources

Louis Vovelle
SVP Innovation and R&D

Frederic Jacquin
SVP Silicones

Inge Grubben-Strømnes
SVP Silicon Products

Luiz Simao
SVP Carbon Solutions

For more information on Elkem's board of directors and management, please visit: https://www.elkem.com/about-elkem/Corporate-management-and-Board-of-directors/

The board of directors' report on 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. Environmental, Social and Governance (ESG) criteria are increasingly used to evaluate how companies perform. In that respect, this report, combined with Elkem's ESG report, annual report and website, document the group's 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 17 October 2018 and issued by the Norwegian Corporate Governance Policy Board. 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 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 on a yearly basis.

Elkem aspire 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 contribute to a sustainable future by providing advanced silicon, silicones and carbon solutions, adding value to our stakeholders globally. 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.

Elkem was founded in 1904 and is a market leader in the production of silicon-based advanced materials. 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 is operating in capital intensive industries and has 31 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 9 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 (Environment, 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 business 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 on page 50-95 in this report.

Elkem's objectives, strategy 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 risk profile and make regular assessments of these processes to ensure high quality standards.

No deviations from the Code.

3. EQUITY AND DIVIDENDS

As at 31 December 2020, the group's equity was NOK 12,635 million, which is equivalent to 41% of total assets. The total issued share capital of Elkem amounted to NOK 2,906,551,720 divided into 581,310,344 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 – 2.0 times, based on earnings over the business cycle. As at 31 December 2020, the leverage ratio was 3.0 times, which is above target, as a result of lower EBITDA due to challenging market conditions caused by Covid-19. 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 2020, available cash amounted to NOK 3,154 million providing a strong liquidity position. In addition, Elkem has undrawn credit facilities amounting to NOK 4,916 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 net income for the year. The proposed dividend pay-out for the financial year ended 31 December 2020 is NOK 87 million, which corresponds to NOK 0.15 per share. The proposed dividend represents 36% of the group's net income in 2020.

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

At the annual general meeting on 8 May 2020, the board of directors was granted the following authorisations:

i. 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 290,655,172 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 2021, but no longer than to and including 30 June 2021.

ii. 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 2021, but no longer than to and including 30 June 2021.

iii. 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 290,655,172 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 2021, but no longer than to and including 30 June 2021.

Deviations from the Code: The board of directors' authorisation to increase the share capital with an amount up to NOK 290,655,172, 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. This authorisation was not utilised in the financial year ended 31 December 2020.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

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

In the event of an increase in share capital through the issue of new shares, a decision to waive the existing shareholders' pre-emptive rights will be publicly disclosed in a stock exchange announcement issued in connection with the share issuance. Elkem did not resolve any share capital increases in the financial year ended 31 December 2020.

If Elkem should carry out any transaction in its own shares, this will be carried out either through the stock exchange or at prevailing stock exchange prices to ensure equal treatment of all shareholders. Elkem did not carry out any transactions in its own share in the financial year ended 31 December 2020.

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. In 2020, there were no significant transaction between the company and related parties, except for ordinary commercial transactions at arm's length market terms.

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 as many of the company's shareholders as possible can participate in the general meeting. The Covid-19 pandemic has necessitated electronic solutions due to restrictions on meetings and physical presence. In 2020, Elkem arranged for webcast solution for external and internal participants that were prevented from attending the general meeting. 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 are present at the general meeting. Due to the Covid-19 pandemic and relevant governmental restrictions, this may not be possible at all times. Due to national restrictions, the board was represented by the presence of vice chair Dag Jakob Opedal. The chair of the nomination committee was also present while the CEO participated through the webcast solution; 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 be present at 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, however, in accordance with the Norwegian Public Limited Liability Companies Act, Elkem requires the CEO, the chair of the board of directors and the chair of the nomination committee to attend the general meeting. Due to national restrictions in connection with Covid-19, the board was represented by the presence of vice chair at the annual general meeting in 2020.

7. NOMINATION COMMITTEE

Establishment and composition

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 chair and determined the remuneration of the members of the committee

The nomination committee comprise the following members, all of whom were elected on the annual general meeting in 2020:

- **Sverre S. Tysland** / Chair / Practicing lawyer / Independent / Re-elected in 2020 for a term of office of one (1) year until 2021;
- **Zhu Ziaolei** / 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 / Remaining term of office of one (1) year until 2021.

The members of the nomination committee have been elected to take into account the interests of shareholders in general. The majority of the members are independent of the board of directors and 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. Furthermore, the nomination committee ensures 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 website.

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

The board of directors of Elkem comprises 11 members, of which eight 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 2020, the board of directors of Elkem comprise the following persons:

- **Zhigang Hao** / Chair / Representing the majority shareholder / Remaining term of office of one (1) year until 2021;
- **Dag Jakob Opedal** / Vice chair / Independent / Re-elected in 2020 for a term of office of two (2) years until 2022;
- **Olivier Tillette de Clermont-Tonnerre** / Board member / Representing the majority shareholder / Re-elected in 2020 for a term of office of two (2) years until 2022;
- **Yougen Ge** / Board member / Representing the majority shareholder / Re-elected in 2020 for a term of office of one (1) year until 2021;
- **Helge Aasen** / Board member / Representing the majority shareholder / Remaining term of office of one (1) year until 2021;
- **Anja-Isabel Dotzenrath** / Board member / Independent / Remaining term of office of one (1) year until 2021;
- **Caroline Grégoire Sainte Marie** / Board member / Independent / Re-elected in 2020 for a term of office of one (1) year until 2021;

- **Marianne Elisabeth Johnsen** / Board member / Independent / Remaining term of office of one (1) year until 2021;
- **Terje Andre Hanssen** / Board member / Employee representative / Term of office of two (2) years until the annual general meeting in 2022;
- **Marianne Færøyvik** / Board member / Employee representative / Term of office of two (2) years until the annual general meeting in 2022 and;
- **Knut Sande** / Board member / Employee representative / Term of office of two (2) years until the annual general meeting in 2022.

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 eight 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 note 10 to the consolidated financial statements.

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 at 31 December 2020, the following board members owned shares in the company: Helge Aasen (86,206 shares), Olivier Tillette de Clermont-Tonnerre (15,517 shares), Caroline Grégoire Sainte Marie (2,300 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 8 board meetings in 2020. Three board members were absent from one board meeting each. Except for that, all board members attended all board meetings in 2020.

The board of directors reports on any transactions with related parties in the annual 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 comprise the following persons:

- **Dag Jakob Opedal** / Chair / Independent
- **Marianne Elisabeth Johnsen** / Member / Independent
- **Olivier Tillette de Clermont-Tonnerre** / Member / Representing the majority shareholder

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 comprise the following persons:

- **Zhigang Hao** / Chair / Representing the majority shareholder
- **Anja-Isabel Dotzenrath** / Member / Independent
- **Caroline Grégoire Sainte Marie** / Member / Independent

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. Internal control should ensure effective operations and prudent management of significant risks that could prevent the group from attaining its targets. Elkem's internal controls and systems also cover the company's corporate values, ethical guidelines and standards to ensure good performance in ESG.

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 2020 until the annual general meeting in 2021 are as follows:

Board of directors:
- Chair: NOK 750,000
- Deputy chair: NOK 562,500
- Board members: NOK 375,000
- Observers: NOK 187,500

Audit committee:
- Leader: NOK 135,000
- Members: NOK 90,000

Remuneration committee:
- Leader: NOK 135,000
- Independent members: NOK 90,000

The total compensation to members of the board of directors in 2020 is disclosed in note 10 to the consolidated financial statements.

No Deviations from the Code.

12. REMUNERATION OF EXECUTIVE PERSONNEL

The board of directors prepares guidelines for the remuneration of executive management which support Elkem's prevailing strategy and values. These guidelines include the main principles for the company's remuneration policy and contributes to aligning the interests of the shareholders and the executive management. The guidelines are communicated to the annual general meeting and the board of director's statement will be presented in a separate appendix to the agenda for the general meeting.

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. As at 31 December 2020, 22,767,000 options were outstanding to members of the management and certain other key employees, of which 7,267,000 were granted in 2018, 7,500,000 were granted in 2019 and 8,000,000 were granted in 2020. 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. 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 Børs 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 investor meetings in connection with each of the quarterly presentations in 2020 and participated on several investor conferences. The IR team has met with investors from Oslo, London, Frankfurt and other cities. Due to the Covid-19 pandemic, most of these meetings and conferences have taken place on various electronic platforms. The plan is to arrange regular investor meetings and a capital market day 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 58.2% of the shares as at 31 December 2020. Elkem has not been subject to any takeover bids in 2020.

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 shareholders 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 agreement 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 intention 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 2020. 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 material 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 company'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 2020.

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, 10 March 2021

Zhigang Hao *Chair of the Board*	**Dag Jakob Opedal** *Deputy chair*	**Caroline Grégoire Sainte Marie** *Board member*	**Yougen Ge** *Board member*
Anja-Isabel Dotzenrath *Board member*	**Olivier Tillette de Clermont-Tonnerre** *Board member*	**Marianne Elisabeth Johnsen** *Board member*	**Helge Aasen** *Board member*
Terje Andre Hanssen *Board member*	**Marianne Færøyvik** *Board member*	**Knut Sande** *Board member*	**Michael Koenig** *Chief Executive Officer*

Overview of main risk areas

Risk management is important from a corporate governance perspective and to create trust and to enhance value creation.

Elkem's board and management have a strong focus on risk management to ensure that the group has adequate processes in place and an acceptable risk profile.

Management carries out a yearly risk mapping process. The process is bottom-up, based on interviews with representatives from all divisions and corporate support functions. The objective is to identify the top five to ten risks for each division or function. Risks are evaluated based on likelihood, estimated financial impact and mitigating actions. The main purpose is to gain a thorough understanding of the group's risk profile and financial risk tolerance.

A consolidation of the main risks from all divisions and corporate support functions is included in this report.

Based on internal polices and procedures as well as financial hedging programmes and global insurance programmes, it is the board and management's view that Elkem has adequate risk mitigation measures in place.

Risk descriptions

Risk no	Description
1 «Black swan»	"Black swan" describes an event which is extremely rare and can cause catastrophic damage to an economy. It cannot be predicted beforehand. Regardless of how strong risk management procedures companies have, it is impossible to prepare for every scenario. In 2020, Covid-19 was such a scenario. "Black swans" demonstrates 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 challenging market conditions. In 2020, Elkem has managed relatively well through Covid-19, but the pandemic has severely impacted some of the group's end markets.
2 Covid-19	The Covid-19 pandemic has severely impacted market conditions and peoples' lives during 2020. The pandemic has led to shut-downs and macro economic disruptions. As the effects of the Covid-19 pandemic is still not over, this is deemed to constitute one of the major risks for Elkem also going into 2021. Elkem is doing is utmost to protect the health and safety of our employees, contractors and customers and to ensure stable and good operations. In addition, Elkem is working to reduce costs and cash spending wherever possible. The board and management are monitoring the situation closely.
3 Sales volume and product mix	Elkem's sales volumes may vary depending on industry conditions and competitive environment. This is normally considered as the main risk affecting the group's financial performance. In 2020, Elkem's total operating income was NOK 25 billion. A 10% volume reduction could potentially lead to NOK 2.5 billion lower income. 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 is expected to reduce volatility over time.
4 Sales prices	The sales prices for Elkem's products have traditionally been volatile, depending on economic cycles and/or market balance. In commodity markets the prices and volumes are typically closely correlated. Sales prices are considered as one of the main risks affecting the group's financial performance. A 10% price change on the main commodity products is estimate to give approx. NOK 0.7 billion of EBITDA effect. Prices on speciality volumes have less price volatility.
5 Currency	Elkem is exposed to currency fluctuations on result, cash flow and equity. The group has significant sales in EUR, USD and RMB. A 10% weakening of NOK vs USD, EUR and RMB is estimated to have an EBITDA impact of approx. NOK 0.6 billion. The currency risk is managed centrally according to a predefined hedging policy. Despite mitigating actions, the impact from currency fluctuations could still be significant. Currency fluctuations could also affect the group's equity due to assets and debt in various currencies.
6 M&A and organic projects	Large investment projects carry an inherent risk of e.g. cost overruns and delays. In addition, M&As carry risks 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, Such issues may impact the group's liquidity and financing position. Elkem seeks to mitigate risk by diligent follow-up according to Elkem's governing documents, including due diligence processes comprising professional support from legal, financial, audit and industry expertise.

Risk no	Description
7 Regulatory and political framework conditions	Elkem has operations in many countries and may be exposed to changes in political leadership, financial instability or social unrest. Regulatory and political framework conditions may also affect competitive position and access to markets. Such risks include changes in tariffs and anti dumping duties, changes in the EU emissions trading system and restrictions on silicones intermediates such as D4, D5 and D6 (which are listed as substances of very high concern by The European Chemicals Agency (ECHA)). Elkem's diverse geographical presence is mitigating risk related to trade barriers and Elkem is working with governmental bodies and industry organisations to promote fair and balanced industry conditions. Elkem has on-going projects and actions to reduce residual D4, D5, and D6 in our materials.
8 Environment and climate	Environment and climate risks comprise regulatory, transitional and physical risks. Elkem's production units must operate within environmental regulations to ensure their license to operate. Such regulations could become stricter over time. Transitional climate risks are mainly related to factors that could impact Elkem's operations, e.g. available technology for reducing emissions, changes in regulations from authorities and changes in consumer preferences. Elkem's processes and plants are not deemed to be exposed to acute physical risks such as flooding, drought, heat stress or wind.
9 Governance, compliance and ethics	Elkem's global operations include countries where the risk of corruption and unethical business behaviour is deemed as high. Such breaches could have significant financial impact, particularly related to corruption or breach of sanctions. Such breaches also carry a significant reputational risk. Proper guidelines for ethical conduct, training of all employees and good internal control measures are the main actions to mitigate and prevent such incidents.
10 Cyber risk	Elkem's operations depend on extensive use of IT systems. Elkem's digitalisation strategy could increase the dependency on secure and well functioning IT systems. A cyber attack could cause severe disruptions to Elkem's operations. Good IT procedures with focus on security, training, up to date equipment and frequent software updates are the main actions to mitigate and prevent such incidents.
11 Explosion / fire	Elkem's processes carry an inherent risk of fire, explosion and emission of chemical substances. The financial risk is considerable, both property damage and business interruption/lost sales. Elkem has insurances in place to cover property damage, business interruption and environmental claims. Management follows up closely to monitor and reduce risks.

ESG report 2020

Our focus on sustainability

ESG – a top priority and key strength

83%
Share of total gross electricity consumption that is based on renewable energy production.

25%
Female share in the company. Our ambition is to increase the share of women across the company and in management positions.

77%
Share of sites without injuries. Our target is zero recordable injuries for all plants.

64%
Employees that are covered by collective bargaining agreements. All employees are informed about and supported in their ability to organise and collectively bargain with management.

67%
Share of waste that was reused and recycled. Utilisation of by-product and side streams is key to eliminate waste.

20%
Share of direct CO_2 emissions based on renewable biogenic sources in Norway. The nature of the sources makes these emissions carbon neutral.

24%
Reduction in NOx emission at Norwegian smelters since baseline year of 2015.

CDP A list
Recognised for transparency and actions on climate change mitigation, ranking at top 5% of all companies rated.

ESG – highlights 2020

E

ENVIRONMENT

- Strong profile based on 83% renewable energy.
- Ambitious biocarbon strategy – target of 20% biocarbon share for 2020 reached.
- Announcement of investment decision of industrial pilot plant for biocarbon production in Chicoutimi, Quebec, Canada.
- Increased focus on scope 3 emissions, with ambition to report in 2021.
- Substantial reduction in NOx, SO_2 and dust over the past years.
- Announcement of battery materials plant location at Herøya, Telemark, Norway.

S

SOCIAL

- High focus on health and safety with zero injury target. Total recordable injury rate for 2020 was at 2.3.
- Diversity based on global presence.
- Updated stakeholder materiality analysis in 2020, to ensure dialogue and engagement with key stakeholders.
- Global grievance channel established in 2020 to secure input from local communities and other stakeholders.

G

GOVERNANCE

- Strong focus on good corporate governance.
- New employee training programme for anti-bribery and -corruption in 2020.
- Whistle-blower programme in all main languages rolled out
- Heightened focus on ESG throughout the group
- A global supply chain management system, including supplier pre-qualification has been developed and will be rolled out in 2021.
- Decision to implement the TCFD framework as a part of the risk management process, with reporting set for 2021.

Introduction:

Sustainability in Elkem 2020

2020 marked several important milestones for Elkem, but was also dominated by the extraordinary situation of the global pandemic, affecting all parts of society. The long-term implications of Covid-19 are yet to be fully understood, but Elkem's ambitions for a sustainable development has not changed. We now have 10 years to fulfil the commitments in the 2030 Agenda of the United Nations Sustainable Development Goals.

MISSION

Elkem's mission is to contribute to a sustainable future by providing advanced silicon, silicones and carbon solutions, adding value to stakeholders globally. It is our belief that companies that act responsibly and create value by securing sustainable economic growth with a limited environmental footprint will be successful in the long term.

COMMITMENTS

Elkem is committed to conduct business in support of the United Nations Sustainable Development Goals (SDGs) and the Paris Agreement ambitions. 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 and have made available an updated UK Modern Slavery Act statement.

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.

Elkem is a signatory to the Responsible Care Global Charter, the chemical industry's global initiative to drive continuous improvement in environment, health, safety and security performance. Membership entails a commitment to managing chemicals safely throughout their life cycle.

Elkem is committed to comply with international regulatory requirements and provides safety data sheets (SDS) for all its products in accordance with the UN Globally Harmonized System of Classification and Labelling of Chemicals (GHS) or its national implementations.

Opportunities and challenges – Elkem value chain

For Elkem, increased attention on sustainability in society is a great opportunity. Elkem's products are critical input factors to a vast number of applications that are necessary in sustainable solutions such as renewable energy, energy storage, mobility solutions, infrastructure improvements, digitalisation and health care. The increasing demand for low-carbon technologies and products such as solar panels, batteries and electrical vehicles will therefore increase demand for several of Elkem's product segment within silicones, silicon and ferro-alloys.

We are simultaneously engaging actively to reduce the environmental impact from our own production processes to create the materials necessary to a enable a sustainable future.

The financial sector is, together with other stakeholders, putting more emphasis on the financial risks related to insufficient sustainability initiatives and the expectations for non-financial disclosure are increasing. The accelerating need to understand the risks, opportunities and challenges, in non-financial reporting has influenced Elkem's sustainability work and reporting in 2020. Environmental, Social and Governance (ESG) related factors are becoming increasingly important for investment decisions and has become an important acronym in 2020. Elkem's ESG report underlines the efforts of the company to coordinate, manage and report on ESG. The report highlights the way sustainability is integrated in the company and has been prepared in the chapters Environmental, Social and Governance, and according to our materiality analysis.

OPPORTUNITIES AND STRENGTHS	• 83% electricity from renewable sources • Increase share of biocarbon and biochemicals • Potentially benefitting from stronger environmental and social standards	• Potential for further energy efficiency and recovery • Product development e.g. Polycyclic aromatic hydrocarbon (PAH) free products • Carbon capture storage and utilisation • Strong product stewardship • Improve safety through automation	• Carbon footprint in value chain vs. competition • Products enabling reduced GHG emissions • Increasing end-products' durability • Replacing oil-based plastics and raw materials
VALUE CHAIN	Raw materials →	Production and processes →	Markets and end products
CHALLENGES AND WEAKNESSES	• Carbon material (coal) required for smelting processes • Limited sustainable biocarbon available • Land use for quartz mining and biocarbon production	• CO_2 emissions and CO_2 prices • NOx, SO_2, dust and PAH emissions • Water management • Hazardous waste and landfill • Chemical safety	• Continuous tightening of environmental regulations • Cyclics (D4, D5 and D6) listed as substances of very high concern • Chemical reputation
TOPICS RELEVANT ACROSS THE VALUE CHAIN	• Compliance • Ethical business standard • Human rights	• Regulatory and political changes • Digitalisation • Innovation and Research and Development • Competitive position and financial strength	
MATERIAL TOPICS	• Climate change mitigation • Environmental management • Health and safety	• Water and waste management • Labour rights • Governance and risk management	

SUSTAINABILITY ACHIEVEMENTS AND REPORTING

In 2020 Elkem secured the gold rating for the second time from Ecovadis, a business sustainability rating, putting the company at the top 5% of the more than 65,000 rated companies. In 2020 Elkem achieved its first A rating from CDP, which recognised the company's efforts on transparency and action on climate change mitigation. For 2021, Elkem has decided to include reporting on CDP Water security, in addition to the reporting on CDP Climate.

To better understand the implications of climate change, Elkem decided to integrate the framework of the Task Force on Climate-related Disclosure (TCFD) in our risk management system and governance of climate related risks in 2020. The framework will be implemented in 2021.

In 2019 Elkem began a journey to improve the communication and reporting on sustainability. In addition to meet the three defined reporting targets, efforts have been made to improve our overall transparency and reporting. The ESG report has been prepared in accordance with the GRI Standards: Core option.

Targets	Timeline	Status
Integrate the Sustainable Development Goals (SDGs) into the report and consider reporting on selected targets.	2019-2020	Achieved. Elkem reports on three UN SDG and sub-goals in 2020.
Consider reporting to the Carbon Disclosure Project (CDP).	2020	Achieved. Elkem reported on CDP Climate in 2020 – was awarded a place on the A list.
Consider reporting on climate risk in alignment with Task Force on Climate-related Financial Disclosure (TCFD).	2020-2021	TCFD approved as a strategic tool for climate risk management. Independent report will be prepared in 2021.

Elkem's values form our business conduct

Our dedicated employees base their work on involvement, respect, precision, and continuous improvement.

Involvement ensures that people are committed and close to the decision that affect their work.
Respect is about being fair, open and honest, and appreciating diversity.
Precision expresses itself through our work to develop and follow standards of best practice, ethical business, and safe and stable production.
Continuous improvements mean to always look for improvement potential in all parts of the organisation to reduce our footprint and increase our positive impact on the society around us.

STAKEHOLDER ENGAGEMENT

Our stakeholder dialogue is based on respect for individuals, society and the environment. Maintaining contact with the various stakeholders helps Elkem understand the role we play in local communities and society as a whole, as well as building long term, mutual trust. Based on internal surveys, Elkem's key stakeholders have been identified by the illustration below:

In the table on page 58 you'll find examples of typical stakeholder dialogue and what issues our stakeholders find most important. The table is based on the input given in our annual internal stakeholder survey, sent to our plant and line managers.

Elkem achieved an A rating from CDP in 2020, for climate action and transparency.

Read more at elkem.no

TYPICAL DIALOGUE AND TOPICS OF INTEREST

Stakeholder	Type of dialogue	Main topics of interest
Employees	• Regular meetings – digital and on site • Email/phone dialogue • Shift meetings • Annual meetings (EHS days) • Joint meetings for all (town hall) • Employee satisfaction survey • Personal development conversations, training • Family day/visits at plant • Project management	• Proper and safe working environment • Right EHS competence • Personal and professional development/ right competence • Job satisfaction/ involvement • Fair wages, benefits, welfare • Work-life balance • Staffing/ Turn over • Support system (HR) • Transparent, trust based and secure communication and information • Stable/safe jobs • Cultural changes and differences
Corporate management team	• Monthly/regular meetings • Workshops • Phone / email dialogue • Internal board meetings • Reporting and plant review • Steering committees • Strategy sessions	• Efficiency and improvement • Process under control • Safety performance • Deliver projects on time, quality and budget • Cost efficiency and profitability • Continuous improvement programmes • Organisational challenges and development • Competitiveness • Reach strategy goals • Innovation, new business and new product development
Customers and suppliers	• Regular meetings – digital and on site • Email/phone dialogue • Webinars /seminar • Conferences/ trade shows • Visits at plant and visit customers • Audits • Quality review • Technical meetings • Customer survey • Reporting	• Quality and stability of products • Reliability, confidentiality • Service • Delivery on time / predictability • Right price / payment on time • Smooth administration • Knowledge sharing • Trust and compliance • Strong on sustainability • Financial performance • Innovation • Regulatory compliance • Business ethics
Civil society and local community	• Community /social events • Sponsorships • Informal dialogue • EHS days	• Environmental issues • Political conditions • Plant safety • Emergency response plan • Long term presence
Local, national and international authorities – political and regulatory	• Regular meetings • Planned and unplanned inspections/audits • Conferences and informal meeting places • Reporting	• Development and regulation plan • Regulatory compliance and transparency • Safety/EHS • Environment and resource management • Sustainability / CSR • Active community and long-term presence • Social activities • Safe and responsible employer • Investments for future
Unions	• Monthly meetings • Labour committee	• Working conditions • Contract/tariff negotiations • Environmental issues • Positive communication
Investors and shareholders	• Regular meetings • Conferences / webinar • Presentations and reports	• Value creation • Operational performance • Sustainability/ ESG performance • Financial opportunities • Strategy development • Future business development

Materiality assessment

In 2020, Elkem conducted an updated comprehensive analysis of 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 previous analysis was conducted in 2018.

The stakeholder engagement process and materiality assessment were done in alignment with the framework of the Global Reporting Initiative (GRI) and was conducted by third-party advisors to ensure objectivity during the analyses. The assessment included four steps:

1. Issue identification through an extensive benchmarking of Elkem's peers.
2. Issue prioritisation based on quantitative and qualitative stakeholder dialogue.
3. Internal stakeholder engagement to review, refine and approve the material topics.
4. Disclose outcomes, targets, and material objectives in our external communication.

The assessment included interviews with our external and internal stakeholders, followed up by a survey to quantify results. Included in the analysis was the following stakeholders: investors, board members, employees, local and national authorities, banks, local community and organisations, unions and customers. For a detailed overview of Elkem's stakeholders, type of dialogue and issues of interest, please see the table on the opposite page.

The results from the stakeholder dialogue have given Elkem valuable insight into which economic, social, governance and environmental topics that we impact in our operations that should be prioritised based on stakeholder importance.

The identified material topics maps Elkem's operational impact, our stakeholder importance and our ESG strategy development.

Compliance is not represented in the updated materiality matrix as compliance is integrated in all of Elkem's business areas and will continuously be material to Elkem. Being compliant is the fundamental baseline for all of Elkem's activities and relates to all material topics covered in the report. Compliance is covered in the Governance chapter on page 90, and is a recurring topic throughout the report.

The world of sustainability is changing, and the list of material topics from Elkem's stakeholders has also evolved since 2018 The main changes from the 2018 assessment are that climate change mitigation and labour rights are given the highest priority. Anti-corruption and anti-competitive behaviour are still considered as important topics to Elkem, but they are no longer considered as the most material topics.

The new materiality matrix has been evaluated by the ESG Steering Committee and approved by the Board of Elkem.

ELKEM – MATERIALITY MATRIX

Stakeholders' priority (HIGH → VERY HIGH)	Elkem's business impact on ESG: HIGH		VERY HIGH
VERY HIGH	Circular economy	Sustainable product innovation Anti-competition Anti-corruption Human rights Stakeholder relations	Environmental management[1] Climate change mitigation[2] Health and safety[3] Water and waste management[4] Labour rights Governance and risk management
		Responsible sourcing Responsible value chain Training and development Diversity and equality	Emergency preparedness End-product efficiency Product stewardship Chemical safety
HIGH	Public policy and lobbying Biodiversity Security and data privacy	Job creation and retention	

1) Environmental management includes Energy management.
2) Climate change mitigation includes air quality and GHG emissions.
3) Health and safety includes employee EHS and supply chain EHS.
4) Water management includes spills.

Elkem's contribution to the UN's 2030 Agenda

The UN Sustainable Development Goals (SDGs) were established in 2015 by all the United Nations member states with the intention of working towards a more sustainable and equal world for all by 2030.

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

In 2020, Elkem updated the materiality assessment for the company. In that process, the materiality was linked to how we are impacted and can impact the UN SDGs. Although we understand that all goals are interlinked and work to promote all 17 UN SDGs, three SDGs has been identified as the most material to Elkem and the ones in which we can make a contribution. For the first time, Elkem reports on progress regarding the UN SDGs in 2020. More information about Elkem and SDGs at Elkem's website.

The material topics for Elkem are:

8 DECENT WORK AND ECONOMIC GROWTH	• Occupational Health and Safety, including both employee and supply chain EHS • Labour rights
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	• Water management • Waste management • Governance
13 CLIMATE ACTION	• Climate change mitigation, including greenhouse gas (GHG) emissions and air quality • Environmental management including energy efficiency • Risk management

8 DECENT WORK AND ECONOMIC GROWTH

Subgoal 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.

Elkems position:

Elkem operates and have suppliers in countries where there are risks of child and forced labour. There is a zero tolerance for use of child or forced labour at our sites and we require that our suppliers and contractors uphold same standard.

2020 report:

No reported incidents of child labour or forced labour in Elkem's production or in supply chain.

Subgoal 8.8:

Protect labour rights and promote safe and secure working environments for all workers.

Elkems position:

A safe workplace with zero harm is always Elkem's first priority. The key responsibility to Elkem is a professional and safe workplace for all that work at our sites.

Respect for Human Rights is key to protect labour rights. Elkem is committed to conduct business according to the UN Guiding Principles on Business and Human Rights

More on policies and management se page 75.

2020 report:

One reported high severity injury.

Injury rate: 2.3%

Updated Human Rights policy in 2020

Employees covered by collective bargaining agreements: 64%

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Subgoal 12.4:

By 2020, achieve environmentally sound management of chemicals and all wastes throughout their life cycle in accordance with agreed international frameworks and significantly reduce their release to air, water and soil to minimise their adverse impacts on human health and the environment.

Elkems policy:

Elimination of waste is one of key strategies for successful operations. Waste reduction is mentioned specifically in the general policy.

A strong environmental management of chemical safety, emissions to air and water and focusing on minimising the environmental footprint is a key priority to Elkem.

2020 report:

Total waste generated: 356,156 tonnes

Reduced NOx emissions by 1.6% globally and 7.7% in Norway

Reduce SO_2 emissions by 5.5%

No significant spills of D4/D5

For information and status on other emissions, see page 73.

Subgoal 12.5:

By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

Elkems policy:

Elkem's goal is to consider all raw material and process waste as by-products that can be reused or sold.

Any residual waste left after other efforts is disposed in accordance with local regulations.

2020 report:

Total waste diverted from disposal: 237,645 tonnes

More information on waste management, on page 67.

13 CLIMATE ACTION

Subgoal 13.1:

Strengthen resilience and adaptive capacity to climate related hazards and natural disasters in all countries.

Elkems policy:

Elkem's ambition is to reduce the company's fossil CO_2 footprint, by increasing the use of renewable carbon sources and development of innovative production processes.

Endorses the intention of the Paris agreement of limiting global warming to 1.5°C degrees.

2020 report:

Ranked at CDPs A List

Scope 1 emissions from renewable, biogenic sources: 20%

Energy recovery rate: 11%

For more information, see our climate change mitigation chapter, on page 64.

ESG:

Environment

As a fully integrated value chain producing silicon and silicones, Elkem acknowledges the environmental footprint of the company, at the same time as the products we produce are essential for companies efforts to reduce their environmental footprint. Our products also contribute to reduce emissions for society as a whole through the products they end up in. Environmental issues are therefore defined as material topics for Elkem with special focus on climate change, emissions, energy, waste and water.

20%	5.5%	✓	711GWh
of scope 1 emissions in Norway comes from renewable, biogenic sources.	SO_2 emissions reduction from 2019	Reached target of 1,000 tonnes NOx emission reduction	energy recovered

The process of converting quartz to silicon is a high temperature smelting process that consumes vast amounts of energy. The production process itself uses carbon sources like fossil coal, charcoal, and wood chips as a reductant in the chemical conversion giving emissions of CO_2, NOx, SO_2 and dust. The emission of CO_2 is inherent to the process and cannot be fully removed with today's technology.

Processing further to silicones involves substantial quantities of water effluent that is treated before discharge to remove residues from the process like COD (Chemical Oxygen Depletion) substances.

All environmental impacts are identified and documented with measurements or calculations showing performance compared to permits given by government authorities where Elkem operates, and/or improvement targets set by Elkem.

ENVIRONMENTAL POLICY

Elkem's environmental policy is integrated in the companies' General policy. Key points are Elkem's commitment to give environment, health and safety (EHS) first priority and to strive to be an environmentally conscious company. Elkem's EHS efforts are based on a zero-harm philosophy. In terms of environmental issues this means running operations with resource-efficient processes and in this way minimising negative environmental impacts throughout the value chain.

ENVIRONMENTAL MANAGEMENT

In Elkem, Environmental management is defined as a line responsibility meaning site managers are accountable for environmental impact mapping, risk assessment, performance and reporting at their sites. All sites have dedicated EHS managers to lead and coordinate EHS efforts and large production sites with major environmental issues also have dedicated Environmental managers. Corporate and divisional resources are available to guide and help site managers and site EHS managers with their environmental efforts, and to audit sites routinely on their environmental performance and compliance. Environmental issues are also covered in Elkem's corporate EHS audit system that audits production sites every other year in addition to special environmental audits that are done when needed.

Because of the potential environmental impacts, all applicable Elkem sites are required to have an appropriate environmental management system. For most of our production facilities ISO 14001 certification is also required as a third-party verification of the management system. At the end of 2020, only a small number of sites had not completed the certification. An updated certification list of ISO 14001 is available online at www.elkem.com. In addition to overall environment management systems, applicable sites are also required to have specific energy management systems that comply with the requirements in ISO 50001.

Environmental efforts focus both on targeted improvements to reduce Elkem's environmental footprint as well as compliance with local regulations and permits. Environmental deviations are reported, investigated and closely followed up at plant level in a timely manner, and reported minimally monthly to division and corporate. High risk environmental deviations are reported within 24 hours. Key environmental parameters are reported either monthly or quarterly at divisional and corporate level depending on the criticality of the parameter.

ENVIRONMENTAL STRATEGY

Elkem's environmental strategy focuses on the following points:

- Full compliance with all applicable environmental regulations wherever Elkem operates worldwide.
- Creating and sustaining a strong environmental reputation wherever Elkem operates worldwide.
- Ensuring sustainable production and emissions/discharge control based on our knowledge of the environmental effects of our production. This also applies in countries where applicable environmental regulation is weak or non-existent.
- Strengthening our position in the development of technology and materials that enable reduction in greenhouse gas emissions throughout the world.

Enablers to meet these strategic targets include:

- Increasing material and energy efficiency including energy recovery.
- Substitution of raw materials.
- Waste reduction by reduced waste generation and recycling or reuse.
- Development of new production technology.
- Using efficient air and water treatment systems when necessary.

The overall environmental strategy is followed up at plant and divisional level with detailed road maps showing how targets can be met, and a comprehensive list of KPIs reported to corporate management. The KPIs are found in the following subchapters.

ENVIRONMENTAL DEVIATIONS

There were no significant spills, defined as those that have a lasting environmental impact, or significant environmental incidents in 2020.

A total of 77 environmental deviations were reported globally in Elkem for 2020. Most of these were small, brief permit deviations from Elkem's upstream and intermediate silicone production in France.

Because of its location close to one of China's largest freshwater bodies, Elkem Xinghuo is subject to very strict requirements for discharge to water and has been under close follow-up from the authorities since 2019. In 2020 water treatment facilities issues were solved, and the plant was able to meet all requirements without production reduction.

Climate change mitigation

Elkem's ambition is to reduce the company's fossil CO_2 footprint, by increasing the use of renewable carbon sources and development of innovative production processes. The company endorses the intention of the Paris agreement of limiting global warming to 1.5 degrees. Climate change mitigation and GHG emissions have been identified as material topics to Elkem and includes our processes and activites in scope 1-3 and renewable share.

Carbon dioxide:

Target	Status for 2020
20% replacement of direct fossil CO_2 emissions for Norwegian smelters by 2021, 40% by 2030	Increase in overall CO_2 emissions from 2019 due to higher production volumes, but a decrease in carbon intensity. 20% replacement of direct fossil CO_2 emissions for Norwegian smelters by use of biocarbon.
Full understanding of indirect CO_2 emissions	Mapping of scope 3/indirect emissions started in 2020. A comprehensive report on scope 3 will be disclosed in the CDP report by summer 2021.

During the past few years Elkem has expanded our production and therefore also seen an increase in the group's total CO_2 emissions. Since 2017, Elkem has increased production with seven smelting furnaces: two in Norway, four in China and one in Paraguay. All of these expansions, except from the furnace in Paraguay comes from acquiring existing capacity. The furnace in Paraguay runs solely on hydroelectric power and uses only bio-carbon as a reductant, making its operations close to carbon neutral. The 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.

Strategic means to reduce fossil CO_2 from silicon alloy production has three pillars: Increasing material and energy efficiency, replacing fossil carbon with bio-carbon and developing new carbon neutral smelting technology illustrated below.

Increase material and energy efficiency

- Stabilise and increase the furnace's silicon yield.
- Reduce silicon losses from tap hole to final product.
- Install energy recovery systems at furnace off gas.

Reduce fossil CO_2 emissions

- Increased biocarbon portion of total CO_2 emissions in Norwegian smelters: >20% in 2021 and >40% in 2030.
- Establish concepts and industrial production of biocarbon, tailormade as FeSi/Si reductants, enabling use of waste wood and ensuring biocarbon produced with a lower CO_2 footprint.

Technology development of Si production

- Develop furnace technology for silicon alloy production with no (direct) CO_2 emissions to the atmosphere.
- Facilitate for future CO_2 capture and storage.

Elkem's strategic means to reduce fossil CO_2 from silicon alloy production.

GHG EMISSIONS

Scope 1:

The total direct CO_2 emissions for Elkem was 2.92 million tonnes in 2020. 2.3 million tonnes of the scope 1 emissions were from fossil sources, up from 2.15 million tonnes in 2019 due to higher production volumes. The renewable share of CO_2 emissions, from biogenic sources, was 547,000 tonnes, up from 448,000 tonnes in 2019, an increase of 22% and 19% of total group emissions.

More than 64% (1.88 million tonnes) of the total direct fossil CO_2-emissions from our production come 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. Elkem reports the company's emissions according to the GHG Protocol.

PwC has undertaken a limited assurance engagement of the Scope 1 and 2 GHG emissions for the period 1 January 2020 - 31 December 2020. The report is available on page 221.

	Metric	2018	2019	2020
CO_2 emissions from fossil sources, millions	Tonnes	2.54	2.15	2.29
Total CO_2 equivalents, incl. methan and diesel, millions	Tonnes	2.8	2.60	2.38
CO_2 emissions from renewable sources (biogenic), thousand	Tonnes	313	448	547
Total direct CO_2 emissions, millions	Tonnes	2.85	2.6	2.92
Percent of renewable carbon sources in our Norwegian smelters	Percent	20.7%	18%	20%
Percent of renewable carbon sources for the group	Percent	11%	17.2%	19%

Scope 2

Thousand tonnes	2018	2019	2020
CO_2 equivalents	874	872	916

Scope 2 includes indirect emissions related to purchased electricity (incl. steam) where Elkem has operations. The electricity emission factors used in the calculation are supplied by consultancy Cemasys and are based on national gross electricity production mixes from the International Energy Agency's statistics that has been developed for 2020.

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

Scope 3:

In 2020, we started mapping our scope 3 emissions. This work will continue in 2021, and we aim to report on our most material scope 3 emissions from 2021.

BIOCARBON SHARE

A high share of biocarbon is important to reduce the impact our processes has 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. The goal is to increase the share of bio carbon used at our Norwegian smelters to 20% by 2021, and by 40% by 2030. The total direct CO_2 emissions from our six Norwegian plants make up around 50% of our total direct CO_2 emissions. Each plant has developed a road map to reach the goal and reports to corporate level on progress. To reach our target of increased share of biocarbon, Elkem is actively engaged in new technology development and industrial partnerships. The 2020 announcement of an industial pilot plant for biocarbon production in Canada is an example of this.

In 2020 Elkem reached the biocarbon goal of 20% in Norway, and the group share rose to 19%. Elkem continues to work closely with partners to develop efficient, sustainable, and more environmentally friendly production of bio-carbon for silicon and ferrosilicon production. It is a pre-requisite for Elkem that the renewable sources comply with our strict environmental and social requirements.

LCAS

Life Cycle Assessments (LCAs) are being performed in order to quantify the environmental impact of our products. LCAs support us in the work of reducing our environmental footprint even further through providing an accurate overview of the environmental impact of our operations. Furthermore, these assessments increase the product transparency so that we can assist our customers in their sustainability transformation.

In 2020, Elkem concluded the assessments of the products produced at several large plants. These assessments have been conducted from cradle to gate, i.e. covering the manufacturing process until the products reach our factories' gates, with the assistance of a third party. Elkem will perform LCAs on mayor product groups in 2021.

Energy management

Energy efficiency and sustainable sourcing of energy is of utmost importance to secure energy supply while at the same time reducing Elkem's global greenhouse gas footprint. Energy management has been identified as a material topic to Elkem, and include energy consumption, energy recovery and energy efficiency. The regulatory framework, consisting of permits and taxes as well as and support in the form of public grants substantiates the importance of increased focus on energy efficiency.

	Target	Status 2020
Energy target	Energy recovery increase year on year.	13 GWh increase.
	Energy recovery project in Salten on track for completion.	Some delay and will go online in 2021.

Parts of Elkem's value chain are highly energy intensive, with silicon, ferrosilicon and foundry alloys being produced in electric arc furnaces. Elkem's smelting furnaces consume around 5.6 TWh of electricity per year. Elkem was an industrial pioneer in the utilisation of waste heat, with the first energy recovery system on a 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.

Through our EHS management policy, all units shall have environmental programmes covering energy and resource utilisation. Well established groupwide audit and reporting systems for EHS are also being expanded to include a higher level of focus on environmental and energy issues. As all plants shall have energy management systems, there is no corporate requirement of ISO 50001 certification. In 2020, four site are certified. With an increased attention to energy use, Elkem is in the process of initiating ISO 50001 certification requirements for plants with high energy consumption.

ENERGY CONSUMPTION

Total gross electricity consumption in Elkem in 2020 was 6,400 GWh, up from 6,010 GWh in 2019. Most of this change is related to increased production because of the general global market situation for Elkem's main products. About 83% 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 1.4 TWh of other types of energy for internal vehicle operation and heating/cooling of facilities and processes. Most of this is fossil-based energy.

ENERGY RECOVERY

Elkem has a long-term strategy to increase energy recovery year on year as part of its climate programme. Several of Elkem's production processes generate surplus heat that traditionally has been emitted through off-gas systems or cooling systems.

Much of this can be recovered to hot water for district heating, both internally on site and to other public facilities and industries close to the plants, and to steam used in industrial processes and/or to generate electricity

The potential for energy recovery has been mapped at all smelters. Three of Elkem's smelters already have large boilers attached to their off-gas systems to recover substantial amounts of energy to steam or electricity. A fourth facility, located at the Elkem Salten plant, Norway, is going online in early 2021 generating another 270 GWh of electrical energy. Globally, a total of 711 GWh heat and electricity was recovered from our plants in 2020. This represents 11% of total energy consumption and an increase of 13 GWh from 2019.

ENERGY EFFICIENCY

All Elkem sites are required to have an appropriate energy management system and an energy inventory showing the potential to increase energy efficiency and thereby save energy. Examples of this could be replacing old, inefficient electrical motors with new motors with advanced digital energy control. In 2020, Elkem realised energy reduction efforts of 50.4 GWh in projects related to infrastructure and utility consumption, of which several initiatives received public support. The total investment was NOK 36.6 million.

	Unit	2018	2019	2020
Energy consumption	GWh	6,228	6,010	6,400
Energy recovery	GWh	645	698	711
Energy efficiency	GWh		51	50.4
Energy efficiency investments	NOK million		165.6	36.6

Waste management

Waste management has been identified as a material topic to Elkem and includes activities of reuse, recycle, transport, and disposal of waste.

Elimination of waste is one of Elkem's key strategies for successful operations and is mentioned specifically in Elkem's General Policy. This applies to all kinds of waste throughout the value chain with a high focus on efficient utilisation of all resources, reduction of waste generation in the different production, transportation, and storage processes and on reuse, recycling or sales of residual waste. All physical waste streams have a value, and it is our goal to realise that value and avoid disposal or destruction. Any residual waste left after other efforts is disposed of in accordance with local regulations. 67% of process waste generated in 2020 was either reused or recycled.

	Target	Status 2020
Waste	% reduction (to be defined) of process waste to landfill or destruction by 2025.	No current target.

PROCESS FLOWS AND MAJOR WASTE STREAMS:

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

Quartz mining consists of either extraction by rock formation blasting and crushing, or by the digging of open pit mines and washing/sifting/crushing stones. Main waste streams for both processes are tailings from extraction/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 biproducts (sands and gravels to the construction industry) while some is landfilled in connection with the restoration of mining sites. Elkem is also involved in the development of alternative usages for sands in agriculture and sports.

Waste in connection with shipment: Is normally in bulk with no specific packaging.

Hazard classification: As quarts 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 these with binders to create 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 safely reprocessed back into new batches of product. 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 main raw materials are received in bulk eliminating packaging, but finished products are delivered to customers in big-bags or on pallets giving a potential source of waste to customers. Packaging materials hold a quality that can be re-used several 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) to silicon. In addition, alloying and crushing/sizing operations are used to tailor the product to customer needs in the electronics, foundry, and chemical industry. Major waste streams are degraded raw materials, slag from smelting, particles in off-gas emissions and fines generated during crushing and sizing operations.

Elkem pioneered off-gas capture and utilisation during the early 1970s when it developed the bag filter technology necessary to capture off-gas from smelting furnaces, and other necessary technologies to turn it into a valuable product that is used in hundreds of various products today. This represents over 130,000 tonnes of waste to product every year.

The other waste streams have historically been sold as low-value off-grade or landfilled on site. In 2013 a dedicated team of professionals renamed these to process products and started working together with plants and customers to increase their utilisation in Elkem's own production or to increase their value for sales. As a result of this, Elkem already harvests more than 100,000 tonnes of process products every year reducing cost at our plants and generating new solutions for our customer.

In 2020 the process products group was further developed with a corporate function for global circular economy activities working with the principles of designing out waste and pollution, keeping products and materials in use and regenerating natural systems. Hazardous waste from silicon smelting is limited and always delivered to certified third party suppliers for disposal.

Waste in connection with shipment: Except for charcoal, which is supplied in big-bags and alloying materials, 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.

Silicones formulation consists of many different chemical processes and reactions that end in specialty products closely tailored to customer needs. Different waste streams, both hazardous and non-hazardous are generated throughout and between the different production processes.

Major waste streams are:
- Spent synthesis mass from main reactions and spent solvents.
- Filtration cakes from various processes.
- Sludges from water treatment facilities.
- Dirty packaging.

Management and utilisation:
- Reuse and recycling (spent mass neutralisation and packaging).
- Incineration with and without energy recovery.
- Landfilling (limited) in approved landfills.
- Ongoing efforts to reduce waste focus mainly on process improvements to avoid scrap and reduce consumption of chemicals in the process, in addition to reuse of volatiles and chemicals.

Waste in connection with shipment: Substantial amounts of packaging are needed for raw materials, intermediates, and finished products. Waste reduction efforts focus on reuse (IBCs 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 disposal of hazardous waste.

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

Waste numbers for 2020:

Type of waste and treatment	Tonnes	Comment:
Total waste generated	**356,156**	
Non-hazardous waste to landfill	48,077	Includes both onsite and offsite landfills
Hazardous waste to landfill	6,031	Delivered to approved sites
Non-hazardous waste to destruction	2,399	Includes incineration both with and without energy recovery
Hazardous waste to destruction	62,004	Includes incineration both with and without energy recovery
Total waste directed to disposal:	**118,511**	33% of total waste generated
Biproduct to recycling/sale ex. microsilica	94,690	Raw materials, slag and production fines
Oils and chemicals to recycling	1,945	
Scrap, packaging, etc. to recycling	4,687	
Microsilica	136,322	Off-gas fume processed to sales product
Total waste diverted from disposal:	**237,645**	67% of total waste generated
Mining activities	308,263	Tailings and crushing residue (natural rock without chemical processing) from mining returned to extraction site

In addition to raw material and production waste that goes to disposal or is reused/recycled, our mining activities generated 308263 tonnes of tailings in 2020. All of this 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.

Water management

As a fully integrated value chain for the production of silicon and silicones, Elkem has several interphases with water related impacts. Water is therefore defined as a material topic for proper management, priority area for improvements and full transparency towards our stakeholders. The challenges are different both through the value chain and across the actual regions. As a leading producer of large volumes of high-quality silicon based products, we acknowledge the importance of stewarding water as a shared resource. Thus, we have implemented programmes to monitor and reduce water withdrawal, consumption, and discharge. To secure full transparency, Elkem has decided to disclose all relevant information in accordance with CDP Water. The first report will be disclosed in 2021.

	Target	Status 2020
Water	Full water discharge permit compliance.	No significant spills to water
D4/D5	Zero spills of D4/D5.	Zero spills of significant environmental impact

Most of our plants have dry high temperature smelting processes. Still, these processes are typically based on hydroelectric power and water is used for cooling purposes. These sites are typically located in areas with access to significant freshwater resources and no water stress issues. The production of silicones in France and China are intricately linked to chemical reactions in aqueous solutions, advanced water treatment plants and control programmes.

At some of our sites, both water scarcity and potential impact on river basins and ecosystems are recognised. All key environmental impacts are identified and documented with measurements showing performance compared to permits given by government authorities where Elkem operates, and/or improvement targets set by Elkem. Key performance indicators on discharges are reported on a regular basis. We are also conducting surveys to identify potential pollution from old industrial sites including abatement measures.

Water management is covered by Elkem's environmental policy. Key points are Elkem's commitment to give EHS first priority and to strive to be an environmentally conscious company. See page 62-63 for more information about policy and management procedures.

WATER MANAGEMENT STRATEGY

The water management strategy is part of Elkem's environmental strategy focuses, that includes ensuring sustainable production and emissions/discharge control based on our knowledge of the environmental effects of our production. This also applies in countries where applicable environmental regulation is weak or non-existent.

Enablers for meeting these strategic targets specifically to water related issues are:

- Substitution of raw materials.
- Good housekeeping practices.
- Development of new processes and production technology.
- Advanced control programme including environmental monitoring.
- Wastewater treatment and reduction by recycling or reuse.
- Transparency (CDP Water from 2020).

Performance 2020

There were no significant spills into water in 2020, defined as those that have a lasting environmental impact, or significant environmental incidents. In 2020 water treatment facilities issues were solved, and the plants were able to meet all requirements without production reduction.

Improvement plan 2021

- Strengthen transparency by adoption to CDP Water.
- Improve descriptions of water risk assessments, measures and control programmes.
- Improve reporting on run off water from plant areas.
- Water treatment plants for several plants.

	Metric	2020
Total freshwater consumption	Million m^3	86.9
Process wastewater discharge	Million m^3	16.5
COD flow	Kg	262,700

Other emissions to air

Main emissions from Elkem are NOx, SO_2 and dust. These emissions mainly come from the carbon calcining process, the silicon/ferrosilicon smelting process and the upstream silicone-based product process. Major emission variations are tied to changes in production volume, but can also be affected by the quality of raw materials, process control and investment in filter systems.

Emission	Target	Status for 2020
SO_2	% reduction (to be defined) in direct SO_2 from process gas by 2030	5.5% reduction in SO_2 emissions from 2019.
NOx	1,000 tonnes reduction at Norwegian smelters by 2025.	Emission reduction of 1.6% globally and 7.7% in Norway. Reached target of reducing 1,000 tonnes. NOx emissions in Norway 2015: 5,854 NOx emissions in Norway 2020: 4,450
Dust	30% reduction by 2025, baseline 2015	Increase of dust emission from 1,200 tonnes to 1,270 tonnes but shows an overall reduction of 36% to baseline year.

For more in-depth understanding of how the emissions are relevant to Elkem, see our website.

NOx

Nitrogen oxides (NOx) are gases that can be harmful to ecosystems and vegetation, as well as health. Elkem continues its efforts to reduce emissions of NOx through equipment design and process control. The 2020 NOx emission numbers show that the reduction continues along with the target. Both global and Norwegian NOx emissions see a reduction in 2020. In Norway, the emission reduction was at 7.7% and we have already reached our goal of reducing our emissions by 1,000 tonnes in Norway, and will continue to seek further reduction with future targets to be set.

NOx emissions

Tonnes	2018	2019	2020
Total	7,070	6,718	6,610
Norway	5,462	4,824	4,450

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 significant negative effect on both plant and animal life, as well as human health. Emissions can be reduced through the use of carbon materials with low sulphur content, or by off-gas treatment. Most of the reduction from 2019 is from investment in scrubber technology at Fiskaa Carbon and substitution of sulphur containing fossil coal by charcoal.

SO_2 emissions

Tonnes	2018	2019	2020
Total	9,076	7,284	6,880

DUST

Elkem allocates significant resources to combat dust. The long-term ambition is to reduce process dust to levels where exposure is acceptable without the use of respiratory protection. In the production of (ferro-)silicon, dust is both a health hazard and a pollutant. Extremely high temperatures and ultrafine particles that disperse very quickly make it especially difficult to capture dust generated in some of the production processes.

The goal is to reduce dust emissions by 30% by 2025, compared to 2015 emissions. The dust emissions saw a small increase in 2020, but still shows a reduction of 36% to the reference year of 2015. Our overall efforts continue to secure our target of 30% reduction on an annual basis by 2025, despite the increased production volumes.

Dust emissions

Tonnes	Baseline 2015	2018	2019	2020
Total	1,970	1,800	1,200	1,270

ESG:

Social

A safe and healthy working environment and promotion of labour rights are key priorities and material to Elkem. Elkem focuses on and invests in training and competence development of our employees, as well as promoting a culture of involvement, diversity and equality. Elkem considers skilled and dedicated employees as the basis for success.

2.3	77%	25%	64%
Total recordable injury rate (per 1 mill. working hours)	sites without lost workday injuries	female share	covered by collective bargaining agreements

Elkem takes responsibility for all activities on Elkem property and is committed to ensuring that employees and contractors working at Elkem sites can do so without harm. Elkem strongly believe, and have shown at many plants, that our production can be conducted without any harm to our employees. The corporate social responsibility of the organisation also comes with a commitment to influence our suppliers and business partners.

Elkem's general policy which covers all employees, states that environment, health and safety (EHS) is always our first priority. We run our operations based on a zero-harm philosophy. EHS management is the responsibility of the CEO and the board oversees the health and safety situation. In addition to health and safety, labour rights along with the risk of human rights violations in the supply chain, are Elkem's key priorities. The Human Rights policy and Code of conduct guides our labour rights commitments. It is the CEO that is the responsible for overseeing and securing worker's rights in the company, and the board of Elkem is responsible for ensuring adherence to the company's commitments to labour and human rights.

As an international company, with locations and suppliers in a number of countries, it is Elkem's responsibility to operate in a sustainable and ethical manner globally. Elkem's most important resources are our employees. Ensuring and promoting human rights and worker's rights are pivotal in this work. Elkem's human resource policy aims to motivate our employees to engage in continuous improvement and personal development. In 2021 we will update our "People policy" – a set of global principles for our human resources management, that aim to cover key material issues for our workers.

EHS POLICY

Elkem's production processes and activities involve a number of inherent hazards and emissions as operations include high temperature smelting (>2,000°C) and advanced processing of hazardous chemicals. To meet these challenges Elkem has developed comprehensive systems for risk management and pollution control that are implemented at all Elkem sites worldwide.

We show our commitment by:

- Having clearly defined responsibilities and accepting accountability for EHS at all levels of the organisation.
- Always prioritising individual health and safety when choices have to be made.
- Setting ambitious goals and striving for continuous improvement in EHS.
- Using the same EHS systems, tools and methods, and having the same expectations to EHS performance wherever we operate around the world.

Supported by a strong company culture, Elkem continuously work to be a safe and attractive employer for current and future employees. Organisational development, continuous talent management and systematic competence development are key to ensure the successful growth of the company.

ELKEM BUSINESS SYSTEM (EBS) – OUR COMMON CULTURE

EBS is Elkem's business system and leadership philosophy that enables a common language and provides working and improvement methods for all employees to achieve both personal and business success. It is the key management system

for all employees and based on the principles of LEAN. EBS covers the entire value chain focusing on EHS, productivity, quality and cost efficiency. Building on our values; respect, involvement, precision and continuous improvements, EBS makes up the core of Elkem's company culture.

At the heart of EBS is the dedication to involve our people in improvement work and empower them to solve problems and improve. Training and competence development at all levels of the organisation is a central part of the EBS philosophy. This is mainly done on-the-job supported by local trainers or coaches. Elkem takes great pride in empowering our employees and believe they are the experts in their own responsibility areas. We consider that delegated and decentralised decision making to be one of the strengths of our business culture.

The EBS principles are key to understanding Elkem's view on labour rights and employee involvement. We seek to achieve increased efficiency in the product value chain through organisational development within a team-based structure with orderly working and wage conditions, as well as a wide range of opportunities for personal development. Developing a common language and culture takes time. When Elkem establishes or acquires a new organisation, the priority is to employ our EHS and EBS standards and systems, regardless of the location or previous organisation of the site. Some sites in Elkem are at the beginning of this journey, while other entities have come a long way in their maturity.

EBS assessments to promote involvement and continuous improvement

- All sites are assessed by a corporate EBS team bi-annually through observation and discussions to evaluate maturity, involvement and improvements and to encourage further development.
- Topics in the assessment are divided in three main parts:
  i) Daily operation related to work teams and daily management, 5S and visual management and problem solving,
  ii) systematic improvements related to flow and control and capability and
  iii) sponsorship, strategy, learning and competence development. The focus for 2021 will be increased support towards operational performance and business results. Training is being developed onto the digital platforms.
- The focus of the corporate team is on involvement, knowledge and information sharing, and on management's commitment to empower their employees in continuous improvement work through shared goals and tools.

Over the last years, Elkem has expanded its presence globally, particulary in China. Our previous experience from China has shown that cultural and maturity differences have not hampered the implementation and development of EBS. We acknowledge the improvements that need to be implemented to raise the standards to the same level as the rest of Elkem Group. As the focus has been to hire local employees, we are continuously training a new workforce and revealing gaps to advance the EHS, EBS and compliance functions in China.

Health and safety

A strong health and safety culture is the essence of our licence to operate. Elkem employees, and contractors working on Elkem property are expected to be fully committed to a safe and healthy workplace, and to minimise the effects of our operations on the environment. Our EHS efforts are based on a zero-harm philosophy and our EHS management system is implemented to systematically work towards this goal. Health and safety has been identified as a material topic to Elkem and includes monitoring and reporting on injuries, EHS training and learning.

Elkem has a strict reporting regime for injuries and requires all injuries to be reported, investigated and mitigated independent of severity. Of a lost workday rate (LWR) of 0.8 injuries per million work hours for own employees, only one injury was defined as high severity in 2020. This is a reduction from 2019 when the LWD rate was 1.1 and the number of high severity injuries 3. There were no fatalities at the Elkem plants in 2020.

A zero-harm philosophy implies protecting the health and safety of all people working at all Elkem locations. Our commitment to EHS covers all our employees and is stated in our General Policy.

Main corporate KPIs	Target
Total Recordable Injury Rate (including fatalities)	Zero
First aid injury rate	Ensure reporting of all first aid injuries
High Risk Incidents (HRI)	Ensure reporting of all HRIs
Unsafe conditions / actions for improvement	Four reports per employee per year
Absenteeism (Sick leave)	No specific target
Work related illnesses	Zero

EHS MANAGEMENT SYSTEM

Elkem has a comprehensive in-house developed corporate EHS management system called FOKUS (after the Norwegian word for "focus" implying the need for high attention on environment, health and safety issues throughout the organisation) that applies for all sites and activities worldwide. All Elkem employees are covered by the system.

Requirements and provisions in the system are also applicable for all contractors (100%) working on Elkem property. In addition, suppliers of raw materials and goods are also required to comply with basic EHS rules and regulations as part of our contractual purchasing agreements with them.

Elkem's EHS management system is built around recognised international standards for EHS management and covers applicable EHS topics that have been identified through extensive risk assessment at all sites. Compliance with the system is internally audited at site level by corporate and divisional resources routinely. Elkem's corporate Vice President for EHS is responsible for Elkem's EHS management system. In Elkem, EHS is defined 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 line-management's ability to fulfil this responsibility each site has an appropriate EHS organisation based on the size of the organisation and the level of risk.

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 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.

HEALTH AND SAFETY TRAINING

Elkem employees receive comprehensive documented EHS training to ensure full 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 which is 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 safely and without harm to their health or to the external environment.
- 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 annually reviewed through development discussions with each employee and documented at site level.

For more comprehensive information, see elkem.com health-and-safety.

Employees – disclosure of work-related injuries*

Target	KPIs	2018		2019		2020	
Zero recordable injuries	**Work-related injuries**	Nr.	Rate	Nr.	Rate	Nr.	Rate
	Fatalities	0	0	1	0.1	0	0
	High-consequence work-related injuries	6	0.5	1	0.1	1	0.1
	Lost workday injuries	15	1.1	14	1.1	10	0.8
Zero cases of serious occupational illness	Other recordable injuries	14	1.1	14	1.1	19	1.5
	Total recordable injuries	**29**	**2.2**	**28**	**2.2**	**29**	**2.3**
	Hours worked	13,142,219		13,037,309		13,097,248	

Contractors – disclosure of work-related injuries*

Target	KPIs	2018		2019		2020	
Zero recordable injuries	**Work-related injuries**	Nr.	Rate	Nr.	Rate	Nr.	Rate
	Fatalities	0	0	0	0	0	0
	High-consequence work-related injuries	2	0.5	0	0	0	0
	Lost workday injuries	8	2.0	7	2.0	6	2.2
Zero cases of serious occupational illness	Other recordable injuries	12	3.0	9	2.6	7	2.5
	Total recordable injuries	**20**	**5.0**	**16**	**4.6**	**13**	**4.7**
	Hours worked	3,967,988		3,511,412		2,761,047	

** All rates are calculated per 1,000,000 working hours.*

2020 employee injury breakdown

- 1 high-consequence work-related injury (fingertip amputation).
- A total of 29 recordable injuries (Total recordable injuries include lost work day, medical treatment and restricted work injuries) where main types of injuries were lacerations, bone fractures, burns and sprains/strains.

High-potential work-related incidents

In addition to recordable injuries, a total of 147 high-potential work-related incidents (high risk incident) were identified at Elkem sites in 2020, down from 160 in 2019. 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.

AUDIT PROGRAMME

Elkem has a comprehensive Corporate EHS audit programme where all production sites are audited on site minimum every other year. The target for 2020 was 20 audits. Because of COVID-19 travel restrictions only 7 of these were done during the year. The rest will be moved to 2021 when travel restrictions are lifted.

Labour rights

Elkem does not accept any behaviour that conflicts with basic human rights including any form of harassment, discrimination, threatening or inappropriate behaviour. The organisation embraces the dignity of all human beings and the Elkem values support the commitment to human rights. At the core of this and material to Elkem is labour rights including freedom of association, right to collective bargaining, and avoiding the use of forced or child labour.

In 2021, Elkem will update Elkem People policy, a set of global principles for the working conditions for all employees.

COLLECTIVE BARGAINING AGREEMENTS

Elkem fully endorses employees' freedom of association and collective bargaining rights. These rights give employees the ability to influence changes and find solutions together with their employer, and have a long tradition and strong standing in most of the countries where we operate, like Norway and France. Elkem is also present in regions where collective bargaining agreements and freedom of association is less prevalent. Our Human Rights policy clearly states that all employees should be allowed to organise themselves and collectively bargain with management, to the extent that it is legally possible. Elkem also supports efforts for supplier's employees to associate and information about these rights and obligations are found in contractual agreements and our Code of conduct for business partners.

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 provisions of the Norwegian Companies Act, employees have three representatives and two observers on the board of Elkem ASA.

In 2020, Elkem started tracking the number of employees covered by collective bargaining agreements/union agreements. In total, 64% of our employees are covered by such agreements, but there are significant local and regional variations.

	2019	2020
Employees covered by bargaining agreements	61%	64%

HUMAN RIGHTS

Respect for human rights 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 in accordance with:

- The UN Universal Declaration of Human Rights.
- The UN Guiding Principles on Business and Human Rights.
- The International Bill of Human Rights.
- The UN Global Compact.
- The International Labour Organisation's Declaration on Fundamental Principles and Rights at Work.

We report on actions to prevent human rights in accordance with the UK Modern Slavery Act and the French Duty of Vigilance Law.

Elkem's operations cover challenging markets such as China, Malaysia, India, South Africa, Brazil, Mexico and Paraguay. Human rights issues are often deeply embedded in the local culture and can only be mitigated by engaging with stakeholders, governments, and local communities.

The duty to respect human rights also applies in our relations with business partners, suppliers, customers, local communities, and others who are influenced by company activities. Human rights, and especially workers' rights, have always been a top priority for Elkem. An updated Human Rights policy was established in 2020.

As we grow and enter into new and challenging markets, we see the need to take on a more systematic approach to our human rights strategy. We will therefore conduct Human Rights Impact Assessment (HRIA) in selected areas, where we work to identify Elkem's actual impact and the risk of impact on human rights throughout our value chain. This will be concluded in 2021. Based on the HRIA, we will identify Elkem's human rights priorities and launch a human rights action plan. In 2021, we are also launching a human rights training programme.

Respond to adverse events

Even with the best practices, a business may cause or contribute to an unforeseen adverse human rights impact that was not foreseen or which it was unable to prevent. In such events, Elkem does it outmost to prevent or mitigate the impact:

- If Elkem causes an adverse human rights impact, we take the necessary steps to cease or prevent the impact.
- If Elkem contributes to an adverse human rights impact, we take the necessary steps to cease or prevent our contribution and use our leverage to remediate any impact to the extent possible. Whenever we have leverage to prevent or mitigate the adverse impact, we exercise it.
- Where we have no leverage, we terminate the relationship.

When necessary, we consult externally with credible, independent experts, including governments, civil society, national human rights institutions and relevant multi-stakeholder initiatives.

CHILD AND FORCED LABOUR

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 most 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.

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 exception for vacation substitutes and vacational 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.

Elkem strongly condemns human trafficking as a breach of basic human rights.

Working at some supplier production sites or at some of our own plants is considered high risk work and must only be done by trained and qualified people. To ensure compliance with these procedures and our Human Rights policy, several measures are in place. 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, insurance coverage and correct tax payments. EHS and CSR audits are regularly conducted at all plants, with specific focus on these topics for plants in high risk areas.

Elkem's suppliers have contractual obligations to ensure that no children under the age of 15 (14 in some selected countries) work at our suppliers' plants and that they limit hazardous work and night work to persons over 18 years of age. These standards are secured legally by contract through pre-audit for approval of new suppliers and regular audits for existing suppliers.

The Code of conduct for Elkem's Business Partners is attached to all new contracts to ensure the compliance of our suppliers. A new procurement system will be in place in 2021, that will enable better follow-up of the Code of conduct with suppliers and secure compliance with Elkem's expectations.

Incidents in 2020

	2018	2019	2020
Reported incidents of child or forced labour in Elkem or with suppliers	0	0	0

Diversity and equality

Having employees that represent the global presence of the company and diverse cultural and individual backgrounds, is a great benefit to the company and a key for success. Elkem is not only a global group, but also a local employer and values the strength of local management and staff wherever Elkem is present.

Elkem is committed to ensuring equal opportunities for all our employees and an inclusive work culture. We appreciate and recognise that every individual is unique and valuable and should be respected for his or her individual abilities. There is no acceptance for any form of harassment or discrimination based on gender, religion, race, national or ethnic origin, cultural background, social group, disability, sexual orientation, marital status, age or political opinion.

Our focus on equality and diversity, our corporate values and the Code of conduct are essential topics in the Elkem Onboarding Programme (EOP), which is part of the mandatory training for all new employees. All managers in Elkem are expected to be strong ambassadors of diversity and equality, and diversity has been a key topic in the Elkem Leadership programme for several years. Elkem's new leadership development programme for first line managers worldwide also includes training on diversity. Each manager is responsible for following up the principle of non-discrimination.

Due to Elkem's growth in the Asian region over the recent years, several initiatives have been implemented to ensure applicable training in our Code of conduct and the principle of non-discrimination in this region. The Asian branch of our compliance department has adapted the corporate Code of conduct training with content and ethical dilemmas based on a local business context. Training sessions have been conducted in order to ensure that all employees fully understand and commit to the Code of conduct.

Incidents in 2020

	2018	2019	2020
Reported incidents of discrimination	1	1	0

FEMALE SHARE

Elkem values gender diversity and aims to achieve a better gender balance year on year. The process industry is generally male dominated. Women are, however, increasingly expressing an interest in working in our industry as increased automation leads to less heavy manual work. A high focus on environment, health and safety ensures a better working environment and more sustainable operations.

Targets

- Increased share of women, year on year
- Increased share of women in management teams

KPI	Unit	2018	2019	2020
Female share	%	25%	25%	25%
Women in in management teams	%	23%	23%	24%
Female leaders over all	%		24%	25%
Implement a mentor programme for women	Status	N/A	Started	Some setbacks due to Covid-19
Female share in leadership programme	%	25%	32%	19%
Female share in trainee programme	%	Not reported	Not reported	58%

Female share	2018	2019	2020
Blue-collar	18%	18%	21%
White-collar	34%	34%	34%
Total female share	**25%**	**25%**	**25%**

The female share in Elkem was 25% in 2020, and Asia was the region with the highest proportion of female employees, with 27%. The female share of part time employees was 60% and the female share of temporary hires was 18%.

The female share in Elkem has been stable over the past years. We have decided to intensify the focus on attracting and retaining more women, especially in management positions. We have therefore launched several initiatives specifically aimed at our female employees.

In 2020, 25% of those with leader responsibility were women, and the share of women in management teams was at 24%. One concrete action to improve our share of female leaders is to actively encourage women to apply for management positions internally.

Elkem strives to have at least 50% women among the participants invited to Elkem's leadership training programmes. The female participation rate in the programme dropped to 19% in 2020, far from our target. There are concrete plans to increase the resources in order to improve our efforts on diversity and set up concrete diversity and inclusiveness initiatives, and we expect this to affect this target going forward.

The corporate recruitment policy and related training materials includes topics such as including female recruiters and/or managers in each recruitment process and tracking the propor-

tion of female candidates throughout the process. The trainee programmes have been prioritised and made more attractive in order to recruit women. The share of women in the trainee programme for 2020 is 58%.

Parental leave is only tracked in Norway for 2020. Eligible women took on average 38.7 weeks leave, and men took on average 18.5 weeks leave, out of the maximum of 52 weeks regulated by the government. A mentor programme targeting female mentees was planned to be rolled out in 2020. Due to the human resources implications of Covid-19, this programme is delayed, but will be rolled out in 2021. Furthermore, Elkem will increase the resources supporting diversity and inclusion work in the company during 2021.

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, in accordance with 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%. Two 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, Germany 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.

Due to organisational changes, going from four to three business divisions, the management teams were updated in 2020 and we cannot directly compare the numbers to previous years.

The female share of management teams reporting to top management in Elkem is at 24%. However, there are great differences within the organisation. Some places in the organisation, women accounted for over 50% of plant or site management where in other locations, there are no women in management at all.

AGE DISTRIBUTION OF EMPLOYEES IN ELKEM

In 2019, Elkem started tracking the age distribution of employees. The tracking indicates that almost two thirds of the employees are 30-50 years. The age distribution for blue-collar and white-collar employees is very similar to the overall age distribution for employees.

Age distribution of employees in Elkem	2019	2020
< 30 years	16%	14%
30-50 years	59%	60%
> 50 years	25%	26%

Age distribution in management teams	2019	2020
< 30 years		3%
30-50 years		64%
> 50 years		33%

Community engagement and dialogue

Input from local communities is valuable for Elkem in order to conduct responsible business. Elkem is an important community player in several of the locations where sites and plants are based. Creating and maintaining a stable and safe working environment in the local community is Elkem's main form of community support. Through our operations, we aim to contribute to the economic and human development of our employees and the communities in which we operate. Dialogue with community is based on local needs and experiences. For more information on types of dialogue, read our stakeholder engagement work on page 57.

Dialogue with local communities is the responsibility of each plant or site manager and is carried out both formally and in an informal way. It is the plant or site manager's responsibility to be aware of all relevant stakeholders and engage in dialogue where relevant, such as when changes are happening at the plant/site or when emergency training is being held.

The dialogue and community involvement differ from site to site, and is subject to historical, local and materiality factors for each plant. In the annual, global stakeholder survey, examples of local community efforts on Elkem sites have been identified:

- Stakeholder engagement plans based on stakeholder mapping.
- Social impact assessments.
- Environmental impact assessments and ongoing monitoring.
- Public disclosure of results of environmental and social impact assessments.
- Local community development programmes based on local communities' needs.
- Local community consultation meetings.
- Work councils, occupational health and safety committee and other worker representation bodies.

Identifying relevant stakeholders and structuring an action plan towards them is included in the certification of ISO 9001 – quality management system. In addition, we have developed our own stakeholder tool for projects and plants. The stakeholder analysis tool is a mapping, analysis and planning kit intended to support Elkem's divisions, plant, and unit managers to engage with high-priority stakeholders in a way that supports Elkem's goals. The tool kit was introduced to several Elkem plants in 2020.

Important topics that have emerged from our dialogue with local communities include community development projects, job security, safe operations, emissions and other environmental issues and traffic generated by the plant. Complaints raised by local communities are registered, managed and followed up in accordance with good practices for incident and deviation management. This is both done through local channels at the sites and through corporate tools, such as the speak up channel and grievance mechanism.

LOCAL COMMUNITY SUPPORT AND VOLUNTEERING

A number of Elkem plants have implemented local initiatives and support programmes. Elkem's community support includes initiatives for better education and local infrastructure, sports activities, local community poverty reduction and food support, and other social impact initiatives.

Elkem is positive to volunteer community work done by its employees and to giving financial support to local non-profit help organisations if the support is given without any expectation or requirement for return service or preference. Any financial support shall be given in a fully open and transparent manner in accordance with local legislation.

A number of Elkem plants have local initiatives and support programmes. Our local initiatives and support programmes are subject to guidelines for what is permitted and what is not, to avoid corruption. Any financial support shall be given in a fully open and transparent manner according to local legislation. It is up to the local plant or unit to set goals and to evaluate the local community programme support.

Examples of events or programmes that Elkem support locally or regionally:

- Local sports clubs, both for children and adults.
- Scholarships (high school and universities).
- School programmes with focus on building technology skills.
- Summer school/camps.
- Cancer research programmes.
- Safety training and first aid kits to local organisations.
- Poor family support programmes.

A universal guideline on community support has been developed, with some delays on implementation. The purpose of the guideline is to assist local decision makers at our plants when they engage with local stakeholders in monetary or other formal support. The support guideline is based on the principles of the UN Global Compact and, once implemented, any support shall be based on these principles.

GRIEVANCE MECHANISMS

Elkem has a transparent approach to managing grievances and encourage all stakeholders to submit a grievance in case they observe any incidents in our operations or supply chain. Communities and other stakeholders are encouraged to report grievances and other concerns, either through local channels or through corporate tools.

In accordance with the UN Guiding Principles on Business and Human Rights, Elkem is committed to remedy situations where Elkem's activities have caused or contributed to adverse human rights impacts. If something is not right, Elkem wants to know about it. That is why we have set up an external grievance mechanism that allows for anonymous reporting and engaging with stakeholders.

A global grievance mechanism tool was made available to external stakeholders through the Elkem website in 2020, to improve the incident report and remedy possibilities for external stakeholders. In addition, every plant has a local contact point that is well established in order for stakeholders to submit grievance issues. At the corporate level we do not track dialogue at local level, unless there is a grievance that a local manager would need corporate assistance to solve. The grievance mechanism is targeted towards stakeholders who have feedback or concerns related to our plants, projects or other business activities worldwide. The grievances can be reported in key Elkem languages. During the launch of the tool in 2020, no material complaints were reported through the channel. Going forward, Elkem will continuously encourage our stakeholders to use the tool for reporting to ensure that all grievances are being handled and followed up on. There has been few changes and no new controversies at Elkem's plants in 2020. Previous years grievances have been handled according to procedures prior to the implementation of the online grievance mechanism was launched.

Employment

	2018	2019	2020
Employees	6,280	6,370	6,856
Operators / blue-collar	67%	66%	65%
Staff / white-collar	33%	34%	35%

TURNOVER

Elkem strives to remain an attractive employer, both to retain existing employees, and to attract new ones. Turnover rate is an indication of attractiveness and how well Elkem manages to retain our employees. The total turnover rate in the Elkem group was 6% in 2020. The female share of new hires was overall 26% and the female share of leavers was 23%.

Turnover in Elkem

	2018	2019	2020
Turnover rate	5.4%	8%	6%
Female share of new hires	22%	30%	26%
Female share of leavers	22%	17%	23%

CONTRACTORS AND TEMPORARY HIRES

Contractors provide services of many kind at Elkem's plants and other locations around the world and are subject to the same EHS requirements as our own employees. All contractors receive full training and follow-up to ensure that they work in a safe and healthy environment.

The number of contract employees in Elkem was 420 in 2020, defined as non-Elkem employees working full-time for more than three months as a substitute for hired employees.

Contractors and temporary hires in Elkem

	2018	2019	2020
Contractor	833	882	420
Temporary hire rate (%) to permanent employment	-	-	6%
Part time workers rate (%) to permanent employment	-	-	3%

Contractors by region

	2018	2019	2020
Europe	241	327	115
Asia	188	155	265
Africa	0	0	0
Americas	149	157	40

EMPLOYEE DEVELOPMENT

Elkem is active in many markets and the need for continuous development, improvement and innovation is constant. The organisation's improvement work needs to be targeted, fast-paced and of high quality. Elkem actively uses employees' day-to-day work situation as the primary arena for learning. We believe that the best way to develop new skills is to participate in actual improvement processes and problem-solving cases based on the EBS principles. We also consider taking on new responsibilities as a very important way of learning and developing. In addition to that, we offer a wide range of both in-house and external training programmes.

Agreeing on an individual development plan is part of the annual development discussion that all employees in Elkem shall have with their leader. Elkem's global target is that 100% of employees of all positions and locations shall have an annual development discussion with their leader. In 2020, 85% of Elkem employees had an annual development discussion, an increase from 2019. There were some setbacks due to Covid-19 and including new units in the company, which explains why we did not reach the 100%. However we see a positive development over the last years.

ESG:

Governance

Elkem considers good corporate governance to be a prerequisite for value creation and trustworthiness. In order to secure good and sustainable corporate governance, Elkem strives for environmentally friendly and healthy business practices, reliable financial and non-financial reporting and a strong compliance culture across the group.

2,830	3,334	100%	98%
employees received anti-bribery and corruption training	employees received ethics and code of conduct training	of new raw material suppliers subject to assessment and pre-qualification screening	of employees have signed Code of conduct

Elkem endorses the Norwegian Code of Practice for Corporate Governance ("NUES" or the "Code"). The principles of the Code are reflected in the corporate governance policy and in all other governance documents. The board's report on corporate governance is included in this report on page 37.

Corporate governance

Governance has been identified as a material topic to Elkem and includes our board and management structure and remuneration. 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. Other policies and procedures are generally approved by the corporate management or the ESG steering committee.

Ultimately, the responsibility for ESG related issues lies with the board of directors. ESG issues are an integrated part of the business strategy and the board is actively engaged in defining and approving relevant targets, e.g. reduction of the group's fossil CO_2 emissions.

In 2020, Elkem established an ESG steering committee which is the corporate body with responsibility for ESG-related issues, including climate. The ESG steering committee replaced the previous CSR committee with the objective of further strengthening the focus and ensuring best practice in environment, social and governance. The responsibility of the ESG steering committee was also extended to include all ESG related issues. The ESG steering committee consists of members from the corporate management and is led by the CFO. The ESG steering committee reports to the CEO.

The ESG steering committee is also responsible for review and approval of Elkem's ESG report and that all material topics are covered.

REMUNERATION

The CEO and corporate management have performance-based metrics in their short-term incentives. The metrics are defined according to areas of responsibility. The incentives to corporate management do not contain any clawback provisions as such. The performance related incentives are limited to 100% of base salary for CEO and 50% of base salary for the corporate management. Clawback provisions are not deemed to be critical element. The CEO salary to median worker wage in Norway was 11:1 in 2020.

The metrics for the CEO for 2020 were:

- Health and safety performance with target of zero high severity (life changing) incidents.
- Environmental performance target of zero major environmental cases.

The management bonuses for 2021 will be 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, no substantiated misconduct cases as well as criteria linked to ESG ratings, embracing a wide range of climate and environment-, health and safety-, sustainability- and social targets.

In order to ensure that Elkem identifies and covers all material environmental, social and governance related topics, Elkem consults with its key stakeholders. An updated materially analysis was conducted in 2020 where key stakeholders, such as labour unions, customers, investors, banks, NGOs, governmental institutions and employer's organisations were interviewed. See page 59 for material topics for Elkem.

KPIs	Unit	2018	2019	2020
Total number of and nature of misconduct reports	Number	-	-	Total: 11
				Diversion of business to conflict of interest companies: 4
				Excessive discounts to conflict of interest companies in exchange for kickbacks: 4
				Fraud through false claim: 2
				Off-book accounts & expense reimbursement fraud: 1
Total number and nature of confirmed incidents of corruption*	Number	-	-	Excessive discounts to conflict of interest company in exchange for kickbacks: 1
				Fraud through false claim: 1
				Off-book accounts: 1
Total number of confirmed incidents in which employees were dismissed or disciplined for corruption*	Number	-	-	2: One dismissal for excessive discount to conflict of interest company in exchange for kickbacks. One written warning for off-book accounts.
Employees who received ethics and code of conduct training	Number	-	-	3,334 / 57% of target group
Employees who received anti-bribery and corruption training	Number	-	-	2,830 / 51% of target group
Confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption	Number	-	-	0
Public legal cases regarding corruption brought against the organisation or its employees	Number	-	-	0
Employees who received competition law compliance training	Number	-	-	671 / 74% of target group
Employees with confirmed commitment to Code of conduct	%	70%	100%	98%
Employees with confirmed commitment to anti-bribery and anti-corruption policy	%	70%	100%	51%
Employees with confirmed commitment to competition law policy	%	70%	100%	74%
Policy revisions target: All policies to be reviewed and updated annually	Status	-	100%	Not reached

* *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.*

Risk management

Ultimately the board of directors has the responsibility to ensure that Elkem has appropriate risk management systems reflecting the extent and nature of the group's activities. This includes responsibility for ESG related issues.

Elkem's operational philosophy, according to the Elkem Business System (EBS), is to organise resources close to the value chain and operative functions. This principle also applies to risk management, which is an integrated part of the line management's responsibility. Risk management has been identfied as a material topic to Elkem and corporate help chains, such as EHS, quality, product stewardship, compliance, legal, IT, finance and other control departments, oversee, facilitate and report on the risk management activities.

The board of directors conducts an annual review of the company's most important risk areas. Elkem's total risk exposure and business performance is analysed, evaluated and summarised at corporate level. The process is bottom up where each of the divisions and key corporate functions go through a defined process to identify and quantify the main risks. The key risks at the group level are further analysed both in terms of impact and likelihood before and after mitigating activities. An overview of the top risks at the group level are presented to the board for review and assessment of risk tolerance and further mitigating actions.

CLIMATE RISK

Climate and environment are included in the top risks and Elkem has increased its focus on climate related risks and opportunities during 2020. The climate risk assessment takes into account possible changes in regulations, customer preference, production technology, physical and market regulations. Elkem decided in 2020 to implement the climate risk management recommendations in accordance with the Task force on Climate-related Financial Disclosures (TCFD). The organisation will continue the implementation in 2021, and aim to report according to the TCFD standard in 2021.

The fact that key stakeholders increase their attention and requirements on climate and companies' CO_2 footprint represents an opportunity for Elkem. The company has a fundamentally strong position as 83% of the group's electricity consumption is based on renewable energy, mainly hydro power. For many years Elkem has also pursued a strategy to replace fossil coal with biocarbon as a reductant (not an energy source) in its smelting processes. The biocarbon share in the Norwegian smelters was at 20% in 2020, reaching the the 2021 goal. Elkem's long term target is to increase the biocarbon share to 40% by 2030. This gives Elkem low specific fossil CO_2 emissions compared to competition.

In order, to achieve the biocarbon share of 40%, Elkem is participating in the development of new technology for production of biocarbon from wood waste. A pilot plant is being built in Canada and is expected to start production in early 2022. This biocarbon product could have wide applications also for other companies and smelting industries and is another example of how the development towards more sustainable solutions also create opportunities.

Elkem's products are key raw materials in customer products that are essential for other sustainable solutions, and thus represents opportunities. One example is the electrification of transportation. The expected demand development for electric vehicles (EVs) represents a significant business potential for Elkem as an EV on average contains four times more silicones than a traditional car with a combustion engine. In addition, increased demand for EVs will drive demand for batteries and battery materials. Elkem has developed a new and environmentally friendly production process for synthetic graphite to battery anodes. A pilot plant is under construction in Kristiansand. Provided that the upscaling of the technology is successfully verified in the pilot the plan is to build a large-scale industrial plant at Herøya, Norway.

However, climate change also poses threats. Elkem has evaluated both the physical and transitional risks in line with the TCFD recommendations. Elkem's processes and plants are not deemed to be exposed to acute physical risks. Neither the location of the plants, or the production processes are sensitive to acute flooding, drought, heat stress or wind. However, access to water is important and pose a risk due to the scarcity in specific regions of the world. Elkem is dependent on water as input to silicones production, for power supply to the company's smelters as well as for cooling purposes. How water scarcity relates to climate changes and can impact our business is therefore assessed as a part of our strategic planning processes. More information can be found under water management chapter on page 70.

As the progression of climate change continuous, acute risks might be more relevant in the future. An example is Elkem's biocarbon strategy for sustainable sourcing of woodchips, charcoal and other biocarbon products to its production.

The transitional climate risks are mainly defined as strategic and operational risks. The strategic risks are mainly related to factors potentially impacting Elkem's operations, available technology for reducing emissions, changes in regulations from authorities and changes in consumer preferences. Our direct operational risks are related to risks of major emissions or other incidents with negative impact on the environment which is integrated into a company-wide risk management process.

For a more in-depth understanding of Elkem's climate risk work, visit elkem.com/climate.

Compliance

Elkem has a strong focus on compliance related activities and strives for continuous improvements.

The responsibility for the compliance programme lies with Elkem's general legal counsel, but will be transferred to a planned corporate compliance director function in 2021. Corporate compliance is further supported by an internal audit and compliance function in China. In addition, a network of compliance champions has been appointed across Elkem's operations. The compliance champions are members of management or support functions, stationed in each business unit, that assist the corporate compliance function in implementing Elkem's compliance programme including training and guidance to their respective units.

In order to implement best practice within compliance, Elkem engaged external consultants from Deloitte in 2020 to conduct an independent assessment of the organisation of the compliance function. The report from Deloitte contains proposed measures to strengthen and improve the group's compliance work. The report from Deloitte has been presented to Elkem's audit committee and the board of directors. Elkem will implement the proposals from the Deloitte report in the course of 2021 and 2022.

COMPLIANCE TRAINING

Elkem is committed to providing relevant and engaging compliance training. In 2020 Elkem rolled out a new global online training programme with relevant e-learning to all employees, including training in ethics, anti-bribery and corruption, and anti-competitive practices. The training is refreshed on a regular basis, providing employees with new and updated content every year. The training is available in all key Elkem languages. The e-learning programme consists of modules and questions have to be correctly answered after each session in order to proceed and complete the training. This will ensure that employees have understood the content. The training is mandatory for all employees in target group. KPIs are listed in the table on page 88.

The online training is supplemented by face-to-face trainings in high-risk jurisdictions and for high-risk employee groups. The trainings are tailored to the specific risks and needs of the target group.

ANTI-COMPETITIVE PRACTICES

Elkem is committed to avoiding anti-competitive practices across all operations. The competition law compliance policy outlines what behaviour is considered acceptable and not.

Elkem conducts anti-competitive practice risk assessments to identify high risk jurisdictions and employee groups that are most exposed and to anti-competitive practices. In addition, 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 deals with government officials for permits and other administrative issues.

In order to enhance the efficiency of Elkem's internal controls and measures to prevent bribery and corruption, compliance is conducting an anti-bribery corruption risk assessment (ABC risk assessment) of the company's global operations. This assessment will be finished in 2021 and forms the basis for the anti-bribery and corruption programme going forward. It will be updated on a regular basis as well as when entering new markets and by introduction of new products. Our anti-corruption policy is found on Elkem's website.

WORKING WITH BUSINESS PARTNERS

It is important to Elkem to work with business partners of high ethical integrity. Elkem does not accept bribery, environmental breaches, or human rights violations committed by our business partners. Relationship managers are required to carry out adequate due diligence on business partners before entering the business relationship.

Elkem's Code of conduct for business partners builds on the global code of conduct, anti-corruption policy and human rights policy. All new suppliers are required to commit to and sign the code to become business partners of Elkem.

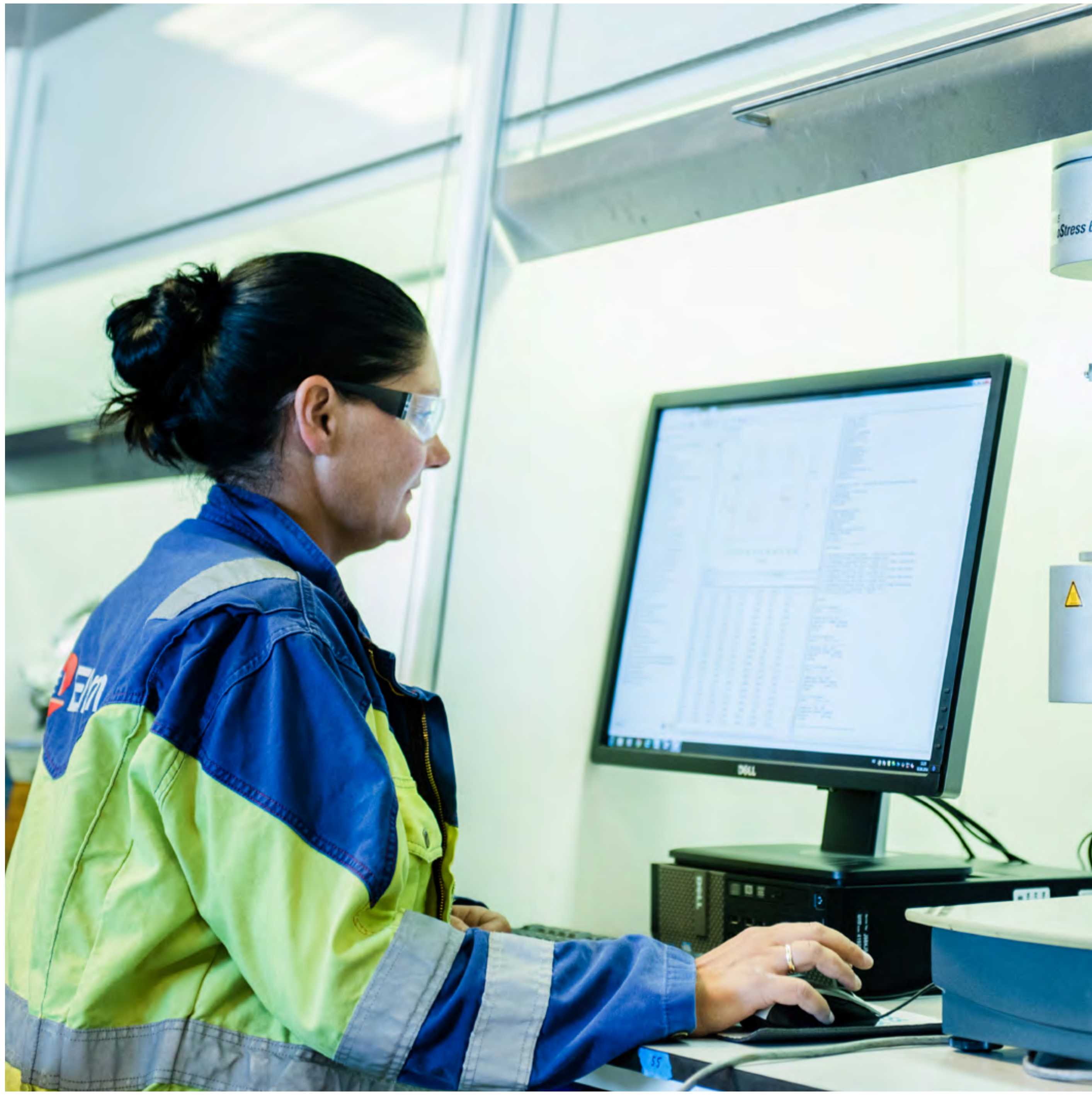
We know that bribery cases, human rights breaches, environmental disasters and EHS scandals often involve business partners, such as agents, consultants, suppliers, joint venture partners and distributors.

In order to ensure that we handle the risk associated with such business partners in an efficient way, Elkem is rolling out an improved third-party compliance management (TPCM) process to ensure consistency throughout the organisation, as well as a Third-party Risk Management System (TPRM) tool.

This will simplify our processes for risk assessment of all business parties through screening business partners against sanction lists and adverse media, as well as risk based due diligence, audits and monitoring of business partners throughout their lifecycle. The system is due to be implemented in 2021/2022.

WHISTLE BLOWER

Elkem encourages its more than 6,800 employees as well as external parties to report possible dishonest or illegal conduct in the business to HR or the legal/compliance department without risk of negative reactions. Elkem has established grievance mechanisms and channels for reporting of misconduct. The speak up channel can be used for reporting of 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 a clear guidance on how to report concerns. In order to assure that issues of concern reach top management, Elkem has developed a procedure for lifting serious issues to management, the audit committee and the external auditor.



By using the speak up channel, the reports can be anonymous, also within the compliance department and the reporter will not be required to leave a name or contact information. Elkem has a zero tolerance for retaliation against those who report a concern and will sanction those who retaliate.

The speak up channel and the Speak up policy are available and communicated through Elkem's intranet site, website and through training, physical posters and handouts at plants and offices.

Misconduct reports are handled by corporate compliance and in accordance with applicable legislation on misconduct reporting.

Product stewardship

Elkem works to ensure safe handling, use and disposal of our products. Product stewardship is the responsible and proactive management of health, safety and environmental aspects of a product throughout its lifecycle.

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 licence to operate. 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.

We make sure to stay up to date with any REACH obligations for all our products to ensure a high level of protection of human health and the environment. The Article 33 of REACH requires suppliers of articles (manufacturers or importers) to inform European downstream users about the presence of substances of very high concern (SVHC) when their concentration exceeds 0.1% (w/w). Elkem regularly monitor 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 comply 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 replace substances in the portfolio that pose unacceptable risk to human health, safety and environment.

Responsible sourcing and the supply chain

Responsible sourcing is a strategic priority for Elkem. The group sources raw materials, capital goods and services for its operations around the world. Elkem's total 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 15,000 suppliers globally. The number of raw material suppliers is relatively low while the number of suppliers of goods and services such as hardware, plant equipment and services are high.

Responsible sourcing means looking at what we procure beyond the more traditional aspects such as cost, quality and delivery time. 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.

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 partners.

RESPONSIBLE SOURCING AND THE SUPPLY CHAIN

As one of the world's leading suppliers of silicon-based advanced materials with operations throughout the value chain from quartz to specialty silicones, Elkem continuously strives to improve the way we source our supplies

The procurement organisation is responsible for raw material supply, logistics and transport services and other goods and services required for Elkem's operations. Elkem's procurement organisation is decentralised, with procurement functions both at corporate level, at divisional and plant level. We further differentiate between procurement of major raw materials, and procurement of indirect materials. Suppliers of major raw materials are always considered critical suppliers, and suppliers of indirect materials may be considered 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, as well as Elkem's global procurement policies and procedures.

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

- Procurement policy, outlining Elkem's procedures for pre-qualification 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.

Contracts with suppliers ensure that risk assessments and audits can be conducted both prior to pre-qualification and at any stage of the supplier contract. Elkem has a Code of conduct for business partners. The business partner code sets out Elkem's expectations to suppliers with regards to 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 Elkem plans to implement a new global supplier management system and process for supplier prequalification. All new suppliers of raw materials are screened against environmental and social criteria aligned with the expectations of the 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. The new system will also include mandatory signing of the Code of conduct for business partners in the portal.

Supplier audits

A structured auditing programme is in place to ensure that all critical suppliers receive regular audits. Regular audits are performed by plant personnel or corporate personnel, focusing on supplies that are associated with risk.

EHS IN THE SUPPLY CHAIN

Elkem has developed detailed requirements for high-risk suppliers and contractors regarding health, safety and environmental standards for operations like mining, transportation, storage and loading, and is actively involved in the promotion and monitoring of safe and decent working conditions. This includes health and safety training and providing correct personal protection equipment for suppliers' employees when necessary. Age control to prevent child labour and ensure responsible working conditions for young employees is also carried out. Elkem requires suppliers and contractors to engage their employees with written contracts on fair terms, and to 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, both 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.

KPI	Unit	2018	2019	2020	Comment
Upgrade process and system for supplier management	Status	In progress	In progress	In progress	CSM system to be implemented mid-2021
Share of new raw material suppliers subject to assessment and pre-qualification screening in 2020	%	80%	73%	100%	
Share of new raw material suppliers subject to supplier audit in 2020	%	100%	100%	>90%	Some audits not performed due to Covid-19 restrictions
Adverse human rights events identified in supply chain	Number	0	0	0	
Share of new suppliers who have signed Elkem's Code of conduct for business partners	%	-	-	90%	For 2020: Applies to contracted new suppliers in second half of the year.

Financial statements 2020

Elkem group

Elkem ASA

Consolidated statement of profit or loss

Amounts in NOK million	Note	2020	2019
1 January - 31 December			
Revenue	7	**24,025**	22,246
Other operating income	7	**631**	392
Share of profit (loss) from equity accounted companies	5	**35**	31
Total operating income	6	**24,691**	22,668
Raw materials and energy for production		**(12,858)**	(11,512)
Employee benefit expenses	9	**(4,028)**	(3,696)
Other operating expenses	12	**(5,121)**	(4,804)
Amortisation and depreciation	16, 17, 18	**(1,710)**	(1,456)
Impairment losses	16, 17, 18	**(17)**	(11)
Operating profit (loss) before other items		**957**	1,189
Other items	13	**(130)**	195
Operating profit (loss)		**827**	1,384
Share of profit (loss) from equity accounted financial investments	5	**(15)**	(12)
Finance income	14	**31**	41
Foreign exchange gains (losses)	14	**17**	16
Finance expenses	14, 17	**(278)**	(295)
Profit (loss) before income tax		**584**	1,134
Income tax (expense) benefit	15	**(306)**	(237)
Profit (loss) for the year		**278**	897
Attributable to:			
Non-controlling interests' share of profit (loss)		**39**	42
Owners of the parent's share of profit (loss)		**239**	855
Earnings per share in NOK:			
Basic	30	**0.41**	1.47
Diluted	30	**0.41**	1.47

Consolidated statement of comprehensive income

Amounts in NOK million	Note	2020	2019
1 January - 31 December			
Profit (loss) for the year		**278**	897
Remeasurement of defined benefit pension plans	9	**(55)**	(26)
Tax effects on remeasurement of defined benefit pension plans	15	**13**	3
Change in fair value of equity instruments		**7**	10
Share of other comprehensive income (loss) from equity accounted companies	5	**-**	(0)
Items that will not be reclassified to profit or loss		**(35)**	(13)
Currency translation differences		**47**	33
Hedging of net investment in foreign operations		**(168)**	24
Tax effects hedging of net investment in foreign operations	15	**37**	(5)
Cash flow hedges	26	**(818)**	(182)
Tax effects on cash flow hedges	15	**180**	40
Share of other comprehensive income (loss) from equity accounted companies	5	**(11)**	(14)
Items that may be reclassified to profit or loss in subsequent periods		**(733)**	(104)
Currency translation differences		**-**	-
Cash flow hedges	26	**670**	(21)
Tax effects on cash flow hedges	15	**(147)**	5
Reclassification adjustments for the period		**523**	(16)
Other comprehensive income (loss) for the year, net of tax		**(245)**	(133)
Total comprehensive income for the year		**32**	764
Attributable to:			
Non-controlling interests' share of comprehensive income		**40**	45
Owners of the parent's share of comprehensive income		**(8)**	720
Total comprehensive income for the year		**32**	764

Consolidated statement of financial position

Amounts in NOK million	*Note*	**31.12.2020**	31.12.2019
ASSETS			
Property, plant and equipment	*16, 19*	**14,131**	13,202
Right-of-use assets	*17*	**875**	580
Goodwill	*18, 19*	**919**	466
Other intangible assets	*18*	**1,319**	777
Deferred tax assets	*15*	**96**	66
Investments in equity accounted companies	*5*	**183**	129
Derivatives	*25, 26*	**59**	66
Other assets	*22*	**432**	407
Total non-current assets		**18,015**	15,692
Inventories	*20*	**5,241**	5,224
Trade receivables	*21*	**2,796**	2,269
Derivatives	*25, 26*	**148**	38
Other assets	*22*	**1,212**	1,013
Restricted deposits	*23*	**322**	271
Cash and cash equivalents	*23*	**3,154**	4,496
Total current assets		**12,873**	13,311
Total assets		**30,888**	29,004
EQUITY AND LIABILITIES			
Paid-in capital	*29*	**6,296**	6,616
Retained earnings		**6,232**	6,240
Non-controlling interests		**108**	96
Total equity		**12,635**	12,952
Interest-bearing liabilities	*17, 23*	**7,189**	8,340
Deferred tax liabilities	*15*	**336**	243
Employee benefit obligations	*9*	**679**	584
Derivatives	*25, 26*	**252**	210
Provisions and other liabilities	*24*	**326**	158
Total non-current liabilities		**8,782**	9,536
Trade payables		**3,157**	2,767
Income tax payables		**65**	51
Interest-bearing liabilities	*17, 23*	**3,292**	1,262
Bills payable	*23*	**1,053**	887
Employee benefit obligations	*9*	**740**	640
Derivatives	*25, 26*	**101**	37
Provisions and other liabilities	*24*	**1,064**	871
Total current liabilities		**9,471**	6,516
Total equity and liabilities		**30,888**	29,004

The board of directors of Elkem ASA

Oslo, 10 March 2021

Zhigang Hao *Chair of the Board*	**Dag Jakob Opedal** *Deputy chair*	**Caroline Grégoire Sainte Marie** *Board member*	**Yougen Ge** *Board member*	**Anja-Isabel Dotzenrath** *Board member*	**Olivier Tillette de Clermont-Tonnerre** *Board member*
Marianne Elisabeth Johnsen *Board member*	**Helge Aasen** *Board member*	**Terje Andre Hanssen** *Board member*	**Marianne Færøyvik** *Board member*	**Knut Sande** *Board member*	**Michael Koenig** *Chief Executive Officer*

Consolidated statement of cash flows

Amounts in NOK million	*Note*	**2020**	2019
Operating profit (loss)		**827**	1,384
Amortisation, depreciation and impairment	*16, 17, 18*	**1,727**	1,467
Changes in working capital[1)]		**232**	649
Equity accounted companies	*5*	**(7)**	(4)
Changes fair value of derivatives		**(196)**	(218)
Changes in provisions, bills receivable and other		**(69)**	(671)
Interest payments received		**28**	38
Interest payments made		**(239)**	(248)
Income taxes paid		**(192)**	(559)
Cash flow from operating activities		**2,111**	1,839
Investments in property, plant and equipment and intangible assets	*16, 17, 18*	**(2,346)**	(2,141)
Received investment grants	*8*	**145**	34
Proceeds from sale of property, plant and equipment	*16, 17, 18*	**12**	25
Acquisition of subsidiaries, net of cash acquired	*31*	**(1,032)**	(206)
Acquisition of and capital contribution to joint ventures	*5*	**(40)**	-
Other investments / sales		**(2)**	3
Cash flow from investing activities		**(3,262)**	(2,285)
Dividends paid to non-controlling interests		**(29)**	(49)
Dividends paid to owners of the parent		**(349)**	(1,511)
Net changes in bills payable and restricted deposits		**113**	(556)
Payment of lease liabilities	*17, 23*	**(104)**	(78)
New interest-bearing loans and borrowings	*23*	**1,636**	2,082
Payment of interest-bearing loans and borrowings	*23*	**(1,433)**	(2,074)
Cash flow from financing activities		**(166)**	(2,187)
Change in cash and cash equivalents		**(1,317)**	(2,633)
Currency translation differences		**(24)**	47
Cash and cash equivalents opening balance		**4,496**	7,082
Cash and cash equivalents closing balance	*23*	**3,154**	4,496

1) See note 6 Operating segments for definition of working capital

Consolidated statement of changes in equity

2020 *Amounts in NOK million*	Share capital	Other paid-in capital	**Total paid-in capital**	Foreign currency translation reserve	Cash flow hedge reserve	Other retained earnings	**Total retained earnings**	**Total owners share**	Non-controlling 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)**	2	**(245)**
Total comprehensive income for the year	-	-	**-**	(85)	(116)	193	**(8)**	**(8)**	40	**32**
Share-based payments (note 11)	-	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**

2019 *Amounts in NOK million*	Share capital	Other paid-in capital	**Total paid-in capital**	Foreign currency translation reserve	Cash flow hedge reserve	Other retained earnings	**Total retained earnings**	**Total owners share**	Non-controlling interests	**Total**
Opening balance	2,907	5,195	**8,102**	839	85	4,595	**5,520**	**13,622**	101	**13,722**
Profit (loss) for the year	-	-	**-**	-	-	855	**855**	**855**	42	**897**
Other comprehensive income for the year	-	-	**-**	52	(158)	(29)	**(135)**	**(135)**	2	**(133)**
Total comprehensive income for the year	-	-	**-**	52	(158)	827	**720**	**720**	45	**764**
Share-based payments (note 11)	-	25	**25**	-	-	-	**-**	**25**	-	**25**
Dividends to equity holders (note 28)	-	(1,511)	**(1,511)**	-	-	-	**-**	**(1,511)**	(49)	**(1,560)**
Closing balance	2,907	3,709	**6,616**	891	(73)	5,422	**6,240**	**12,855**	96	**12,952**

Notes to the consolidated financial statements

Note 01 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 58.2% by Bluestar Elkem International Co. Ltd S.A., Luxembourg, which is under the control of China National Chemical Group Co. Ltd (ChemChina), a company registered and domiciled in China.

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

Following changes in Elkem's internal reporting to management the composition of Elkem's operating and reporting segments has changed as of the third quarter of 2020. 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 2020 were approved by the Board of Directors of Elkem ASA on 10 March 2021 and will be proposed to the Annual General Meeting on 27 April 2021.

Note 02 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 2020. 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 applied IAS 39 for its hedging relationships, based on an accounting policy choice in IFRS 9. From 1 April 2020 IFRS 9 is applied also for hedge accounting. There are no accounting effects related to the change in policy for hedge accounting, see note 26 Hedging.

New and revised standards – adopted

New or revised accounting standards and interpretations implemented as of 1 January 2020 are among others Definition of a Business (Amendments to IFRS 3) and Definition of Material (Amendments to IAS 1 and IAS 8). 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.

Note 03 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 2020 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 9 Employee benefits
- Note 15 Taxes
- Note 16 Property, plant and equipment
- Note 18 Intangible assets and goodwill
- Note 19 Impairment assessment
- Note 24 Provisions and other liabilities
- Note 25 Financial assets and liabilities

Note 04 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 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 by applying book value accounting (also known as the "pooling-of -interest method"), 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 income 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	31.12.2020 Equity interests	31.12.2019 Equity interests	Owner
Bluestar Silicon Material Co., Ltd.	CNY	China	100%	100%	Elkem ASA
Elkania DA	NOK	Norway	50%	50%	Elkem ASA
Elkem Advanced Battery Materials AS [3]	NOK	Norway	100%	-	Elkem ASA
Elkem GmbH	EUR	Germany	100%	100%	Elkem ASA
Elkem Ltd.	GBP	United Kingdom	100%	100%	Elkem UK Holdings Ltd.
Elkem S.a.r.l.	EUR	France	100%	100%	Elkem ASA
Elkem S.r.l.	EUR	Italy	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 [3]	NOK	Norway	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 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 Madencilik Metalurji Sanayi Ve Ticaret Ltd. STI	EUR	Turkey	100%	100%	Elkem International AS
Elkem Materials Delaware, Inc.	USD	USA	100%	100%	Elkem Materials, Inc.
Elkem Materials, Inc.	USD	USA	100%	100%	NEH LLC
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 Uruguay S.A.
Elkem Partiçipacòes Indústria e Comércio Limitada	BRL	Brazil	100%	100%	Elkem Carbon AS

1) Previously Basel Chemie Co., Ltd.
2) The companies were acquired during the first half of 2020.
3) The companies were incorporated during the second half of 2020.

Company	Functional currency	Country of incorporation	31.12.2020 Equity interests	31.12.2019 Equity interests	Owner
Elkem Silicon Product Development AS [3]	NOK	Norway	**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 Hong Kong Co., Ltd.	HKD	Hong Kong	**100%**	100%	Elkem ASA
Elkem Silicones Korea Co., Ltd [1]	KRW	Republic of Korea	**100%**	100%	Elkem ASA
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 (Thailand) Co., Ltd.	THB	Thailand	**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
Guangdong Polysil Technology Co. Ltd. [2]	CNY	China	**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 Participacòes 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.
Zhongshan Jucheng Chemical Material Co., Ltd [2]	CNY	China	**100%**	-	Guadong Polysil Technology Co. Ltd.

1) Previously Basel Chemie Co., Ltd.
2) The companies were acquired during the first half of 2020.
3) The companies were incorporated during the second half of 2020.

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. 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 provisional amounts recognised for assets acquired and liabilities assumed after the business combination.

Amounts in NOK million	Polysil group
Consideration	
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, similar as defined in note 6 Operating segments, performance in 2020 and 2021. The nominal range of outcomes are between RMB 0 million and RMB 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.

The excess value for other intangible assets is related to technology with NOK 257 million and customer realtionships with NOK 253 million, see note 18 Intangible assets and 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 by NOK 29 million.

Changes in composition of the group in 2019, business combination
In 2019 Elkem invested NOK 206 million related to the acquisition of new subsidiaries and businesses (business combination). 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.

On 30 September 2019 Elkem acquired 100% of the shares in Basel Chemie Co. Ltd. a Korean producer of specialty silicone gels for cosmetics and water repellents for the construction industry. The acquisition gives Elkem access to leading technology in attractive end-user silicone segments and provides a solid platform for further development and growth.

The table below summarises the amounts recognised for assets acquired and liabilities assumed at the date of acquisition.

Amounts in NOK million	Basel Chemie Co. Ltd
Consideration	
Cash transferred on acquisition	222
Contingent consideration	-
Consideration transferred	222

Assets acquired and liabilities assumed

Amounts in NOK million	Carrying amount	Excess value	Fair value
Property, plant and equipment	46	24	70
Other intangible assets	-	31	31
Other assets, non-current	4	-	4
Inventories	15	-	15
Trade receivables	9	-	9
Other assets, current	1	-	1
Cash and cash equivalents	16	-	16
Interest-bearing liabilities, non-current	(23)	-	(23)
Deferred tax liabilities	0	(12)	(12)
Employee benefits obligations, non-current	(1)	-	(1)
Interest-bearing liabilities, current	(1)	-	(1)
Trade payables	(6)	-	(6)
Income tax payables	(1)	-	(1)
Employee benefits obligations, current	(0)	-	(0)
Provisions and other liabilities, current	(2)	-	(2)
Total identifiable net assets	57	43	100
Non-controlling interests	-	-	-
Goodwill	-	122	122
Total recognised	57	165	222

The goodwill of NOK 122 million is attributable to the know-how in the acquired business and synergies for the Silicones segment. The allocation is based on provisional assessment of the fair value.

The fair value of acquired receivables, NOK 9 million, is adjusted for NOK 0.4 million in expected uncollectable receivables at the date of acquisition.

From date of acquisition to 31 December 2019 Basel has contributed NOK 0.1 million to the profit (loss) for the period. If the acquisition had taken place on 1 January 2019, the operating income of Elkem would have increased with NOK 58 million and the profit would have increased by NOK 1 million.

Acquisition-related costs of NOK 2 million are recognised as other items in the statement of profit or loss.

Note 05 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 increase 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.

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
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

Investment in associates
Associates are those entities in which the group has significant influence, but no control over the financial and operating policies. Significant influence is presumed to exist when the group holds between 20% 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. 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 activities	Classification	% equity interests 2020	% equity interests 2019
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%
GIE Osiris [1]	Roussillon	France	Business supplies and equipment	Associate	**25%**	18%
Combined Cargo Warehousing BV	Moerdijk	Netherlands	Warehousing	Associate	**33%**	33%
EPB Chartering AS (formerly Elkem 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	Kristiansand	Norway	Marketing of research facilities	Associate	**25%**	25%

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

The share of equity interests are 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.
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

	2020			2019		
Amounts in NOK million	**Joint ventures**	**Associ-ates**	**Total**	Joint ventures	Associ-ates	Total
Opening balance	**54**	**58**	**112**	72	62	134
Acquisition of shares and capital contributions	**40**	**-**	**40**	-	-	-
Change in equity interests	**-**	**46**	**46**	-	-	-
Dividend received	**(20)**	**(8)**	**(28)**	(15)	(11)	(27)
Share of profit (loss) from equity accounted companies	**27**	**8**	**35**	23	8	31
Share of profit (loss) from equity accounted financial investments	**(15)**	**-**	**(15)**	(12)	-	(12)
Part of other comprehensive income	**(11)**	**-**	**(11)**	(14)	0	(14)
Currency translation differences	**(0)**	**2**	**2**	-	(0)	(0)
Closing balance	**74**	**106**	**181**	54	58	112
Recognised in investments in equity accounted companies	**77**	**106**	**183**	71	58	129
Recognised in provisions and other liabilities, current (note 24)	**(3)**	**-**	**(3)**	(17)	-	(17)

Share of profit and carrying amount for equity accounted companies

Amounts in NOK million	**2020 Share of profit**	**31.12.2020 Carrying amount**	2019 Share of profit	31.12.2019 Carrying amount
Klafi ehf	**(1)**	**1**	(1)	3
North Sea Container Line AS	**27**	**74**	22	67
North-Sea Management AS	**1**	**2**	1	1
Salten Energigjenvinning AS	**(15)**	**(3)**	(12)	(17)
GIE Osiris	**-**	**46**	-	-
Combined Cargo Warehousing BV	**1**	**5**	2	4
EPB Chartering AS	**(4)**	**18**	(2)	22
Euro Nordic Agencies Belgium NV	**1**	**2**	0	2
Euro Partnership BV	**10**	**35**	8	30
Future Materials AS	**-**	**0**	-	0
Total	**20**	**181**	18	112

Summary of financial information for joint ventures

Amounts in NOK million	**2020**	2019
Current assets, including cash and cash equivalents NOK 92 million (NOK 97 million)	**226**	221
Non-current assets	**689**	327
Current liabilities, including current financial liabilities NOK 0 million (NOK 0 million)	**116**	64
Non-current liabilities, including non-current financial liabilities NOK 651 million (NOK 377 million)	**651**	377
Net assets/equity	**149**	108
Elkem's carrying amount	**74**	54
Total operating income	**632**	593
Total expenses, including depreciation and amortisation NOK 5 million (NOK 7 million) and other items	**(598)**	(568)
Financial income, including interest income NOK 0 million (NOK 0 million)	**1**	1
Financial expenses, including interest expenses NOK 11 million (NOK 4 million)	**(11)**	(5)
Tax expense	**1**	(0)
Total profit for the year	**24**	21
Other comprehensive income	**(22)**	(29)
Total comprehensive income	**2**	(8)
Elkem's share of profit for the year	**12**	11
Elkem's share of other comprehensive income	**(11)**	(14)

Summary of financial information for associates

Amounts in NOK million	**2020**	2019
Total operating income	**120**	94
Total expenses	**(113)**	(81)
Total profit for the year	**8**	13
Other comprehensive income	**-**	0
Total comprehensive income	**8**	13
Elkem's share of profit for the year	**8**	8
Elkem's share of other comprehensive income	**-**	0
Net assets/equity	**345**	164
Elkem's carrying amount	**106**	58

Note 06 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 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 accounting policies used for segment reporting reflect those used for the group, except for the following intersegment transactions: Internal commodity contracts may 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.

The main related party transactions between operating segments in Elkem can be divided as follows:

- Silicon Products sale of metallurgical silicon to Silicones. Sales prices are based on sale to external customers and CRU prices.
- Carbon Solutions sale of electrode paste and and lining material to Silicon Products. Sales prices are based on prices to external customers.
- Other sale management services e.g. logistics, procurement, financial services, technical support and R&D services. Prices are based on cost plus.

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. Comparative figures are restated.

Major customers

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

Amounts in NOK million	Silicones	Silicon Products	Carbon Solutions	Other	Eliminations	Total
2020						
Revenue from sale of goods (note 7)	12,479	9,778	1,625	(217)		**23,665**
Other revenue (note 7)	37	146	16	161		**360**
Other operating income (note 7)	151	391	6	83		**631**
Share of profit from equity accounted companies (note 5)	-	(1)	-	36		**35**
Total operating income from external customers	12,667	10,314	1,647	64		**24,691**
Operating income from other segments	13	1,264	223	412	(1,912)	**-**
Total operating income	12,680	11,578	1,870	476	(1,912)	**24,691**
Operating expenses	(11,323)	(10,389)	(1,432)	(743)	1,879	**(22,007)**
EBITDA	1,357	1,189	438	(267)	(33)	**2,684**
Operating profit (loss) before other items (EBIT)	373	581	349	(312)	(33)	**957**
Cash flow from operations	679	714	341	(213)	-	**1,522**
Working capital	1,248	2,537	233	(439)	(43)	**3,536**
Capital employed	9,882	7,337	898	255	(43)	**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)**

Amounts in NOK million	Silicones	Silicon Products (restated)	Carbon Solutions (restated)	Other (restated)	Eliminations (restated)	Total
2019						
Revenue from sale of goods (note 7)	11,047	9,271	1,638	(66)		**21,890**
Other revenue (note 7)	80	73	12	191		**356**
Other operating income (note 7)	132	229	10	22		**392**
Share of profit from equity accounted companies (note 5)	-	(1)	-	31		**31**
Total operating income from external customers	11,259	9,572	1,659	178		**22,668**
Operating income from other segments	15	1,361	179	361	(1,916)	**-**
Total operating income	11,274	10,933	1,838	539	(1,916)	**22,668**
Operating expenses	(9,750)	(9,976)	(1,526)	(694)	1,934	**(20,012)**
EBITDA	1,523	958	312	(155)	18	**2,656**
Operating profit (loss) before other items (EBIT)	742	382	237	(190)	18	**1,189**
Cash flow from operations	1,224	858	313	(255)	0	**2,140**
Working capital	1,164	2,588	257	(318)	(10)	**3,681**
Capital employed	8,980	7,294	900	90	(10)	**17,254**
Reinvestments						**(1,162)**
Strategic investments						**(963)**
Movement CAPEX payables						**18**
Cash flow from investments in property, plant and equipment and intangible assets, including received investment grants						**(2,107)**

Realised effects from hedging programs by operating segment

Amounts in NOK million	Silicones	Silicon Products	Carbon Solutions	Other	Eliminations	**Total**
2020						
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)**
2019						
Revenue from sale of goods, Currency (note 26)	-	4	-	(70)	**-**	**(66)**
Operating expenses, Power (note 26)	-	134	-	(47)	**-**	**87**
Total realised effects hedge accounting	-	137	-	(116)	**-**	**21**

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 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 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	**2020**	2019
Norway	**843**	784
Other Nordic countries	**779**	660
United Kingdom	**791**	769
Germany	**2,347**	2,209
France	**531**	535
Italy	**888**	787
Poland	**457**	566
Spain	**531**	512
Other European countries	**2,106**	2,050
Europe	**9,273**	8,874
Africa	**154**	203
USA	**2,755**	2,733
Canada	**244**	290
Brazil	**871**	879
Other South American countries	**214**	191
America	**4,084**	4,093
China	**7,301**	5,924
Japan	**998**	829
South Korea	**400**	367
Other Asian countries	**1,938**	1,944
Asia	**10,637**	9,064
Rest of the world	**97**	78
Total revenue before hedging effects	**24,245**	22,312
Realised effects from hedging programs (note 26)	**(220)**	(66)
Total revenue	**24,025**	22,246

Non-current assets by geographical areas based on entity location

Amounts in NOK million	**2020**	2019
Norway	**4,122**	3,521
Other Nordic countries	**503**	514
United Kingdom	**31**	30
Germany	**93**	89
France	**3,248**	2,841
Italy	**131**	114
Poland	**0**	1
Spain	**270**	250
Other European countries	**74**	52
Europe	**8,471**	7,413
Africa	**69**	75
USA	**567**	534
Canada	**425**	414
Brazil	**153**	288
Other South American countries	**444**	408
America	**1,590**	1,643
China	**7,287**	5,986
Japan	**4**	3
Other Asian countries	**438**	441
Asia	**7,730**	6,430
Total non-current assets	**17,859**	15,561

Non-current assets are presented less derivatives and deferred tax assets.

Note 07 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 performance obligations are the delivery of an 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 2020 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 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 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 2020

Amounts in NOK million	Silicones	Silicon Products	Carbon Solutions	Other	Total
Sale of goods, Silicones	12,479	-	-	-	**12,479**
Sale of goods, Silicon Products	-	9,782	-	-	**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	12,515	9,925	1,640	160	**24,241**
Rental income	1	2	0	1	**5**
Realised currency hedging effects (note 26)	-	(4)	-	(216)	**(220)**
Total revenue	12,516	9,924	1,640	(55)	**24,025**

Details of revenue from contracts with customers 2019

Amounts in NOK million	Silicones	Silicon Products	Carbon Solutions	Other	Total
Sale of goods, Silicones	11,047	-	-	4	**11,051**
Sale of goods, Silicon Products	-	9,267	-	(0)	**9,267**
Sale of goods, Carbon Solutions	-	-	1,638	-	**1,638**
Revenue from energy recovery and other energy related income	-	28	-	34	**62**
Service agreements with related parties (note 32)	7	5	6	50	**68**
Other revenue from contracts with customers	71	38	5	106	**221**
Total revenue from contracts with customers	11,125	9,338	1,649	194	**22,307**
Rental income	2	2	1	1	**5**
Realised currency hedging effects (note 26)	-	4	-	(70)	**(66)**
Total revenue	11,127	9,344	1,650	125	**22,246**

Details of other operating income

Amounts in NOK million	**2020**	2019
Gain on disposal of fixed assets	**1**	5
Insurance settlements	**46**	20
Grants (note 8)	**560**	332
Other	**25**	35
Total other operating income	**631**	392

Note 08 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.

Details of grants

Amounts in NOK million	2020 Other operating income	2020 Deduction of carrying amount FA/IA	2019 Other operating income	2019 Deduction of carrying amount FA/IA
R&D grants from the Norwegian government	**63**	**5**	30	9
R&D grants from the French government	**60**	**-**	55	-
Other R&D grants	**8**	**-**	10	-
CO_2 compensation from the Norwegian Environment Agency	**284**	**-**	162	-
Energy recovery related grants	**56**	**18**	22	17
Other government grants	**67**	**17**	51	8
Covid-19 grants	**19**	**-**	-	-
Total government grants	**556**	**40**	329	34
Norwegian NOx fund for reduced emission of NOx	**-**	**134**	-	68
Other grants	**4**	**-**	3	-
Total grants from other than governments	**4**	**134**	3	68
Total grants	**560**	**173**	332	102
Grants receivable related to fixed (FA) and intangible assets (IA) (note 22)		**97**		69
Grants receivable related to income (note 22)		**585**		445
Grants payable (note 24)		**(15)**		(15)
Grants, deferred income (note 24)		**(21)**		(5)

CO_2 allowances
CO_2 allowances allocated from the government are classified as grants, measured at nominal value (zero). The scheme pertains to the group's plants in Europe. If actual emissions exceed the amount of allocated emission allowances, additional allowances are purchased. Purchased CO_2 allowances are recognised at cost as other operating expenses and any gain on sale of CO_2 allowances are classified as revenue. The current framework for the allocation of free CO_2 allowances lasts until 2020, and the number of free allowances allocated is known and will not change unless there is a substantial change in production at the plants. Allocation of free allowances for the period 2021-2030 is not known as the national authorities are currently working on this in cooperation with the EU Commission. We expect the work to be finalised in around mid-2021.

As at 31 December 2020, Elkem owns approximately 550,000 allowances measured at nominal value zero. The estimated fair value of these allowances is NOK 186 million.

CO_2 compensation
The Norwegian government has, from 2013, established a CO_2 compensation scheme to compensate for CO_2 costs included in the power price. The amount being compensated is based on the market price of CO_2 allowances, and as such varies with the price development. The percentage of the costs compensated is approximately 75% in 2020 (75% in 2019). The current CO_2 compensation scheme ended 31 December 2020. The details of the scheme post 2020 are yet to be decided, but is likely to be extended at approximately the same compensation level as 2020 based on EU regulations. The CO_2 compensation scheme applies for Elkem's Norwegian plants and is recognised when there is reasonable assurance that the entity will comply with the conditions attached and the grants will be received. 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 2020 to help businesses affected by the outbreak. Elkem has received NOK 19 million in Covid-19 related grants recognised as other operating income in the statement of profit or loss. In addition Elkem has benefited from temporary extension in salary refund arrangements and temporary reliefs in social security taxes. The estimated value of these arrangements are NOK 31 million and is presented net against 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.

Note 09 Employee benefits

PRINCIPLE
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. See note 10 Management remuneration and note 11 Share-based payments.

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	2020	2019
Salaries, holiday pay and variable compensation	**(3,122)**	(2,852)
Employer's national insurance contributions / social security tax	**(654)**	(610)
Pension expenses	**(121)**	(109)
Share-based payments (note 11)	**(29)**	(25)
Other payments / benefits	**(102)**	(100)
Total employee benefit expenses	**(4,028)**	(3,696)
Average number of full-time equivalents	**6,931**	6,523

Employee benefit assets and obligations

Amounts in NOK million	Non-current 31.12.2020	Non-current 31.12.2019	Current 31.12.2020	Current 31.12.2019
Pension plan assets (note 22)	**-**	-	**-**	-
Pension contribution fund (note 22)	**3**	3	**3**	2
Employee prepayments etc.	**-**	-	**10**	9
Total employee benefit assets	**3**	3	**13**	11
Salaries, holiday pay and variable compensation	**-**	-	**547**	478
Social security tax / contributions	**-**	-	**177**	149
Pension plans	**554**	474	**-**	-
Other benefit plans	**125**	110	**16**	13
Total employee benefit obligations	**679**	584	**740**	640

(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 comprise arrangements whereby the company makes annual contributions to the employee's pension plan, and where the employee's future pension is determined by the amount of the contributions and the return on the individual pension plan asset. 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 101,351 as at 1 May 2020. 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 yearly pension premium in 2020 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 premium for 2021 in per cent of salary will be equal to previous year.

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 17%, France 44%, other Europe 19%, Canada 18%, other countries 2%, based on net pension obligation per 31 December 2020. 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	2020	2019
Current service expenses	**(34)**	(27)
Accrued employer's national insurance contribution	**(0)**	(1)
Administration expenses	**(1)**	(1)
Curtailment/settlement of pension plans	**-**	2
Net pension expenses, defined benefit plans	**(35)**	(28)
Defined contribution plans	**(69)**	(64)
Early retirement scheme AFP (Norway)	**(17)**	(18)
Total pension expenses	**(121)**	(109)
In addition, interest expenses on net pension liabilities are recognised as a part of finance expenses	**(7)**	(10)

Net defined benefit obligations

Amounts in NOK million	2020	2019
Present value of funded pension obligations	**(510)**	(455)
Fair value of plan assets	**460**	434
Net funded pension obligations	**(50)**	(21)
Present value of unfunded pension obligations	**(504)**	(453)
Net value of funded and unfunded obligations	**(554)**	(474)

Movements in the defined benefit liabilities and plan assets

Amounts in NOK million	2020 Defined benefit obligations	2020 Defined benefit plan assets	2020 Net pension plan liabilities	2019 Defined benefit obligations	2019 Defined benefit plan assets	2019 Net pension plan liabilities
Opening balance	**(908)**	**434**	**(474)**	(800)	367	(434)
Current service expenses incl. social contribution tax	**(34)**	**-**	**(34)**	(28)	-	(28)
Interest (expenses) income	**(20)**	**12**	**(7)**	(24)	14	(10)
Administration expenses	**-**	**(1)**	**(1)**	-	(1)	(1)
Remeasurement gains (losses)	**(77)**	**23**	**(55)**	(66)	40	(26)
Contributions from employer	**-**	**14**	**14**	-	14	14
Benefits paid	**38**	**(19)**	**19**	33	(21)	12
Curtailments / settlements	**-**	**-**	**-**	2	-	2
Other changes	**2**	**(0)**	**2**	(1)	(0)	(1)
Currency translation differences	**(15)**	**(3)**	**(18)**	(22)	20	(2)
Closing balance	**(1,014)**	**460**	**(554)**	(908)	434	(474)

Breakdown of pension plan assets

Amounts in NOK million	31.12.2020 Distribution%	31.12.2020 Fair value of plan assets	31.12.2019 Distribution%	31.12.2019 Fair value of plan assets
Cash, cash equivalents and money market investments	13%	58	1%	4
Bonds	13%	60	13%	56
Shares	31%	142	28%	124
Property	1%	5	1%	5
Other plan assets [1]	42%	195	57%	245
Total pension plan assets	**100%**	**460**	100%	434
Actual return on plan assets	8.1%	34,987	14.9%	54,496

1) Includes insurance contracts (Buy in policies and Annuity insured contracts)

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	31.12.2020	31.12.2019
Current part of contribution fund	3	2
Non-current part of contribution fund	3	3
Total pension funds	**6**	5

Principal assumptions used for the actuarial valuations in 2020 and 2019

	Norway		France		Canada		Germany		UK	
Discount rate	1.4%	(2.0%)	0.5%	(0.5%)	2.5%	(3.1%)	0.8%	(0.8%)	1.3%	(2.0%)
Expected rate of salary increase	-	-	2.1%	(2.1%)	3.5%	(3.5%)	3.0%	(3.0%)	-	-
Annual regulation of pensions paid	1.3%	(1.5%)	-	-	-	-	2.0%	(2.0%)	-	-

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 / Amounts in NOK million	Discount rate 0.5% increase	Discount rate 0.5% decrease	Life expectancy 1 year increase	Life expectancy 1 year decrease	Salary growth 0.5% increase	Salary growth 0.5% decrease
2020: Effect on the pension liability in NOK million	**(62)**	**76**	**27**	**28**	**28**	**(20)**
2019: Effect on the pension liability in NOK million	(56)	62	25	21	21	(22)

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	6	15	15	3	4
Weighted average duration of the defined benefit obligations	6 years	14 years	18 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 70 million in 2019) relate to jubilee and long-service benefits in the Silicones segment, mainly in France. Estimated duration of the obligation is 7 years. The provisions for Elkem's Chinese entities is calculated to NOK 36 million (NOK 31 million in 2019), mainly consisting of post-employment benefits. The benefits are related to employees laid off due to reorganisation, mainly in the Silicon Products segment, no further obligations are expected to incur. Payments in 2020 are about NOK 20 million (NOK 12 million in 2019) and estimated remaining duration of the obligation is 13 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.

Note 10 Management remuneration

The board of directors' declaration on stipulation of salary and other remuneration for corporate management
In accordance with the Norwegian Public Limited Companies Act § 6-16a, the board of directors prepares a separate statement related to the determination of salary and other benefits for the corporate management. The statement shall be subject to an advisory vote by the annual general meeting in accordance with § 5-6 (3).

The board of directors has appointed a dedicated Remuneration Committee as a preparatory and advisory committee concerning questions relating to Elkem's compensation of the corporate management. The purpose of the remuneration committee is to ensure thorough and independent preparation of matters relating to the corporate management compensation as well as the overall principles for compensation in Elkem. In addition, the committee advises the board of directors and the CEO in the work on the principles and strategy for the compensation. The members of the remuneration committee are elected by and amongst the members of the board of directors and are independent of Elkem's corporate management. The Senior Vice President of Human Resources participates in the committee meetings. The board of directors has issued instructions for the work of the remuneration committee.

Key principles for determination of remuneration
The main purpose of Elkem's remuneration policy is to encourage a strong, sustainable and performance-based culture, aimed at continuous improvement. The remuneration policy should also ensure that Elkem has a strong ability to attract, retain and develop qualified people with adequate leadership and professional skills, in order to support and contribute to profitable growth and the creation of long-term shareholder value.

The fundamental principle in Elkem's determination of remuneration for its corporate management is that the terms are to be competitive. Determination of remuneration also takes into account the breadth and complexity of Elkem's worldwide operations and reflects its objectives for sustainability and growth. Elkem seeks to offer a remuneration level on market terms satisfying it's need to recruit and retain highly qualified personnel in the corporate management.

More specifically, this implies that the total compensation of the corporate management consists of a combination of fixed and variable remuneration at a level reflecting the principles mentioned above.

Remuneration includes

1. **Fixed compensation** - The fixed base salary will be determined based on the level of the position in the organisation, local labour market conditions, individual performance, budget and guidelines for annual salary review in line with general salary trends. The fixed compensation shall be reasonable and competitive and represent a significant component of corporate management compensation.

2. **Pension schemes** - The corporate management participate in the relevant local pension schemes in their countries of residence.

3. **Insurance arrangements** - The corporate management is covered by insurance arrangements applicable to Elkem employees in their respective countries of residence.

4. **Payment in kind** - The benefits are determined considering market standards and the level of the position, including elements such as private use of mobile phone, private access to Wi-Fi, private use of laptop and a car allowance.

5. **Bonus / short-term incentive scheme (STI)** - The corporate management participate in an annual bonus scheme linked to achievement of financial targets; EBITDA, net profit, cash flow from operations as well as strategic and operational targets, such as compliance and sustainability. The annual bonus is limited to 12 months' salary for the CEO and 6 months' salary for the rest of the corporate management.

6. **Supplementary bonus for CEO** - Subject to the Elkem Remuneration Committee approval the CEO may receive a supplementary bonus limited to 6 months' annual base salary and linked to special target achievements, including financial, strategic, people / organisational and personal objectives.

7. **Project related bonus** - The corporate management and other key employees involved in major strategic projects, such as major mergers and acquisitions, may also receive specific project related bonuses. Such bonuses for members of the corporate management, including the criteria and target group, will normally be proposed and approved by the board of directors. Other employees may also participate in individual bonus schemes in line with the corporate guidelines – and the maximum bonus is normally limited to one to three months' salary.

8. **Share option program / Long-term incentives (LTI)** - In March 2018 the annual general meeting of Elkem ASA resolved to establish a long-term share incentive scheme for the corporate management and selected other key employees of Elkem. The share option program shall be part of the total compensation package of the target group employees to strengthen their commitment and ownership to the business value creation and to contribute to the retention of the corporate management and the key employees. The share option program will also ensure alignment of the financial interests of the senior management and key employees with the financial interest of the shareholders.

   On the annual general meeting in 2018, the board of directors were authorised to approve the size and the terms and conditions of the share incentive scheme at its discretion. In September 2018, the board of directors resolved to implement the 2018 share option program and in 2019 and 2020 the annual general meeting resolved to continue the LTI-program by implementing additional share option programs with similar terms and conditions as the 2018 program.

   Common for the 2018, 2019 and 2020 programs is that the options are granted on an individual basis to Elkem corporate management and certain other key employees of Elkem ASA and its subsidiaries, in total approximately 40 individuals located world-wide. The maximum number of options granted to each employee in each category per program is as follows:

   - CEO: 500,000 options;
   - Other members of the corporate management: 300,000 options; and
   - Other key employees: 150,000 options.

   The options will vest over a period of three years from the grant date, with one-third vesting each year. The options will expire two years after vesting. Each option gives the holder the right to subscribe or purchase shares in Elkem ASA according to the following schedule:

Program	Total number of options granted	Exercise price per share (NOK)	Grant date	Vesting date	Expiry date
2018	7,850,000	38.52	18 sep.18	First third: 18 Sept 2019 Second third: 18 Sept 2020 Last third: 18 Sept 2021	First third: 18 Sept 2021 Second third: 18 Sept 2022 Last third: 18 Sept 2023
2019	8,000,000	23.53	29 July 2019	First third: 29 July 2020 Second third: 29 July 2021 Last third: 29 July 2022	First third: 29 July 2022 Second third: 29 July 2023 Last third: 29 July 2024
2020	8,000,000	19.1	29 July 2020	First third: 29 July 2021 Second third: 29 July 2022 Last third: 29 July 2023	First third: 29 July 2023 Second third: 29 July 2024 Last third: 29 July 2025

Vested options may be exercised during the period of 5 Norwegian business days from the day following the day of the Company's release of its annual and quarterly results. The Board may introduce additional Exercise Periods and may also cancel or shorten Exercise Periods. Should the employment of an option holder be terminated, unvested options shall lapse, and vested options must be exercised within certain deadlines. Elkem may honour options when exercised by the delivery of either new shares, treasury shares or settlement in cash, at its discretion. The exercise price shall be adjusted for extraordinary dividends and other factors relevant to the share capital of Elkem (changes in capitalisation, rights issues etc.). 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.

The board of directors wishes to continue the long-term incentive scheme, so that the board of directors may grant up to 8,000,000 new share options under the long-term incentive scheme in 2021.

9. Loan and guarantees - There are no loans or guarantees to the corporate management.

10. Termination of employment - The CEO has a 3-month period of notice from the last day of the month in which written notice is given, and a severance pay equal to 12 months' fixed base salary. The CEO is only entitled to the severance pay in the event the CEO's employment is terminated unilaterally by Elkem. Elkem can only terminate the employment due to prolonged serious sickness or prolonged lack of performance against payment of the severance pay. Furthermore, in case of change of majority shareholder, the CEO has the right to resign from Elkem without further justification and receive the severance pay.

    The employment agreements for corporate management have a 6-month period of notice from the last day of the month in which written notice is given, and a termination payment equal to 12 months' fixed base salary if Elkem initiates the termination.

REMUNERATION TO CORPORATE MANAGEMENT

Members of corporate management team 2020

Amounts in NOK thousand *Name*	Position	Fixed compen-sation	Variable compen-sation - STI	Variable compen-sation - LTI	Other benefits	Pension benefits	**Total**
Michael Koenig	CEO	5,607	6,351	381	258	861	**13,458**
Morten Viga	CFO	3,278	997	1,187	142	559	**6,163**
Katja Lehland	SVP Human Resources	2,832	1,364	1,187	152	467	**6,002**
Asbjørn Søvik	SVP Business development	3,024	914	1,187	375	591	**6,091**
Håvard Moe	SVP Elkem Technology	2,314	702	1,187	142	381	**4,726**
Louis Vovelle	SVP Innovation R&D	2,258	627	1,187	57	268	**4,397**
Frédéric Jacquin	SVP Silicones	3,869	1,035	1,187	74	786	**6,952**
Trond Sæterstad 1)	SVP Silicon Materials	1,386	325	538	73	167	**2,489**
Jean Villeneuve 1)	SVP Foundry Products	1,543	361	538	53	255	**2,750**
Inge Grubben-Strømnes	SVP Carbon Sol./Silicon prod.	3,018	1,109	1,187	142	551	**6,007**
Luiz Simao 2)	SVP Carbon Solutions	1,131	534	341	68	155	**2,229**
Total		30,260	14,319	10,108	1,537	5,041	**61,265**

1) Jean Villeneuve and Trond Sæterstad until end June 2020
2) Luiz Simao from July 2020

Members of corporate management team 2019

Amounts in NOK thousand Name	Position	Fixed compen-sation	Variable compen-sation - STI	Variable compen-sation - LTI	Other benefits	Pension benefits	Total
Michael Koenig [1]	CEO	497	75	-	21	69	**662**
Helge Aasen [2]	CEO	5,467	1,928	326	8,204	1,573	**17,498**
Morten Viga	CFO	3,146	232	1,088	146	570	**5,182**
Katja Lehland	SVP Human Resources	2,704	201	1,088	148	399	**4,540**
Asbjørn Søvik	SVP Business development	2,901	213	1,088	153	641	**4,996**
Håvard Moe	SVP Elkem Technology	2,290	163	1,088	150	402	**4,093**
Louis Vovelle	SVP Innovation R&D	2,045	156	1,088	240	219	**3,748**
Frédéric Jacquin	SVP Silicones	3,505	313	1,088	97	610	**5,613**
Trond Sæterstad	SVP Silicon Materials	2,584	246	1,088	142	401	**4,461**
Jean Villeneuve	SVP Foundry Products	2,872	219	1,088	192	434	**4,805**
Inge Grubben-Strømnes	SVP Carbon	2,796	407	1,088	138	596	**5,025**
Total		30,808	4,153	10,118	9,631	5,914	**60,624**

1) Michael Koenig was appointed CEO as of 1 December 2019. In addition to the above, the CEO has during 2019 received remuneration from China National Bluestar (group) Co. Ltd which is Elkem's majority shareholder, under control of ChemChina. This remuneration is not in relation to his responsibilities in Elkem.
2) Helge Aasen's employment as CEO ended as of 30 November 2019. He currently serves as a Board member of Elkem ASA. Helge Aasen's other benefits include NOK 6.771 million termination costs and CNY 1 million ChemChina Award paid in May.

(b) Board of directors

The remuneration policy to the board of directors is presented in the section Corporate governance.

In addition to the remuneration below, the employee representatives receive market-based salaries for their ordinary employment in Elkem. The board of directors is not entitled to any severance pay and are not included in the long-term incentive scheme (LTI). There are no loans or guarantees to the board of directors.

Remuneration provided to the board of directors in 2020

Amounts in NOK thousand Name	Position	Commitee	Board remuneration	Commitee remuneration	Total
Zhigang Hao [1, 2]	Chair of the board	Remuneration committee chair	500	-	**750**
Yougen Ge [1, 2]	Board member		250	-	**375**
Olivier Tillette de Clermont-Tonnerre [1, 2]	Board member	Audit committee	244	-	**244**
Anja-Isabel Dotzenrath	Board member	Remuneration committee	375	90	**465**
Caroline Grégoire Sainte Marie	Board member	Remuneration committee	375	90	**465**
Dag Jakob Opedal	Board member, Vice chair	Audit committee chair	532	135	**667**
Marianne Johnsen	Board member	Audit committee	375	90	**465**
Helge Aasen (from May 2020)	Board member		244	-	**-**
Marianne Færøyvik	Board member (employee representative)		375	-	**375**
Terje Andre Hanssen	Board member (employee representative)		375	-	**375**
Per Tronvoll (until June 2020)	Board member (employee representative)		188	-	**188**
Knut Sande	Board member (employee representative, observer until June 2020)		282	-	**282**
Heidi Feldborg	Observer (employee representative)		188	-	**188**
Per Roar Aas (from July 2020)	Observer (employee representative)		95	-	**95**
Total			4,772	405	**4,933**

1) Representatives for the majority shareholder.
2) Received remuneration from May 2020.

Remuneration provided to the board of directors in 2019

Amounts in NOK thousand

Name	Position	Commitee	Board remuneration	Commitee remuneration	**Total**
Michael Koenig [1]	Chair of the board	Remuneration committee chair	-	-	**-**
Zhigang Hao (from May) [1] [2]	Chair of the board	Remuneration committee chair	-	-	**-**
Olivier Tillette de Clermont-Tonnerre [1]	Board member	Audit committee	-	-	**-**
Guihua Pei (until April) [1]	Board member		-	-	**-**
Anja Isabel Dotzenrath	Board member	Remuneration committee	367	87	**454**
Caroline Gregoire Sainte Marie	Board member	Remuneration committee	367	87	**454**
Dag Jakob Opedal [3]	Board member	Audit committee chair	375	132	**507**
Sverre S. Tysland		Leader of the nomination committee	-	-	**-**
Yougen Ge (from May) [1]	Board member		-	-	**-**
Marianne Johnsen (from May 2019)	Board member	Audit committee from December	250	18	**268**
Helge Aasen (from December) [1]	Board member and CEO		-	-	**-**
Marianne Færøyvik	Board member (employee representative)		307	-	**307**
Terje Andre Hanssen	Board member (employee representative)		307	-	**307**
Per Tronvoll	Board member (employee representative, observer until May 2019)		278	-	**278**
Knut Sande	Observer (employee representative)		153		**153**
Heidi Feldborg	Observer (employee representative from June 2019)		125	-	**125**
Total			2,529	324	**2,853**

1) Representatives for the majority shareholder.
2) Zhigang Hao was appointed the Chair of the Board as of 1 December 2019, when Michael Koenig became the CEO. Michael Koenig was thus the Chair for the first 11 months in 2019.
3) Appointed vice Chair as of 1 December 2019

Attendance at board meetings and board committee meetings in 2020 for board members

Name	Position	Comittee	Board meetings	Audit committee meetings	Remuneration committee meetings
Zhigang Hao [1]	Chair of the board	Remuneration committee chair	8/8		3/3
Yougen Ge [1]	Board member		7/8		
Olivier Tillette de Clermont-Tonnerre [1]	Board member	Audit committee	8/8	5/6	
Anja-Isabel Dotzenrath	Board member	Remuneration committee	7/8		3/3
Caroline Grégoire Sainte Marie	Board member	Remuneration committee	8/8		3/3
Dag Jakob Opedal	Board member, Vice chair	Audit committee chair	8/8	6/6	
Marianne Johnsen	Board member		8/8	6/6	
Helge Aasen	Board member		8/8		
Marianne Færøyvik	Board member (employee representative)		8/8		
Terje Andre Hanssen	Board member (employee representative)		8/8		
Per Tronvoll (until June 2020)	Board member (employee representative)		3/4		
Knut Sande	Board member (employee representative, observer until June 2020)		8/8		
Heidi Feldborg	Observer (employee representative)		8/8		
Per Roar Aas (from July 2020)	Observer (employee representative)		4/4		

1) Representatives for the majority shareholder.

Attendance at board meetings and board committee meetings in 2019 for board members

Name	Position	Comittee	Board meetings	Audit committee meetings	Remuneration committee meetings
Michael Koenig [1]	Chair of the board	Remuneration committee chair	8/9		6/6
Zhigang Hao (from May) [1][2]	Chair of the board	Remuneration committee chair	5/5		4/5
Olivier Tillette de Clermont-Tonnerre [1]	Board member	Audit committee	9/9	6/6	
Guihua Pei (until April) [1]	Board member		4/4		
Anja Isabel Dotzenrath	Board member	Remuneration committee	8/9		9/9
Caroline Gregoire Sainte Marie	Board member	Remuneration committee	8/9		9/9
Dag Jakob Opedal [3]	Board member	Audit committee chair	9/9	6/6	
Yougen Ge (from May) [1]	Board member		3/5		
Marianne Johnsen (from May 2019)	Board member	Audit committee from December	4/5	1/1	
Helge Aasen (from December) [1]	Board member and CEO		1/1		
Marianne Færøyvik	Board member (employee representative)		8/9		
Terje Andre Hanssen	Board member (employee representative)		9/9		
Per Tronvoll	Board member (employee representative, observer until May 2019)		8/9		
Knut Sande	Observer (employee representative)		9/9		
Heidi Feldborg	Observer (employee representative from June 2019)		5/5		

1) Representatives for the majority shareholder.
2) Zhigang Hao was appointed the Chair of the Board as of 1 December 2019, when Michael Koenig became the CEO. Michael Koenig was thus the Chair for the first 11 months in 2019.
3) Appointed vice Chair as of 1 December 2019.

Number of shares owned by the corporate management and board of directors

Name	Position	Number of shares 2020	Number of options 2020	Number of shares 2019	Number of options 2019
Michael Koenig	CEO	91,265	500,000	68,965	-
Morten Viga	CFO	46,896	900,000	46,896	600,000
Katja Lehland	SVP Human Resources	-	900,000	-	600,000
Asbjørn Søvik	SVP Business development	10,000	900,000	10,000	600,000
Håvard Moe	SVP Elkem Technology	17,241	900,000	17,241	600,000
Louis Vovelle	SVP Innovation R&D	6,896	900,000	6,896	600,000
Frédéric Jacquin	SVP Silicones	6,551	900,000	6,551	600,000
Trond Sæterstad	SVP Silicon Materials until end June 2020	-	750,000	-	600,000
Jean Villeneuve	SVP Foundry Products until end June 2020	-	750,000	-	600,000
Inge Grubben-Strømnes	SVP Carbon	35,189	900,000	35,189	600,000
Luiz Simao	SVP Carbon Solutions	-	600,000		300,000
Zhigang Hao [1]	Chair of the board	-	-	-	-
Olivier Tillette de Clermont-Tonnerre [1]	Board member	15,517	-	15,517	-
Anja-Isabel Dotzenrath	Board member	-	-	-	-
Caroline Grégoire Sainte Marie	Board member	2,300	-	2,300	-
Dag Jakob Opedal	Board member	40,000	-	40,000	-
Yougen Ge [1]	Board member	-	-	-	-
Marianne Johnsen	Board member	15,000	-	-	-
Helge Aasen [1]	Board member	86,206	167,000	86,206	167,000
Marianne Færøyvik	Board member (employee representative)	4,950	-	2,700	-
Terje Andre Hanssen	Board member (employee representative)	-	-	-	-
Per Tronvoll	Board member (employee representative until June 2020)	-	-	-	-
Knut Sande	Board member (employee representative from July 2020)	-	-	-	-
Per Roar Aas	Observer (employee representative from July 2020)	-	-	-	-
Heidi Feldborg	Observer (employee representative)	-	-	-	-

1) Representatives for the majority shareholder.

Note 11 Share-based payment

PRINCIPLE

Share-based payment

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 of the options has been calculated using Black & Scholes option-pricing model, that takes into account the exercise price, the term of the option, the share price at the grant date, expected price volatility of the underlying share, expected dividend and risk-free interest. It is assumed that the employees will exercise the options in average 1.03 years after exercisable date. The expected volatility is on average of 46% for the 2020 programme, 35.83% for the 2019 programme and 31.43% for 2018. The expected volatility is based on historical volatility for Elkem ASA and a selection of comparable listed companies. The risk-free interest rate is set equal to the interest on Norwegian government bonds with same maturity as the option, 0.11% on the 2020 program and 1.26% on the 2019 program.

The annual general meeting of Elkem ASA resolved in 2018 to establish a long-term share incentive scheme for members of the management and certain other key employees. 19 September 2018 a total of 7,850,000 options were granted to 40 employees at an exercise price of NOK 38.52. On 29 July 2019 a total of 8,000,000 options were granted to 42 employees at an exercise price of NOK 23.53. On 29 July 2020 a total of 8,000,000 options were granted to 44 employees at an exercise price of NOK 19.10. On 11 February 2021 a number of 1,675,000 options related to the 2019 programme was exercised.

Each option gives the holder the right to subscribe or purchase one share in Elkem ASA. The options will vest over a period of three years from grant date with one-third vesting each year. The options will expire two years after vesting. 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 note 10 Management remuneration for description of the option program and options granted to Elkem's corporate management.

Expenses recognised in employee benefit expenses

Amounts in NOK million	2020	2019
Share-based payment	**(29)**	(25)
Social security contribution	**(7)**	(0)
Total expenses related to share-based payments	**(36)**	(25)

The average fair value of options granted in 2020 was NOK 2.95 (NOK 4.08) per option.

Overview of outstanding options

	2020	2019
Outstanding options 1.1.	**14,767,000**	7,850,000
Options granted	**8,000,000**	8,000,000
Options forfeited	**-**	(1,083,000)
Outstanding options 31.12	**22,767,000**	14,767,000
Of which exercisable	**7,417,000**	2,567,000
Average share price at grant date (NOK per share)	**26.76**	30.91
Weighted average remaining contractual life of outstanding options (years)	**2.64**	3.14

Note 12 Other operating expenses

Details of operating expenses

Amounts in NOK million	2020	2019
Loss on disposal of fixed assets	**(15)**	(10)
Freight and commission expenses	**(1,413)**	(1,269)
Leasing short-term and low value contracts (note 17)	**(42)**	(39)
Machinery, equipment, spare parts and operating materials	**(1,285)**	(1,128)
External services [1]	**(1,949)**	(1,753)
Insurance expenses	**(97)**	(85)
Impairment losses assets / receivables	**(16)**	17
Other operating expenses [2) 3)]	**(304)**	(537)
Total other operating expenses	**(5,121)**	(4,804)

1) Including services from auditor, see specification below
2) Including changes in inventories of finished goods and work in progress of positive NOK 26 million (negative NOK 1 million)
3) Including capitalised salary on fixed asset projects of positive NOK 99 million (positive NOK 74 million)

Research and development

During 2020, Elkem expensed NOK 548 million (NOK 494 million) as research and development related to processes, products and business development, including technical customer support and improvement projects. In addition, Elkem capitalised development expenses of NOK 162 million (NOK 74 million).

Grants recognised relating to research and development amount to NOK 130 million (NOK 95 million) are recognised in other operating income, and in addition NOK 5 million (NOK 9 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	2020	2019
KPMG		
Audit fee	**(18)**	(17)
Other assurance services	**(2)**	(1)
Tax services	**(0)**	(0)
Other services	**(1)**	(2)
Other audit firms		
Audit fee	**(2)**	(2)
Other assurance services	**(0)**	(0)
Tax services	**(2)**	(2)
Other services	**(2)**	(1)
Total fees to KPMG and other audit firms	**(27)**	(26)

Fees to auditors are reported exclusive of VAT.

Note 13 Other items

PRINCIPLE

Other items

Other gains and (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 and (expenses) consists of transactions and events that are related to acquisition of business, gains / (losses) on disposal of businesses, group wide 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 or costs of public requirements updated regulations related to events/periods before purchase of the business, e,g, environmental measurements, are included in Elkem's definition of 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 and (expenses).

Details of other items

Amounts in NOK million	2020	2019
Changes in fair value commodity contracts (note 25) [1]	**(144)**	272
Embedded EUR derivatives power contracts, interest element (note 25)	**234**	(25)
Ineffectiveness on cash flow hedges (note 26)	**(12)**	(13)
Net foreign exchange gains (losses) - forward currency contracts	**49**	23
Operating foreign exchange gains (losses)	**(83)**	(45)
Total other gains (losses)	**44**	211
Dividends from other shares	**1**	1
Change in fair value from other shares measured at fair value through profit or loss	**0**	1
Gains (losses) on disposal of subsidiaries	**-**	0
Restructuring expenses [2]	**(158)**	-
Other [3]	**(18)**	(18)
Total other income (expenses)	**(174)**	(15)
Total other items	**(130)**	195

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 mean 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 Q1 2020. The amount includes restructuring and direct related productivity improvement expenses.
3) Mainly related to business projects / acquisitions and provisions for environmental measurements.

Note 14 Finance income and expenses

PRINCIPLE
Finance income and expenses
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	2020	2019
Interest income on loans and receivables	**27**	40
Other financial income	**4**	1
Total finance income	**31**	41
Net foreign exchange gains (losses) [2]	**17**	16
Interest expenses on interest-bearing liabilities measured at amortised cost [1]	**(221)**	(221)
Interest expenses from other items measured at amortised cost	**(22)**	(25)
Capitalised interest expenses	**4**	-
Interest expenses on lease liabilities	**(17)**	(17)
Unwinding of discounted liabilities	**(10)**	(5)
Interest expenses on net pension liabilities	**(7)**	(10)
Other financial expenses	**(4)**	(18)
Total finance expenses	**(278)**	(295)
Net finance income (expenses)	**(229)**	(239)

1) Interest expenses from other items measured at amortised cost mainly consist of interest on bills payable.
2) 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

Note 15 Taxes

PRINCIPLE
Taxation
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	2020	2019
Profit (loss) before income tax	**584**	1,134
Current taxes	**(234)**	(178)
Deferred taxes	**(72)**	(59)
Total income tax (expense) benefit	**(306)**	(237)

Income taxes recognised in other comprehensive income (OCI)

Amounts in NOK million	2020	2019
Remeasurement of defined benefit pension plans	**13**	3
Hedging of net investment in foreign operations	**37**	(5)
Cash flow hedges	**33**	45
Total tax charged to OCI	**82**	42

Reconciliation of income tax (expense) benefit

Amounts in NOK million	2020	2019
Profit (loss) before income tax	**584**	1,134
Expected income taxes, 22% of profit before tax (22%)	**(128)**	(249)
Tax effects of:		
Difference in tax rates for each individual jurisdiction	**(8)**	(36)
Preferential tax rates	**41**	50
Permanent differences		
Tax effects of income from Norwegian controlled foreign companies (NOKUS)	**(7)**	(9)
Tax effects share of profit (loss) from equity accounted companies	**5**	(2)
Tax effects non-deductible expenses	**(18)**	(17)
Tax relief based on value of equity	**-**	-
Tax effects non-taxable income	**44**	49
Other effects		
Tax effects of changes in unrecognised deferred tax assets	**(186)**	15
Tax credits utilised	**11**	(3)
Other current taxes paid	**(46)**	(39)
Previous year tax adjustment	**(12)**	4
Total income tax (expense) benefit	**(306)**	(237)
Effective tax rate	**52%**	21%

Four 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 effect 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

	31.12.2020		31.12.2019	
Amounts in NOK million	Deductible temporary difference	Deferred tax	Deductible temporary difference	Deferred tax
Derivatives including cash flow hedges	**378**	**83**	360	80
Property, plant and equipment and Intangible assets	**1,015**	**155**	1,488	232
Pension liabilities	**525**	**148**	441	126
Trade receivables	**130**	**22**	94	15
Inventories	**164**	**39**	185	40
Provisions	**257**	**56**	196	50
Other differences	**377**	**83**	54	14
Debt forgiveness	**595**	**169**	595	198
Tax losses carried forward	**2,986**	**821**	2,063	600
Gross deferred tax assets	**6,426**	**1,576**	5,477	1,355
Unrecognised deferred tax assets for tax loss carried forward	**(2,623)**	**(699)**	(1,673)	(478)
Unrecognised debt forgiveness	**(595)**	**(169)**	(595)	(198)
Unrecognised deferred tax assets other items	**(1,198)**	**(197)**	(1,573)	(236)
Recognised deferred tax assets	**2,010**	**511**	1,636	444
Netting		**(414)**		(378)
Net deferred tax assets		**96**		66
Derivatives including cash flow hedges	**220**	**48**	210	46
Property, plant and equipment and intangible assets	**2,685**	**644**	1,724	460
Inventories	**166**	**37**	209	47
Other differences	**96**	**21**	308	69
Gross deferred tax liabilities	**3,168**	**751**	2,452	621
Netting		**(414)**		(378)
Net deferred tax liabilities		**336**		243
Net deferred tax liabilities/assets (-) recognised		**(240)**		(178)

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	2020	2019
Opening balance	**(178)**	(147)
Recognised in profit or loss for the year	**(72)**	(59)
Effect of business combination	**(81)**	(12)
Recognised in other comprehensive income	**82**	42
Currency translation differences	**10**	(2)
Closing balance	**(239)**	(178)

Tax losses to carry-forward 31 December 2020

Amounts in NOK million	Gross tax losses to carry-forward	Net tax losses to carry-forward	Not recognised tax losses	Recognised deferred tax losses to carry-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 to carry-forward 31 December 2019

Amounts in NOK million	Gross tax losses to carry-forward	Net tax losses to carry-forward	Not recognised tax losses	Recognised deferred tax losses to carry-forward
France	1,273	410	(296)	115
China	325	81	(81)	-
Brazil	226	77	(77)	-
USA	6	1	-	1
United Kingdom	18	3	-	3
Malaysia	36	9	(7)	2
Paraguay	176	18	(18)	-
Mexico	2	1	-	-
Iceland	2	0	-	0
Total tax losses to carried forward	2,063	600	(478)	122

Tax losses to carry-forward by expiry date

	31.12.2020		31.12.2019	
Amounts in NOK million	**Total unrecognised losses**	**Total recognised losses**	Total unrecognised losses	Total recognised losses
2019	**-**	**-**	0	-
2020	**(39)**	**-**	(22)	-
2021	**-**	**-**	(39)	-
2022	**-**	**-**	-	-
2023	**(40)**	**-**	-	-
2024	**-**	**-**	(20)	-
> 2024	**-**	**-**	-	-
Without maturity	**(620)**	**122**	(397)	122
Total tax losses carried forward	**(699)**	**122**	(478)	122

Pending tax issues with tax authorities
The Norwegian Tax Office has in February 2021 decided to increase Elkem ASA's taxable income for the fiscal years 2016-2019 by in total NOK 781 million, which will increase the income tax expenses by NOK 181 million. The amount will become payable in first quarter of 2021. The reassessments relate to loan arrangements / debt forgiveness (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 defense against the action will be successful, and no provision for increased income tax expenses have been made in the 2020 consolidated financial statements.

Debt forgiveness
Elkem Silicones France SAS has four Elkem internal debt-forgiveness 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 2020 are NOK 595 million (NOK 595 million) corresponding to EUR 64 million (EUR 64 million). Elkem Silicones France SAS has repaid NOK 0 million (NOK 49 million) that gives a tax credit of NOK 0 million (NOK 16 million). The amount is included in tax effect of changes in non-recognised deferred tax assets in the reconciliation of income tax (expense) benefit above.

Debt forgiveness 31 December 2020

Amounts in NOK million	2010	2012	2013	2014	**Total**
Gross value of debt forgiveness	54	186	149	207	**595**
Utilised 2020	-	-	-	-	**-**
Total debt that can be reversed	54	186	149	207	**595**
Deferred tax asset not recognised [1)]	15	53	42	59	**169**
The respective agreements expire in	5 years	7 years	8 years	9 years	

Debt forgiveness 31 December 2019

Amounts in NOK million	2010	2012	2013	2014	**Total**
Gross value of debt forgiveness	103	186	149	207	**644**
Usage 2019	(49)	-	-	-	**(49)**
Total debt that can be reversed	54	186	149	207	**595**
Deferred tax asset not recognised [1)]	18	62	49	69	**198**
The respective agreements expire in	6 years	8 years	9 years	10 years	

1) Based on tax rate 28.43% (33.33%), which is applicable in France.

Note 16 Property, plant and equipment

PRINCIPLE
Property, plant and equipment
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 2020

Amounts in NOK million	Land	Plant, buildings and other property	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 was NOK 4 million in 2020. The weighted average cost of capital for capitalisation of loan interest in 2020 was 1.9% per annum.

Details of property, plant and equipment 2019

Amounts in NOK million	Land	Plant, buildings and other property	Machinery, equipment and motor vehicles	Office and other equipment	Construction in progress	Total
Cost						
Opening balance	148	6,529	19,103	485	1,619	**27,883**
Additions	2	19	7	5	1,997	**2,031**
Transferred from CiP	0	349	1,564	61	(1,974)	**-**
Reclassification	-	0	19	(16)	(48)	**(45)**
Business combinations (note 4)	30	32	8	1	-	**70**
Disposals	(2)	(10)	(430)	(12)	(7)	**(461)**
Currency translation differences	(0)	(10)	(26)	(1)	(4)	**(41)**
Closing balance	178	6,908	20,245	523	1,583	**29,437**
Accumulated depreciation						
Opening balance		(2,310)	(10,213)	(334)		**(12,856)**
Additions		(193)	(1,013)	(35)		**(1,241)**
Reclassification		(0)	(19)	19		**0**
Disposals		7	396	12		**415**
Currency translation differences		2	12	0		**14**
Closing balance		(2,494)	(10,837)	(338)		**(13,668)**
Impairment losses						
Opening balance	(11)	(380)	(2,116)	(0)	(75)	**(2,582)**
Additions	(0)	(0)	(9)	(0)	(1)	**(10)**
Disposals	0	1	14	0	1	**16**
Currency translation differences	0	1	8	0	0	**10**
Closing balance	(11)	(378)	(2,103)	(0)	(75)	**(2,567)**
Carrying amount						
Closing balance	167	4,036	7,305	186	1,508	**13,202**
Original cost of assets fully depreciated but still in use	-	478	2,873	57	-	**3,407**
Estimated useful life	Indefinite	5-50 years	3-50 years	3-20 years		
Depreciation plan		Straight-line	Straight-line	Straight-line		

See note 33 Pledge of assets and guarantees for level of pledge PPE.

Note 17 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, meaning 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 weather the change implies a separate lease if the change has a stand alone 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.

JUDGMENTS 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 office and production buildings including 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 2020

Amounts in NOK million	Land	Plant, buildings and other property	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**
Business combinations (note 4)	52	-	-	-	**52**
Disposals/lease modifications	(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)**
Disposals/lease modifications	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	1–50 years	1–25 years	1–10 years	1-5 years	
Depreciation plan	Straight-line	Straight-line	Straight-line	Straight-line	

Details of right-of-use assets 2019

Amounts in NOK million	Land	Plant, buildings and other property	Machinery, equipment and motor vehicles	Office and other equipment	Total
Cost					
Opening balance IFRS 16	14	322	68	8	**412**
Additions	1	40	33	-	**74**
Reclassification	223	-	0	-	**223**
Disposals	-	(3)	(3)	-	**(6)**
Currency translation differences	0	(2)	(0)	0	**(2)**
Closing balance	239	357	99	8	**702**
Accumulated depreciation					
Opening balance	-	-	-	-	**-**
Additions	(6)	(56)	(30)	(1)	**(93)**
Reclassification	(37)	-	(0)	-	**(37)**
Disposals	-	3	3	-	**6**
Currency translation differences	0	1	0	0	**1**
Closing balance	(42)	(52)	(27)	(1)	**(123)**
Carrying amount					
Closing balance	197	305	72	6	**580**
Estimated useful life	1–50 years	1–20 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	**2020**	2019
Opening balance	**407**	-
Opening balance IFRS 16	**-**	412
Additions/lease modifications [1)]	**350**	74
Payments	**(120)**	(95)
Interest expenses on lease liabilities	**17**	17
Currency translation differences	**9**	(1)
Closing balance (note 23)	**663**	407

The maturity analysis of lease liabilities is disclosed in note 23 Interest-bearing assets and liabilities.

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.

Amounts recognised in consolidated statement of profit or loss

Amounts in NOK million	**2020**	2019
Depreciation of right-of-use assets	**(115)**	(93)
Interest expenses on lease liabilities (note 14)	**(17)**	(17)
Leasing expenses, short-term leases (note 12)	**(30)**	(26)
Leasing expenses, low value assets (note 12)	**(9)**	(10)
Leasing expenses, variable lease payments (note 12)	**(4)**	(3)
Total amount recognised in consolidated statement of profit or loss	**(174)**	(149)

Note 18 Intangible assets and goodwill

PRINCIPLE

Goodwill

Goodwill is initially measured as the excess of the cost of an acquisition over the group's share of the fair values of the acquired entity's net identifiable assets at the acquisition date. If the fair value of the group's interest in the net assets of the acquired subsidiary exceeds the cost of the acquisition (negative goodwill), the differences are recognised directly in 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.

Other intangible assets

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. The estimated useful lives and amortisation method are reviewed at the end of each reporting period.

An intangible asset is derecognised on disposal, or when the group expects no future economic benefits 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 12 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 goodwill and intangible assets 2020

Amounts in NOK million	**Goodwill**	Land use rights	Technology and licences	Software	Development	Other intangible[1)]	Intangible assets under construction	**Total other intangible assets**
Cost								
Opening balance	**466**	101	557	421	663	92	152	**1,987**
Additions [2)]	**-**	-	2	17	-	0	188	**207**
Transferred from CiP	**-**	-	-	6	29	0	(35)	**-**
Reclassification	**-**	-	0	22	0	0	(0)	**22**
Business combinations (note 4)	**506**	-	257	0	-	253	-	**510**
Disposals	**-**	-	-	(2)	(4)	-	(1)	**(7)**
Currency translation differences	**(53)**	6	20	5	25	(23)	0	**33**
Closing balance	**919**	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)**
Additions	**-**	-	-	-	-	-	-	**-**
Disposals	**-**	-	-	-	-	-	-	**-**
Currency translation differences	**-**	(0)	-	-	-	-	-	**(0)**
Closing balance	**-**	(1)	-	-	-	-	-	**(1)**
Carrying amount								
Closing balance	919	51	349	120	227	268	305	**1,319**
Estimated useful life	Indefinite	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 mainly consists of customer relationships.
2) Additions in 2020 mainly consist of capitalisation of development projects of NOK 162 million.

Details of goodwill and intangible assets 2019

Amounts in NOK million	Goodwill	Land use rights	Technology and licences	Software	Development	Other intangible[1]	Intangible assets under construction	**Total other intangible assets**
Cost								
Opening balance	**342**	328	540	392	591	57	154	**2,062**
Additions 1)	**-**	0	0	10	-	-	84	**94**
Transferred from CiP	**-**	-	20	19	50	5	(95)	**0**
Reclassification	**-**	(223)	2	1	34	(1)	10	**(179)**
Business combinations (note 4)	**122**	-	-	-	-	31	-	**31**
Disposals	**-**	(1)	-	(1)	(7)	-	-	**(8)**
Currency translation differences	**3**	(2)	(5)	(1)	(6)	0	(1)	**(14)**
Closing balance	**466**	101	557	421	663	92	152	**1,987**
Accumulated amortisation								
Opening balance		(87)	(392)	(272)	(364)	(24)		**(1,139)**
Additions		(1)	(29)	(35)	(53)	(4)		**(122)**
Reclassification		37	(1)	2	0	(1)		**37**
Disposals		0	-	1	7	-		**7**
Currency translation differences		1	3	1	3	(0)		**8**
Closing balance		(50)	(419)	(304)	(407)	(29)		**(1,209)**
Impairment losses								
Opening balance	**-**	(1)	-	-	-	-	-	**(1)**
Additions	**-**	(1)	-	-	-	-	-	**(1)**
Disposals	**-**	1	-	-	-	-	-	**1**
Currency translation differences	**-**	0	-	-	-	-	-	**0**
Closing balance	**-**	(1)	-	-	-	-	-	**(1)**
Carrying amount								
Closing balance	**466**	51	138	117	256	63	152	**777**
Estimated useful life	Indefinite	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) Additions in 2019 mainly consist of capitalisation of development projects of NOK 74 million.

Note 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 exceeds 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 1.5% (2.0%).

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 2021 budget is used as a basis for the forecast the next four years. The uncertainties in Elkem's budgets has increased due to the Covid-19 pandemic. Elkem has seen a drop in prices for most of Elkem's products in 2020. In the impairment assessment Elkem has assumed that the market situation will stabilise before end of 2021. 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. The product mix has also been unfavourable for Elkem in 2020, with a drop in sale of specialty products. Elkem works continuously to improve the specialty ratio and this is reflected in the impairment models. Sales volume are adjusted for necessary maintenance stops.

The CO_2 allowance and CO_2 compensation programme are currently under audit. Elkem expect the framework to be approximately the same for the next period, 2021 to 2030.

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 2021 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 rates official forward 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, Silicones Products and Carbon Solutions, which are also operating and reportable segments. For newly acquired businesses where the entity has not been fully integrated with the operating segment where the entity belongs, the goodwill is tested at separately. 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 2020**	31 December 2019	**31 December 2020**	31 December 2019
Guangdong Polysil Technology Co. Ltd.	**455**	-	**8.6%**	-
Elkem Silicones Korea Co., Ltd	**126**	122	**8.6%**	8.5%
Silicones	**80**	75	**9.1%**	9.0%
Silicon Products	**192**	197	**8.9%**	9.0-9.8%
Carbon Solutions	**66**	72	**11.1%**	12.1%
Goodwill	**919**	466		

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.
- An 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 2020 Elkem has identified impairment indicators for the CGUs below. None of the plants were assessed to be impaired, as the recoverable amount exceed the carrying amount for all CGUs.

Elkem Rana, within Elkem ASA

The total carrying amount for the CGU is NOK 476 million. The impairment indicators are largely due to lower sales volume in particular towards the automotive industry and lower sales prices for FeSi. Pre-tax discount rate used in the DCF calculation is 8.9%. An increase of 4% points in WACC or a growth rate used to extrapolate the cash-flows after five years equal to zero, will not result in an impairment for the CGU. The impariment test showed that a decrease in the forecasted EBITDA levels of 20% points for the cash-flows for the CGU will not result in an impairment and a decrease of 30% points will give an impairment of NOK 160 million.

Elkem Island

The total carrying amount for the CGU is NOK 496 million. The impairment indicators are largely due to lower sales volume in particular towards the automotive industry and lower sales prices for FeSi. Pre-tax discount rate used in the DCF calculation is 8.4%. An increase of 4% points in WACC will give an impairment of NOK 87 million. A growth rate used to extrapolate the cash-flows after five years equal to zero, will not result in an impairment. The impairment test showed that a decrease in the forecasted EBITDA levels of 20% points for the cash-flows for the CGU will result in an impairment of NOK 99 million, and a decrease of 30% points will give an impairment of NOK 313 million.

Silicones

Elkem has identified impairment indicators within the Silicones segment, Silicones excluding Jiangxi Bluestar Xinghuo Silicones, Elkem Silicones Korea and Polysil, which are tested separately, with a carrying value of for the entities are NOK 4,033 million. The impairment indicators are largely due to lower sales prices in the first 10 months of 2020, as a result of Covid-19. Pre-tax discount rate used in the DCF calculation is 9.1%. The CGU show large improvements towards the end of 2020. 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.

Bluestar Silicon Material (Yongdeng) and Jiangxi Bluestar Xinghuo Silicones

Elkem assesses this as one CGU based on its integrated operations, with a carrying value of NOK 5,718 million. In China the outbreak of Covid-19 resulted in impairment indicators for the CGU. Pre-tax discount rate used in the DCF calculation is 11.4%, based on a CNY cash flow. The impairment test showed that a decrease in the forecasted EBITDA levels of 20% points for the cash-flows for the CGU will not result in an impairment, and a decrease of 30% points will give an impairment of NOK 509 million.

Note 20 Inventories

PRINCIPLE

Inventories

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. 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.

JUDGEMENTS 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	31.12.2020			31.12.2019		
Amounts in NOK million	Cost price	Provision	**Net total**	Cost price	Provision	**Net total**
Raw materials	1,202	(10)	**1,192**	1,216	(10)	**1,206**
Semi-finished goods	417	(11)	**406**	359	(13)	**346**
Finished goods	3,159	(71)	**3,088**	3,260	(73)	**3,187**
Operating materials and spare parts	578	(23)	**555**	508	(23)	**485**
Total inventories	5,356	(115)	**5,241**	5,343	(119)	**5,224**

This year's change in provision for impairment of inventory, a gain of NOK 3 million (loss of NOK 20 million), is recognised as a part of raw materials and energy for production.

Note 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 receivable-document effectively replaces, for the specified amount, the open debt exchanged for the bill. Bills receivable are used by Elkem's Chinese entities, towards financial institutions, and the duration is normally below six months.

Trade receivable are derecognised when settled or when transferred to a third party and the group has no further risk related to the receivables. Bills receivable 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.

Provisions for expected credit losses is done by taking 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.

JUDGEMENTS AND ESTIMATES

Judgement is applied when determining the provision for impairment 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.

Details of trade receivables

Amounts in NOK million	31.12.2020	31.12.2019
Trade receivables	**1,931**	1,624
Trade receivables, related parties (note 32)	**36**	46
Allowance for expected credit losses	**(92)**	(76)
Bills receivable	**920**	675
Total trade receivables	**2,796**	2,269

Elkem has entered into factoring agreements of a total of EUR 101.5 million, NOK 1,063 million, whereof EUR 21.5 million is extended in 2020 compared to 2019. 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 2020 NOK 962 million (NOK 694 million) is derecognised and NOK 51 million (NOK 35 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 2020 NOK 17 million is derecognised under the agreement.

Bills receivable consist of NOK 917 million (NOK 671 million) bank acceptance bills and NOK 4 million (NOK 3 million) commercial acceptance bills.

A total of NOK 4,104 million (NOK 2,795 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	31.12.2020	31.12.2019
Not due	**1,552**	1,249
Overdue by:		
1–30 days	**295**	258
31–60 days	**28**	42
61–90 days	**16**	19
More than 90 days	**77**	101
Total trade receivables [1)]	**1,967**	1,670

1) Bills receivable is not included in the ageing table

Elkem applies for credit insurance for the majority of its customers. In cases where credit insurance coverage is refused, other methods such as prepayment, letter of credit, documentary credit and guarantees for securing the payment, are used.

Movements in allowance for expected credit losses

Amounts in NOK million	2020	2019
Opening balance	**(76)**	(78)
Business combinations (note 4)	**(8)**	-
Realised losses during the year / Received on earlier losses	**5**	(4)
New provisions	**(33)**	(9)
Reversed provisions	**20**	15
Currency translation differences	**1**	(0)
Closing balance	**(92)**	(76)

Analysis of allowance for expected credit losses, presented based on related trade receivables

Amounts in NOK million	31.12.2020	31.12.2019
Not due	**(7)**	(4)
Overdue by:		
1–30 days	**(2)**	(0)
31–60 days	**(0)**	(0)
61–90 days	**(9)**	(0)
More than 90 days	**(73)**	(71)
Total allowance for expected credit losses	**(92)**	(76)

Note 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 provision for impairment 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

Amounts in NOK million	Non-current 31.12.2020	Non-current 31.12.2019	Current 31.12.2020	Current 31.12.2019
Other shares	**27**	61	**-**	-
Restricted deposits	**39**	42	**-**	-
Other deposits	**14**	16	**-**	-
Pension assets, defined benefits and contribution plans (note 9)	**3**	3	**3**	2
Prepayments for construction of fixed assets	**67**	66	**-**	-
Prepayments for goods and equipment	**-**	-	**78**	71
Prepayments for other expenses	**44**	32	**81**	69
Prepayments to related parties (note 32)	**-**	-	**5**	16
Receivables from related parties, interest-bearing (note 32)	**1**	1	**-**	-
Receivables from related parties, interest free (note 32)	**-**	-	**0**	2
Grants receivable (note 8)	**157**	152	**525**	361
Value added tax	**36**	-	**367**	280
Corporate income tax	**-**	-	**105**	137
Interest receivables	**-**	-	**1**	2
Other receivables	**8**	8	**43**	68
Other assets	**36**	26	**3**	3
Total other assets	**432**	407	**1,212**	1,013
Provision for impairment included in total other assets	**-**	-	**(59)**	(54)

Restricted deposits mainly consist of restricted deposits related to the ongoing tax litigation in Elkem's business in Brazil of NOK 15 million (NOK 19 million), see note 24 Provisions and other liabilities, and deposit for pension guarantee, related to unfunded pension liabilities for salaries above 12G, of NOK 24 million (NOK 22 million).

Note 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. The difference between the cost and the amount of repayment being recognised in the statement of profit or loss over the term of the interest-bearing liabilities.

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 17 Leases for accounting policies for right-of-use assets and lease liabilities.

Details of interest-bearing assets / liabilities

Amounts in NOK million	Non-current 31.12.2020	Non-current 31.12.2019	Current 31.12.2020	Current 31.12.2019
Interest-bearing liabilities				
Lease liabilities (note 17)	**566**	323	**97**	85
Loans from external parties, other than bank	**1,996**	3,928	**2,407**	266
Bank financing	**4,627**	4,089	**762**	887
Accrued interest	**-**	-	**27**	25
Total interest-bearing liabilities	**7,189**	8,340	**3,292**	1,262
Total bills payable	**-**	-	**1,053**	887
Total interest-bearing liabilities including bills payable	**7,189**	8,340	**4,345**	2,149
Interest-bearing assets				
Cash and cash equivalents	**-**	-	**3,154**	4,496
Restricted deposits bills payable	**-**	-	**315**	267
Other restricted deposits	**39**	42	**6**	4
Receivables from related parties	**1**	1	**-**	-
Loans to external parties	**8**	8	**-**	-
Accrued interest income	**-**	-	**1**	2
Total interest-bearing assets	**48**	51	**3,477**	4,769
Net interest-bearing assets / (liabilities)	**(7,140)**	(8,289)	**(869)**	2,620

Interest-bearing liabilities by currency

Amounts in million	Currency amount	NOK 31.12.2020	Currency amount	NOK 31.12.2019
EUR	677	**7,094**	675	6,660
USD	9	**77**	11	96
NOK	2,122	**2,122**	1,856	1,856
CNY	1,663	**2,169**	1,429	1,803
Other currencies	-	**73**	-	73
Total interest-bearing liabilities		**11,534**		10,489

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**

Maturity of interest-bearing liabilities 31 December 2019

Amounts in NOK million	2020	2021	2022	2023	2024	2025 and later	Total
Lease liabilities	85	54	40	38	28	162	**407**
Loans from external parties, other than bank	266	2,047	1,253	14	368	247	**4,194**
Bank financing	887	54	56	4,001	3	11	**5,012**
Bills payable	887						**887**
Accrued interest	25						**25**
Total interest-bearing liabilities excluding prepaid loan fees	2,149	2,155	1,349	4,053	400	420	**10,526**
Prepaid loan fees							**(37)**
Total interest-bearing liabilities							**10,489**

Loan agreements

Elkem signed a loan facilities agreement 13 February 2018, consisting of a revolving credit facility (RCF) of EUR 250 million, a term loan facility of EUR 400 million, and a bridge financing term loan facility of EUR 500 million. In December 2018 the term loan facility, bridge financing, of EUR 500 million was terminated and replaced with other facilities. At 31 December 2020 only the term loan facility is drawn. The loan facilities are unsecured, but the agreement contains two financial covenants described below.

27 November 2018 Elkem issued a senior unsecured bond loan of NOK 1,750 million. The bond loan is 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 value.

10 December 2018 Elkem issued a series of floating and fixed rate loans in the Schuldshein market. Total size of the transaction was EUR 215 million whereof EUR 91.5 million was issued at 31 December 2018 and the remainder EUR 123.5 million in January 2019. The loans are unsecured, but the agreement contains two financial covenants described below. Of the total transaction EUR 15 million is a fixed rate loan with a fixed rate of 1.8160%. Given the market conditions as at 31 December 2020 the loan would have been approximately EUR 0.5 million higher.

16 July 2020 Elkem signed a loan facility of NOK 2,000 million to secure refinancing of loan maturities in 2021. The loan facility has a tenor of 3 years and become available on 16 July 2021. The loan facility is unsecured, but the agreement contains financial covenants in line with Elkem's existing loan agreements, described below.

Hedging

Some / part of loans are designated as a heding instrument, see note 26 Hedging.

Credit facilities

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 granted credit facilities of NOK 3,250 million is excluding the credit facility of NOK 2,000 million, mentioned above.
As of 31 December 2019 the group is granted credit facilities of NOK 3,105 million. The credit facilities are undrawn at 31 December 2019.

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.

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 2020 and 2019.

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 6,607 million (NOK 6,275 million) in Elkem ASA

		31.12.2020	31.12.2019	Loan covenant
Total Equity	*NOK*	**12,635**	12,952	
Total Assets	*NOK*	**30,888**	29,004	
Equity ratio		**41%**	45%	> 30%
EBITDA	*NOK*	**2,684**	2,656	
Net interest payable	*NOK*	**234**	224	
Interest cover ratio		**11.47**	11.85	> 4.00

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**

Movements in interest-bearing liabilities

		Cash flows	Non-cash changes					
Amounts in NOK million	31.12.2018	Receipts/ Payments	IFRS 16 leasing OB	IFRS 16 additions	Reclassification	Business combination	Currency translation differences	31.12.2019
Lease liabilities	-	-	328	74	(79)	-	0	**323**
Loans from external parties, other than bank	2,731	1,190	-	-	-		7	**3,928**
Bank financing	4,400	-	-	-	(313)	23	(21)	**4,089**
Total movements non-current	7,131	1,190	328	74	(393)	23	(14)	**8,340**
Lease liabilities	-	(78)	85	-	79	-	(1)	**85**
Financial leases	0	(0)	-	-	-	-	-	**-**
Loans from external parties, other than bank	195	70	-	-	-	-	1	**266**
Bank financing	1,834	(1,253)	-	-	313	1	(8)	**887**
Total movements current	2,029	(1,261)	85	-	393	1	(9)	**1,237**
Total movements	9,160	(71)	412	74	-	24	(22)	**9,577**

Note 24 Provisions and other liabilities

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	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019
Employee withholding taxes and other public taxes	**-**	-	**95**	87
Value added tax	**-**	-	**111**	74
Prepayments	**-**	-	**223**	249
Prepayments from related parties (note 32)	**-**	-	**27**	4
Liabilities to related parties (note 32)	**-**	-	**64**	81
Provisions	**127**	141	**205**	76
Contract obligations power	**-**	2	**3**	68
Contract obligations equity accounted financial investments (note 5)	**-**	-	**3**	17
Contingent consideration acquisition of subsidiaries (note 4)	**184**	-	**77**	-
Accrued expenses	**-**	-	**139**	154
Grants, deferred income (note 8)	**-**	-	**21**	5
Grants payable (note 8)	**15**	15	**-**	-
Recourse liability factoring agreement (note 21)	**-**	-	**51**	35
Other liabilities	**-**	-	**44**	22
Total provisions and other liabilities	**326**	158	**1,064**	871

The contract obligation power relates mainly to a fair value adjustment of a power contract due to the purchase of Fesil Rana. The adjustment is calculated based on the differences between contract price and market price at date of purchase, 1 December 2016. The contract obligation is fully amortised at 31 December 2020.

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	**2020**	2019
Opening balance	**-**	-
Initial fair value of contingent consideration (note 4)	**549**	-
Unwinding	**9**	-
Payments	**(239)**	-
Currency translation differences	**(58)**	-
Closing balance	**261**	-

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**

Movements in provision 2019

Amounts in NOK million	Site restoration	Environmental measures	Litigations	Customers	Other provisions	**Total provisions**
Opening balance	28	88	101	15	10	**241**
Additional provisions recognised	1	10	31	9	8	**60**
Used during the year	0	(1)	(62)	(9)	(6)	**(78)**
Reversal of provisions recognised	-	(1)	(0)	(5)	-	**(6)**
Currency translation differences	(0)	2	(1)	(0)	0	**0**
Closing balance	29	97	69	10	12	**217**
Hereof non-current	29	53	51	-	8	**141**
Hereof current	-	44	18	10	4	**76**
Closing balance	29	97	69	10	12	**217**

Restructuring

Elkem launched a group wide productivity improvement programme in first quarter of 2020.
See note 13 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.

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 15 Taxes for ongoing tax audits by authorities.

Note 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. The difference between the cost and the amount of repayment being recognised in the statement of profit or loss over the term of the interest-bearing liabilities.

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 a 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 contract 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 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**
Interest-bearing liabilities, non-current [1]	*23*	-	15	7,173	-	**7,189**
Derivatives, non-current		(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	

Assets by category 31 December 2019

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 comprehen-sive income	Loans and receivables at amortised cost	Non-financial assets	Total
Derivatives, non-current		-	66	-	-	-	**66**
Other assets, non-current	*22*	4	-	58	67	279	**407**
Trade receivables	*21*	-	-	-	2,269	-	**2,269**
Derivatives, current		92	(54)	-	-	-	**38**
Other assets, current	*22*	-	-	-	70	942	**1,013**
Restricted deposits	*23*	-	-	-	271	-	**271**
Cash and cash equivalents	*23*	-	-	-	4,496	-	**4,496**
Total		96	11	58	7,174	1,222	

Liabilities by category 31 December 2019

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*	-	13	8,327	-	**8,340**
Derivatives, non-current		142	69	-	-	**210**
Provisions and other liabilities, non-current	*24*	-	-	2	156	**158**
Trade payables		-	-	2,767	-	**2,767**
Interest-bearing liabilities, current [1]	*23*	-	5	1,257	-	**1,262**
Bills payable	*23*	-	-	887	-	**887**
Derivatives, current		19	18	-	-	**37**
Provisions and other liabilities, current	*24*	-	-	338	533	**871**
Total		161	105	13,579	689	

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 23 Interest-bearing assets and liabilities.
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 carry-ing 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 2020**	Level 1	Level 2	Level 3	Total 2019
Financial assets at fair value through profit or loss	4	46	-	**51**	4	20	72	96
Derivatives designated in a hedging relationship	-	161	-	**161**	-	38	(27)	11
Assets at fair value through other comprehensive income	-	-	23	**23**	-	-	58	58
Total assets	4	207	23	**235**	4	58	103	165
Financial liabilities at fair value through profit or loss	-	(105)	339	**234**	-	120	41	161
Derivatives designated in a hedging relationship	-	371	31	**403**	-	133	(28)	105
Total liabilities	-	266	371	**637**	-	253	12	265

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 2030, CfD prices are only observable for a short time period and currency rates are observable until 2025. 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 indus-trial purposes. Elkem pays fixed power prices to Statkraft, specified for each contract/year.

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. Rever-sal of unrealised effects from the contract will be offset by real-ised 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 contacts price structure of the instrument from 2021, the contract is designated as a hedging instrument from 1 January 2021. This mean that fair value changes from 1 January 2021 is recognised as raw materials and energy for productions 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, estimated to second quarter of 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 con-tract 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.

Assumptions for valuation of the contracts
- Discount rate: 2.8% (3.6%) p.a. for contract with Salten Energigjenvinning AS and for the 30-øringen 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: 1.5% (2.0%) p.a.
- Power prices: Market prices per 31 December 2020 until 2030.
- 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	**2020**	2019
Opening balance	**90**	222
Acquisition/business combinations	**(549)**	-
Transfer to investment in equity accounted companies	**(46)**	-
Change in fair value recognised in OCI, cash flow hedges	**(453)**	(219)
Settlement / realised effects	**721**	(159)
Other changes in fair value through profit or loss, unrealised	**(113)**	247
Currency translation differences	**2**	(1)
Closing balance	**(348)**	90

(b) Details of financial instruments

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)**	

Details of currency exchange contracts 31 December 2019

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	54	CAD	8	Fwd	6.6117	2020	1	55
CAD	3	EUR	2	Fwd	1.5070	2020	0	20
NOK	1,470	EUR	146	Fwd	10.0930	2020	18	1,436
NOK	184	GBP	16	Fwd	11.4199	2020	(4)	187
NOK	108	JPY	1,268	Fwd	0.0850	2020	4	103
NOK	480	JPY	5,325	Fwd	0.0901	2021-2024	21	431
NOK	371	USD	42	Fwd	8.7937	2020	1	371
USD	1	JPY	66	Fwd	0.0092	2020	0	5
NOK	350	EUR	35	Embedded [2]	9.9167	2020	(12)	348
NOK	4,628	EUR	433	Embedded [2]	10.6877	2021-2034	(205)	4,270
Total fair value [3]							**(176)**	

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 and loss'.

Details of power contracts and other commodity contracts within the scope of IFRS 9 31 December 2020

Amounts in NOK million	VolumeGWh / 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)**	

Details of power contracts and other commodity contracts within the scope of IFRS 9 31 December 2019

Amounts in NOK million	Volume GWh / Oz	Due	Fair value	Notional amount [1]
Forward power contracts financial institutions	63	2020	(4)	26
Forward power contracts financial institutions	44	2021	(0)	14
Forward power contracts financial institutions	44	2022	0	14
Forward power contracts financial institutions, sale	(26)	2020	2	(11)
Power contract "30-øringen"	502	2020	(2)	153
Power contract "30-øringen"	5,013	2021-2030	(2)	1,823
Power contract Statkraft (bought from Norske Skog)	1,502	2020	0	469
Power contracts Statkraft, swap	202	2020	(5)	66
Power contracts Statkraft, swap	201	2021	(3)	65
Power contract with Salten Energigjenvinning AS (note 32)	1,856	2021-2035	45	563
Commodity contracts Platinum	5,852	2020	1	14
Fair value contracts within scope of IFRS 9 [2]			**32**	

*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'.

(c) Offsetting

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
Financial assets 31 December 2020						
Forward currency contracts	195	-	195	(10)	-	185
Total	**195**	**-**	**195**	**(10)**	**-**	**185**

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
Financial liabilities 31 December 2020						
Power contracts including embedded derivatives	342	-	342	-	-	342
Forward currency contracts	11	-	11	(10)	-	0
Total	**353**	**-**	**353**	**(10)**	**-**	**343**

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
Financial assets 31 December 2019						
Power contracts including embedded derivatives	45	2	43	-	-	43
Forward currency contracts	57	-	57	(0)	-	57
Total	**102**	**2**	**100**	**(0)**	**-**	**100**

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
Financial liabilities 31 December 2019						
Power contracts including embedded derivatives	232	2	234	-	-	234
Forward currency contracts	16	-	16	(0)	-	15
Total	248	2	249	(0)	-	249

Note 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 an EUR loan amounting to EUR 16 million (EUR 21 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 2020 was NOK 2,880 million (NOK 2,712 million). The foreign exchange loss of NOK 168 million (a gain of NOK 24 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 investments hedges.

See note 27 Financial risk for Elkem's hedging policy.

Cash flow hedging instruments, by type

	2020		2019	
Amounts in NOK million	Assets fair value	Liabilities fair value	Assets fair value	Liabilities fair value
Forward currency contracts	**161**	**10**	38	16
Power contracts financial institutions	**-**	**6**	-	4
Power contract Statkraft	**-**	**-**	0	72
Power contracts Statkraft swap	**-**	**3**	28	-
Power contract Salten Energigjenvining AS	**-**	**29**	45	-
Power contracts embedded derivatives	**-**	**332**	-	95
Currency effect loan EUR	**-**	**23**	-	18
Total hedging instruments	**161**	**403**	111	205
Less non-current portion:				
Forward currency contracts	**41**		21	-
Power contracts financial institutions	**-**	**3**	-	-
Power contract Statkraft	**-**	**-**	-	-
Power contracts Statkraft swap	**-**	**-**	14	-
Power contract Salten Energigjenvining AS	**-**	**27**	45	-
Power contracts embedded derivatives	**-**	**283**	-	83
Currency effect loan EUR	**-**	**15**	-	13
Current portion of hedging instruments	**120**	**75**	32	109

As at 31 December 2020 financial power contracts designated in a hedging relationship comprise 29% of expected consumption in 2021 and about 20% in the period 2022 - 2030.

Elkem has hedged approximately 26% of the expected revenues in EUR and approximately 7% of expected revenues in USD for 2021. For the years 2022-2034 EUR is hedged at 31 December 2020, at a range of 3 - 6%.

Financial instruments 31 December 2020

			Effects to be recycled from OCI			
Amounts in NOK million	Net fair value	Hereof recognised in 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.

Financial instruments 31 December 2019

			Effects to be recycled from OCI			
Amounts in NOK million	Net fair value	Hereof recognised in OCI	Within 1 year	Within 2 years	Within 3 years	Within 4 years or more
Forward currency contracts	41	22	2	5	5	9
Embedded EUR derivatives	(217)	(95)	(13)	(12)	(12)	(58)
Power contracts	31	(3)	(62)	25	8	27
Commodity contracts Platinum	1	-	-	-	-	-
Total [1]	(144)	(76)	(72)	19	1	(23)
EUR loan designed as cash flow hedging instrument	(211)	(18)	(4)	(4)	(4)	(4)
Total		(94)	(77)	14	(4)	(27)

1) Hedge accounting is applied for certain contracts and for parts of contracts.

Of total changes in fair value of power contracts designated as hedging instruments negative NOK 9 million (negative NOK 13 million) is recognised in profit or loss, and classified as other items (note 13), due to ineffectiveness in the hedging relationship. Effects from recognition of ineffectiveness from forward currency contracts are negative NOK 3 million (no ineffectiveness).

Realised effects hedge accounting, recycled from OCI

Amounts in NOK million	31.12.2020	31.12.2019
Realised effects from forward currency contracts, recognised in revenue	**(164)**	(50)
Realised effects from embedded derivatives EUR, recognised in revenue	**(45)**	(11)
Realised effects from EUR loans, recognised in revenue	**(11)**	(5)
Realised effects from power contracts, recognised in raw materials and energy for production	**(450)**	87
Total realised effects hedge accounting	**(670)**	21

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 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	-
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.

Movements in OCI related to hedging instruments 2019

Amounts in NOK million	Opening balance	Net change in fair value	Reclassified to P&L	Closing balance
Hedging of future sales, forward currency contracts	(65)	37	50	22
Hedging of future need for power, contracts with financial institutions	15	(19)	(1)	(4)
Hedging of future need for power, contract with Statkraft [1)]	207	(220)	(59)	(72)
Hedging of future need for power, contracts with Statkraft (swap) [2)]	93	(38)	(27)	28
Hedging of future need for power, contract with Salten Energigjenvinning	16	29	-	45
Hedging of future sales, embedded EUR derivatives in own use power contracts [2)]	(133)	26	11	(95)
Hedging of future sales, currency effects EUR loan	(25)	2	5	(18)
Total (before tax)	110	(182)	(21)	(94)

1) Hedge accounting from 2013.
2) Hedge accounting from 2016.

Note 27 Financial risk

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, defined as financial instruments, reflect unrealised gains or losses, and are calculated as the difference between market price and contract price, discounted to present value. Valuation techniques are based on available market information where this is possible. Other valuation techniques are used to estimate the market price for non-observable market parameters.

Valuation of the power contracts
The valuation technique used for valuing the power contracts is described in note 25 Financial instruments.

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 31.12.2020	Adjusted NPV
Discount rate (used 2,8%)	change to 0%	(61)	(59)
Discount rate (used 2.8%)	change to 5%	(61)	(62)
CPI (used 1.5%)	change to 1%	(61)	31
CPI (used 1.5%)	change to 3%	(61)	(156)
Power price	decrease -10%	(61)	(195)
Power price	increase + 10%	(61)	73

(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 cash flows in mainly Euro, US Dollar and Chinese Yuan. Due to the location of its plants Elkem has a net cost position in certain other currencies, mainly Norwegian krone, but also Canadian dollars, Brazilian real 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 2025, related to a long-term customer contracts. 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 loss of NOK 220 million from hedging programme (loss of NOK 66 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 EUR, CNY and NOK.
In 2020,

Currency effects included in financial statement, excluding effects from cash-flow hedging

Amounts in NOK million	**2020**	2019
Net foreign exchange gains (losses) - forward currency contracts - recognised in other items	**49**	23
Operating foreign exchange gains (losses) - recognised in other items	**(83)**	(45)
Net foreign currency exchange gain/loss on financing activities - recognised in foreign exchange gains (losses)	**17**	16
Currency translation differences - recognised in other comprehensive income	**47**	33
Hedging of net investment in foreign operations - recognised in other comprehensive income	**(168)**	24

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

Currency	2020	2019
USD	**8.5285**	8.7804
EUR	**10.4713**	9.8613
CNY	**1.3045**	1.2613
CAD	**6.6937**	6.7552

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). Amounts are presented in NOK based on currency rates as at 31 December.

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)**

31 December 2019

Amounts in NOK million	USD	EUR	CNY	CAD	NOK	Other	Total
Other non-current assets	-	-	-	-	-	-	**-**
Trade receivables	316	2	-	-	-	53	**370**
Other assets	-	-	-	-	-	-	**-**
Restricted deposits	-	-	-	-	-	-	**-**
Cash and cash equivalents	263	1,968	0	51	3	176	**2,461**
Total monetary assets	579	1,969	0	51	3	229	**2,831**
Interest-bearing liabilities	-	3,948	-	-	-	-	**3,948**
Other liabilities	-	-	-	-	-	-	**-**
Trade payables	459	319	1	-	0	60	**839**
Bills payable	-	-	-	-	-	-	**-**
Total monetary liabilities	459	4,268	1	-	0	60	**4,787**
Derivatives, notional value	371	6,054	-	55	-	720	**7,199**
Net currency exposure financial position	(250)	(8,352)	(1)	(4)	3	(551)	**(9,155)**

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 1,000 million (NOK 915 million), whereof NOK 389 million (NOK 470 million) will be booked against OCI. Effects booked against OCI are recycled through profit before tax, offsetting an opposite effect from the hedged objects, when the hedged items are realised.

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 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**

31 December 2019

Amounts in NOK million	USD	EUR	CNY	CAD	NOK	Other	Total
Other non-current assets	0	238	69	-	60	40	**407**
Trade receivables	640	218	966	16	54	376	**2,269**
Other assets	45	214	121	10	510	113	**1,013**
Restricted deposits	2	-	269	-	-	-	**271**
Cash and cash equivalents	437	2,491	278	62	734	494	**4,496**
Total monetary assets	1,124	3,161	1,703	88	1,358	1,023	**8,456**
Asset non-monetary items	1,478	4,044	6,746	694	6,227	1,358	**20,547**
Total assets	2,602	7,205	8,449	782	7,585	2,382	**29,004**
Interest-bearing liabilities	96	6,660	916	-	1,856	73	**9,602**
Other liabilities	7	88	299	23	324	130	**871**
Trade payables	453	892	801	55	399	166	**2,767**
Bills payable	-	-	887	-	-	-	**887**
Total monetary liabilities	556	7,641	2,904	78	2,579	370	**14,127**
Liabilities non-monetary items	78	575	123	108	880	160	**1,924**
Total liabilities	634	8,216	3,026	187	3,459	530	**16,052**

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 546 million (NOK 445 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 EUR, CNY and NOK.

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 2020

Amounts in NOK million	Floating	Fixed	Total
Interest-bearing liabilities	11,377	157	**11,534**
Interest-bearing assets	3,525	-	**3,525**
Net exposure	7,852	157	**8,009**

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 2020, with all other variables held constant, the profit (loss) for the year would have been NOK 31 million (NOK 22 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 accounts 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 13 million (NOK 6 million) trade receivables.

The maximum exposure to credit risk for trade receivables for the group is NOK 2,804 million per 31 December 2020 (NOK2,278 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 2020 or 2019 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 2020 Elkem has unrestricted cash of NOK 3,154 million (NOK 4,496 million). In addition, revolving credit facilities amount to NOK 3,250 million (NOK 3,105 million), of which NOK 3,234 million is undrawn (NOK 3,105 million). 16 July 2020 Elkem signed a new loan facility of NOK 2,000 million to secure refinancing of loan maturities in 2021. The credit facilities of NOK 3,250 million is excluded the new credit facility of NOK 2,000 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 2020 and also complied with the covenants as of 31 December 2019, 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 2020 for Elkem is shown in the table below.

Year / maturity

Amounts in NOK million	2021	2023	Total
Total amount of credit facilities	617	2,617	**3,234**

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 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 part, 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**	5,414
Bills payable	1,053	-	-	-	-	-	**1,053**	1,053

31 December 2019

Amounts in NOK million	2020	2021	2022	2023	2024	2025 and later	Total	Carrying amount
Trade receivables	2,269	-	-	-	-	-	**2,269**	2,269
Derivative assets	38	18	14	10	9	25	**113**	104
Trade payables	2,767	-	-	-	-	-	**2,767**	2,767
Derivative liabilities	37	24	26	34	28	127	**276**	248
Lease liabilities	85	69	52	49	37	187	**479**	407
Loans from external part, other than bank	339	2,117	1,275	22	376	250	**4,378**	4,194
Bank financing	986	115	117	4,061	4	12	**5,295**	4,975
Bills payable	887	-	-	-	-	-	**887**	887

Note 28 Capital management

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% based 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 2019 Elkem distributed NOK 0.60 per share in dividends and for the year 2020 the proposed dividend is NOK 0.15 per share.

As at 31 December 2020, Elkem's equity was NOK 12,635 million, including minority interests of NOK 108 million. The equity ratio was 41%.

Note 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.

2020	Shares outstanding
As at 1 January 2020	581,310,344
As at 31 December 2020	**581,310,344**

2019	Shares outstanding
As at 1 January 2019	581,310,344
As at 31 December 2019	581,310,344

In the annual general meeting held on 8 May 2020, the board of directors was granted an authorisation to repurchase the company's own shares within a total nominal value of up to NOK 290,655,172. 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 2021, but not later than 30 June 2021. 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 8 May 2020, the board of directors was granted an authorisation to increase the company's share capital with an amount up to NOK 290,655,172. The authorisation is valid until the annual general meeting in 2021, but not later than 30 June 2021. 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 8 May 2020, 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 2021, but not later than 30 June 2021. The authorisation does not cover capital increases against contribution in kind or capital increases in connection with mergers. Parts of this authorisation was used on 11 February 2021 in connection with exercise of share options.

On 29 July 2020 8,000,000 options are granted to members of the management and certain other key employees. Each option gives the option holder the right to subscribe or purchase one share in the Elkem at an exercise price of NOK 19.10, which is equal to the share price at closing on the first 20 working days of July 2020. The options will vest over a period of three years from grant with one-third vesting each year and the first one-third vesting on 29 July 2021. The options will expire two years after vesting, i.e. on 29 July 2023, 2024 and 2025, respectively. As at 31 December 2020 22,767,000 options are granted to members of the management and certain other key employees, see note 11 Share -based payments.

Note 30 Earnings per share

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The calculation of basic earnings per share (EPS) has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding. The calculation of diluted EPS has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

	2020	2019
Weighted average number of shares outstanding	**581,310,344**	581,310,344
Effects of dilution	**94,282**	-
Weighted average number of shares outstanding - diluted	**581,404,626**	581,310,344
Owners of the parent's share of profit (loss) (NOK million)	**239**	855
Earnings per share (NOK)	**0.41**	1.47
Diluted earnings per share (NOK)	**0.41**	1.47

Note 31 Supplemental information to the consolidated statement of cash flows

Liquidity effects of acquisitions

Amounts in NOK million	2020	2019
Cash transferred on acquisition	**792**	222
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)**	(16)
Total acquisition of subsidiaries net of cash acquired	**1,032**	206

Note 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 58.2% by Bluestar Elkem International Co. Ltd S.A., Luxembourg, which is under control of China National Chemical Group Co. Ltd (ChemChina) a company registered and domiciled in China. In respect all companies which is under control by Chem China is considered to be related parties including among others REC Solar Norway AS and China Blue Chemicals Ltd.

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.

Transations 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 ChemChina	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

Transations with related parties 2019

Amounts in NOK million	Sale of goods	Purchase of goods	Sale of services	Purchase of services	Interest income	Financial expenses [1]
Bluestar Elkem International Co. Ltd S.A.	-	-	-	-	-	-
Joint ventures and associates	-	-	18	(169)	0	-
Related parties within ChemChina	387	(412)	51	(95)	-	(3)
Other related parties	0	(5)	-	(15)	-	-
Total	387	(417)	69	(279)	0	(3)

1) See note 33 Pledge of assets and guarantees

Balances with related parties

	Non-current		Current	
Amounts in NOK million	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019
Receivables from joint ventures and associates, interest-bearing	**1**	1	**-**	-
Receivables from related parties within ChemChina, interest free	**-**	-	**0**	2
Liabilities to related parties within ChemChina, interest free	**-**	-	**(64)**	(81)
Trade receivables, related parties within ChemChina	**-**	-	**27**	38
Trade receivables, joint ventures and associates	**-**	-	**9**	9
Trade payables, Bluestar Elkem Investment Co. Ltd. S.A	**-**	-	**(5)**	(5)
Trade payables, related parties within ChemChina	**-**	-	**(85)**	(84)
Trade payables, joint ventures and associates	**-**	-	**(25)**	(13)
Trade payables, other related parties	**-**	-	**-**	(1)
Prepayments to related parties within ChemChina	**-**	-	**5**	16
Prepayments from related parties within ChemChina	**-**	-	**(17)**	-
Prepayments from joint ventures and associates	**-**	-	**(11)**	(4)
Financial power contract with joint ventures and associates	**(27)**	45	**(2)**	-
Net balances with related parties	**(26)**	46	**(166)**	(124)

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 ChemChina
- 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 17)
- Sale of silicone to China Blue Chemical Ltd and other companies within ChemChina
- Purchase of raw materials from companies within ChemChina

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 guaranteed to deliver a minimum of 990 GWh heat energy free of charge within each calendar year for 15 years from the start-up date, estimated to second quarter 2021, of Salten Energigjenvinning AS. Estimated value of the guarantee is NOK 1,196 million on 100% basis, Elkem owns 50% of the company. Elkem will be compensated if the actual volume of heat energy exceeds the guaranteed volume. Elkem has committed to cover its proportion of total estimated capital injections in Salten Energigjenvinning AS of NOK 100 million, whereof NOK 80 million is paid as of 31 December 2020 (NOK 40 million). As at 31 December 2020 Elkem has made a provision of NOK 3 million (NOK 17 million) to cover incurred losses.

Elkem has two call options related to purchase of the remaining 50% of the shares in Salten Energigjenvinning AS. Elkem has an option to purchase the shares after start-up date at fair market value less 20%. Further, Elkem has the right to purchase the shares to NOK 1 on a cash free and debt free basis 15 years after start-up date. Start-up date, as defined in the contract, is estimated to be during Q2 2021. Elkem has assessed that Elkem will obtain control of Salten Energigjenvinning from the start-up date, since Elkem can purchase the shares to a price less than fair market value.

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 and board of directors is included in note 10 Management remuneration

Note 33 Pledge of assets and guarantees

Pledges

The main part of Elkem's interest-bearing liabilities are not pledged. The small part of the group's net interest-bearing liabilities that were guaranteed by China National Bluestar (group) Co. Ltd (Bluestar) are re-financed in 2020, see note 32 Related parties. Details of liabilities that have pledged assets or guarantees related to them are stated below.

Guaranteed liabilities

Amounts in NOK million	**31.12.2020**	31.12.2019
Guaranteed liabilities	**-**	492

Pledged liabilities

Amounts in NOK million	**31.12.2020**	31.12.2019
Pledged liabilities	**416**	35
Pledged provisions	**-**	-

Book value pledged assets

Amounts in NOK million	**31.12.2020**	31.12.2019
Building	**30**	178
Machinery and plant	**0**	-
Other assets	**51**	35

Elkem has sold part of its CO_2 allowances with an agreement to repurchase the CO_2 allowances in March 2021. The transaction is treated as loan where the proceeds, EUR 33 million are classified as interest-bearing liabilities. Book value of the CO_2 allowances are zero. As at 31 December 2020 the fair value of the CO_2 allowances exceeds the value of the loan.

Elkem makes limited use of guarantees, see specification below.

The main parts of the pledged building as at 31 December 2019 are in connection with provisions that are settled. The pledge was released on 7 February 2020.

Guarantee commitments

Amounts in NOK million	**31.12.2020**	31.12.2019
Guarantee commitment KLIF (Climate and Pollution Agency)	**40**	27
Guarantee commitment tax cases Brazil	**15**	18

Note 34 Events after the reporting period

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Events after the reporting period

Events after the reporting period related to the group's financial position at the end of the reporting period, are considered in the financial 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.

On 15 February 2021, Elkem ASA successfully issued NOK 1,250 million in new unsecured bonds. NOK 750 million has been issued with a tenor of 3 years and a coupon of 3 month Nibor + 1.00% p.a. while NOK 500 million has been issued with a tenor of 5 years and a coupon of 3 month Nibor + 1.30% p.a. Settlement took place on 26 February 2021. In connection with the bond issue, Elkem ASA has bought back NOK 419 million of its NOK 1,750 million bond loan, see note 23 interest-bearing assets and liabilities.

To further streamline operations in China, Bluestar Silicon Material (Yongdeng Silicon) will become part of the Silicones division from 1 January 2021, previously reported in Silicon Products division. The change will be reflected in the segments for Elkem's financial reporting from the first quarter 2021.

Income statement – Elkem ASA

Amounts in NOK million	Note	2020	2019
1 January - 31 December			
Revenue	4	**7,198**	6,036
Other operating income	4, 5	**428**	232
Total operating income		**7,626**	6,268
Raw materials and energy for production		**(3,728)**	(2,828)
Employee benefit expenses	6,7	**(1,237)**	(1,185)
Other operating expenses	8,9	**(1,857)**	(1,747)
Other gains (losses) related to operating activities	10	**83**	283
Amortisation and depreciation	13,14	**(435)**	(412)
Impairment losses	13,14	**(3)**	(9)
Total operating expenses		**(7,177)**	(5,898)
Operating profit (loss)		**449**	371
Income from subsidiaries	15	**522**	290
Income (loss) from joint ventures	16	**(15)**	(12)
Finance income	11	**157**	154
Foreign exchange gains (losses)	11	**(178)**	37
Finance expenses	11	**(222)**	(219)
Profit (loss) before income tax		**713**	621
Income tax (expenses) / benefit	12	**(298)**	(109)
Profit (loss) for the year		**416**	512

Balance sheet – Elkem ASA

Amounts in NOK million	Note	31.12.2020	31.12.2019
ASSETS			
Property, plant and equipment	13	**2,941**	2,800
Goodwill	14	**24**	28
Intangible assets	14	**115**	193
Investments in subsidiaries	15	**11,002**	9,434
Investments in joint ventures	16	**-**	-
Derivatives	24	**59**	66
Other non-current assets	19	**3,652**	3,031
Total non-current assets		**17,792**	15,552
Inventories	17	**1,473**	1,611
Trade receivables	18	**707**	519
Derivatives	24	**136**	36
Other current assets	19	**802**	931
Cash and cash equivalents	22	**1,799**	3,512
Total current assets		**4,917**	6,609
Total assets		**22,709**	22,161
EQUITY AND LIABILITIES			
Paid-in capital	20, 21	**6,208**	6,267
Retained earnings	20	**3,012**	2,883
Total equity		**9,220**	9,150
Non-current interest-bearing liabilities	22	**6,346**	8,425
Deferred tax liabilities	12	**128**	123
Pension liabilities	7	**91**	70
Derivatives	24	**252**	210
Provisions and other liabilities	23	**252**	62
Total non-current liabilities		**7,069**	8,890
Trade payables		**910**	831
Income tax payables	12	**181**	8
Current interest-bearing liabilities	22	**4,509**	2,344
Derivatives	24	**101**	37
Dividend	20	**87**	349
Provision and other current liabilities	23	**632**	552
Total current liabilities		**6,420**	4,122
Total equity and liabilities		**22,709**	22,161

The board of directors of Elkem ASA

Oslo, 10 March 2021

Zhigang Hao	**Dag Jakob Opedal**	**Caroline Grégoire Sainte Marie**	**Yougen Ge**	**Anja-Isabel Dotzenrath**	**Olivier Tillette de Clermont-Tonnerre**
Chair of the Board	*Deputy chair*	*Board member*	*Board member*	*Board member*	*Board member*
Marianne Elisabeth Johnsen	**Helge Aasen**	**Terje Andre Hanssen**	**Marianne Færøyvik**	**Knut Sande**	**Michael Koenig**
Board member	*Board member*	*Board member*	*Board member*	*Board member*	*Chief Executive Officer*

Cash flow statement – Elkem ASA

Amounts in NOK million	*Note*	**2020**	2019
Operating profit (loss)		**449**	371
Changes fair value financial instruments		**(187)**	(213)
Amortisation, depreciation and impairment losses	*13, 14*	**438**	420
Changes in working capital [1]		**86**	241
Changes in provisions, pension obligations and other		**(91)**	(302)
Interest payments received		**68**	97
Interest payments made		**(173)**	(182)
Income taxes paid		**(40)**	(119)
Cash flow from operating activities		**549**	314
Investments in property, plant and equipment and intangible assets	*13, 14*	**(666)**	(708)
Received investment grants	*5*	**109**	19
Proceeds from sale of property, plant and equipment	*13*	**0**	2
Cash effect from merged companies		**-**	17
Acquisition and capital increase in subsidiaries	*15*	**(1,245)**	(229)
Acquisition of and cash contributions to joint ventures	*16*	**(40)**	-
Increase / decrease in loans to subsidiaries	*22*	**(211)**	(898)
Dividends and group contributions		**171**	161
Other investments / sales		**2**	0
Cash flow from investing activities		**(1,881)**	(1,636)
Dividend paid to owners	*20*	**(349)**	(1,511)
New interest-bearing loans and borrowings		**340**	1,451
Repayment of interest-bearing loans and borrowings		**(373)**	(700)
Cash flow from financing activities		**(382)**	(761)
Change in cash and cash equivalents		**(1,714)**	(2,084)
Currency exchange differences		**0**	(0)
Net change in cash and cash equivalents		**(1,714)**	(2,084)
Cash and cash equivalents opening balance	*22*	**3,512**	5,596
Cash and cash equivalents closing balance	*22*	**1,799**	3,512

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 statements – Elkem ASA

Note 01 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 58.2% by Bluestar Elkem International Co. Ltd S.A., Luxembourg, which is under the control of China National Chemical Group Co. Ltd (ChemChina), 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 parantheses.

Note 02 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.

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 2020 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, asstes 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 / write-down. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the lowest possible cash generating unit, to which the asset belongs, is estimated. The recoverable amount is the higher of fair value less costs to sell, or its value in use. Value in use is the present value of the future cash flows expected to be derived from use of the cash generating unit, after taking into account all other relevant information. If an impairment loss for assets other than goodwill is recognised in a previous period, the entity assesses whether there are indications that the impairment may have decreased or no longer exists. If so, the impairment loss/write-down is reversed, based on an updated estimate of the recoverable amount, but not exceeding the carrying amount that would have been determined had no impairment loss been recognised for the asset. 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 hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions.

Fair value hedges
Changes in the fair value of derivatives that are designated and qualify as fair qualify 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 the entity and can no longer be appealed.

Deferred tax
Deferred tax assets and liabilities are calculated using the liability method with full allocation for all temporary differences between the tax base and the carrying amount of assets and liabilities in the financial statements, including tax losses carried forward. Deferred tax 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, 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.

Note 03 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 used in fair value measurement of the contracts see details in note 25 Financial assets and liabilities for Elkem group.

Net book value of contracts booked at fair value as at 31 December 2020 is in total negative NOK 158 million (negative NOK 146 million), see note 24 Financial instruments.

Note 04 Operating income

Operating income by type

Amounts in NOK million	2020	2019
Revenue from sale of goods	**5,397**	4,446
Revenue from sale of goods to related parties	**1,380**	1,277
Other operating revenue	**137**	90
Other operating revenue to related parties	**285**	223
Total revenue	**7,198**	6,036
Sale of fixed assets	**0**	2
Insurance settlement	**29**	17
Grants (note 5)	**398**	214
Total other operating income	**428**	232
Total operating income	**7,626**	6,268

Operating income by geographic market

Amounts in NOK million	2020	2019
Nordic countries	**1,483**	632
United Kingdom	**396**	381
Germany	**1,088**	1,051
France	**630**	616
Italy	**394**	297
Poland	**171**	314
Spain	**205**	204
Netherlands	**102**	84
Other European countries	**897**	848
Europe	**5,366**	4,427
Africa	**16**	21
North America	**615**	480
South America	**44**	23
America	**660**	503
China	**207**	147
Japan	**555**	470
South Korea	**196**	75
Other Asian countries	**608**	608
Asia	**1,567**	1,300
The rest of the world	**17**	16
Total operating income	**7,626**	6,268

Note 05 Grants

	2020		2019	
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	**54**	**-**	28	-
CO_2 Compensation from the Norwegian Environment Agency	**284**	**-**	162	-
Energy recovery related grants	**56**	**3**	22	17
Other government grants	**-**	**-**	-	1
Total government grants	**394**	**3**	212	17
Norwegian NOx fund for reduced emission of NOx	**-**	**134**	-	68
Other grants	**4**	**-**	1	-
Total other grants	**4**	**134**	1	68
Total grants	**398**	**136**	214	85
Grants receivables related to fixed and intangible assets (note 19)		**95**		68
Grants receivables related to income (note 19)		**365**		235
Grants, deferred income (note 23)		**(2)**		(2)

CO_2 allowances

CO_2 allowances allocated from the government are classified as grants, measured at nominal value (zero). The scheme pertains to the group's plants in Europe. If actual emissions exceed the amount of allocated emission allowances, additional allowances are purchased. Purchased CO_2 allowances are recognised at cost as other operating expenses and any gain on sale of CO_2 allowances are classified as revenue. The current framework for the allocation of free CO_2 allowances lasts until 2020, and the number of free allowances allocated is known and will not change unless there is a substantial change in production at the plants. Allocation of free allowances for the period 2021-2030 is not known as the national authorities are currently working on this in cooperation with the EU Commission. The work is expected to be finalised around mid-2021.

As at 31 December 2020, Elkem ASA owns approximately 50,000 allowances measured at nominal value zero. The estimated fair value of the allowances is NOK 17 million.

CO_2 compensation

The Norwegian government has, from 2013, established a CO_2 compensation scheme to compensate for CO_2 costs included in the power price. The amount being compensated is based on the market price of CO_2 allowances, and as such varies with the price development. The percentage of the costs compensated is approximately 75% in 2020 (75% in 2019). The current CO_2 compensation scheme ended 31 December 2020. The details of the scheme post 2020 are yet to be decided, but is likely to be extended at approximately the same compensation level as 2020 based on EU regulations. The CO_2 compensation scheme applies for Elkem's Norwegian plants and is recognised when there is reasonable assurance that the entity will comply with the conditions attached and the grants will be received. 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 2020 to help businesses affected by the outbreak. Elkem is affected by reduction in social security taxes. The estimated value of this arrangement is 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.

Note 06 Employee benefit expenses

Amounts in NOK million	2020	2019
Salaries, holiday pay and variable compensation	**(1,005)**	(962)
Employer's national insurance contributions / social security tax	**(114)**	(118)
Pension expenses (note 7)	**(77)**	(68)
Share-based payments	**(29)**	(15)
Other payments / benefits	**(12)**	(22)
Total employee benefit expenses	**(1,237)**	(1,185)
Average number of full time equivalents	**1,325**	1,195

For further information concerning remuneration to management and share-based payments, see note 10 Management remuneration and note 11 Share-based payment in the consolidated financial statement.

Note 07 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 101,351 as at 1 May 2020. 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 2020 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 2021 is equal to 2020.

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 net pension expenses

Amounts in NOK million	2020	2019
Current service expenses	**(3)**	(2)
Accrued employer's national insurance contributions	**(0)**	(1)
Net pension expenses, defined benefit plans	**(3)**	(3)
Defined contribution plans	**(57)**	(49)
Early retirement scheme (AFP)	**(16)**	(16)
Total pension expenses	**(77)**	(68)

Amounts in NOK million	31.12.2020	31.12.2019
Present value of pension obligations	**(91)**	(70)
Fair value of plan assets	**-**	-
Net value pension liabilities	**(91)**	(70)
Active participants in pension scheme for salary above 12G	**50**	62
Retired participants	**60**	74
Changes in actuarial gains / (losses) recognised in equity / deferred tax	**(18)**	2

Principal assumptions used for the actuarial valuation

	2020	2019
Discount rate [1]	**1.4%**	2.0%
Annual regulation of pensions paid	**1.3%**	1.5%

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

Note 08 Other operating expenses

Amounts in NOK million	2020	2019
External distribution expenses	**(521)**	(482)
Commission expenses sales	**(63)**	(61)
Machinery, tools, fixtures and fittings	**(363)**	(333)
Repair, maintenance and other operating expenses	**(157)**	(156)
Other external expenses (fees, transport, IT services, etc.)	**(360)**	(298)
Energy and fuel expenses	**(101)**	(87)
Leasing expenses (note 9)	**(45)**	(42)
Travel expenses	**(13)**	(42)
Loss on trade receivables	**(4)**	(2)
Miscellaneous manufacturing, administration and selling expenses	**(229)**	(244)
Total other operating expenses	**(1,857)**	(1,747)
Miscellaneous manufacturing, administration and selling expenses include:		
Capitalisation of salary on fixed assets (employee benefit expenses are presented gross in note 6)	**15**	17
Changes in inventories of finished and semi-finished goods	**(27)**	(22)

During 2020, Elkem ASA expensed NOK 124 million (NOK 118 million) as research and development related to processes, products and business development, including technical customer support and improvement projects.

Grants received related to research and development amount to NOK 54 million (NOK 28 million) and are included in other operating income.

Audit and other services

Amounts in NOK million	2020	2019
Audit fee	**(6)**	(5)
Other assurance services	**(1)**	(1)
Tax services	**-**	(0)
Other services	**-**	(1)
Total fees to auditor	**(7)**	(8)

Note 09 Operating lease

Amounts in NOK million	2020	2019
Leasing expenses, current year (note 8)	**(45)**	(42)
Minimum future lease payments due in accordance with non-cancellable operating lease contracts:		
Within one year	**(24)**	(16)
Within two years	**(22)**	(15)
Within three years	**(20)**	(13)
Over three years	**(160)**	(22)

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 106 million.

Note 10 Other gains (losses) related to operating activities

Amounts in NOK million	2020	2019
Realised currency gains (losses) from forward currency contracts	**(131)**	(33)
Unrealised currency gains (losses) from forward currency contracts	**143**	93
Other currency gains (losses) operational	**5**	(19)
Realised effects other financial instruments (note 24)	**(99)**	33
Unrealised effects other financial instruments	**174**	208
Ineffectiveness on cash flow hedges	**(9)**	-
Total other gains (losses) related to operating activities	**83**	283

Note 11 Finance income and expenses

Amounts in NOK million	2020	2019
Interest income	**6**	17
Interest income from related parties (note 25)	**149**	136
Other financial income	**3**	0
Total finance income	**157**	154
Net foreign exchange gains (losses)	**(178)**	37
Interest expenses	**(193)**	(172)
Interest expenses to related parties (note 25)	**(25)**	(44)
Interest on net pension liabilities	**(2)**	(2)
Other financial expenses	**(1)**	(0)
Total finance expenses	**(222)**	(219)
Net finance income (expenses)	**(243)**	(28)

Foreign exchange gains (losses) in 2020 and 2019 are mainly related to the bank loans in EUR and group loans in EUR and CNY.

Note 12 Taxes

Income tax recognised in income statement

Amounts in NOK million	2020	2019
Current tax expenses	**-**	(14)
Previous year tax adjustment	**(186)**	2
Deferred tax	**(83)**	(89)
Other taxes	**(29)**	(8)
Total income tax (expense) benefit	**(298)**	(109)

Reconciliation of income tax (expense) benefit

Amounts in NOK million	2020	2019
Profit before tax	**713**	621
Applicable tax rate Norway	**22%**	22%
Tax expense at applicable tax rate	**(157)**	(137)
Permanent differences		
Tax effect of income from Norwegian controlled foreign companies (NOKUS)	**(10)**	(11)
Dividend within the Tax exemption method	**89**	35
Debt forgiveness [1)]	**-**	11
Tax effects other permanent differences	**(5)**	(1)
Other effects		
Previous year tax adjustment [2)]	**(186)**	2
Tax effect change in tax rate	**-**	-
Other current tax paid	**(29)**	(8)
Total income tax (expenses) benefit	**(298)**	(109)
Effective tax rate	**42%**	18%

1) Elkem ASA has four debt forgiveness agreements with Elkem Silicones France SAS. Nominal value of the agreements as of 31 December 2020 is NOK 595 million (EUR 64 million), book value NOK 0. Elkem Silicones France SAS has repaid NOK 0 million under this agreement in 2020 (NOK 49 million), the gain is classified as income from subsidiaries. Elkem has previously assessed that the effect of repayment is tax exempted. See pending tax issues with tax authories 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) has in February 2021 decided to increase Elkem ASA's taxable income for the fiscal years 2016-2019 by in total NOK 781 million, which will increase the income tax expenses by NOK 181 million. The amount will be paid in first quarter 2021. The reassessments relate to loan arrangements / debt forgiveness (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 defense 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 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 has made a provision of NOK 181 million in Elkem ASA's 2020 financial statements. The provision is recognised as income tax payables in the balance sheet.

Deferred tax assets and deferred tax liabilities

Amounts in NOK million	31.12.2020	31.12.2019
Derivatives	**35**	32
Property, plant, equipment and intangible assets	**(168)**	(106)
Pension liabilities	**20**	15
Accounts receivable	**3**	3
Inventory	**(26)**	(38)
Provisions	**5**	(29)
Other differences	**1**	1
Tax loss carry forward	**2**	-
Net deferred tax assets (liabilities)	**(128)**	(123)

Net deferred tax assets (liabilities)

Amounts in NOK million	31.12.2020	31.12.2019
Opening balance	**(123)**	(29)
Charged to profit (loss)	**(83)**	(89)
Changes in deferred tax hedges charged to equity	**75**	4
Change in actuarial gains/losses charged to equity	**4**	(0)
Effect of merger	**-**	(8)
Effect of transaction with related party, pooling-of-interests method	**(2)**	-
Currency translation differences	**(0)**	0
Closing balance	**(128)**	(123)

Note 13 Property, plant and equipment

2020 *Amounts in NOK million*	Land	Plant, buildings and other property	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		

In 2020 Elkem has identified impairment indicators for one plant within Elkem ASA. The total carrying value of the property, plant and equipment for the plant is NOK 476 million. The impairment indicators are largely due to lower sales volume in particular towards the automotive industry and lower sales prices for FeSi. For the assets with impairment indicators the recoverable amount was determined estimating the value in use of the assets. The value in use exceed the carrying amount and no impairment has been recognised. For more details regarding assumptions and sensitivities see Note 19 Impairment assessments in Elkem group.

2019 *Amounts in NOK million*	Land	Plant, buildings and other property	Machinery, equipment and motor vehicles	Office and other equipment	Construction in progress	Total
Opening balance net book value	7	445	1,262	22	290	**2,026**
Additions	-	0	-	2	692	**694**
Disposals	-	-	-	-	-	**-**
Merger	-	92	185	4	112	**393**
Transferred to/from CiP	0	127	547	10	(685)	**-**
Reclassifications	-	-	-	(0)	-	**(0)**
Impairment losses	(0)	(0)	(7)	0	(1)	**(8)**
Depreciation	0	(55)	(242)	(8)	-	**(305)**
Closing balance	7	609	1,746	29	409	**2,800**
Historical cost	7	1,545	4,536	89	409	**6,587**
Accumulated depreciation	0	(925)	(2,725)	(60)	-	**(3,710)**
Accumulated impairment losses	(0)	(11)	(65)	(0)	-	**(76)**
Closing balance	7	609	1,746	29	409	**2,800**
Estimated useful life	Indefinite	5-40 years	3-30 years	3-20 years		
Depreciation plan		Straight-line	Straight-line	Straight-line		

Note 14 Intangible assets

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)**
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		

2019 *Amounts in NOK million*	Goodwill	Software	Other intangible assets	Intangible assets under construction	Total intangible assets
Opening balance	**0**	82	164	17	**263**
Additions	**-**	3	-	7	**10**
Merger	**32**	5	18	-	**23**
Transferred from CiP	**0**	3	0	(3)	**-**
Reclassifications	**0**	2	(2)	-	**0**
Impairment losses	**0**	0	(1)	-	**(1)**
Amortisation	**(4)**	(22)	(81)	-	**(103)**
Closing balance	**28**	73	99	21	**193**
Historical cost	**40**	193	829	21	**1,043**
Accumulated amortisation	**(12)**	(120)	(730)	-	**(850)**
Closing balance	**28**	73	99	21	**193**
Estimated useful life	10 years	3-10 years	3-10 years		
Amortisation plan	Straight-line	Straight-line	Straight-line		

Note 15 Investments in subsidiaries

Investment in subsidiaries of Elkem ASA

Amounts in NOK million	Country	Owner share vote rights (%)	Carrying amount 31.12.2020	Carrying amount 31.12.2019
Bluestar Silicon Material Co., Ltd.	China	100%	**1,033**	1,033
Elkem GmbH	Germany	100%	**1**	1
Elkem S.a.r.l.	France	100%	**-**	-
Elkem S.r.l.	Italy	100%	**6**	6
Elkem Advanced Battery Materials AS [4]	Norway	100%	**0**	-
Elkem Carbon AS	Norway	100%	**119**	116
Elkem Chartering Holding AS	Norway	80%	**1**	1
Elkem Digital Office AS [4]	Norway	100%	**8**	-
Elkem Distribution Center B.V.	Netherlands	100%	**0**	0
Elkem Foundry (China) Co., Ltd.	China	100%	**66**	66
Elkem Iberia SLU	Spain	100%	**0**	0
Elkem Ísland ehf.	Iceland	100%	**784**	784
Elkem International AS	Norway	100%	**5**	5
Elkem International Trade (Shanghai) Co. Ltd. [1]	China	11%	**1**	1
Elkem Japan K.K	Japan	100%	**0**	0
Elkem Korea Co. Ltd.	Republic of Korea	100%	**1**	1
Elkem Madencilik Metalurji Sanayi Ve Ticaret Ltd. STI [1]	Turkey	1%	**0**	0
Elkem Materials Processing (Tianjin) Co., Ltd.	China	100%	**1**	1
Elkem Materials Processing Services BV	Netherlands	100%	**1**	1
Elkem Metal Canada Inc.	Canada	100%	**6**	6
Elkem Milling Services GmbH	Germany	100%	**12**	12
Elkem Nordic A.S.	Denmark	100%	**5**	5
Elkem Oilfield Chemicals FZCO Ltd.	UAE	51%	**13**	13
Elkem Silicon Product Development AS [4]	Norway	100%	**8**	-
Elkem Siliconas España S.A.U	Spain	100%	**125**	125
Elkem Silicones Brasil Ltda.	Brazil	100%	**145**	145
Elkem Silicones Canada Corp.	Canada	100%	**6**	6
Elkem Silicones Czech Republic, s.r.o.	Czech Republic	100%	**2**	2
Elkem Silicones Finland OY	Finland	100%	**5**	5
Elkem Silicones France SAS	France	100%	**2,156**	2,152
Elkem Silicones Germany GmbH	Germany	100%	**130**	130
Elkem Silicones Hong Kong Co., Ltd.	Hong Kong	100%	**102**	102
Elkem Silicones Korea Co., Ltd. [2]	Republic of Korea	100%	**219**	223
Elkem Silicones México S. De R.L. De C.V.	Mexico	100%	**5**	5
Elkem Silicones Poland sp. z o.o.	Poland	100%	**4**	4
Elkem Silicones Scandinavia AS	Norway	100%	**15**	15
Elkem Silicones Services S.à.r.l	France	100%	**3**	1
Elkem Silicones Shanghai Co., Ltd.	China	100%	**108**	108
Elkem Silicones USA Corp.	USA	100%	**261**	261
Elkem Siliconi Italia S.r.l.	Italy	100%	**24**	24
Elkem Singapore Materials Pte. Ltd.	Singapore	100%	**0**	0
Elkem (Thailand) Co., Ltd.	Thailand	100%	**2**	0
Elkem South Asia Private Limited	India	100%	**34**	34
Elkem UK Holdings Ltd.	United Kingdom	100%	**78**	78
Elkem Uruguay S.A.	Uruguay	100%	**33**	33
Explotación de Rocas Industriales y Minerales S.A.	Spain	100%	**80**	80
Jiangxi Bluestar Xinghuo Silicones Co., Ltd.	China	100%	**3,751**	3,749
NEH LLC	USA	100%	**98**	98
Guangdong Polysil Technology Co., Ltd. [3]	China	100%	**1,542**	-
Total			**11,002**	9,434

1) Elkem ASA and a subsidiary own 100% of Elkem Madencilik Metalurji Sanayi Ve Ticaret Ltd and Elkem International Trade (Shanghai) Co. Ltd.
2) Previously Basel Chemie Co., Ltd.
3) The companies were acquired during the first half of 2020.
4) The companies were incorporated during the second half of 2020.

In December 2019 Elkem entered into an agreement to acquire all of the shares in Guangdong Polysil Technology Co. Ltd. (hereafter Polysil) and its subsidiary, 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. The parties have agreed an enterprise value for Polysil of up to CNY 941 million, including potential earn-out depending on pre-agreed criteria. On 1 April 2020 the transaction was completed and Elkem acquired 100% of the shares in Polysil. The purchase price was NOK 1,520 million of which NOK 1,209 million was paid in 2020, NOK 77 million is recognised as current contingent consideration and NOK 184 million is recognised as non-current contingent consideration in other liabilities.

Impairment

The carrying amount of the shares in Bluestar Silicon Material Co., Ltd., Elkem Silicones France SAS and Jiangxi Bluestar Xinghuo Silicones Co., Ltd. exceeds the carrying amount of the entites equity and test was conducted to se if the impairment is not considered to be temporary. The test concluded that the impairment was temporary, for more details see note 19 Impairment assesment in Elkem group.

Income from investments in subsidiaries

Amounts in NOK million	2020	2019
Dividends and group contributions from subsidiaries	**522**	241
Repayment of debt forgiveness (note 12)	**-**	49
Total income from subsidiaries	**522**	290

Note 16 Investments in joint ventures

	Company address	Country	Owner share voting rights 2020	Owner share voting rights 2019	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 interest in joint ventures

Amounts in NOK million	2020	2019
Opening balance	**(17)**	9
Acquisition of and cash contributions to joint ventures	**40**	-
Share of profit / (loss)	**(15)**	(12)
Share of other comprehensive income	**(11)**	(14)
Closing balance [1]	**(3)**	(17)

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 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**

Amounts in NOK million	Elkania DA	Total 2019
Current assets	14	**14**
Non-current assets	3	**3**
Current liabilities	14	**14**
Non-current liabilities	8	**8**
Net assets	(5)	**(5)**
Total revenue	6	**6**
Total expenses	(5)	**(5)**
Financial items	(0)	**(0)**
Tax	0	**0**
Total profit (loss) for the year	1	**1**

Note 17 Inventories

Amounts in NOK million	31.12.2020	31.12.2019
Finished goods	**719**	814
Semi-finished goods	**187**	185
Raw materials	**329**	385
Operating materials and spare parts	**239**	227
Total inventories	**1,473**	1,611
Provisions for write down of inventories	**8**	17

Note 18 Trade receivables

Amounts in NOK million	31.12.2020	31.12.2019
Trade receivables	**284**	183
Trade receivables, related parties	**438**	347
Provision for doubtful accounts	**(16)**	(11)
Total trade receivables	**707**	519

Elkem ASA and its subsidiary Elkem Carbon AS have entered into a factoring agreement of EUR 55 million, NOK 576 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 2020 NOK 517 million (NOK 398 million) is derecognised and NOK 27 million (NOK 20 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 2020 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	31.12.2020	31.12.2019
Not due	**203**	95
1 - 30 days	**52**	60
31 - 60 days	**5**	8
61 - 90 days	**4**	2
More than 90 days	**19**	17
Total trade receivables	**284**	183

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	31.12.2020	31.12.2019
Opening balance	**(11)**	(10)
Losses during the year	**0**	1
New provisions	**(8)**	(6)
Reversed provisions	**4**	4
Closing balance	**(16)**	(11)

Analysis of ageing of trade receivables where allowance for expected credit losses are made

Amounts in NOK million	31.12.2020	31.12.2019
Not due	**(1)**	(0)
Overdue by:		
1 - 30 days	**(0)**	(0)
31 - 60 days	**-**	-
61 - 90 days	**(0)**	(0)
More than 90 days	**(14)**	(11)
Total provisions for doubtful accounts	**(16)**	(11)

Note 19 Other assets

	Non-current		Current	
Amounts in NOK million	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019
Shares in associated companies	**9**	9	**-**	-
Other shares	**6**	5	**-**	-
Restricted deposits	**24**	22	**-**	-
Other deposits	**1**	1	**-**	-
Pension assets, defined benefits and contribution plans (note 7)	**0**	0	**2**	1
Prepayments	**-**	-	**34**	24
Receivables from related parties, interest-bearing (note 25)	**3,604**	2,981	**21**	354
Receivables from related parties, interest free (note 25)	**-**	-	**111**	122
Grants receivable (note 5)	**-**	-	**460**	303
Value added tax	**-**	-	**126**	67
Interest receivables	**-**	-	**-**	2
Interest receivables from related parties (note 25)	**-**	-	**33**	21
Other receivables	**8**	8	**14**	38
Other assets	**0**	6	**-**	-
Total other assets	**3,652**	3,031	**802**	931

Note 20 Equity

2020	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**
Transaction with related party, pooling-of-interests method	-	-	-	6	**6**
Dividends	-	(87)	(87)	0	**(87)**
Profit for the year	-	-	-	416	**416**
Closing balance	2,907	3,302	6,208	3,012	**9,220**

The share capital of Elkem ASA is NOK 2,906,551,720 divided on 581,310,344 shares of NOK 5 par value. For more information, see note 29 Number of shares in the consolidated financial statements of Elkem group.

For the year 2020 NOK 0.15 per share has been allocated for the distribution of dividends to the shareholders.

In September 2020 Elkem sold parts of its R&D projects to the newly established subsidiary Elkem Silicon Products Development AS. The transaction had a total value of NOK 7 million and was accounted for according to the pooling-of-interest method.

2019	Share capital	Other paid in capital	Total paid in capital	Retained earnings	**Total equity**
Opening balance	2,907	3,684	6,591	2,270	**8,861**
Cash flow hedge	-	-	-	(14)	**(14)**
Share of items booked against equity from joint ventures	-	-	-	(14)	**(14)**
Share-based payments	-	25	25	0	**25**
Remeasurement pension obligations gains (losses)	-	-	-	1	**1**
Currency translation differences	-	-	-	0	**0**
Merger	-	-	-	127	**127**
Dividends	-	(349)	(349)	-	**(349)**
Profit for the year	-	-	-	512	**512**
Closing balance	2,907	3,360	6,267	2,883	**9,150**

Note 21 Shareholders

The table shows shareholders holding one percent or more of the total 581,310,344 shares outstanding as of 31 December 2020, according to information in the Norwegian 'securities' registry system (Verdipapirsentralen).

	Number of Shares	Ownership
Bluestar Elkem International Co. Ltd. S.A.	338,338,536	58.2%
Folketrygdfondet	28,500,172	4.9%
State Street Bank and Trust Company [1)]	9,745,328	1.7%
Verdipapirfondet Alfred Berg Gambak	8,318,361	1.4%
Storebrand Norge Verdipapirfond	7,732,920	1.3%
The Bank of New York Mellon SA/NV [1)]	5,851,566	1.0%
Total shareholders with ownership greater than 1%	398,486,883	68.5%

1) Nominee accounts

Note 22 Interest-bearing assets and liabilities

	Non-current		Current	
Amounts in NOK million	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019
Interest-bearing liabilities				
Loans from related parties (note 25)	**118**	489	**2,036**	2,019
Loans from external parties, other than bank	**1,953**	3,870	**2,050**	249
Bank financing	**4,275**	4,066	**397**	53
Accrued interest	**-**	-	**25**	23
Total interest-bearing liabilities	**6,346**	8,425	**4,509**	2,344
Interest-bearing assets				
Cash and cash equivalents	**-**	-	**1,796**	3,512
Restricted deposits	**24**	22	**3**	-
Receivables from related parties (note 25)	**3,604**	2,981	**21**	354
Loans to external parties	**8**	8	**-**	-
Interest receivables from related parties (note 25)	**-**	-	**33**	21
Interest receivables from external parties	**-**	-	**-**	2
Total interest-bearing assets	**3,636**	3,010	**1,853**	3,889
Net interest-bearing assets / (liabilities)	**(2,710)**	(5,415)	**(2,655)**	1,545

Interest-bearing liabilities by currency

Amounts in NOK million	Currency amount	**NOK 31.12.2020**	Currency amount	NOK 31.12.2019
EUR	731	**7,659**	714	7,045
USD	71	**606**	92	807
NOK	2,517	**2,517**	2,756	2,756
Other currencies	-	**73**	-	161
Total interest-bearing liabilities		**10,855**		10,769

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 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	4,244	377	262	118	**10,880**
Prepaid loan fees							**(25)**
Total interest-bearing liabilities							**10,855**

Maturity of interest-bearing liabilities 31 December 2019

Amounts in NOK million	2020	2021	2022	2023	2024	2025 and later	**Total**
Loans from related parties	2,019	-	-	-	-	489	**2,508**
Loans from external parties, other than bank	249	2,031	1,237	-	355	247	**4,119**
Bank financing	53	53	53	3,997	-	-	**4,155**
Accrued interest	23	-	-	-	-	-	**23**
Total	2,344	2,084	1,290	3,997	355	735	**10,806**
Prepaid loan fees							**(37)**
Total interest-bearing liabilities							**10,769**

Loan agreements

Elkem ASA signed a loan facilities agreement 13 February 2018, consisting of a revolving credit facility (RCF) of EUR 250 million, a term loan facility of EUR 400 million and a bridge financing term loan facility of EUR 500 million. In December 2018 the term loan facility, bridge financing, of EUR 500 million was terminated and replaced with other facilities. At the end of December 2020 only the term loan facility is drawn. The loan facilities are unsecured, but the agreement contains two financial covenants described below.

27 November 2018 Elkem ASA issued a senior unsecured bond loan of NOK 1,750 million. The bond loan is listed on Oslo Børs. There are no covenants related to the bond loan. It is no material difference between fair value of the bond loan and carrying amount.

10 December 2018 Elkem ASA issued a series of floating and fixed rate loans in the Schuldshein market. Total size of the transaction was EUR 215 million of which EUR 91.5 million was issued on 31 December and the remainder EUR 123.5 million in January 2019. The loans are unsecured but the agreement contains two financial covenants described below. Of the total transaction EUR 15 million is a fixed rate loan with a fixed rate of 1.8160%. Given the market conditions as at 31 December 2020 the loan would have been approximately EUR 0.5 million higher.

16 July 2020 Elkem signed a loan facility of NOK 2,000 million to secure refinancing of loan maturities in 2021. The loan facility has a tenor of 3 years and become available on 16 July 2021. The loan facility is unsecured, but the agreement contains financial covenants in line with Elkem's existing loan agreements, described below.

Credit facilities

Elkem ASA is granted credit facilities of EUR 250 million (NOK 2,618 million) and NOK 250 million, a total of NOK 2,868 million in granted credit facilities. Both facilities remained undrawn at 31 December 2020 and 31 December 2019. The granted credit facilities are excluding the facility of NOK 2,000 million, mentioned above.

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 6,607 million (NOK 6,275 million) have covenants as described below. Elkem ASA is compliant with its covenants at the end of 2020 and 2019.

Covenant Elkem group

Amounts in NOK million		**31.12.2020**	31.12.2019	Loan covenant
Total Equity	NOK	**12,635**	12,952	
Total Assets	NOK	**30,888**	29,004	
Equity ratio		**41%**	45%	> 30%
EBITDA	NOK	**2,684**	2,656	
Net interest payable	NOK	**234**	224	
Interest cover ratio		**11.47**	11.85	> 4.00

Note 23 Provisions and other liabilities

	Non-current		Current	
Amounts in NOK million	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019
Employee withholding taxes, soc. sec.tax and other public taxes	**-**	-	**45**	49
Value added tax	**-**	-	**39**	15
Prepayments from customers	**-**	-	**27**	20
Prepayments from related parties (note 25)	**-**	-	**25**	4
Payables to related parties (note 25)	**-**	-	**41**	45
Provisions	**31**	35	**16**	3
Contract obligations power	**-**	-	**-**	63
Contract obligations equity accounted investment (note 16)	**-**	-	**3**	17
Obligation to finance subsidiary	**37**	28	**-**	-
Contingent consideration related to purchase of subsidiary (note 15)	**184**	-	**77**	-
Accrued expenses	**-**	-	**86**	93
Employee benefits	**-**	-	**244**	220
Deferred income, government grants	**-**	-	**2**	2
Recourse liability factoring agreement (note 18)	**-**	-	**27**	20
Other liabilities	**-**	-	**-**	-
Total provisions and other liabilities	**252**	62	**632**	552

Movement in provision 2020

Amounts in NOK million	Restructuring	Site restoration	Environmental measures	**Total provisions**
Opening balance	-	28	10	**38**
Additional provisions recognised	24	1	1	**26**
Used during the year	(11)	-	-	**(11)**
Reversal of provisions recognised	-	-	-	**-**
Currency translation differences	-	-	-	**-**
Closing balance	13	29	11	**53**
Hereof non-current	-	29	2	**31**
Hereof current	13	-	4	**16**
Closing balance	13	29	5	**47**

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.

Note 24 Financial instruments

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 through profit and loss. 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 through profit and loss. There are no currency contracts against subsidiaries as at 31 December 2020.

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 effects from such derivatives in 2020 are a loss of NOK 45 million (loss of NOK 11 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 2020

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]
NOK	5	CAD	1	Fwd	7	2021	0	5
CAD	3	EUR	2	Fwd	2	2021	(1)	23
CAD	14	USD	10	Fwd	1	2021	4	89
NOK	1,523	EUR	141	Fwd	11	2021	44	1,472
NOK	92	GBP	8	Fwd	12	2021	4	88
NOK	377	JPY	4,014	Fwd	0	2021	44	332
NOK	578	JPY	6,093	Fwd	0	2022-2025	59	504
NOK	314	USD	33	Fwd	9	2021	30	284
NOK	621	EUR	61	Embedded [2]	10	2021	(36)	638
NOK	4,007	EUR	372	Embedded [2]	11	2022-2034	(190)	3,896
Total fair value							**(42)**	

Details of currency exchange contracts 31 December 2019

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]
NOK	54	CAD	8	Fwd	6.6117	2020	1	55
CAD	3	EUR	2	Fwd	1.5070	2020	0	20
NOK	1,470	EUR	146	Fwd	10.0930	2020	18	1,436
NOK	184	GBP	16	Fwd	11.4199	2020	(4)	187
NOK	108	JPY	1,268	Fwd	0.0850	2020	4	103
NOK	480	JPY	5,325	Fwd	0.0901	2021-2024	21	431
NOK	371	USD	42	Fwd	8.7937	2020	1	371
NOK	350	EUR	35,293	Embedded [2]	9.9167	2020	(12)	348
NOK	4,628	EUR	432,981	Embedded [2]	10.6877	2021-2034	(205)	4,270
Total fair value							(176)	

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 energy contracts booked at the lower of cost and fair value.

The effective part of change in fair value of contracts designated in hedging relationships is booked temporarily in equity, and recycled to profit or loss when the hedged items are realised. Realised effects from the hedging of future need for power are a loss of NOK 56 million (gain of NOK 28 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 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 Energigjennvinning AS (note 25)	124	2021	(2)	30
Power contract with Salten Energigjennvinning AS (note 25)	1,733	2022-2035	(27)	568
Total fair value			**(116)**	

Details of power contracts booked at fair value 31 December 2019

Amounts in NOK million	Volume GWh	Due	Fair value	Notional amount 1)
Forward contracts financial institutions	63	2020	(4)	26
Forward contracts financial institutions	44	2021	(0)	14
Forward contracts financial institutions	44	2022	0	14
Forward contracts financial institutions, sale	(26)	2020	2	11
Commodity contract "30-øringen" 2)	502	2020	(2)	153
Commodity contract "30-øringen" 2)	5,013	2021-2030	(2)	1,823
Commodity contracts swap Statkraft	202	2020	(5)	66
Commodity contracts swap Statkraft	201	2021	(3)	65
Power contract with Salten Energigjennvinning AS (note 25)	1,856	2021-2035	45	563
Total fair value			31	

1) Notional value based on currency rates at 31 December.
2) The contract is booked at the lower of cost and fair value.

Note 25 Related parties

Elkem ASA is owned 58.2% by Bluestar Elkem International Co. Ltd S.A., Luxembourg, which is under control of China National Chemical Group Co. Ltd (ChemChina), 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 ChemChina are disclosed below.

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 ChemChina	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)**

2019

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 ChemChina	2	(52)	36	-	-	-
Subsidiaries	1,275	(543)	172	(242)	136	(44)
Joint ventures and associates	-	-	15	(127)	-	-
Total	1,277	(595)	223	(370)	136	(44)

Balances with related parties	Non-current		Current	
Amounts in NOK million	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019
Trade receivables, Bluestar Elkem Investment Co. Ltd. S.A	**-**	-	**-**	-
Trade receivables, related parties within ChemChina	**-**	-	**10**	18
Trade receivables, subsidiaries	**-**	-	**428**	327
Trade receivables, joint ventures and associates	**-**	-	**0**	2
Receivables from subsidiaries, interest-bearing	**3,604**	2,981	**21**	354
Receivables from joint ventures and associates, interest-bearing	**-**	-	**-**	-
Interest receivable from subsidiaries	**-**	-	**33**	21
Receivables from subsidiaries, interest-free	**-**	-	**111**	122
Loans from subsidiaries, interest-bearing	**(118)**	(489)	**(2,036)**	(2,019)
Other payables to related parties within ChemChina, interest free	**-**	-	**-**	(0)
Other payables to subsidiaries, interest free	**-**	-	**(41)**	(45)
Trade payables, Bluestar Elkem Investment Co. Ltd. S.A	**-**	-	**(5)**	(5)
Trade payables, related parties within ChemChina	**-**	-	**(14)**	(23)
Trade payables, subsidiaries	**-**	-	**(190)**	(143)
Trade payables, joint ventures and associates	**-**	-	**(1)**	(11)
Prepayments from related parties within ChemChina	**-**	-	**(14)**	-
Prepayments from subsidiaries	**-**	-	**(0)**	(0)
Prepayments from joint ventures and associates	**-**	-	**(11)**	(4)
Financial power contract with joint ventures and associates	**(27)**	45	**(2)**	-

Information about transactions between related parties
Elkem follows internationally accepted principles for transactions between related parties. In general, Elkem seeks to use transaction based methods (comparable uncontrolled price, cost plus and resale price method) in order to set the price for the transaction.

The majority of the transactions between related parties relate to products involving:

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

Commitments with related parties
Elkem ASA has entered into a cash settled financial agreement to purchase all the power produced from Salten Energigjenvinning AS at a fixed price for the first 15 years of operations. See note 24 Financial instruments.

Elkem has guaranteed to deliver a minimum of 990 GWh heat energy free of charge within each calendar year for 15 years from the start-up date, estimated to second quarter 2021, to Salten Energigjenvinning AS. Estimated value of the guarantee is NOK 1,196 million on 100% basis, Elkem owns 50% of the company. Elkem will be compensated if the actual volume of heat energy exceeds the guaranteed volume. Elkem has committed to cover its proportion of total estimated capital injections in Salten Energigjenvinning AS of NOK 100 million, of which NOK 80 million is paid as of 31 December 2020. As at 31 December 2020 Elkem has made a provision of NOK 3 million (NOK 17 million) to cover incurred losses.

Elkem has two call options related to purchase of the remaining 50% of the shares in Salten Energigjenvinning AS. Elkem has an option to purchase the shares after start-up date at fair market value less 20%. Further, Elkem has the right to purchase the shares to NOK 1 on a cash free and debt free basis 15 years after start-up date. Start-up date as defined in the contract is estimated to be during Q2 2021. Elkem has assessed that Elkem will obtain control of Salten Energigjenvinning from the start-up date, since Elkem can purchase the shares to a price less than fair market value.

Transactions with key management personnel
Information on transactions with key management personnel is included in note 10 Management remuneration to the consolidated financial statements.

Note 26 Pledge of assets and guarantees

Guarantee commitments

Amounts in NOK million	**31.12.2020**	31.12.2019
Guarantees given on behalf of the operating plants regarding environmental obligations	**40**	27
Guarantees given on behalf of subsidiaries regarding financing	**375**	387

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 27 million. Elkem has sold part of its CO_2 allowances with an agreement to repurchase the CO_2 allowances in March 2021. The transaction is treated as loan where the proceeds, EUR 33 million, are classified as interest-bearing liabilities. Book value of the CO_2 allowances are zero. As at 31 December 2020 the fair value of the CO_2 allowances exceeds the value of the loan.

Note 27 Events after the reporting period

On 15 February 2021, Elkem ASA successfully issued NOK 1,250 million in new unsecured bonds. NOK 750 million has been issued with a tenor of 3 years and a coupon of 3 month Nibor + 1.00% p.a. while NOK 500 million has been issued with a tenor of 5 years and a coupon of 3 month Nibor + 1.30% p.a. Settlement took place on 26 February 2021. In connection with the bond issue, Elkem ASA has bought back NOK 419 million of its NOK 1,750 million bond loan, see note 22 Interest-bearing assets and liabilities.

On 15 February 2021 Elkem ASA increased its share capital to NOK 2,914,926,720, comprising in total of 582,985,344 shares. The share issuance were made in conjunction with certain employees exercise of 1,675,000 share options.

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 2020 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.

The board of directors of Elkem ASA
Oslo, 10 March 2021

Zhigang Hao *Chair of the Board*	**Dag Jakob Opedal** *Deputy chair*	**Caroline Grégoire Sainte Marie** *Board member*	**Yougen Ge** *Board member*
Anja-Isabel Dotzenrath *Board member*	**Olivier Tillette de Clermont-Tonnerre** *Board member*	**Marianne Elisabeth Johnsen** *Board member*	**Helge Aasen** *Board member*
Terje Andre Hanssen *Board member*	**Marianne Færøyvik** *Board member*	**Knut Sande** *Board member*	**Michael Koenig** *Chief Executive Officer*

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To the Annual Shareholders' 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 2020, 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 2020, 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 are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, 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.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, 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.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 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.

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 the carrying value of property, plant and equipment

Refer to Note 3 *Accounting estimates*, Note 19 *Impairment assessments*, and the Board of Directors report

The key audit matter	*How the matter was addressed in our audit*
In 2020 the Group's financial performance was impacted by the global Covid-19 pandemic, which led to decreased sales prices and reduced demand in some markets. Management identified impairment indicators and as a result conducted an impairment review of several cash-generating units (CGUs). Three CGUs with a total carrying value of property, plant and equipment of NOK 5 005 million, were identified as being particularly sensitive to key assumptions applied in management's impairment assessment. Two plants in the Silicon Products segment, each considered their own CGU, Rana and Iceland with total carrying value of NOK 476 million and NOK 496 million respectively, were identified to have impairment indicators mainly due to lower sales volume in particular towards the automotive industry and lower sales prices. Two plants in China, in Bluestar Silicon Material (Yongdeng) and Jiangxi Bluestar Xinghuo Silicones, are assessed to be one CGU in aggregate based on their integrated operations. This combined CGU has a total carrying value of NOK 4 033 million. The Group has estimated the recoverable amount of these three CGUs based on value in use calculations. The model relies on certain assumptions and estimates of sales prices and product mix, productivity and cost estimates particularly related to committed cost improvement initiatives, and discount rates, all of which involve a high degree of estimation uncertainty, particularly in light of current market conditions. None of the CGUs were assessed to be impaired, as the recoverable amount exceed the carrying amounts for each individual CGU.	Our audit procedures in this area included, among others: • Assessing management's process and results for identification and classification of CGUs to ensure they were appropriate and in accordance with relevant accounting standards; • Evaluating management's assessment of impairment triggers and sought to identify additional potential indicators of impairment through our review of operational performance and financial results; • 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 (particularly ferrosilicon 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 intangible assets and property, plant and equipment.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

KPMG

Independent Auditor's Report - 2020
Elkem ASA

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements of the Company 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 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.

KPMG

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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 Board of Directors 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.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

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

Oslo, 10 March 2021
KPMG AS

Øyvind Skorgevik

Øyvind Skorgevik
State Authorised Public Accountant

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** 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) benefits, 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:

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	373	581	349	(312)	(33)	957
Impairment losses						17
Amortisation and depreciation						1,710
EBITDA	1,357	1,189	438	(267)	(33)	2,684

2019 *Amounts in NOK million*	Silicones	Silicon Products	Carbon Solutions	Other	Eliminations	Elkem
Profit (loss) for the year						897
Income tax (expense) benefit						237
Finance expenses						295
Foreign exchange gains (losses)						(16)
Finance income						(41)
Share of profit from equity accounted financial investments						12
Other items						(195)
EBIT	742	382	237	(190)	18	1,189
Impairment losses						8
Amortisation and depreciation						1,456
EBITDA	1,523	958	312	(155)	18	2,656

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 income) 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	2020	2019
Reinvestments	**(1,387)**	(1,162)
Strategic investments	**(835)**	(963)
Periodisations [1)]	**22**	18
Investments in property, plant and equipment and intangible assets	**(2,201)**	(2,107)

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

Amounts in NOK million	2020	2019
Cash flow from operating activities	**2,111**	1,839
Income taxes paid	**192**	559
Interest payments made	**239**	248
Interest payments received	**(28)**	(38)
Changes in provisions, bills receivables and other	**69**	671
Changes in fair value commodity contracts	**196**	218
Other items	**130**	(195)
Reinvestments	**(1,387)**	(1,162)
Cash flow from operations	**1,522**	2,140

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 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, 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:

Amounts in NOK million	31.12.2020	31.12.2019
Inventories	**5,241**	5,224
Trade receivables	**2,796**	2,269
Bills receivable	**(920)**	(675)
Accounts receivable	**1,875**	1,594
Other assets, current	**1,212**	1,013
Interest-bearing receivables	**-**	-
Other receivables to related parties interest free	**(0)**	(2)
Grants receivables	**(525)**	(361)
Tax receivable	**(105)**	(137)
Accrued interest	**(1)**	(2)
Other current assets included in working capital	**581**	510
Trade payables	**3,157**	2,767
Trade payables related to purchase of non-current assets	**(448)**	(389)
Accounts payables included in working capital	**2,709**	2,378
Employee benefit obligations	**740**	640
Provisions and other liabilities, current	**1,064**	871
Provisions, contingent considerations and contract obligations	**(287)**	(161)
Liabilities to related parties	**(64)**	(81)
Other current liabilities included in working capital	**713**	629
Working capital	**3,536**	3,681
Property, plant and equipment	**14,131**	13,202
Right-of-use assets	**875**	580
Investments equity accounted companies	**183**	129
Grants payable	**(15)**	(15)
Trade payables and prepayments related to purchase of non-current assets	**(381)**	(323)
Capital employed	**18,329**	17,254

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.

Amounts in NOK million	31.12.2020	31.12.2019
Net interest-bearing assets / (liabilities)	**(8,009)**	(5,669)
Other restricted deposits, non-current	**(39)**	(42)
Receivables from related parties	**(1)**	(1)
Loans to external parties	**(8)**	(8)
Accrued interest income	**(1)**	(2)
Net interest-bearing assets / (liabilities) less non-current interest-bearing assets	**(8,058)**	(5,722)
EBITDA	**2,684**	2,656
Leverage ratio	**3.0**	2.2

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To the Board of Directors in Elkem ASA

Report on Elkem ASA's greenhouse gas emissions reporting

We have undertaken a limited assurance engagement of the accompanying statement of Elkem ASA's measurements and reporting of greenhouse gas emissions ("GHG emissions") for the period 1 January 2020 – 31 December 2020. Measurements and reporting of GHG emissions are presented in the ESG report section of Elkem's 2020 annual report, specifically in the two tables presented on page 65 of the annual report.

Our limited assurance engagement comprises whether Elkem has developed measurements and reporting of GHG emissions and whether the GHG emissions are presented according to the GHG Protocol Corporate Accounting and Reporting Standard published by the World Resources Institute and the World Business Council for Sustainable Development (criteria). The GHG Protocol Corporate Accounting and Reporting Standard is available at https://ghgprotocol.org/corporate-standard.

Tasks and responsibilities of management
Management is responsible for Elkem's GHG emissions reporting and that the GHG emissions are measured and reported in accordance with the GHG Protocol Corporate Accounting and Reporting Standard. Their responsibility includes developing, implementing and maintaining internal controls that ensure appropriate measurement and reporting of GHG emissions.

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 Auditors responsibilities
Our responsibility is to express a limited assurance conclusion on Elkem ASA's GHG emissions 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 International Standard on Assurance Engagements ISAE 3410 Assurance Engagements on Greenhouse Gas Statements. That standard requires that we plan and perform this engagement to obtain limited assurance about whether the GHG statement is free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3410 involves assessing the suitability in the circumstances of Elkem ASA's use of GHG Protocol Corporate Accounting and Reporting Standard as the basis for the preparation of the GHG statement, assessing the risks of material misstatement of the GHG statement whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the GHG statement. 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.

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The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above, we:

- Through inquiries, obtained an understanding of Elkem ASA's control environment and information systems relevant to emissions quantification and reporting, but did not evaluate the design of particular control activities, obtain evidence about their implementation or test their operating effectiveness.
- Evaluated whether Elkem ASA's methods for developing estimates are appropriate and had been consistently applied. However, our procedures did not include testing the data on which the estimates are based or separately developing our own estimates against which to evaluate Elkem ASA's estimates.
- Performed procedures to assess the completeness of the reported emissions sources, data collection methods, source data and relevant assumptions applicable to a selection of Elkem ASA's plants. The plants selected for test procedures were chosen taking into consideration their emissions in relation to total emissions and emissions sources. Our procedures did not include testing information systems to collect and aggregate facility data, or the controls at these sites.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether Elkem ASA's GHG statement has been prepared, in all material respects, in accordance with the GHG Protocol Corporate Accounting and Reporting Standard published by the World Resources Institute and the World Business Council for Sustainable Development applied as explained in Note 1 to the GHG statement.

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 ASA's GHG statement for the period 1 January 2020 – 31 December 2020, is not prepared, in all material respects, in accordance with the GHG Protocol Corporate Accounting and Reporting Standard published by the World Resources Institute and the World Business Council for Sustainable Development applied as explained in Note 1 to the GHG statement.

Oslo, 11 March 2021
PricewaterhouseCoopers AS

Anders Ellefsen
Anders Ellefsen
State authorized public accountant (Norway)

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