Elkem

Annual report 2023

Navigating challenges and positioning for sustainable growth

Delivering your potential

We are Elkem

Advanced silicon-based materials shaping a better and more sustainable future

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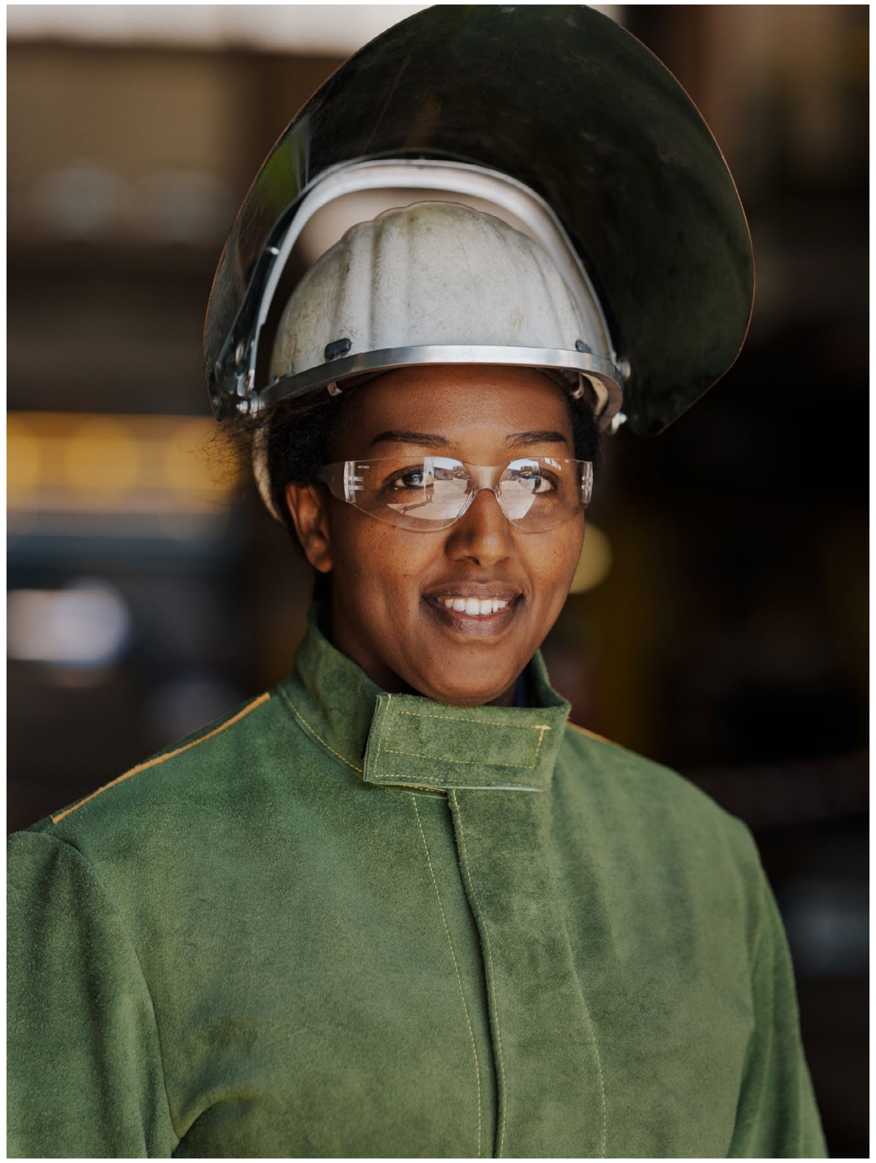


Who we are and what we do

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

With a strong track record since 1904, Elkem's global team of around 7,400 people has a joint commitment to stakeholders: Delivering your potential. Elkem is listed on the Oslo Stock Exchange (ticker: ELK) where it is part of the OBX® ESG Index, a selection of 40 companies demonstrating best Environmental, Social and Governance (ESG) practices.

35.5

NOK billion total operating income

>80%

renewable electricity

11%

EBITDA margin

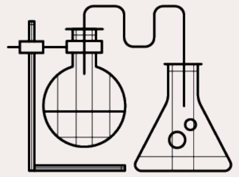
0

net zero emissions by 2050

One company, three divisions

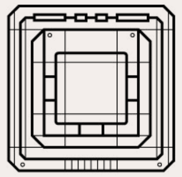
Elkem is organised in three divisions, providing silicones, silicon products and carbon solutions. These products are essential to making a large number of innovative products that people use in their daily life and which are necessary components for sustainable solutions for the future, from digital communication, health and personal care to green mobility and transportation, as well as energy and power.

Elkem aims to grow profitably, through a focus on building strong cost and market positions, with integrated value chains, both in the East and the West. Elkem also has a strong emphasis on innovation and R&D to enable a higher degree of product specialisation, creating added value for customers.



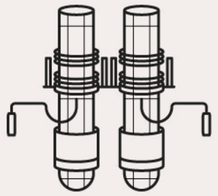
Silicones

A fully integrated producer from silicon metal to upstream siloxanes and downstream silicone specialities.



Silicon Products

A leading producer of silicon-based materials, including silicon, ferrosilicon, specialty alloys based on ferrosilicon and Microsilica.



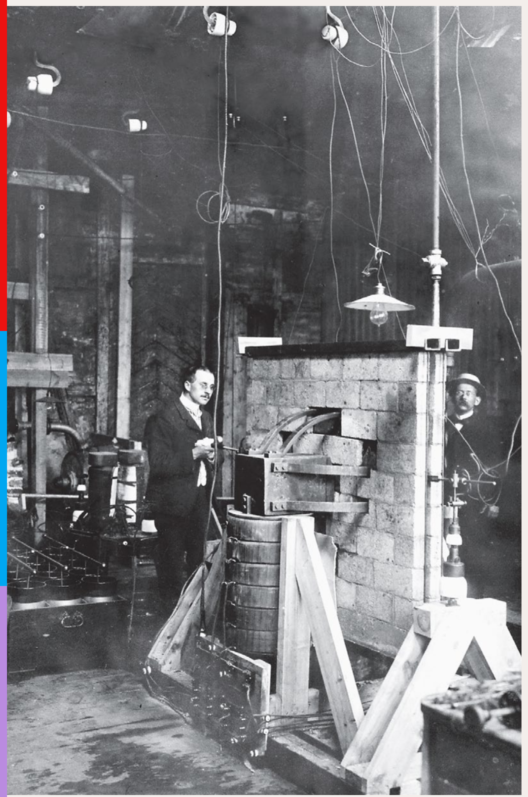
Carbon Solutions

A leading producer of speciality carbon products for various metallurgical smelting processes and primary aluminium industries.

A collection of milestones

1904

Elkem was founded

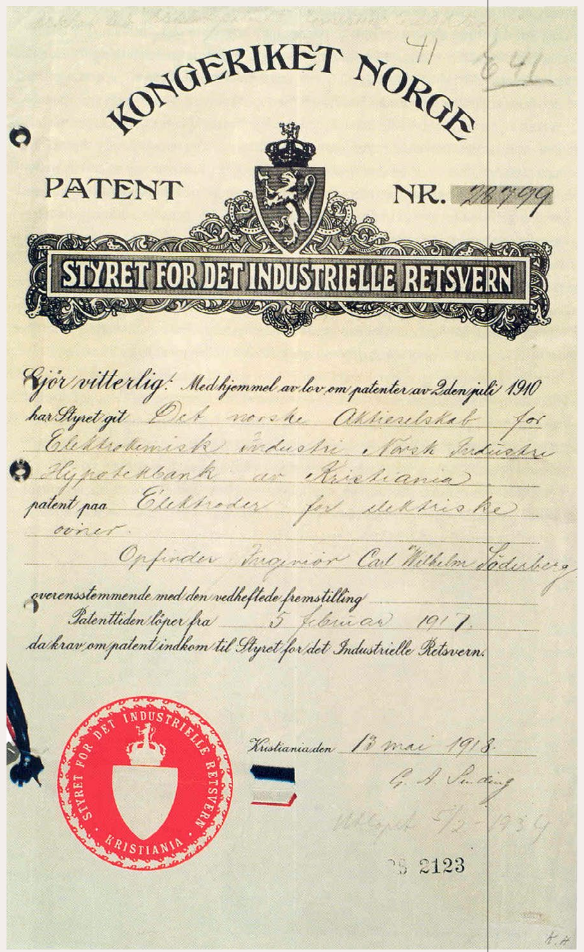


1913

Elkem listed on the Oslo Stock Exchange

1918

Patenting of the Søderberg electrode technology



KONGERIKET NORGE

PATENT NR.

STYRET FOR DET INDUSTRIELLE RETSVERN

Gjør vitterlig: Med hjemmel av lov om patenter av 2den juli 1910 har Styret git

patent paa

overensstemmende med den vedheftede fremstilling.

Patenttiden løper fra

da krav om patent indkom til Styret for det Industrielle Retsvern.

Kristiania den

1944

First trial batch of silicones in Lyon, France

1951

World's largest ferrosilicon smelter put into operation at Fiskaa

1964

Silgrain© first production (Bremanger)

A collection of milestones

1978

Beginning of silicones production in China (Xinghuo)

1981

Acquisition of Union Carbide Ferroalloys Division

2005 - 2011

Orkla aquired Elkem in 2005, and de-listed the company. Ownership changed to China National Bluestar in 2011

2018

Re-listing on Oslo Stock Exchange

2021

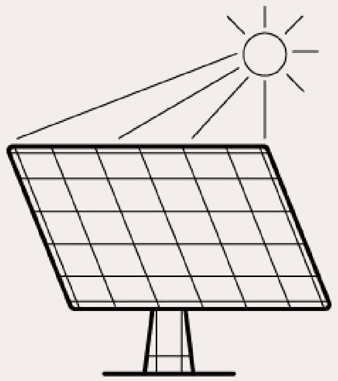
Silicones from Elkem in more than 1 million electric vehicles globally

2023

Elkem is a top 5 global silicones producer, a top producer of silicon and foundry alloys in Western markets, and the only global producer of carbon products

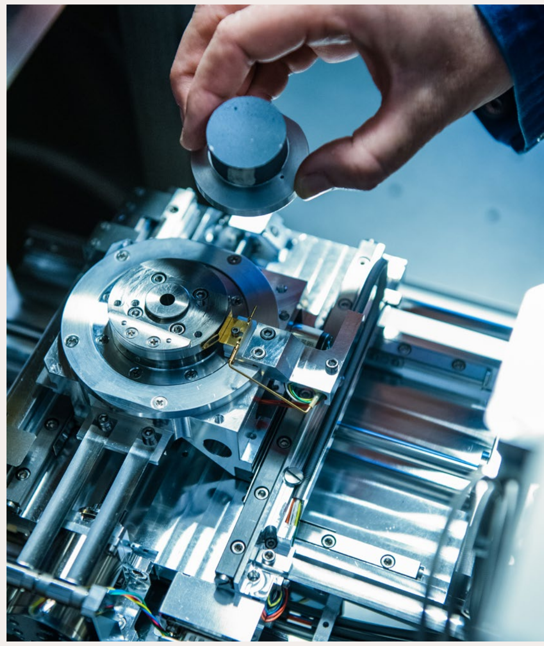
2023 in brief

2023 has been a challenging year characterised by weak macro-economic conditions, impacting demand and sales prices for Elkem's products. Elkem has benefitted from its robust business model with strong cost positions and balanced geographical positions.



High scores from CDP

Elkem awarded A and double A- from CDP for efforts on forests, climate and water



1Q-2023

→ The world's first carbon capture pilot for smelters was inaugurated at the Rana plant in Norway

→ Elkem decided to invest around NOK 200 million to increase its production capacity in Brazil for pitch, a raw material for electrode paste to industrial smelters

→ Elkem signed new long-term power agreements in Norway for the Salten, Rana and Bremanger plants at competitive terms

2Q-2023

→ Elkem acquired VUM, a Slovak producer of carbon materials to further increase production capacity in attractive markets

→ Elkem successfully completed accelerated maintenance and improvement projects at the Thamshavn and Rana plants and an extensive maintenance stop in China

3Q-2023

→ Elkem ASA successfully issued NOK 1,000 million of new senior unsecured green bonds with a tenor of 5 years

→ Elkem's ESG report rated A+ (top 5%) by Position Green's assessment of the 100 largest companies on Oslo Stock Exchange and S&P Global ranked Elkem's ESG performance in the top 6% for 2023

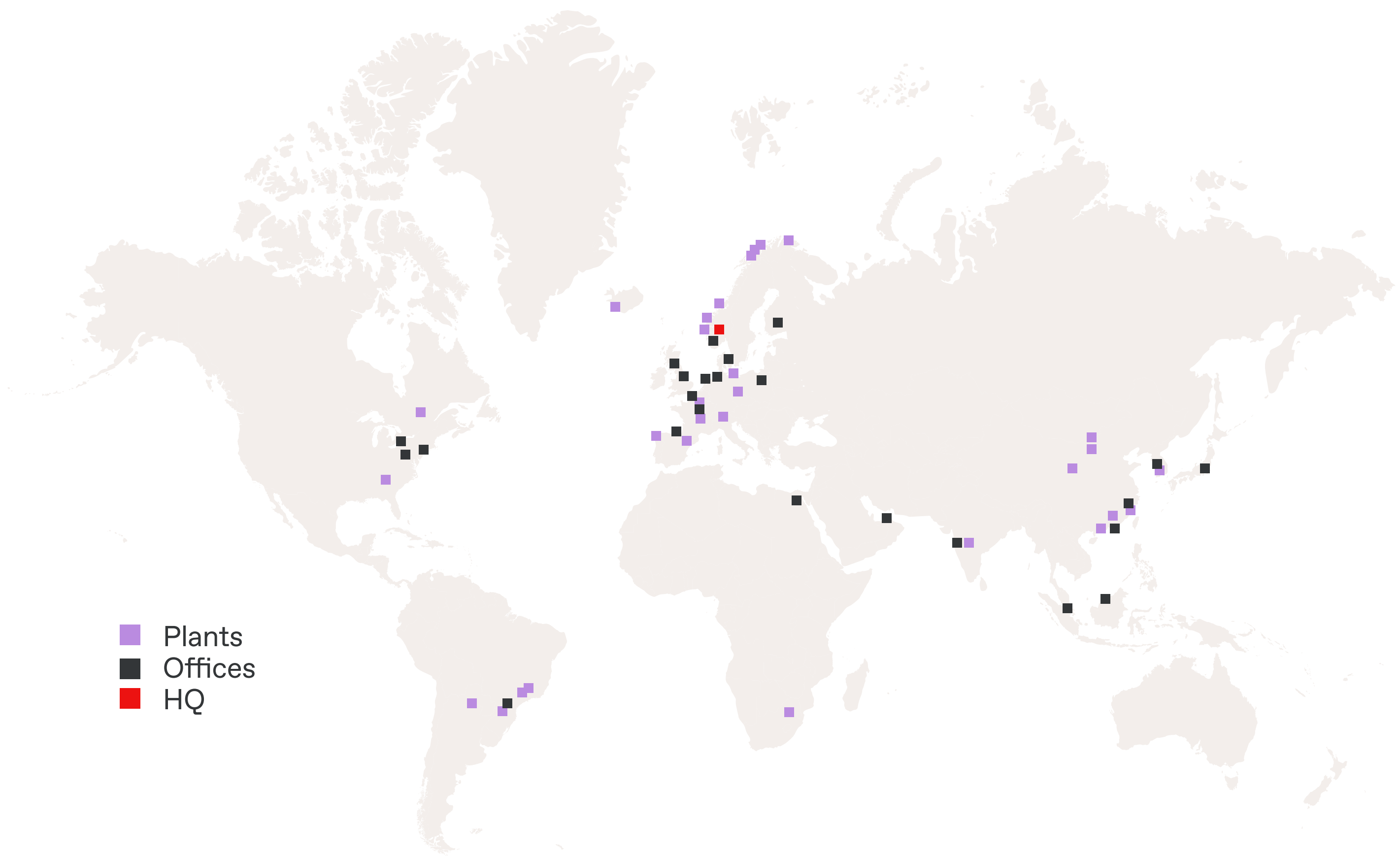
4Q-2023

→ The European Chemical Industry Council (Cefic) selected Elkem as one of 26 companies and national associations to feature in its 2023 European Responsible Care® Awards Gallery, with the only initiative in the category of circularity

→ Elkem successfully completed an accelerated maintenance and improvement project at the ferrosilicon plant in Iceland

→ Elkem reached an agreement with reindeer grazing district 7 (Rákkonjárga) which enables the expansion of Elkem's mining operations in Tana, Norway, one of the world's largest quartzite mines and a key source of raw materials for the green transition

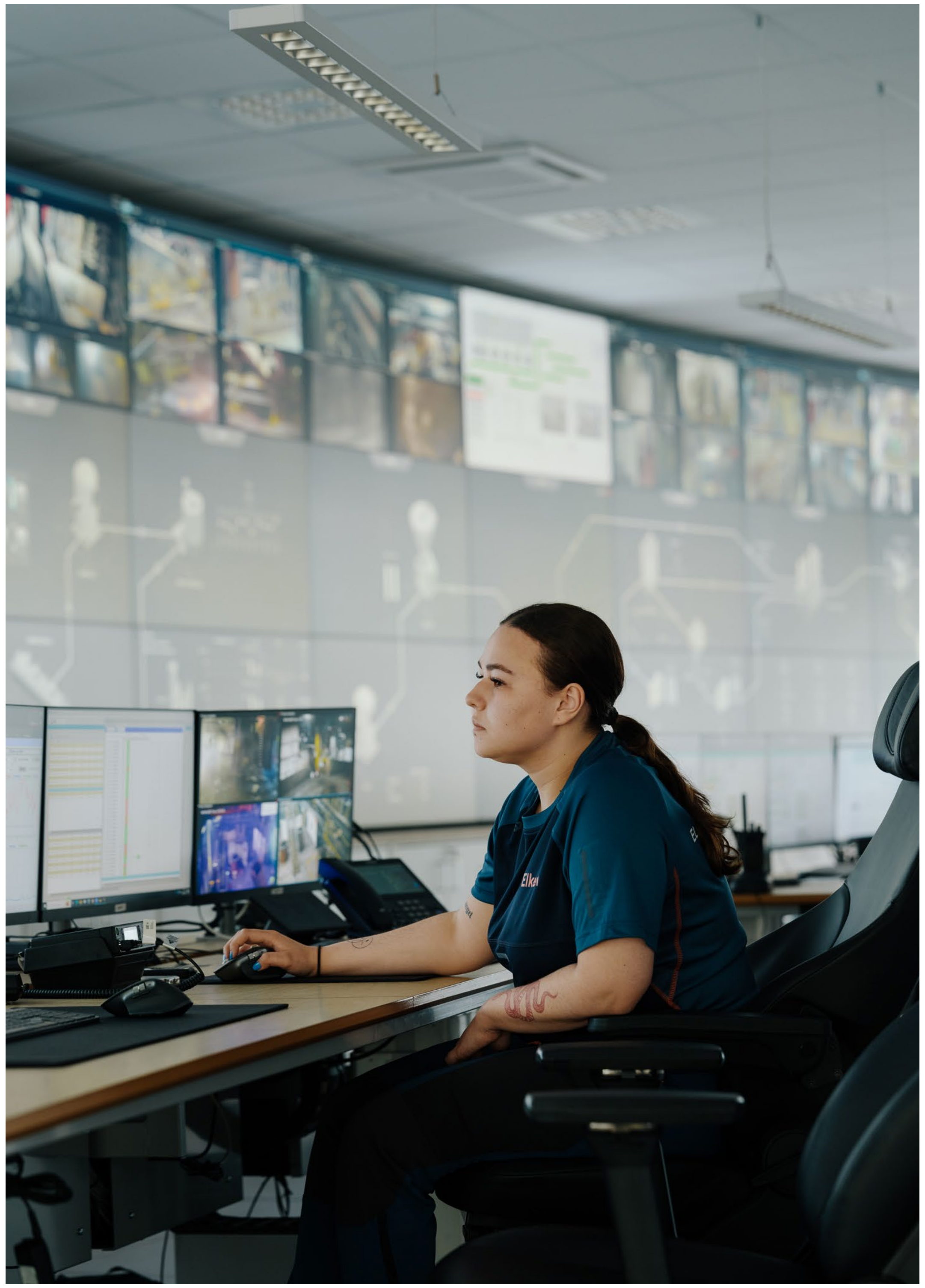
→ Fire at the Salten plant in Norway. No one was injured in the fire. The fire started in a building housing raw materials, including carbon materials



Key figures

	Unit	2023	2022	2021	2020	2019	2018	2017	2016
Total operating income	NOK million	**35 545**	45 898	33 717	24 691	22 668	25 230	20 985	16 594
Operating income growth	Ratio	**-23%**	36%	37%	9%	-10%	20%	26%	
EBITDA	NOK million	**3 771**	12 925	7 791	2 675	2 656	5 793	3 188	1 559
EBIT	NOK million	**1 365**	10 898	5 899	948	1 189	4 522	1 927	264
Profit (loss) for the period	NOK million	**170**	9 642	4 664	278	897	3 367	1 249	-268
Cash flow from operations	NOK million	**3 027**	9 551	4 100	1 513	2 133	4 031	2 336	627
Reinvestments in % of D&A	Ratio	**102%**	84%	91%	81%	80%	84%	72%	57%
Total assets	NOK million	**50 500**	52 781	41 850	30 888	29 004	31 129	25 507	23 092
Net interest-bearing debt	NOK million	**9 450**	2 615	4 827	8 058	5 722	3 264	8 111	9 502
Debt leverage	Ratio	**2.5**	0.2	0.6	3.0	2.2	0.6	2.5	6.1
Equity	NOK million	**24 458**	28 773	19 874	12 635	12 952	13 722	8 565	5 830
Equity share	Ratio	**48%**	55%	47%	41%	45%	44%	34%	25%
Return on capital employed (ROCE)	Ratio	**4%**	39%	26%	5%	7%	26%	12%	2%
Earnings per share (EPS)	NOK	**0.11**	15.09	7.49	0.41	1.47	5.74	2.08	(0.52)
Number of employees	Number	**7 436**	7 372	7 074	6 856	6 370	6 280	6 113	6 022
Total recordable injury rate H1+H2	Ratio	**3.0**	3.2	3.7	2.3	2.2	2.2	3.1	5.3
NO_x emissions	Tonnes	**5 830**	6 519	8 932	6 610	6 718	7 068	7 109	7 309
Total CO_2 emissions (Scope 1, 2 and 3)*	Mill tonnes	**9.84**	10.74	11.60	10.27				
Energy consumption	TWh	**7.27**	6.54	6.54	6.40	6.01	6.23	5.28	4.40

** Total scope not reported before 2020.*



Elkem's value chain

Navigating challenges and positioning for green growth

Following two years of record results for Elkem, supported by unprecedented market momentum, 2023 presented a more challenging macro-economic environment. This has affected demand and resulted in lower profitability. Elkem is taking action to address the challenging market conditions and to position for a demand recovery.

Dear Elkem shareholder,
I wrote in my letter to you in last year's report that I expected a slowdown in global economic activity and that market prices would come down to more normal levels. Unfortunately, I was proven right, and the downturn has been even more severe than anticipated.

The macro-economic sentiment in 2023 has been characterised by high inflation and interest rate hikes, significant slowdown in European GDP growth, combined with a weaker than eexpected economic recovery in China after the pandemic. The world also experiences continued geopolitical uncertainty, exemplified by the wars in Ukraine and the Middle East.

These factors, among others, have contributed to weak demand and destocking across key markets for Elkem. Silicones prices in China reached a ten-year low in August 2023, while silicon and ferrosilicon prices in EU were more than halved since the beginning of 2022.

In 2023, Elkem was also negatively affected by changes in the Norwegian CO_2 compensation scheme. Despite some potential improvements in the final agreement on the state budget, these changes will continue to have a negative impact on Norwegian industry in the years to come.

Comprehensive programme for cost and capex reductions

To counteract the challenging market dynamics and lower profitability, we have introduced a comprehensive programme including initiatives across several dimensions, such as freezing new hires, working capital improvements, focus on operational efficiencies and capacity optimisation, as well as review of investment plans.

By the end of 2024, we expect to improve our cost position by more than NOK 1.5 billion and reduce investments by more than NOK 2 billion.

Long-term global megatrends remain strong

In the near term, we continue to see significant uncertainty regarding the macroeconomic development and inflationary pressure, leading to continued market volatility.

Looking beyond the current downturn we expect growth in Asia to pick up significantly, and combined with reindustrialisation in the Western part of the world this will create attractive opportunities for Elkem.

We are convinced that the long-term global megatrends remain strong, and that Elkem's advanced materials are increasingly important in transformation to a more sustainable future.

Helge Aasen
CEO, Elkem ASA

This year, silicon has gained recognition by being included in the European Union's Critical Raw Materials Act, as well as the list of critical materials for energy by the United States' Department of Energy. The latter also includes electrical steel, an iron alloy with silicon as the main additive element.

Positioning for a recovery and sustainable growth

We are using this period to position Elkem for a demand recovery. Throughout 2023, we have taken steps such as accelerating maintenance at selected plants, growing organically by expanding capacity in Brazil, France (Roussillon) and China (Xinghuo) as well as growing inorganically by acquiring the carbon materials producer VUM in Slovakia.

The expansion at the Xinghuo plant in China remains on track, both with regards to cost and time. This will increase the plant's production capacity by 50 per cent, deliver significant cost improvements and improve the environmental footprint through lower energy and raw material consumption. It is expected to be commissioned during the first half of 2024.

These investments, both in the East and the West, further reinforce Elkem's corporate strategy of dual-play growth and green leadership.

Securing green leadership

We have taken additional steps this year to deliver on our ambition to be part of the solution to combat climate change, and to be one of the leading companies in our industry.

In the beginning of 2023, Elkem launched the world's first carbon capture pilot for smelters. A mobile test unit was installed at Elkem's plant in Rana in order to demonstrate the technology on site. Carbon capture can potentially contribute significantly towards our global climate roadmap of reducing emissions towards net zero while growing supplies to the green transition.

During the year, Elkem also issued its first green bonds, at a value of NOK 1 billion, in accordance with the newly established green bond framework.

Finally, we achieved strong scores on climate, forest, and water metrics from CDP, along with an "A+" score in Position Green's analysis of ESG (Environmental, Social and Governance) reporting for the 100 largest companies on the Oslo Stock Exchange.

We firmly believe 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.

Focus on safety improvement

Following a setback in our safety performance during the pandemic, with a relatively high number of incidents both in 2021 and 2022, we rolled out a new and reinforced system for Health, Safety and the Environment (HSE) improvement in Elkem to reverse this trend.

I am pleased to share with you that we have reduced the total injury rate per million working hours in 2023. However, two tragic accidents resulted in four fatalities this year, among contractors working for Elkem. Given the serious consequence of these incidents we have taken significant steps to reinforce management focus in the affected areas.

Our first priority ambition is the health and safety of our employees. We believe that all injuries are preventable and have therefore adopted a zero-harm philosophy in our operations.

120 years young

In 2024, Elkem turns 120 years old, but we prefer to see our company as 120 years young. Since the establishment in 1904, we have been committed to developing new products, exploring new markets, and innovating new production technology.
An ambitious innovation strategy, combined with continuous improvement, has been the cornerstone of Elkem's development and growth.

Today, Elkem is one of the world's leading providers of advanced silicon-based materials, shaping a better and more sustainable future. We have an excellent team of more than 7,400 people all over the world, working according to strong values – respect, involvement, precision, and continuous improvement – with the Elkem Business System (EBS) as the foundation of our company culture.

This gives me confidence that we will be able to continue to deliver value for you, our shareholders, and all our stakeholders – in line with our purpose: Delivering your potential.

Helge Aasen

Helge Aasen,
CEO, Elkem ASA

The Elkem way

Who we are, how we work and why we are here

We are Elkem

- A leading global provider of silicon-based advanced materials

Our mission
Advanced silicon-based materials shaping a better and more sustainable future, adding value to stakeholders globally

- Elkem's products are critical input factors to a vast number of applications that are necessary in sustainable solutions enabling renewable energy, energy storage, mobility solutions, infrastructure improvements and digital communications
- Elkem develops its business in accordance with the UN Sustainable Development Goals and the Paris agreement
- 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

Our purpose
Delivering your potential

- Elkem's purpose is in our commitment to stakeholders: Delivering your potential
- We believe that the 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
- We in Elkem are a team of professionals powered by passion for people. We bring agile and innovative solutions to our customers and our other stakeholders, because we care

Our values
Involvement
Respect
Precision
Continuous improvement

- **Involvement** commits people. We know that only people can identify problems and opportunities and find solutions. By involving colleagues, customers and other stakeholders, and by being transparent and committed to teamwork, we increase our ability to learn and develop new solutions
- We **respect** the law, the environment, our employees, colleagues, customers, suppliers, owners, local communities and different cultures. Respect is about being fair, open and honest, trusting your colleagues and partners and appreciating diversity
- Commitment to **precision** expresses itself through our work to develop and follow standards of best practice and safe and stable production. By establishing work and safety standards, we can measure and continuously improve our performance
- We know that the value chain can always be improved. We do this through experimenting, using new technology and looking for ways to eliminating waste. **Continuous improvement** means that we are always looking for improvement potential, keeping an open mind and always ready to learn and share our knowledge

Our growth ambitions

- Top 3 in silicones worldwide
- Number 1 in silicon products and carbon solutions in the West

Our corporate strategy

Dual-play growth

- Balanced between geographic regions (East & West)
- Balanced across the value chain (Upstream & Downstream)

Green leadership

- Strengthening position as best in the industry on low CO_2
- Growing supplies to green transition and creating green ventures

>5%
Growth per year

>15%
EBITDA margin per year

-28%
Reduce CO_2 (2020-2031)

0
net zero emissions by 2050

Silicones

- Balanced geographical growth
- Improve cost position
- Higher degree of specialisation

Silicon Products

- Selective growth
- Secure leading cost positions
- Lower carbon emissions

Carbon Solutions

- Selective growth
- Sustainable low-cost position
- Preferred supplier with high quality

Well positioned for further growth and specialisation

14.4
NOK billion in total operating income

40%
of group sales*

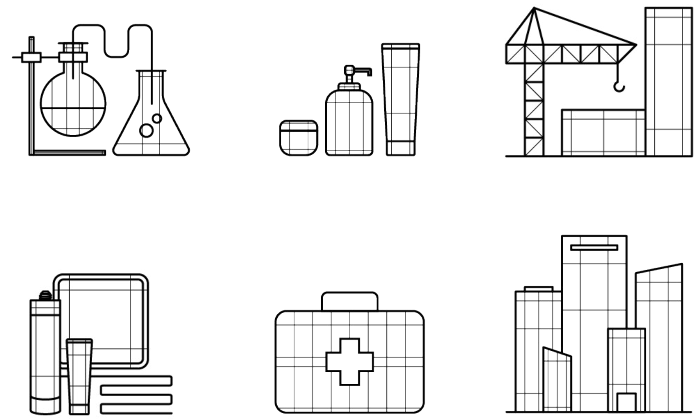
14 main plants

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

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

End markets

→ Construction
→ Automotive
→ Chemical formulators
→ Personal care
→ Healthcare
→ Paper and film release
→ Silicone rubber
→ Textile



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

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

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

The main growth drivers are the green transition and the rise of middle class worldwide to serve markets such as electrification of transportation, electronics, and healthcare.

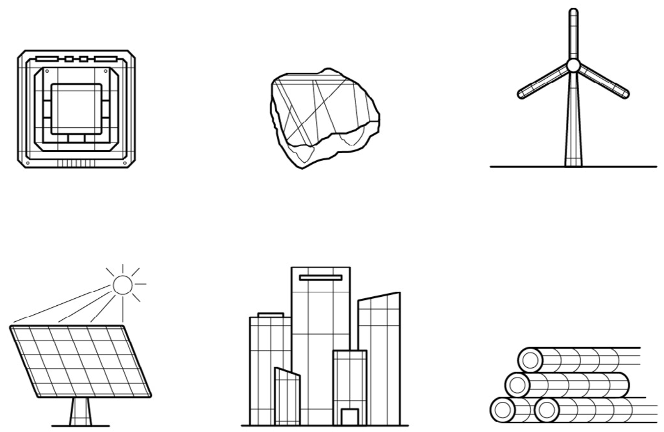
The division's key strategic focus is on balanced geographical growth across the main markets in the East and the West, improve the cost position through new investments in France and China, and to focus on R&D and further specialisation of the products portfolio. In 2024, the Silicones division will complete several expansion and specialisation projects, including expansions of the upstream siloxane capacity in China and France. These projects will improve Elkem's environmental footprint, upstream product quality, and the plants' cost positions and underlying profitability.

Key figures	**2023**	2022	2021	2020	2019
Total operating income (in NOK million)	**14 364**	19 288	17 429	12 800	11 319
EBITDA (in NOK million)	**-605**	2 022	3 672	1 326	1 486
EBITDA margin (in %)	**-4%**	10%	21%	10%	13%
Number of employees	**4 525**	4 637	4 395	4 224	3 718
Sales volume (thousands metric tonnes)	**332**	394	409	372	336

Industry leader with strong cost and market positions

End markets

- → Automotive
- → Construction/industrial equipment
- → Electronics
- → Specialty steel
- → Solar and wind turbines
- → Refractories
- → Oil and gas



18.4

NOK billion in total operating income

49%

of group sales*

10 main plants

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

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

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

Silicon is used in silicones, aluminium alloys and polysilicon, and has a number of favourable chemical and physical properties, including semi-conductivity, making it highly versatile for numerous industrial and electronic applications. Ferrosilicon is used in steel industry, with Elkem's specialty grades primarily employed in the production of electrical steel for motors and power network components, supporting the electrification.

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

Drivers for the division's growth are key mega trends, such as the green transition, digital communications, and smarter and more sustainable cities. Its main markets are automotive, construction, electronics, and renewable energy sectors.

Elkem has low-cost positions based on scale and operational excellence, as well as strong market positions in specialty niches based on deep application knowledge and close customer relationships.

The division's strategy is based on selective growth opportunities, securing leading cost positions, and to lower carbon emissions through its value chain.

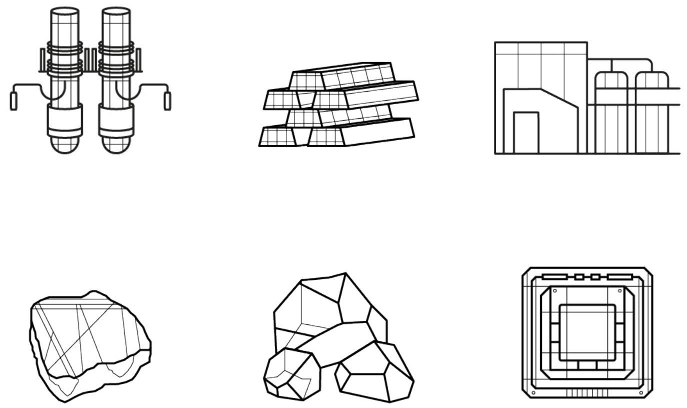
In 2023, silicon was included in the European Union's Critical Raw Materials Act, and on the list of critical materials for energy by the United States' Department of Energy. In addition, Elkem has performed several accelerated maintenance projects in 2023, and secured new long-term power contracts in Norway. These initiatives are supportive to securing the division's leading cost and market positions.

Key figures	**2023**	2022	2021	2020	2019
Total operating income (in NOK million)	**18 403**	24 489	14 789	10 807	10 159
EBITDA (in NOK million)	**3 304**	10 226	3 704	1 214	998
EBITDA margin (in %)	**18%**	42%	25%	11%	10%
Number of employees	**2 070**	1 958	1 904	1 890	1 889
Sales volume (thousands metric tonnes)	**462**	522	566	488	460

Expanding in attractive markets for specialty products to metallurgical industries

End markets

- Ferroalloys
- Silicon
- Aluminium
- Iron foundries



*Share of group sales from external customers ex. Other

4.2
NOK billion in total operating income

11%
of group sales*

7 main plants

Norway	Kristiansand
Slovakia	Žiar nad Hronom
Brazil	Serra (Carboindustrial and Carboderivados)
South Africa	Emalahleni
China	Shizuishan
Malaysia	Bintulu

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

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

The main market drivers are linked to the production of steel and ferroalloys critical for the green transition, and for transportation and construction. High-quality electrodes are critical for the customers to ensure stable and reliable production processes.

The division's strategy is based on selective growth opportunities, sustainable low-cost positions and high-quality products giving status as preferred supplier.

In 2023, the Carbon Solutions division acquired VUM, a Slovak producer of carbon materials. The transaction will further increase Elkem's capacity and competence in attractive specialty markets. In addition, the division decided to increase the production capacity of high-quality products in Brazil. The new production will start in 2025. Through these initiatives the division is delivering on its strategy of selective growth within high-quality products.

Key figures	**2023**	2022	2021	2020	2019
Total operating income (in NOK million)	**4 217**	3 752	2 176	1 870	1 838
EBITDA (in NOK million)	**1 286**	1 166	508	437	312
EBITDA margin (in %)	**30%**	31%	23%	23%	17%
Number of employees	**454**	401	395	394	420
Sales volume (thousands metric tonnes)	**279**	302	294	256	257

The Elkem share

Elkem aims to be an attractive investment for shareholders, delivering sustained growth and competitive profitability through the cycle.

NOK 13.5 bn

Elkem's market cap as at 31 December 2023

19,544

shareholders

639.4

million shares

- Elkem ASA is a public limited company. The share is listed on the Oslo Stock Exchange and the ticker code is ELK
- Elkem ASA was re-listed on Oslo Stock Exchange on 22 March 2018
- Elkem ASA has one share class with 639,441,378 ordinary shares, each with a nominal value of NOK 5
- All shares have equal rights and are freely transferable. Each share grants the holder one vote and there are no structures granting disproportionate voting rights
- Bluestar Elkem International Co. Ltd. SA, owned by China National Bluestar, part of Sinochem Holdings Co., Ltd., is the majority shareholder with 52.9%
- Nine analysts are covering Elkem, providing market updates and estimates for Elkem's financial development

Elkem's financial targets

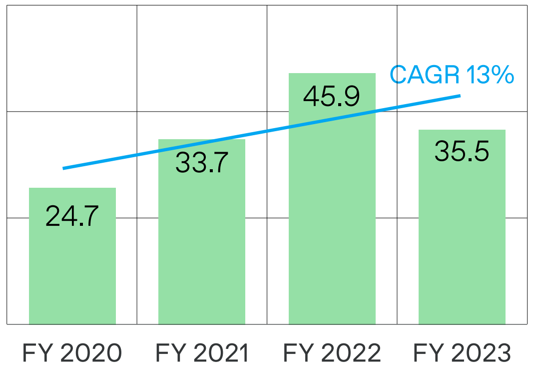
Target metric	Targets	Comments
Revenue growth (%)	5 - 10%	Grow faster than market through specialisation, organic growth and acquisitions
EBITDA margin (%)	15 - 20%	Target average margin through the economic cycle
Reinvestments % of D&A	80 - 90%	Ensure appropriate and disciplined capital allocation following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

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

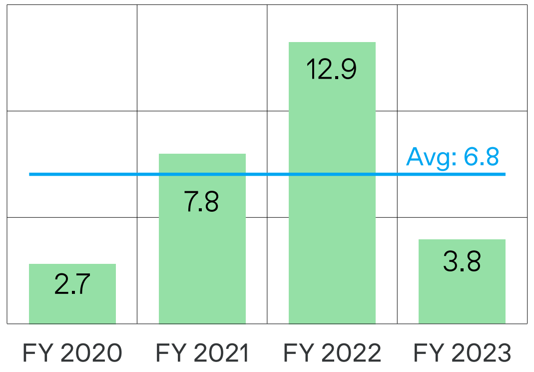
Due to the low earnings per share, the board of directors has proposed to the annual general meeting not to pay dividends for 2023.

Year	Earnings per share	Dividend per share	Date proposed	Date approved	Ex date	Pay-out ratio	Dividend yield (%)
2023	0.11	0.00	08.02.2024	18.04.2024	-	0%	0%
2022	15.09	6.00	08.02.2023	28.04.2023	02.05.2023	40%	17%
2021	7.49	3.00	09.02.2022	27.04.2022	28.04.2022	40%	9%
2020	0.41	0.15	09.02.2021	27.04.2021	28.04.2021	37%	1%
2019	1.47	0.60	12.02.2020	08.05.2020	11.02.2020	41%	2%
2018	5.74	2.60	11.02.2019	30.04.2019	02.05.2019	45%	8%

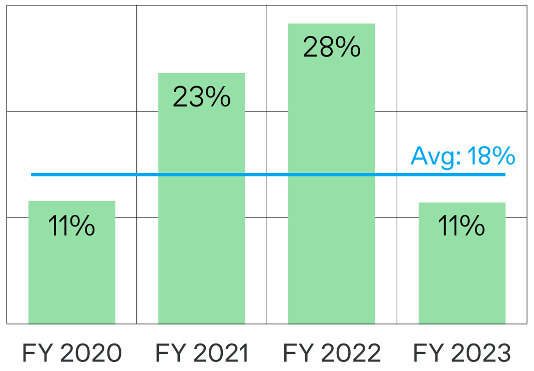
Operating income



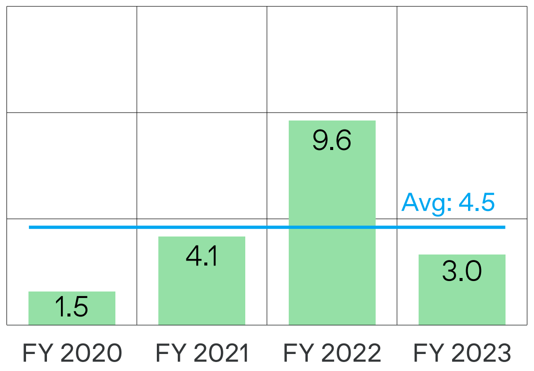
EBITDA



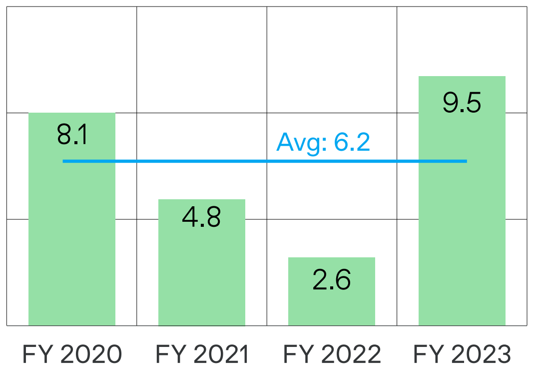
EBITDA margin



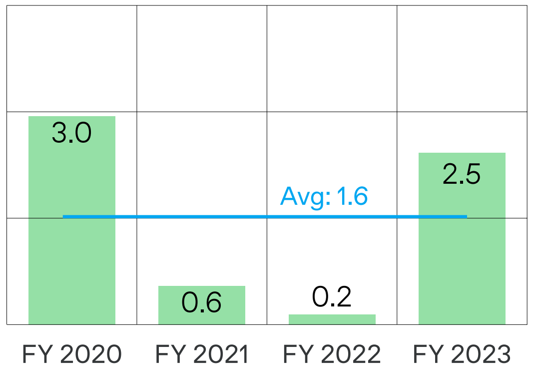
Cash flow from operations



NIBD



Leverage ratio



Share price development since listing

Common share data

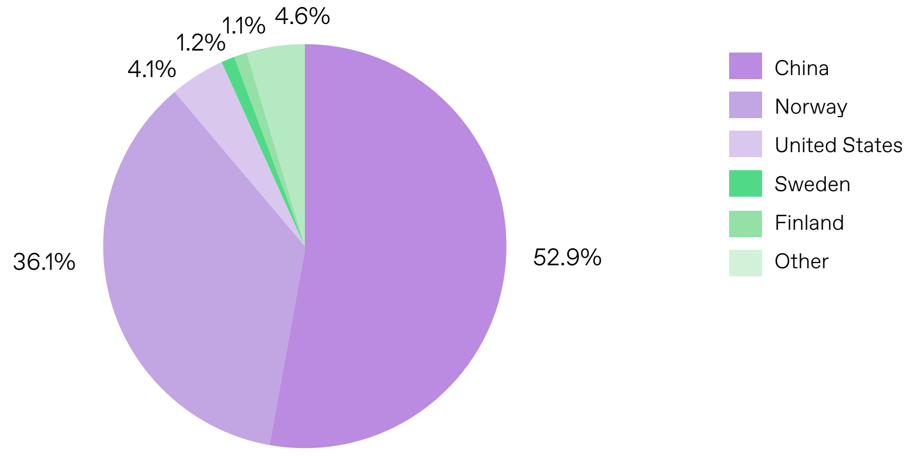
	2023	2022	2021	2020	2019	2018
Share price high (NOK)	39.90	43.70	38.50	29.60	36.10	45.00
Share price low (NOK)	16.50	27.30	25.70	11.20	20.20	21.00
Share price avg (NOK)	26.90	35.60	32.20	20.40	25.10	34.00
Share price year-end (NOK)	21.20	35.20	29.80	28.40	24.80	22.20
Volume	267 010 261	290 206 422	438 749 361	303 729 619	369 570 346	342 107 122
Turnover	6 779 641 881	10 324 893 777	14 103 001 272	6 114 487 641	9 438 910 774	10 506 950 753
EPS (NOK)	0.11	15.09	7.49	0.41	1.47	5.74
Market cap. year-end (NOK billion)	13.53	22.51	19.07	16.50	14.39	12.90
Shares outstanding as of 31.12	633 890 288	634 476 985	633 037 606	581 310 344	581 310 344	581 310 344
Shares issued	639 441 378	639 441 378	639 441 378	581 310 344	581 310 344	581 310 344

The 20 largest shareholders as of 31 December 2023

Rank	Name	Holding	Stake	Change from 2022 %		Citizenship
1	China National Bluestar	338 338 536	52.9%	•	-	China
2	Folketrygdfondet	25 691 092	4.0%	↓	-7%	Norway
3	Must Invest	17 689 827	2.8%	↑	26%	Norway
4	Pareto Asset Management	15 315 726	2.4%	↑	56%	Norway
5	Storebrand Asset Management	14 682 342	2.3%	↑	8%	Norway
6	Vanguard	10 014 830	1.6%	↑	5%	United States
7	First Fondene	8 520 874	1.3%	↑	139%	Norway
8	Alfred Berg Kapitalforvaltning	8 410 257	1.3%	↓	-64%	Norway
9	Arctic Fund Management	7 393 161	1.2%	↓	-5%	Norway
10	DNB Asset Management AS	7 064 932	1.1%	↑	68%	Norway
11	Nordea Funds	6 101 592	1.0%	↓	-17%	Finland
12	Elkem ASA	5 551 090	0.9%	↑	12%	Norway
13	BlackRock	5 519 263	0.9%	↑	2%	United States
14	Cape Invest AS	4 495 096	0.7%	•	New	Norway
15	KLP Kapitalforvaltning AS	3 724 872	0.6%	↑	15%	Norway
16	Forsvarets Personellservice	3 635 000	0.6%	↑	14%	Norway
17	Fidelity International (FIL)	2 623 806	0.4%	•	New	United Kingdom
18	Dimensional Fund Advisors	2 374 553	0.4%	↓	-15%	United States
19	Handelsbanken Fonder	2 085 406	0.3%	↓	-49%	Sweden
20	Fondsfinans Kapitalforvaltning	2 000 000	0.3%	•	New	Norway
	Total 20 largest shareholders	491 232 255	76.9%			

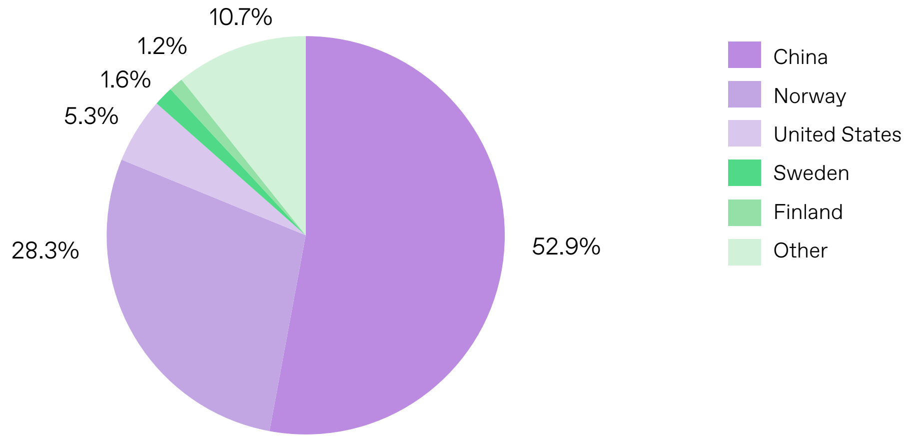
Geographical distribution of shareholders

As of 31 Decmber 2023 Elkem had 19,544 shareholders



Geographical distribution of shareholders

As of 31 December 2022 Elkem had 12,874 shareholders



Positioning Elkem for profitability improvement and growth through a challenging year

Following two years of record results for Elkem, supported by unprecedented market momentum, 2023 presented a more challenging macro-economic environment. This has affected Elkem's markets and resulted in lower profitability. Elkem is executing extensive improvement initiatives in order to improve profitability as a basis for future growth and development.

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

Towards the end of 2022, the global economy was characterised by rapid inflation, increasing interest rates and a slowdown in economic activity. Challenging economic conditions continued throughout 2023, combined with a weaker than expected recovery in China after the pandemic and geopolitical uncertainty. These factors have contributed to weak demand in key markets, leading to a ten-year low of Silicones prices in China in August 2023 and more than a halving of silicon and ferrosilicon prices in the EU compared to the beginning of 2022. During challenging market conditions and macro headwinds in 2023, Elkem has adjusted capacity utilisation, accelerated maintenance programs, implemented group wide EBITDA[1] margin improvement initiatives, while focusing on finalising high impact investment projects targeted to ramp-up in 2024. The board of directors believes that the long-term underlying growth and development prospects remain positive for Elkem and is of the opinion that Elkem has a solid asset base and financial capability to support further growth, creating value for all of the group's stakeholders.

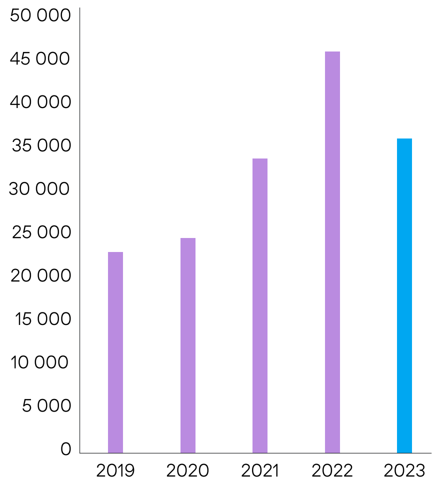
Elkem's consolidated operating income decreased by 23% Year-over-Year (YoY) to NOK 35,545 million in 2023. The EBITDA margin was 11% compared to 28% in 2022. The leverage[2] ratio was 2.5x as at 31 December 2023. This is above the leverage target of 1.0x to 2.0x over the cycle and is a consequence of the weaker results and higher debt levels. Despite the weaker results in 2023, Elkem is delivering on its financial targets over the business cycle, based on strong top line growth, good profitability, and a sound financial position.

Elkem's policy is to pay a dividend of 30-50% of the owners of the parent's share of profit for the year. Considering the low earnings per share in 2023, the board of directors has proposed to the annual general meeting not to pay dividends for 2023. The board of directors emphasises the ambition to uphold the dividend policy of 30-50%.

Elkem's first priority is a safe workplace. Following a setback in our safety performance during the pandemic with a relatively high number of incidents in 2021 and 2022, a reinforced Health, Safety and Environment (HSE)

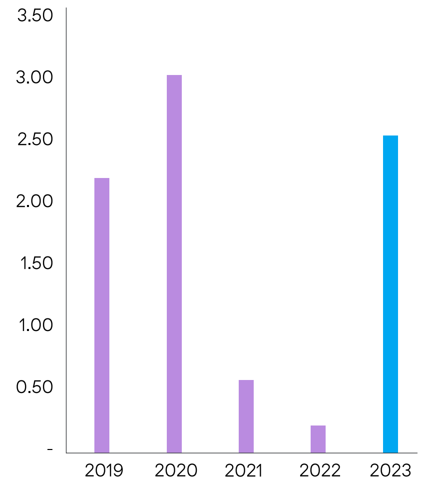
[1] *EBITDA commented under APM section*
[2] *Leverage ratio commented under APM section*

Total Operating income
NOK million



EBITDA[1]
NOK million

Leverage[2] ratio



system was rolled out globally during 2023. The total injury rate per million working hours has been reduced in 2023 compared to 2022. Despite considerable focus and improvement efforts, two tragic accidents resulted in 4 fatalities this year, among contractors working for Elkem. Given the serious consequence of these incidents, significant steps have been taken to reinforce management focus in the affected areas. A comprehensive understanding of health and safety risks has the highest priority in the company, and the understanding is founded on critical process control combined with a culture of precision and continuous improvement.

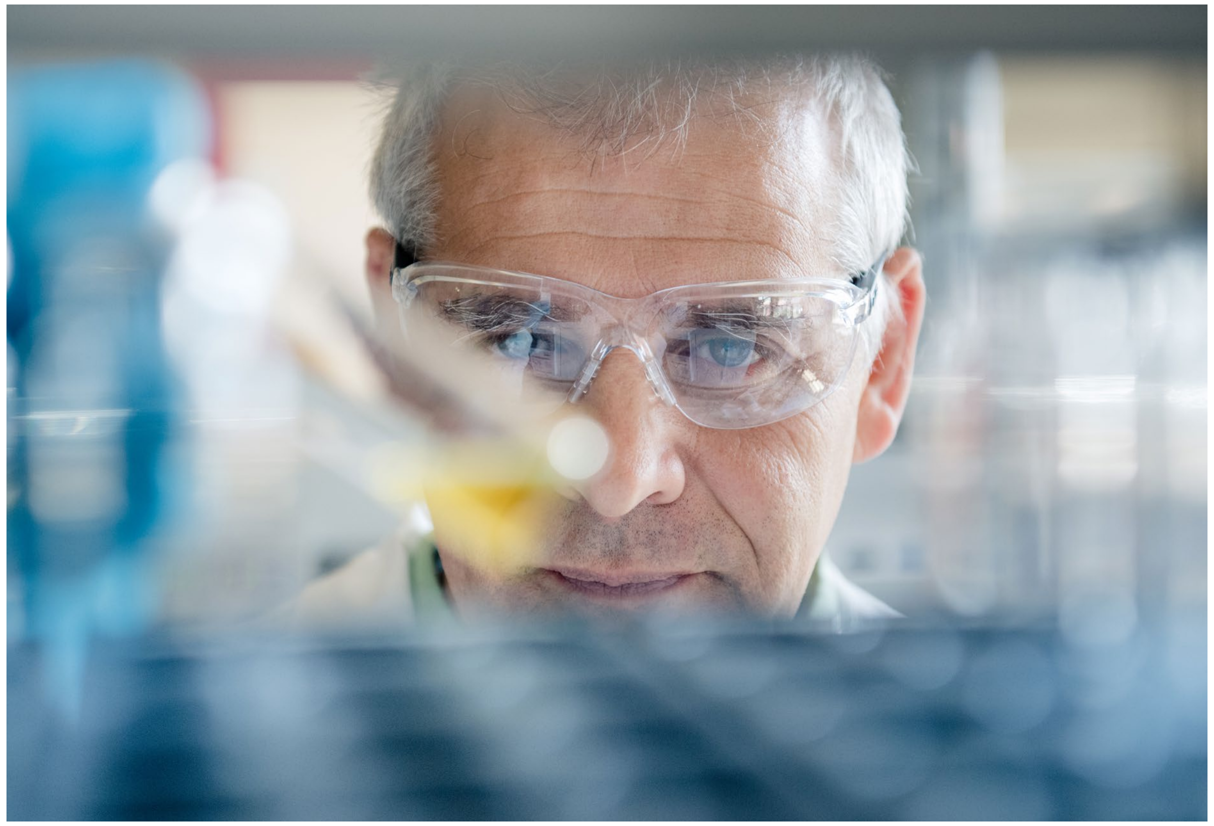
Environmental, Social and Governance (ESG) continues to be an important priority for Elkem by enabling environmentally friendly and socially responsible production of advanced silicon-based materials. The ambition is to remain at the forefront of green leadership and be part of the solution to combat climate change by reducing our emissions, supplying the green transition, and enabling circular economies. Elkem is continuously pursuing its global climate roadmap to reduce the average product group carbon footprint by 39% by 2031, and achieve carbon-neutral production globally by 2050. Furthermore, social and governance principles are advocated to support a diverse workforce built on respect and inclusive work culture, and protection of human rights throughout the value chains.

Key business developments 2023

Investments supporting growth and specialisation
Elkem's ambition is to grow revenue by 5-10% per year through the cycle supported by organic growth initiatives and acquisitions. The compound annual growth has been 13% since 2020. Key investment projects in 2023 include:

→ Silicones expansion projects in France and China have progressed according to plan. The projects are targeting upstream capacity increase of 25% / 20 ktpa in France and 50% / 120 ktpa in China and are expected to ramp up production in 2024. These projects will improve the plants' cost positions, mainly through lower energy and raw material consumption. The new production line in China is expected to be on level with the current lowest cost producers. The new capacity will enable Elkem to benefit from lower cost levels while providing feedstock to production of higher margin products downstream.

→ In January 2023, Elkem decided to invest around NOK 200 million to increase its production capacity in Brazil for pitch, a raw material for electrode paste to industrial smelters. The investment is an expansion of an existing facility based on known technology, thereby further improving productivity and profitability. The investment will increase the production capacity by up to 40 per cent when started up in early 2025.



→ During the year, Elkem carried out accelerated maintenance programmes at selected strategic locations. Silicones completed planned maintenance at its upstream production unit in China during first half of 2023. Silicon Products executed maintenance at Thamshavn, Rana, Bremanger and Iceland during the year. The maintenance and improvement projects position the company with higher efficiency and improved production.

→ In September 2023, a comprehensive programme for EBITDA improvements was initiated across all of Elkem's divisions. In addition, full focus has been set at finalising ongoing step change investment projects while carefully reduce investment levels to reflect the weaker market conditions. The target is to improve EBITDA by NOK 1.5 billion and reduce investments by NOK 2.0 billion in 2024.

Strategic initiatives for renewed value creation
Key initiatives to ensure growth and create shareholder value have been implemented during the year, providing a continuous basis for long term value creation and secure strategic positions.

→ In February 2023, Elkem and Statkraft signed a new long-term power agreement which secures additional competitive access to power for the Salten, Rana and Bremanger plants in Norway. The new contract covers a capacity of 20-40 MW for a duration of ten years and secures additional predictability for a total of 3 TWh in the period 2024-2033, supporting continued long-term operations and enabling new investments at the plants.

→ In June 2023, Elkem acquired VUM, a Slovak producer of carbon materials. The transaction will further increase capacity and competence in attractive specialty markets. The acquisition is in line with our growth and specialisation strategy, and will improve the flexibility to handle different raw materials and provide synergies to Elkem's existing operations.

→ In December 2023, Elkem reached an agreement with reindeer district 7 (Rákkonjárga) which enables the expansion of Elkem's mineable reserves with 15 years at Tana, Norway, one of the world's largest quartzite mines and a key source of raw materials for the green transition.

ESG and climate roadmap remains a high priority in Elkem
People and safety are at the core of Elkem, alongside sustainable operations conducted responsibly through operational excellence. Elkem shall be an attractive employer and aims to continue to be at the forefront in the green transition, taking a leading part to combat climate change.

In January 2023, the world's first carbon capture pilot for smelters was inaugurated at Elkem in Rana, Norway. The goal of the project is to verify the technology on real industrial gases from smelters and other process industries, in order to prepare a full-scale plant for industrial carbon capture. Industrialization of such technology is considered as an important contributor to reducing CO_2 emissions and delivering on the global sustainability goals. In January 2024, the pilot recorded high capture rates of CO_2, up to 95%, indicating technical viability of carbon capture and storage in smelters.

In August 2023, Elkem ASA successfully issued NOK 1,000 million of new senior unsecured green bonds with a tenor of 5 years.

In September 2023, Elkem's ESG report was rated A+ (top 5%) by Position Green's assessment of the 100 largest companies on OSE and S&P Global ranked Elkem's ESG performance in the top 6% for 2023.

In November 2023, The European Chemical Industry Council (Cefic) selected Elkem as one of 26 companies and national associations to feature in its 2023 European Responsible Care® Awards Gallery, with the only initiative in the category of circularity.

Elkem aims to reduce its total fossil CO_2 emissions by 28% from 2020-31 and increase the supply of products to green transition, resulting in a 39% improvement of its average product carbon footprint in the same period. Elkem's long-term goal is net-zero emissions by 2050.

About Elkem

Established in 1904, Elkem is one of the world's leading providers of advanced silicon-based materials shaping a better and more sustainable future. Elkem is a publicly listed company on the Oslo Stock Exchange (ticker code: ELK) and is headquartered in Oslo, Norway. The company has more than 7,400 full time equivalents (FTE), 31 main production sites and an extensive network of sales offices worldwide. In 2023 Elkem had a total operating income of NOK 35,545 million. To learn more, please visit www.elkem.com. ↗

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

The Silicones division is one of the world's leading fully integrated silicone companies, with more than 4,500 FTEs and a global footprint. The division has R&I centres in Europe and Asia, sales offices worldwide, and plants in China, France, Germany, Italy, Spain, USA, Brazil, India, and South Korea. The Silicones division represents 40% of the group total operating income.

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

The Silicon Products division is a world-leading supplier of silicon, ferrosilicon, foundry alloys, Microsilica, and other speciality products. The Silicon Products division represents 49% of the group total operating income. Silicon Products has about 2,000 FTEs and has plants in Norway, Iceland, Canada, India, Paraguay and China, and quartz mines in Norway and Spain.

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

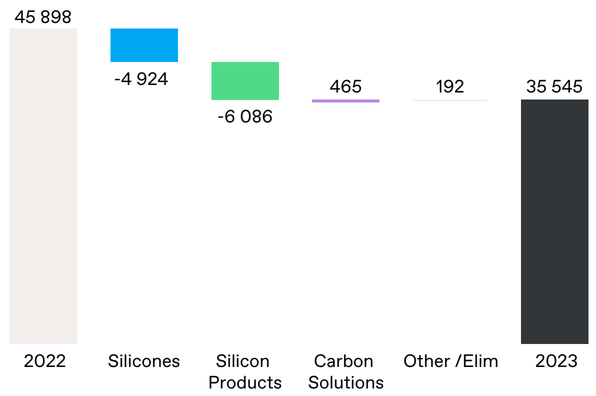
The Carbon Solutions division is the world-leading supplier of electrode paste, prebaked electrodes and speciality products to the ferroalloys, silicon, and aluminium industries. The division has approximately 400 FTEs, with plants in Norway, South Africa, Brazil, Malaysia, Slovakia and China. The Carbon Solutions division represents 11% of Elkem's operating income from external customers. The steel and aluminium industries account for a significant portion of the division's end-user applications and, as a result, drive the demand dynamics in the industry.

Financial performance

The consolidated financial statements are prepared and based on International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) and effective at 31 December 2023.

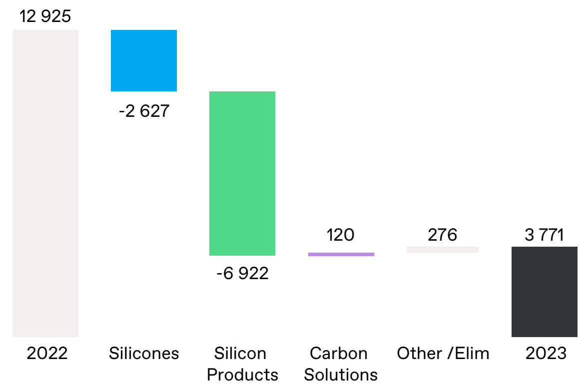
Consolidated profit and loss statement

Operating income
NOK million



Consolidated operating income for the Elkem group amounted to NOK 35,545 million compared to NOK 45,898 million in 2022. The 23% decrease was driven by lower sales prices and volumes. The Silicones division saw a 26% decrease in operating income driven by weaker prices and lower sales volumes in all markets and regions. Sales volumes decreased compared to 2022 mainly due to lower demand, an oversupply situation in China and destocking in EMEA and Americas regions. Operating income for the Silicon Products division decreased by 25% due to negative price development for silicon and ferrosilicon driven by weaker demand, in addition to lower sales volume. Carbon Solutions' operating income increased by 12%, driven by higher prices and favourable currency effects countering higher raw material cost. Sales volume was lower driven by lower demand.

EBITDA
NOK million



Consolidated EBITDA ended at NOK 3,771 million compared to NOK 12,925 million in 2022. The corresponding margin decreased from 28% in 2022 to 11% in 2023. EBITDA fell YoY driven by lower EBITDA from Silicones and Silicon Products primarily driven by lower prices and lower sales volumes. Carbon Solutions delivered the best EBITDA result ever driven by improved prices and strong operational performance. We refer to "Divisions business performance" for further descriptions.

Consolidated operating profit was NOK 1,682 million in 2023 compared to NOK 12,414 million in 2022, a decrease of NOK 10,732 million explained mainly by decreased consolidated EBITDA, increased amortisation, depreciation and impairment losses and lower contributions from other items. Amortisation and depreciation were NOK 2,312 million in 2023 compared to NOK 1,999million in 2022. The increase in amortisation and depreciation is attributed to higher investment levels from 2021 to 2023. Impairment losses were NOK 94 million in 2023 compared to NOK 28 million in 2022. Other items were positive NOK 516 million in 2023 compared to positive NOK 2,151 million in 2022. Other items effect in 2023 are largely related to the net impact from the change in fair value of commodity contracts related to power in Norway, embedded EUR derivatives in power contracts and foreign exchange gains. This was partially countered by restructuring expenses related to Silicones' EBITDA improvement programs.

Consolidated profit before income tax ended at NOK 951 million for the year, compared to NOK 12,236 million in 2022.

Net financial items were negative NOK 731 million in 2023 compared to negative NOK 178 million in 2022 mainly driven by higher finance expenses. The share of profit from equity-accounted financial investments was negative NOK 63 million in 2023 compared to negative NOK 17 million in 2022. Finance income was NOK 182 million and foreign exchange losses were NOK 106 million in 2023 compared to NOK 67 million and positive NOK 85 million in 2022 respectively. Finance expenses were NOK 743 million compared to NOK 313 million in 2022 driven by higher interest rate charges and higher interest bearing debt level.

The consolidated profit for the year was NOK 170 million, after NOK 781 million in tax expenses. The tax expenses are driven by positive results in most countries whereas negative results in France and China are not capitalised as deferred tax assets. The tax expenses mainly consisted of taxes on the current year's result.

The main items recognised in the consolidated statement of other comprehensive income are related to cash flow hedges (foreign currency hedges and power price hedges) and currency translation differences. These items had a net expense of NOK 566 million for 2023, compared to a net income of NOK 1,234 million in 2022.

The share of consolidated profit attributable to shareholders of Elkem ASA was NOK 72 million, resulting in basic earnings per share NOK 0.11 per share in 2023 compared to NOK 15.09 per share in 2022.

The total comprehensive income for the year was negative NOK 396 million in 2023 compared to NOK 10,876 million in 2022.

Divisions business performance

The Silicones division had an operating income in 2023 of NOK 14,364 million (NOK 19,288 million in 2022). EBITDA was negative NOK 605 million in 2023 compared to positive NOK 2,022 million in 2022. The EBITDA decrease was caused by lower commodity sales prices and lower sales volumes in all regions. DMC market index prices in China fell to a 10 year low level in August 2023 and averaged 37% lower in 2023 compared with 2022 level. Prices overall fell as a result of weaker demand in all regions and segments of Elkem. Sales volumes decreased by 16% YoY from 394 thousand metric tons (mt) in 2022 to 332 thousand mt in 2023 driven by lower demand in all regions, an oversupply situation in China and maintenance stop in China. Maintenance stop and inventory write down contributed additionally to the negative EBITDA in 2023.

The Silicon Products division had an operating income in 2023 of NOK 18,403 million (NOK 24,489 million in 2022). EBITDA was NOK 3,304 million in 2023 compared to NOK 10,226 million in 2022. The record high EBITDA in 2022 was mainly attributable to good operations and record high sales prices driven by the energy crisis in Europe. During 2023 prices developed negatively on weaker demand compared to 2022. Silicon and ferrosilicon sales

prices were on average 36% lower in 2023 compared to 2022. Sales volumes decreased from 522 thousand mt in 2022 to 462 thousand mt in 2023 driven by weaker demand and accelerated maintenance stops.

The Carbon Solutions' division had an operating income in 2023 of NOK 4,217 million (NOK 3,752 million in 2022). EBITDA was all time high at NOK 1,286 million in 2023 compared to NOK 1,166 million in 2022. The improved EBITDA was mainly due to higher prices partially countered by increased raw material cost. Sales volumes decreased by 8% from 302 thousand mt in 2022 to 279 thousand mt in 2023.

Cash flow and statement of financial position

Cash flow from operating activities (IFRS) was NOK 3,006 million for the year, compared to NOK 9,314 million in 2022. Positive cash flow contribution from EBITDA (NOK 3,771 million) was further strengthened by reduced working capital (NOK 1,584 million), positive effects from gains from equity accounted companies (NOK 22 million), changes in provisions, bills receivable and other (NOK 190 million) and interest payments received (NOK 179 million). This was countered partially by interest payments made (NOK 716 million), changes in fair value of derivatives (NOK 59 million) and income taxes paid (NOK 2,281 million).

Amortisation, depreciation and impairment increased in 2023. The increase is attributed to higher investment levels during the past few years with a substantial portion going towards a step increase production capacity for Silicones in China. Sizable growth investments in Europe and the Americas and accelerated maintenance programs underlines the dual-play growth strategy and green leadership ambition.

Changes in working capital were positive YoY mainly due to a decrease in inventories. Lower inventories were explained by production volumes and lower raw material prices, impacting the value of raw materials and finished goods. Management continues the high focus on optimising working capital. Optimisation actions include a careful review and adjustments to match production and sales forecasts, optimising minimum and maximum stock levels, an active push to sell slow-moving stocks, individual follow-up of credit days towards customers and suppliers, in addition to adjustments of factoring arrangements for the group.

Cash flow from investing activities amounted to NOK 5,299 million negative for the year, compared to NOK 4,404 million negative in 2022. Elkem invested NOK 2,351 million in maintenance, environment, health and safety, and productivity improvement initiatives during the year. In addition, Elkem had NOK 2,866 million in strategic investments. The cash flow from investing activities in 2023 is mainly explained by investments in the Silicones division particularly related to expansion of production capacity in China, accelerated maintenance and improvement investments at selected plants in Silicon Products.

Cash flow from financing activities was negative NOK 724 million, compared to negative NOK 2,899 million in 2022. The negative cash flow from financing activities in 2023 was mainly related to dividends paid to the owners (NOK 3,815 million). In addition, other items in cash flow from financing activities in 2023 that were net negative include changes in bills payables and restricted deposits (NOK 237 million), payment of lease liabilities (NOK 209 million) and payment of interest-bearing loans and borrowings (NOK 262 million) countered by new interest-bearing loans and borrowings (NOK 3,911 million).

Change in cash and cash equivalents was negative NOK 3,017 million for the year.

Elkem's financial position was impacted by the weaker financial results in 2023. The group's equity ratio ended at 48% at the end of the year compared to 55% in 2022. The lower equity ratio was mainly impacted by a record high dividend distribution for 2022. The leverage ratio for the group increased from 0.2x in 2022 to 2.5x at the end of 2023 due to lower EBITDA and higher Net interest-bearing debt[3] (NIBD).

Elkem has two financial covenants in its loan agreements. These are Equity Ratio[4] > 30%, and Interest Cover Ratio[5] must equal or exceed 4.0x. The interest rate hikes in 2023, combined with the market downturn and reduced EBITDA, gives a risk that the Interest Cover Ratio could drop below threshold included in the covenants. Elkem initiated a waiver process during first quarter of 2024, and requested the lenders' consent for a temporary waiver of the current Interest Cover Ratio to ensure that Elkem has sufficient headroom to operate through these uncertain times.

The board of directors views the group's underlying competitive positions and strong equity ratio as a good basis to support further profitable growth of the group.

Total interest-bearing liabilities was NOK 16,206 million as of 31 December 2023, of which NOK 2,697 million matures in 2024. Debt maturities in 2024 mainly consist of short-term loans in China for local working capital financing. Cash and cash equivalents amounted to NOK 6,367 million in addition to NOK 6,293 million in undrawn credit facilities. NIBD amounted to NOK 9,450 million as of 31 December 2023. The board views the group's cash and financial position to be strong.

Going concern

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

Strategic priorities

The board of directors conducts an annual review of Elkem's strategy, which includes an assessment of strategic priorities, and financial scenarios based on industry trends, market development and other framework conditions.

The macro-economic sentiment has been challenging in 2023, characterised by high inflation, interest rate hikes, a slower than expected recovery in China, and geopolitical uncertainties. This has resulted in weak demand and lower sales prices in Elkem's main markets and impacted the results negatively. In response to challenging market conditions Elkem has implemented a comprehensive programme to improve EBITDA and cash flow generation, and to reduce investments to preserve cash and reduce debt leverage.

Elkem is one of very few companies with complete and integrated value chains covering Eastern and Western markets respectively. In addition, the company has good cost and market positions. The board considers Elkem to be well positioned to benefit from a macroeconomic recovery, when markets improve.

In the longer-term, global megatrends remain strong and are expected to drive demand for Elkem's products. Growth in Asia, combined with re-industrialisation in the West, will create opportunities for Elkem, based on the company's geographic presence. Elkem aims to grow by more than 5% per year, with an EBITDA margin over the cycle of at least 15%. Since 2020, Elkem has delivered a compound annual growth of 13% with an average EBITDA margin of 18%.

The main strategic priorities are dual-play growth and green leadership. Dual-play growth means that Elkem will target balanced growth between geographic regions (East and West), and balanced growth across the value chain (Upstream and Downstream).

Green leadership means that Elkem aims to be part of the solution to combat climate change by reducing our emissions, supplying the green transition, and enabling circular economies. The target is to reduce overall CO_2 emissions by 28% within 2031. Elkem aims to grow its supplies of advanced materials to green markets such as better buildings, electric vehicles and renewable energy. In addition, we continue to work closely with customers and researchers to increase recycling within our own operations, as well as developing the eco-design of innovative products.

[3] See APM section
[4] See Note 23 Interest-bearing assets and liabilities
[5] See Note 23 Interest-bearing assets and liabilities

The focus on a higher degree of product specialisation through Research and Innovation (R&I) and selected acquisitions remain a key strategic measure to improve and stabilise the group's profitability through the business cycle. The expansion of the silicones plant in China is expected to provide additional high-quality siloxane for further downstream specialisation. Elkem also expects to complete several downstream specialisation projects in 2024, within the overall strategic investment frame.

To support its strategic goals, Elkem will focus on operational excellence, digitalisation, people development and ESG. Elkem's divisions will focus on developing and maintaining sustainable low-cost positions within respective markets. Operational excellence and the principles of lean manufacturing are deeply rooted in Elkem Business System (EBS). EBS is built on Elkem's core values and is designed to involve everyone in improvement activities and promote a culture of operational excellence, continuous improvement, and deep learning. The goal is to ensure that Elkem remains a competitive producer based on strong operational performance, economies of scale, and an integrated value chain from raw materials through to advanced end products.

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

Elkem devotes considerable effort and resources to R&I activities with more than 3.5% of 2023 revenues dedicated to new products and new processes, including technical support to customers. With this investment, carried out by more than 550 researchers around the world across 14 R&I and application centres, the R&I teams filed more than 35 new patents during the year. New products introduced less than five years old represent more than 15% of Elkem's revenue.

R&I efforts are key to create and develop innovative products for new market needs and include environmentally friendly products and energy-efficient production technologies. This global optimisation of the value chain is at the heart of the projects managed by Elkem and is a key part of Elkem's strategy.

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

During 2023, Elkem put in place a proactive roadmap to remain competitive and be more responsive to customer needs and demands, which was implemented around the digitalisation of our R&I from data acquisition to formulation optimisation.

Open innovation and collaborative mindset

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

- Energy efficiency and CO_2 emission reduction by, for example, replacing fossil coal with biomass in the production of silicon and ferrosilicon alloys.
- Circular economy, mainly on recycling (including waste and end-of-life) and eco-design (products and processes).
- New materials, for instance in 3D printing and additive manufacturing processes, battery cells and batteries, and lightweight materials.
- R&I digitalisation, processes and new materials modelling to speed up the capture of value.
- Technology scouting to better anticipate the future needs of our customers and markets.

Highlights include:

- Focus on 3D printing
  - Through an EU-funded project together with research- and customer partners, Elkem has developed a new specialised iron silicon powder, which may allow 3D-printing of components for electrical motors.
- Focus on new materials
  - In 2023 Elkem submitted two entries to the prestigious R&D100 Awards by R&D World magazine and was recognised as one of the 156 finalists with PURESIL ORG 03: An advanced silicone elastomer technology with a bio-based raw material derived from sugar cane for Personal Care applications and with Silicone Elastomers as Modifiable Excipient for Drug Delivery Devices.
- Focus on climate strategy and circular economy
  - A global roadmap for carbon management including CO_2 modelling, methodology for climate reporting, carbon capture initiatives and the development in the future of new

silicon processes. Elkem has successfully completed the world's first pilot for carbon capture and storage in a smelter at Rana plant in Norway. The project received financial support from Gassnova CLIMIT, and was a collaboration between Elkem and Mo Industripark, SINTEF, Alcoa, Celsa, Ferroglobe, SMA Mineral, Norcem, Norfrakalk, Arctic Cluster Team and Aker Carbon Capture.

→ A biocarbon initiative with four objectives: to support Elkem's climate strategy by increasing the use of biocarbon in Elkem smelters; to secure the quality of end-products, including Silicon (Si), Ferrosilicon (FeSi) and Microsilica (MS); to ensure safe and efficient operation on Si/FeSi furnace while shifting to biogenic raw materials; and to ensure an efficient biocarbon production process. This initiative is supported by a pilot plant in Canada and several collaborative research projects.

→ Project on chemical and mechanical recycling of silicone waste, potentially reducing CO_2 emissions by around 65% and waste by around 75% (project in collaboration with University of Lyon and start-ups). Elkem's Collaborative Research Project REPOS on Chemical recycling was recognised by the European Chemical Industry Council (CEFIC) and received commendation in the category of Circularity.

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

→ Axel One in Lyon, France, is one of the hubs for smart processes, online analysis, new materials and circular economy. The partnerships with the region and the French government have created a centre of excellence around the industry of the future, integrating environmental and societal concerns and process optimisation.

→ The pilot facility at Elkem's corporate R&I centre in Kristiansand, Norway, is an important asset for both process and product development. The partnership with the Norwegian Catapult Centre, Future Materials, and new collaborative projects, national and European, has further strengthened the position of the centre.

→ At the 6th CIIE (China International Import Expo) held on November 5-10th, 2023 in Shanghai, China, Elkem hosted ten new product launches, including technological innovations and sustainable solutions across various high-end application markets, such as new energy, healthcare, construction, personal care and consumer electronics.

R&I initiatives and expansion
At Elkem's production sites, new applications are developed and supported by laboratory expertise and analysis to ensure that the latest technologies and capabilities are implemented in practice. In addition, the working methodology is used across all segments and markets to optimise the customer or market interaction.

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

In 2022, Elkem announced a plan to invest more than RMB 100 million to enlarge its Flagship Asia-Pacific R&I Center in Shanghai. The center will be created to help Elkem Silicones' customers in the Asia-Pacific region improve their innovation capabilities, accelerate the development of new products and applications and seize emerging opportunities, and is now expected to be inaugurated in 2024.

Sustainability: Environmental, social and governance (ESG)

Elkem, as a signatory to the UN Global Compact, is dedicated to developing its business in alignment with the UN Sustainable Development Goals and the Paris Agreement. The company emphasises the increasing importance of safe and environmentally friendly production. Elkem collaborates with customers and partners to create both current and future solutions, recognising the vital role of responsible practices.

Within the realm of ESG, Elkem ensures best practices for socially responsible and sustainable business, evaluating sustainability materiality annually using the widely accepted reporting framework, Global Reporting Initiative (GRI). Prioritised targets and actions are implemented to effect improvements. Key material topics for Elkem in 2023, identified through the GRI 2021 materiality assessment, include CO_2 and other greenhouse gas emission reductions, energy management, local emissions, biodiversity, water management, waste management, circularity, health and safety on site, environmental and social due diligence in the supply chain, responsible economic practices, product governance, and supporting the green transition. In 2024 Elkem will report according to the Corporate Sustainability Reporting Directive (CSRD), and a double materiality assessment has been conducted in Q4 2023.

For detailed information on Elkem's response to material topics, refer to the ESG report detailing commitments and activities within environmental, social, and governance. The chapter on Human and labour rights are compliant with the requirements stated in the Norwegian Transparency Act (2021), the UK Modern Slavery Act (2015) and the Forced Labour in Canadian Supply Chains Act (2023). This report, an integral part of the annual report, has undergone independent verification by a third party, and it can be reviewed on page 178-179.

Health, Safety and Environment

HSE forms the foundation of Elkem's business, consistently holding the top priority. Guided by a zero-harm philosophy, our HSE management system is methodically implemented to progress toward this paramount goal.

The safety of our employees stands as the cornerstone of our philosophy. The group firmly believes, and has demonstrated, that Elkem's operations can be conducted without harm to employees and individuals. Elkem allocates significant resources to hazard identification and the implementation of suitable measures, aiming to reduce risks to an acceptable level. This ensures that all employees and contractors working at Elkem can conclude their tasks as healthy as when they commenced.

In 2023, we have introduced a new safety management system, FORUS, aligned with global best practices in HSE (Health, Safety, and Environment).

Elkem enforces a rigorous reporting regimen for injuries, necessitating reporting, investigation, and mitigation regardless of severity. Sadly, two tragic accidents resulted in 4 fatalities this year, among contractors working for Elkem, and this underscores the continued focus on HSE. The total recordable injury rate decreased from 3.2 in 2022 to 3.0 in 2023, and the lost workday rate (LWR) declined from 0.9 in 2022 to 0.8 in 2023.

For detailed insights into Elkem's management system, reporting, safety metrics, and organizational and value chain follow-up, consult the Social chapter in the ESG report on page 144-161.

Elkem's scope 1 and scope 2 emissions have been reduced by 9.5% compared to 2022, primarily due to lower production. Increased use of biocarbon as a reduction agent in the production of silicon and ferrosilicon is a key element in Elkem's climate roadmap to reduce fossil GHG emissions. In 2023, the biocarbon share has increased in line with the strategy, but due to lower production, the biocarbon share of total emissions was stable at 20%. The access to sufficient amounts of biocarbon is expected to be challenging in the coming years, hence continued research on carbon capture and storage (CCS) and usage (CCU) are expected to be key to reduce Elkem's absolute emissions in the long term. For more on Green House Gas (GHG) emission reduction, water and waste management, biodiversity and local emissions to air review the Environmental chapter in the ESG report on pages 106-141.

Diversity, inclusion, and equality

Elkem is dedicated to fostering equal opportunities within a diverse and inclusive work environment. The company recognises and values the uniqueness of each individual, emphasising respect for their distinct abilities. Elkem expects all colleagues to adhere to these principles and champion the four Elkem values.

The company views its human capital as its most valuable asset. The collective wealth of individual differences, life experiences, knowledge, creativity, self-expression, unique capabilities, and talent that employees bring to their work not only shapes Elkem's culture but significantly influences its reputation and business outcomes.
Elkem maintains a zero-tolerance policy for any form of harassment or discrimination.

Well-established policies and practices in place encompass diversity, equality, and inclusion (DEI).
These include the code of conduct, human rights policy, people policy, and global standard procedures covering recruitment, working conditions, promotions, development, on- and off-boarding, and protection against harassment.

Elkem's DEI vision is to cultivate a workplace that is diverse, equitable, and inclusive, where all employees feel engaged, valued, and a sense of belonging. The promotion of diversity, inclusion, and equality is crucial in attracting and retaining talent, establishing and maintaining profitability, competitive advantage, and sustained success at Elkem. The group aims to create an inclusive culture where all voices are heard, encouraging individuals to ask questions, embrace new approaches, and bring diverse perspectives to the table. Through maintaining a diverse, equal, and inclusive working culture, Elkem seeks to enhance its ability to deliver market-leading products and services profitably.

In 2023, Elkem continued its improvement efforts based on the global employee engagement survey conducted in 2022, where Elkem scored 84% of employees responded positively on the DEI dimensions matching the industry benchmark. DEI workshops have been organised at corporate and division management levels. For updated information on Elkem's activities and reporting duties in 2023, please refer to the Activity and Reporting Duty Report.

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

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

Elkem's board consist of 11 persons as of 31 December 2023, 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 nine board meetings in 2023. A detailed overview of the board members' attendance may be found in the board of directors' report on salary and other remuneration to leading personnel in Elkem.

The board of directors' report on corporate governance can be found on page 61 in this report and is an integral part of the Report of the board of directors.

Risk management

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

Elkem conducts a yearly risk mapping process based on interviews with divisions and corporate staff. Each risk is evaluated based on internal and external conditions and takes deemed likelihood, estimated financial impact, time horizon, and mitigating activities into consideration. The purpose is to gain a thorough understanding of the group's risk profile and financial risk tolerance. A summary of the risk analysis is presented on page 76 in this annual report. Assessment of climate-related risks and opportunities has become an increasingly important part of Elkem's overall risk management processes. Elkem has implemented reporting on climate risks and opportunities according to Task Force on Climate-Related Financial Disclosures (TCFD) and assessment of transitional and physical climate risks have become an integrated part of the risk mapping process. In addition, Elkem has made a thorough mapping of the biodiversity exposure in 2023, which will be further analysed in 2024. Elkem seeks to ensure a sustainable business model by reducing emissions and ensuring compliance with regulations. Elkem's production facilities are generally close to sea or river, or in close proximity to cities or local communities. Elkem works proactively to mitigate negative impact on climate and environment and works consistently to limit emissions by focusing on sustainable sourcing of raw materials, production based on renewable energy, extensive energy recovery projects, investments to reduce dust and NO_x emissions and use of biogenic reduction materials in the smelting processes. Recycling and reduction of waste are also key focus areas and an integrated part of EBS.

Over the past years we have seen that large crises can be triggered by events that are unexpected and unpredictable. Such events are often referred to as "black swans". Recent examples include Covid-19, the war in Ukraine and the energy crisis in Europe. "Black swans" demonstrate the need for general risk preparedness and the need for proactive, professional and agile reaction to unforeseen and severe incidents. Elkem's robust business model and strong financial position have shown resilience during previous crisis.

Exposure to sanctions and regulatory framework conditions have become increasingly important over the past years. Elkem has operations in many countries and could be exposed to trade tensions, sanctions and other changes in regulatory framework conditions. This could impact access to raw materials sourcing, as well as access to attractive end-markets. Elkem maintains tight monitoring of the prevailing sanction lists and trade related restrictions to ensure compliance. The business model is based on having two independent value chains; one serving Eastern markets, and one serving Western markets. This means that Elkem is not dependent on shipping intermediate products or finished goods between these regions to meet customer requirements. The purpose of the dual business model is to make Elkem's operations less exposed to trade restrictions, sanctions and disruptions to global logistics and transportation chains.

Elkem is exposed to macroeconomic conditions and the current weak market sentiment has negatively impacted the group's financial performance. Weak growth, combined with high inflation and rising interest rates, have resulted in reduced demand, particularly from key industrial sectors such as construction and automotive. Market conditions are closely monitored to ensure adequate and timely response to changes in market conditions. Macro-economic conditions could have significant impact on Elkem's sales prices particularly in commodity markets. It is therefore a key priority for Elkem to maintain its strong cost positions. In addition, Elkem's integrated value chain provides flexibility to change production between product groups and between commodities and specialties, which is an advantage when managing an economic downturn.

Elkem's working environment includes a significant inherent risk of injuries and there are risks of fires and explosions in connection with high temperature and chemical production processes. In December 2023, a fire broke out at the Salten plant in Norway. The fire started in a building housing raw materials and was under control and mostly extinguished within 24 hours. No people were seriously injured, but the fire led to a production stop on the plant's three furnaces. The safety of our employees and contractors is a main priority, and Elkem uses considerable resources to prevent hazards and reduce risk to an acceptable level. This includes safety instructions, training, physical protection, and adherence to EBS principles.

Other key risks for Elkem include changes in regulatory framework conditions, return on investment projects, cyber and IT risk, and compliance and legal risks.

Elkem has operations in many countries and could be exposed to changes in regulatory framework conditions, such as the reduction in the CO_2 compensation scheme in Norway in 2022 and 2023. Elkem seeks to take a proactive approach to manage these risks. The growth strategy is based on organic growth projects and potential M&As. Such projects carry a risk of delays, cost overruns, and under-performance. Elkem seeks to mitigate project related risks by diligent project management and thorough due diligence processes, comprising professional support from legal, financial, audit and industry expertise. Cyber and IT incidents pose a risk as IT systems are used for virtually all business-related activities. The financial impact of an incident could be significant. Compliance risks are also important. Elkem has operations in many countries, including countries with high risk related to corruption and human rights violations. Elkem seeks to mitigate this risk by training of our employees and good internal control systems.

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

Liquidity risk relates to the company's ability to meet financial obligations. Elkem has a strong cash position, good access to undrawn credit facilities and satisfactory long-term financing arrangements. In 2023, Elkem raised new green bond loans of NOK 1,000 million. In addition, Elkem has raised local long-term loans in China for financing of the silicones expansion project. Elkem has a credit rating from Scope. The BBB rating was affirmed in 2023, and the outlook was changed from stable to negative. The affirmed investment grade rating reflects Elkem's sound financial policy, strong cost position, good global footprint, and integrated position in the silicone industry. The change in outlook reflects the deterioration in revenue and profitability in 2023 and the prospects of a prolonged economic slowdown in the company's main markets.

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

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

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

Financial reporting process

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

The financial reporting plan includes controls and checks of reports to ensure consistency of the financial reporting. The financial information is consolidated and controlled at several levels within the respective divisions.

The audit committee performs reviews of the quarterly, half-year and annual report with a special focus on accounting topics such as provisions and liabilities, estimates and judgements, or issues with a major impact on the financial statement in addition to reviews of Elkem's ESG and climate related reporting. The external auditors participate in these meetings in addition to representatives from the management and finance function of Elkem.

Future prospects

The macro-economic sentiment has been challenging in 2023, characterised by high inflation, interest rate hikes, slower than expected recovery in China, and geopolitical uncertainties. This has resulted in weak demand and lower sales prices in Elkem's main markets and impacted the results negatively. Markets are still challenging going into the first quarter of 2024. In the near term, we continue to see significant uncertainty regarding the macroeconomic development and inflationary pressure, fostering continued market volatility. The board of directors' assessment is that the fundamentals and long-term prospects for Elkem are positive. Elkem has a dedicated and competent global organisation, cost competitive integrated business model and a solid financial position at the end of 2023.

Elkem aims to grow both in the Eastern and Western world while focusing on sustainability and support the green transition. The geopolitical situation combined with sanction risk is also being monitored closely by Elkem. Climate risk and environmental regulations will require reduced emissions and more sustainable solutions, and Elkem is well positioned based on its high proportion of renewable electricity and targeted climate ambitions. Elkem will continue to pursue its main strategic initiatives to become top 3 in silicones worldwide and number 1 in silicon products and carbon solutions in the West.

Elkem's financial position is considered to be good at the end of the year with a robust equity ratio and healthy cash flow generation and strong liquidity position.

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 11,628 million in 2023 compared to NOK 16,455 million in 2022. The operating profit ended at NOK 1,065 million in 2023, compared to NOK 7,543 million in 2022.

The net change in cash and cash equivalents amounted to NOK 1,985 million negative. Cash flow from operating activities amounted to negative NOK 198 million, investing activities of NOK 2,100 million negative and positive cash flow from financing activities of NOK 312 million.

Elkem ASA's equity was NOK 13,410 million at the end of 2023. The equity ratio[6] ended at 39%. Profit for the year was NOK 365 million. The net interest-bearing liabilities amounted to NOK 7,770 million per 31 December 2023. Cash and cash equivalents amounted to NOK 3,331 million. The board of directors' view is that the dividend proposal of zero for the year is appropriate based on the low earnings per share.

Allocation of 2023 net profit: The Board of Directors proposes the profit for the year of NOK 365 million to be allocated to retained earnings.

[6] *See Note 23 Interest-bearing assets and liabilities*

The board of directors of Elkem ASA
Oslo, 12 March 2024

Zhigang Hao
Chair of the Board

Dag Jakob Opedal
Vice chair

Olivier Tillette de Clermont-Tonnerre
Board member

Yougen Ge
Board member

Bo Li
Board member

Grace Tang
Board member

Nathalie Brunelle
Board member

Marianne Elisabeth Johnsen
Board member

Terje Andre Hanssen
Board member

Marianne Færøyvik
Board member

Thomas Eggan
Board member

Helge Aasen,
CEO, Elkem ASA

Board of directors 2023

Zhigang Hao
Chair

Dag Jakob Opedal
Vice chair

Marianne Elisabeth Johnsen
Board member

Olivier Tillette de Clermont-Tonnerre
Board member

Yougen Ge
Board member

Bo Li
Board member

Grace Tang
Board member

Nathalie Brunelle
Board member

Marianne Færøyvik
Board member

Terje Andre Hanssen
Board member

Thomas Eggan
Board member

For more information, please see Elkem.com ↗

Corporate management 2023

Helge Aasen
CEO

Morten Viga
CFO

Katja Lehland
SVP Human Resources

Asbjørn Søvik
SVP Green Ventures & Digital

Håvard Moe
SVP Technology

Louis Vovelle
SVP Innovation and R&D

Morten Magnus Voll
SVP Strategy & Business Development

Larry Zhang
SVP Silicones

Inge Grubben-Strømnes
SVP Silicon Products

Luiz Simao
SVP Carbon Solutions

For more information, please see Elkem.com ↗

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. Elkem emphasises the importance of good relationships with society and stakeholder groups that are affected by the company's activities. Elkem strives to meet high standards in the areas of corporate governance, and environmental and social criteria (ESG). This report, combined with the ESG report, annual report and website, document Elkem's group activities and results.

Elkem is subject to corporate governance reporting requirements according to section 3-3b of the Norwegian Accounting Act and the Continuing obligations of stock exchange listed companies at Oslo Stock Exchange.

Further, Elkem's board of directors endorses "The Norwegian Code of Practice for Corporate Governance" (the "Code"), most recently revised on 14 October 2021 and issued by the Norwegian Corporate Governance Policy Board (NCGB). The Code of Practice is available at www.nues.no.

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

Elkem generally follows the recommendations set out in the Code, but has deviations in the following sections:

Section 3	The board of directors' authorisation to increase the share capital corresponding to 10% of the current share capital can be used for several purposes, to ensure flexibility and ability to act quickly. Pursuant to the Code, such authorisation should be intended for a defined purpose.
Section 6	Voting on members to the board of directors and the nomination committee takes place as a combined vote, reference to section 7. Pursuant to the Code the shareholders should be able to vote on each individual candidate nominated for election.
Section 7	The nomination committee justifies its proposals combined, and not separately for each board member pursuant to the Code. The nomination committee focuses on the combined qualifications and experience, as well as diversification on background and gender.

1. Implementation and reporting on corporate governance

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

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

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

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

No deviations from the Code.

2. Business

Elkem's mission is to provide advanced silicon-based materials shaping a better and more sustainable future. Elkem develops its business in support of the ambitions of the UN Sustainable Development Goals and the Paris agreement. Our strategy is focused on dual play growth, which means that growth should be balanced both geographically and across the value chain. Green leadership is a key part of Elkem's strategy, focusing on low CO_2 emissions, and supplying the green transition. Operational excellence, a higher degree of specialisation, and securing sustainable low-cost positions are key strategic goals on divisional level.

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

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

With a strong track record since 1904, Elkem is one of the world's leading suppliers of advanced silicon-based materials shaping a better and more sustainable future. The company develops silicones, silicon products and carbon solutions by combining natural raw materials, renewable energy, and human ingenuity. Elkem helps its customers create and improve essential innovations like electric mobility, digital communications, health, and personal care as well as smarter and more sustainable cities.

Elkem is operating in capital intensive and cyclical industries and has 31 main 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 management to create value for the company's shareholders. The past year has been marked by significant macro-economic downturn in most markets and the board of directors has focused on actions to mitigate negative impact on Elkem by reducing costs and investments. More details on risk management principles and an overview of Elkem's main risks are presented in the annual report. See also section 10 below.

Elkem's main strategic goals are dual play growth and green leadership. Dual play growth means that Elkem will target balanced growth between geographic regions (East and West), and balanced growth across the value chain (upstream and downstream). Green leadership means that Elkem will work to strengthening the position as best in the industry on low CO_2 and growing supplies to green transition and creating green ventures. Focus on a higher degree of product specialisation through R&D and selected acquisitions is a key strategic measure to improve and stabilise the group's profitability through the business cycle. To support its strategic goals, Elkem will focus on operational excellence, digitalisation, people development and ESG (Environmental, Social and Governance). In addition, Elkem's divisions will focus on developing and maintain sustainable low-cost positions. Together these initiatives comprise the group's strategic and operational goals 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 sound 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 applies sustainability in line with the principles of the UN Global Compact. Elkem is committed to develop its business in support of the ambitions of the Paris climate agreement and the UN Sustainable Development Goals (SDGs). Elkem is also committed to follow the United Nations Guiding Principles on Human Rights and Business. Elkem's Silicones division is a member of the Responsible Care Global Charter which is the chemical industry's global initiative to drive continuous improvement in environment, health, safety and security.

Elkem has implemented guidelines and procedures in accordance with section 3-3c of the Accounting Act, including code of conduct, policy on anti-corruption and CSR polices. Elkem's ESG report is included in the annual report for 2023.

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

No deviations from the Code.

3. Equity and dividends

As at 31 December 2023, the group's equity was NOK 24,458 million, which is equivalent to 48% of total assets. The total issued share capital of Elkem amounted to NOK 3,197,206,890 divided into 639,441,378 shares, each with a nominal value of NOK 5.

Elkem aims to maintain an investment grade profile and targets a leverage ratio, defined as net interest bearing debt to EBITDA, in the level of 1.0 - 2.0x, based on earnings over the business cycle. As at 31 December 2023, the leverage ratio was 2.5x. The leverage ratio has weakened compared to 31. December 2022 as a result of lower EBITDA and higher net interest-bearing debt. The increase in net interest-bearing debt was mainly related to the dividend payment of NOK 3,815 million for 2022, while the reduction in EBITDA was a result of significantly weaker market conditions. 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 2023, available cash and cash equivalents amounted to NOK 6,367 million providing a strong liquidity position. In addition, Elkem has undrawn credit facilities amounting to NOK 6,293 million.

In 2023, Elkem signed new green bond loans of NOK 1,000 million with tenors of 5 years. The main purpose of the bond loans was to refinance loans maturing in 2024. The board of directors considers Elkem's capital structure, including equity and debt structure, to be appropriate to the company's objective, strategy and risk profile.

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

Due to the low earnings per share the board of directors has proposed to the annual general meeting not to pay dividends for 2023. The board of directors has not been granted any authorisation to approve distribution of dividends.

At the annual general meeting on 28 April 2023, the board of directors was granted the following authorisations:

- To ensure that the board of directors has financial flexibility and to enable quick access to the market in the event of an acquisition with shares as settlement or for general corporate purposes, the board of directors was granted an authorisation to increase the company's share capital by up to NOK 319,720,689 corresponding to 10% of the company's current share capital. To exercise the authorisation in the best possible commercial manner, it may be relevant in certain situations to make a private placement of shares directed at certain named persons and/or enterprises. It may also be appropriate to use the authorisation in the event of acquisition of business/assets with shares as settlement. It was therefore approved that the board of directors was authorised to deviate from the shareholders' preferential rights when using the authorisation. The authorisation covers share capital increases against contribution in kind and share capital increase in connections with mergers. The authorisation is valid until the annual general meeting in 2024, but no longer than to and including 30 June 2024. This authorisation was not utilised in the financial year ended 31 December 2023.
- In order to honour the options granted under the share incentive programme for the corporate management, the board of directors was granted an authorisation to increase the share capital of the company by up to NOK 40,000,000. As the authorisation shall be used in connection with issuance of shares to option holders, the board of directors was authorised to deviate from the shareholders' preferential rights to subscribe for and be allotted new shares. The authorisation does not cover share capital increases against contribution in kind and share capital increase in connections with mergers. The authorisation is valid until the annual general meeting in 2024, but no longer than to and including 30 June 2024. This authorisation was not utilised in the financial year ended 31 December 2023.
- In order to allow the board of directors to utilise the mechanisms permitted by the Norwegian Public Limited Liability Companies Act to acquire treasury shares, the board of directors was granted an authorisation to acquire shares in the company, with a nominal value of up to NOK 319,720,689, equal to 10% of the current share capital. The authorisation can be used to fulfil the company's obligations in connection with acquisitions, incentive arrangements for employees, fulfilment of earn-out arrangements, sale of shares to strengthen the company's equity or deletion of shares. The maximum amount that can be paid for each share is NOK 150 and the minimum is NOK 1. The authorisation is valid until the annual general meeting in 2024, but no longer than to and including 30 June 2024. Under this authorisation the board of directors announced the acquisition of 2,000,000 own shares on 14 August 2023. The average purchase price per share was NOK 22.35. Parts of the own shares acquired have been sold under the share incentive programme and as at 31 December 2023 Elkem holds 5,551,090 own shares.

Deviations from the Code: The board of directors' authorisation to increase the share capital with an amount up to NOK 319,720,689, corresponding to 10% of the current share capital can be used for several purposes.

Elkem believes that this authorisation is important in order to allow the board of directors, in the interest of time, to act quickly in connection with a transaction or other corporate events where it is in the shareholders and Elkem's interest to increase the share capital.

4. Equal treatment of shareholders

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

Elkem has carried out transactions in its own shares during 2023. These transactions were carried out through the stock exchange and ensured equal treatment of all shareholders. Elkem announced the acquisition of 2,000,000 own shares on 14 August 2023. The average purchase price per share was NOK 22.35. Elkem engaged a third party to carry out the share buybacks on behalf of the company and the third party managed the programme and made its trading decisions independently of Elkem.

No deviations from the Code.

5. Freely negotiable shares

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

No deviations from the Code.

6. General meetings

The board of directors will ensure that the company's shareholders can participate in the general meetings.

The annual general meeting in 2023 was held as a hybrid meeting where the shareholders had the option to either attend the general meeting physically or digitally through a live webcast and submit questions relating to the items on the agenda and cast their votes in real time. The webcast was organised by DNB Bank ASA, Elkem's registrar in the Central Security Depository, Verdipapirsentralen ASA (Euronext Securities Oslo), and its subcontractor.

The board of directors will further ensure that:

- notices for the general meetings are sent to all shareholders individually, or to their depository banks, at least 21 days in advance, that all matters to be considered by the meeting are specified and that relevant documents are made available on the company's website;
- the resolutions and any supporting documentation are sufficiently detailed, comprehensive and specific, allowing shareholders to understand and form a view on all matters to be considered at the general meeting;
- the CEO, the chair of the board of directors and the chair of the nomination committee attend the general meeting; and
- the general meeting is able to elect an independent chair for the general meeting.

The articles of association of Elkem does not provide for any deadline for the shareholders to give notice of their attendance at the general meeting. The board of directors may still encourage shareholders to give such notice within a set deadline. A shareholder holding shares through a nominee account must, however, notify Elkem two days prior to the date of the general meeting (unless the board of directors has included a shorter notification deadline in the notice for the general meeting).

Shareholders who are unable to participate in 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 participate in 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 carried out as a combined vote.

Deviations from the Code: Voting on members to the board of directors and the nomination committee takes place as a combined vote.

7. Nomination committee

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

After the general meeting in 2023 the nomination committee comprises the following members:

- **Sverre S. Tysland** / Chair / Practicing lawyer / Independent / Re-elected in 2023 for a term of office of one (1) year until the annual general meeting in 2024:
- **Dong Dachuan** / Committee member / Vice president of China National Bluestar (Group) Co, representing the majority shareholder / Elected in 2023 for a term of office of two (2) years until the annual general meeting in 2025; and
- **Anne Grete Dalane** / Committee member / Vice President Improvement Project Finance in Yara International ASA / Independent / Elected in 2023 for a term of office of two (2) years until the annual general meeting in 2025.

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

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

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

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

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

8. Composition and independence of the board

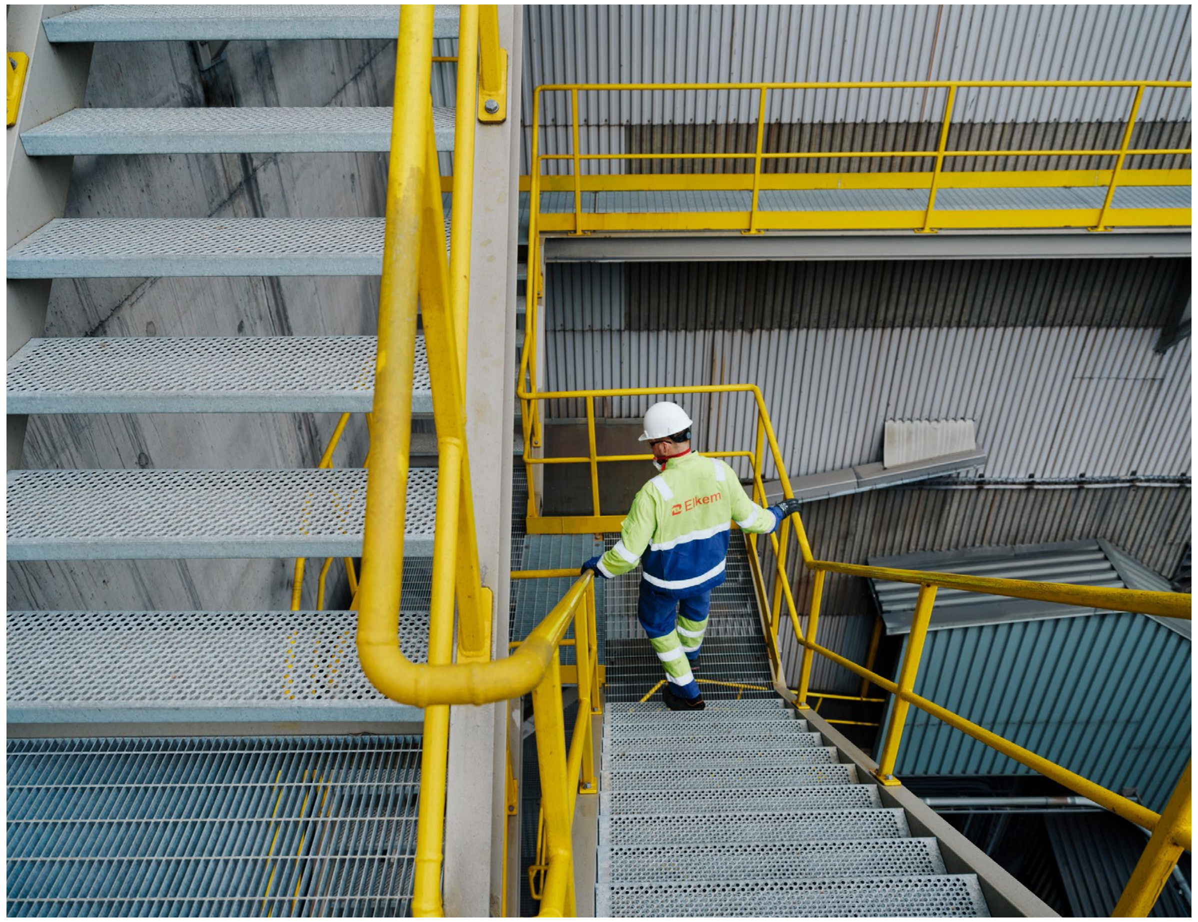
As of 31 December 2023 the board of directors of Elkem comprises 11 members, of which eight members, including the chair, are shareholder elected. The remaining three members are elected by and among the company's employees.

As of 31 December 2023, the board of directors of Elkem comprise of the following persons:

- **Zhigang Hao** / Chair / Representing the majority shareholder / Re-elected in 2023 for a term of office of two (2) years until the company's annual general meeting in 2025;
- **Dag Jakob Opedal** / Vice chair / Independent / Re-elected in 2022 for a term of office of two (2) years until the company's annual general meeting in 2024;
- **Olivier Tillette de Clermont-Tonnerre** / Board member / Representing the majority shareholder / Re-elected in 2022 for a term of office of two (2) years until the company's annual general meeting in 2024;
- **Nathalie Brunelle** / Board member / Independent / Elected in 2022 as for a term of two (2) years until the company's annual general meeting in 2024;
- **Yougen Ge** / Board member / Representing the majority shareholder / Re-elected in 2023 for a term of office of two (2) years until the company's annual general meeting in 2025;
- **Grace Tang** / Board member / Independent / Re-elected in 2023 for a term of two (2) years until the company's annual general meeting in 2025;
- **Marianne Elisabeth Johnsen** / Board member / Independent / Re-elected in 2023 for a term of office of two (2) years until the company's annual general meeting in 2025;
- **Bo Li** / Board member / Representing the majority shareholder / Elected in 2023 as new board member until the company's annual general meeting in 2025;
- **Terje Andre Hanssen** / Board member / Employee representative / Elected for a term of office until the annual general meeting in 2024;
- **Marianne Færøyvik** / Board member / Employee representative / Elected for a term of office until the annual general meeting in 2024 and;
- **Thomas Eggan** / Board member / Employee representative / Elected for a term of office until the annual general meeting in 2024.

Bo Li was elected as new board member at an extraordinary general meeting on 20 November 2023 representing the majority shareholder. Bo Li replaced Jingwan Wu after Jingwan Wu resigned as CFO of China National Bluestar (Group) Co.

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



The board of directors is composed so that it can act independently of any special interests. The majority of the shareholder elected board members are independent of the executive management and material business connections of the company.

Further, four out of the current 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 the board of directors' report on salary and other remuneration for leading personnel for 2023.

Members of the board of directors are encouraged to own shares in the company, however, with caution not to let this encourage a short-term approach which is not in the best interests of the company and its shareholders over the longer term. As of 31 December 2023, the following board members owned shares in the company: Olivier Tillette de Clermont-Tonnerre (15,517 shares), Dag Jakob Opedal (40,000 shares through Alcaran AS), 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 a 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 has 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 nine board meetings in 2023. All board members have attended all board meetings, during their respective terms of office.

The instructions for the board of directors state how agreements with related parties shall be handled. In the event of a not immaterial transaction between the company and its shareholders, a shareholder's parent company, members of the board, executive management or closely related parties of any such parties, the board will arrange for a valuation to be obtained from an independent third party. Agreements with related parties will be disclosed in the directors' 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 assist 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 audit committee is also responsible for preparatory work and supervision related to the board's management of sustainability and non-financial reporting, internal control over sustainability and non-financial reporting, and sustainability-related risk management.

The board of directors has issued instructions for the work of the audit committee, and the duties and composition of the committee are in compliance with the Norwegian Public Limited Liability Companies Act. The members of the audit committee are elected by and amongst the members of the board of directors for a term of up to two years and comprised the following persons as of 31 December 2023:

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

→ **Grace Tang** / Member / Independent

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

Zhigang Hao replaced Jingwan Wu as member of the audit committee with effect from 13 December 2023, following Jingwan Wu's resignation from the board of directors. 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.

No deviations from the Code.

The remuneration committee

The board of directors has appointed a remuneration committee which comprised the following persons as of 31 December 2023:

→ **Bo Li** / Chairperson / Representing the majority shareholder

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

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

Bo Li replaced Zhigang Hao as chair of the remuneration committee with effect from 13 December 2023. 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 reparation 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 a good environment, health and safety standards and enhance value creation. Evaluation of climate related risks and opportunities has become an increasingly important part of Elkem's overall risk management processes. As part of this work Elkem has prepared a global climate roadmap targeting reductions of absolute CO_2 emissions and of the group's relative product carbon footprint. Elkem is reporting on climate risks and opportunities according to Task Force on Climate-related Financial Disclosures (TCFD) reporting recommendations. The TCFD framework has been implemented as an integrated part of Elkem's yearly risk assessment.

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. This work has had a particular focus in 2023 due to the weak market conditions. 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 2023 until the annual general meeting in 2024 are as follows:

Board of directors:
- → Chair: NOK 851,760
- → Vice chair: NOK 638,820
- → Board members: NOK 425,880
- → Observers: NOK 212,940

Audit committee:
- → Leader: NOK 153,317
- → Member: NOK 102,213

Remuneration committee:
- → Leader: NOK 153,317
- → Members: NOK 102,211

The total compensation to members of the board of directors is disclosed in the board of directors' report on salary and other remuneration for leading personnel for 2023.

No deviations from the Code.

12. Remuneration of executive personnel

The board of directors prepares guidelines for the remuneration of executive management. These guidelines include the main principles for the company's remuneration policy and contributes to Elkem's commercial strategy, long-term interests and financial viability, which align the interests of the shareholders and the executive management. The guidelines were communicated to the annual general meeting in 2023 and will be presented to the annual general meeting every four years, or if there should be substantial changes. A report on the salary and other remuneration to the executive management will be prepared in accordance with the rules of the Norwegian Public Companies Act and relevant regulations.

Performance-related remuneration of the executive management in the form of share options, bonus programmes or similar are linked to value creation for shareholders or the company's profit over time. Such performance-related remuneration is subject to an absolute limit.

No deviations from the Code.

13. Information and communications

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

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

The company publishes an annual, electronic financial calendar with an overview of dates for important events, such as the annual general meeting, interim financial reports, 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 has delegated this task to the IR team. Elkem has held regular investor meetings in connection with each of the quarterly presentations in 2023 and attended several investor conferences. The IR team has conducted physical and electronic meetings with both domestic and international investors from for example United Kingdom, United States, Germany, France, Switzerland, and Benelux. The plan is to arrange regular investor meetings and capital market updates when it is considered expedient in order to keep the market up to date about the company's development, goals and strategies.

No deviations from the Code.

14. Take-overs

Elkem has one major shareholder controlling 52.9% of the shares as of 31 December 2023. Elkem has not been subject to any takeover bids in 2023.

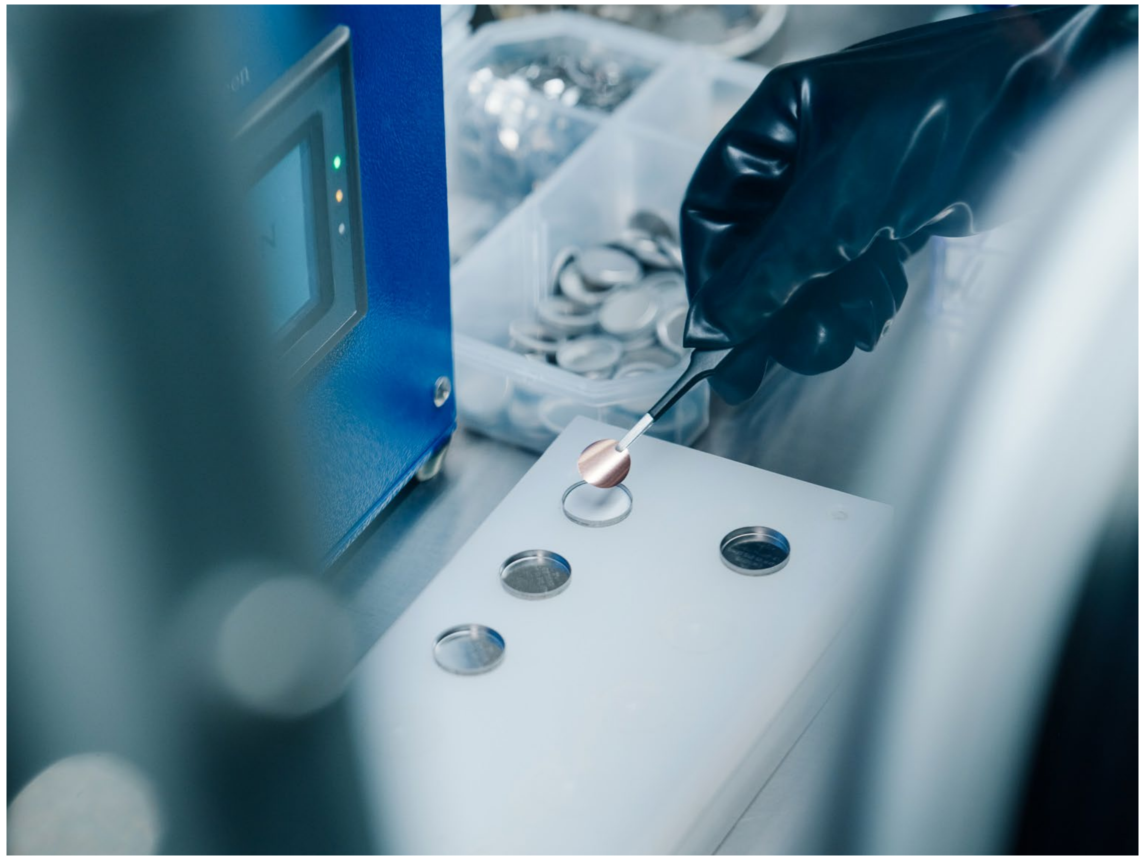
In the event of a takeover bid, the board of directors and executive management each have an individual responsibility to ensure that the company's shareholders are treated equally and that there are no unnecessary interruptions to the company's business activities.

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 2023. 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 2023.

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, 12 March 2024

Zhigang Hao
Chair of the Board

Dag Jakob Opedal
Vice chair

Olivier Tillette de Clermont-Tonnerre
Board member

Yougen Ge
Board member

Bo Li
Board member

Grace Tang
Board member

Nathalie Brunelle
Board member

Marianne Elisabeth Johnsen
Board member

Terje Andre Hanssen
Board member

Marianne Færøyvik
Board member

Thomas Eggan
Board member

Helge Aasen,
CEO, Elkem ASA

Overview of main risk areas

>7,400 employees

worldwide presence

31 main plants

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

Elkem carries out a yearly risk mapping process based on interviews with divisions and corporate staff functions.

The objective is to identify the top risks for each division and corporate functions. Each risk factor is evaluated based on internal and external conditions and takes deemed likelihood, estimated financial impact, time horizon and mitigating activities into consideration. The individual risks are aggregated into group risks. The main purpose is to gain a thorough understanding of the group's risk profile and financial risk tolerance.

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

Assessment of Environmental, Social and Governance (ESG) risks and climate related risks are integral parts of the five main risk categories. Elkem considers that these risks could impact strategic positioning, raw material supply, end-markets, and financial performance. Elkem has implemented reporting on climate risks and opportunities according to Task Force on Climate-related Financial Disclosures' recommendations (TCFD). In addition, Elkem has made a thorough assessment of bio-diversity risk in 2023. Please refer to the ESG report for more information.

Risk descriptions

1. Black Swan

"Black swan" describes an unpredicted event that can cause dramatic changes to economies and societies. Such unforeseen and unexpected events could pose significant risks. Examples are the financial crisis in 2009, the Covid pandemic, the war in Ukraine, and the energy crisis in Europe. "Black swans" demonstrate the need for general risk preparedness, strong supply chains, and the importance of a generally robust financial position. Elkem's key mitigating actions include developing a competent organisation to pro-actively manage changing conditions, having robust and regionally independent value chains, and keeping a sound financial position to limit risk of financial distress.

2. Sanctions and trade related restrictions

Sanctions and trade restrictions have increased over the past years due to war and political tensions. This could negatively impact Elkem's access to raw materials and/or attractive end markets. It could also increase the risk that Elkem or other third parties will get involved in business activities with sanctioned entities or individuals, which could lead to business disruptions, breach of contract and other legal proceedings. Elkem has independent value chains in the East and the West to reduce the exposure to trade restrictions and duties. Elkem keeps close monitoring of prevailing sanction lists and trade related restrictions to ensure compliance and to avoid that the company or third parties engage in business activities with sanctioned entities or individuals.

3. Macro economic development

Elkem is exposed to macroeconomic conditions. The current weak market sentiment has negatively affected the group's financial performance. Weak growth, combined with high inflation and rising interest rates, have resulted in reduced demand, particularly from key industrial sectors such as construction and automotive. Reduced demand has negatively impacted sales volumes and sales prices for Elkem's products, particularly in the silicones markets in APAC and EMEA, as well as in commodity markets. High inflation has resulted in generally higher cost levels. Elkem aims to maintain its attractive cost positions through a lean manufacturing model, supported by ongoing cost- and margin improvement programmes. Elkem is actively working to ensure adequate financing and liquidity reserves. Market conditions are closely monitored to ensure adequate and timely response to changes in market conditions.

4. Health and safety

Elkem's working environment includes a significant inherent risk of injuries or even fatalities. There are risks of large fires and explosions in connection with high temperature smelting processes, advanced chemical processes, leakages of hazardous substances, and other potential hazards. The safety of our employees and contractors is the main priority, and Elkem uses considerable resources to identify hazards and implement appropriate measures to avoid incidents and to reduce risk to an acceptable level. This includes safety instructions, training, physical protection, and adherence to Elkem Business System (EBS) principles. Insurance and risk survey programmes are in place to mitigate risks and financial exposure.

5. Regulatory framework conditions

Elkem has operations in many countries and could be exposed to changes in regulatory framework conditions, such as the reduction in the CO_2 compensation scheme in Norway in 2022 and 2023. Such changes could negatively affect the group's competitive position and market access. Other examples of regulatory and political framework conditions are environmental and product related regulations, changes in anti-dumping duties and export taxes, export control or sanctions, and regulations and availability of electric power. Elkem seeks to take a proactive approach to manage these risks. In addition, the group's diverse geographical presence and integrated value chains in the East and the West could reduce the negative impact from various trade tensions and restrictions.

6. Sales prices and volumes

Elkem's sales prices and sales volumes may vary depending on the economic conditions and the competitive environment. This constitutes one of the main risks affecting the group's financial performance. Commodity prices have traditionally been volatile, impacted by the supply and demand development, while specialties tend to have more stable pricing over the business cycle. Elkem seeks to mitigate price and volume risks by developing a diversified and specialised product portfolio based on good cost positions. In addition, Elkem has a diverse customer base with a global presence. Elkem's integrated value chain offers flexibility to extract value through the value chain.

7. Return on investment projects

Elkem has a growth strategy based on organic growth projects and potential M&As. Large investment projects carry an inherent risk of delays, cost overruns, and underperformance. Elkem has made significant reinvestments and strategic investments over the past years. Major strategic investments include the Silicones division's expansions in China and France. In addition, Elkem has several other specialisation and expansion projects. In relation to M&A, there is a risk that an acquired entity does not deliver the expected profit or synergies, or that due diligence processes have failed to identify potential claims or other obligations. Elkem seeks to mitigate project related risks by diligent project management and thorough due diligence processes, comprising professional support from legal, financial, audit and industry expertise. Elkem carries out post evaluation of projects to identify improvement potentials and risk mitigation actions that can be utilised in future projects.

8. Cyber and IT risk

IT is used for virtually all business-related activities, including sales, production planning, procurement, maintenance, finance and accounting. The financial impact of an IT or cyber incident could be significant as production and operations could be severely halted. Several other companies have experienced significant losses from cyber-attacks.

Good IT procedures with a high focus on security, training of employees, up to date equipment, frequent software updates and segmentation of networks are the main actions to mitigate and prevent these risks. In addition, Elkem has cyber insurance in place to mitigate the financial impact in case of an incident.

9. Environment and climate

Elkem's global operations are exposed to environmental regulations, and potential impact of climate risks. Climate risks comprise both regulatory, transitional and physical risks. Ocean rise, temperature increases, and extreme weather events are monitored to secure assets and avoid business interruptions. In addition, Elkem seeks to ensure a sustainable business model by reducing emissions and ensuring compliance with regulations. Elkem's production facilities are generally close to sea or river, or in close proximity to cities or local communities. Exposure to climate change has been assessed for each business unit according to the TCFD framework. In addition, Elkem works proactively to mitigate negative impact on climate and environment and works consistently to limit emissions by focusing on sustainable sourcing of raw materials, production based on renewable energy, extensive energy recovery projects, investments to reduce dust and NO_x emissions and use of biogenic reduction materials in the smelting processes. Recycling and reduction of waste are also key focus areas and an integrated part of Elkem Business System (EBS).

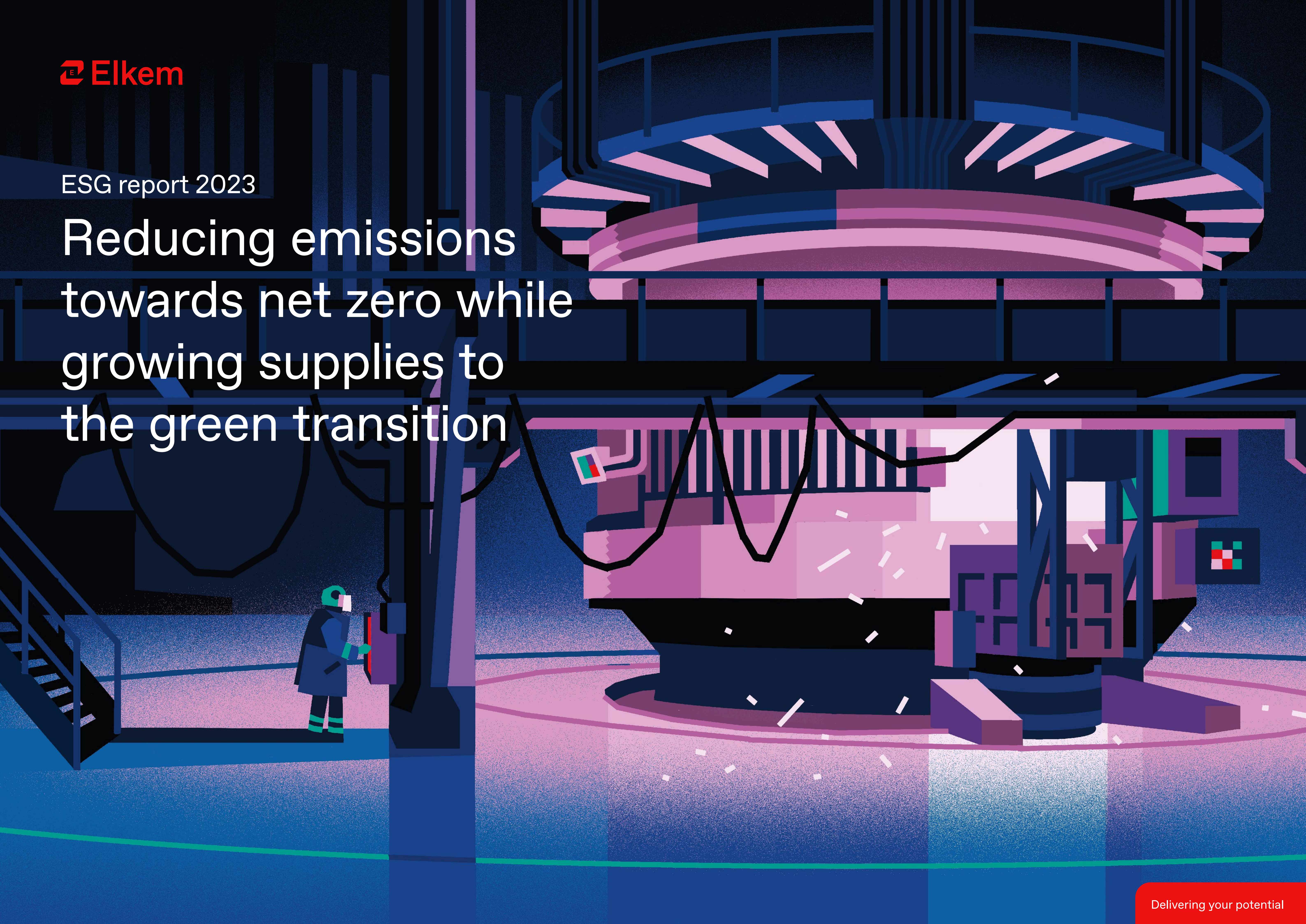
10. Compliance and legal risks

Elkem has operations in many countries, including countries with high risk related to corruption and human rights violations. This gives an inherent risk of unacceptable business behaviours either through corruption, breach of competition law, breach of sanctions, breach of human rights, or other unethical activities, either by employees or business partners. There are also legal and litigation risks in connection with contracts and/or intellectual property. The negative financial impact could be significant, particularly related to corruption, breach of competition law or breach of sanctions. There is also a significant reputational risk. Elkem has a high focus on compliance and internal control, and has strengthened these functions over the past years. Guidelines for ethical conduct, training of all employees, and a visible and accessible channel for reporting misconduct (whistle blower) are in place. Insurance cover is in place for directors and officers, employment practices liability and crime.

Elkem

ESG report 2023

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



Delivering your potential

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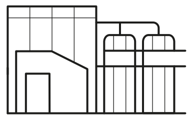
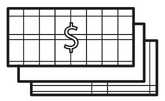
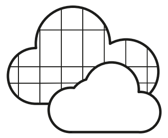
The ESG report presents Elkem's management of material Environmental, Social and Governance topics. The report covers the key strategy of the company, how the company manages sustainability and climate change issues, and how we progress on each topic.



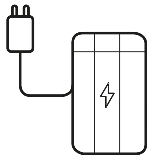
Operations:
31 main plants world-wide and more than 7,400 employees



Operating income 2023:
NOK 35.5 billion



Total scope 1+2+3 emissions 2023:
9.85 million tonnes



>80% of production based on renewable electricity

Elkem highlights 2023

- Elkem reduced its total GHG emissions by 8.3% from 2022 to 2023, with a reduction in all three scopes
- Elkem was awarded A- on climate change, A- on water security, and the top score of A for forests, on 2023 CDP disclosure
- Elkem finished the worlds first CCS-pilot (carbon capture and storage) on a smelter with good results and capture rates. Further studies will follow
- Elkem conducted a comprehensive biodiversity risk assessment of all production sites using IBAT, AI and local knowledge
- Elkem successfully issued NOK 1,000 million of new senior unsecured green bonds with a tenor of 5 years
- Elkem received an A+ from Position Green for its ESG reporting for 2022
- Elkem reached reached an agreement with reindeer grazing district 7 (Rákkonjárga) which enables the expansion of Elkem's mining operations in Tana, Norway, one of the world's largest quartzite mines and a key source of raw materials for the green transition
- Elkem has carried our a double materiality assessment and is positioning itself for CSRD

GOLD 2023 ecovadis Sustainability Rating

CDP DISCLOSURE INSIGHT ACTION A LIST 2023 FORESTS

Elkem's ESG agenda

Elkem's products serve as fundamental components for a low-carbon society and play a crucial role in facilitating the green transition. The products are produced using a high degree of renewable energy and efficient production methods. Examples encompass renewable energy, energy storage, mobility solutions, infrastructure enhancements, digitalisation, and healthcare. The core of Elkem lies in its people and their commitment to safe, sustainable operations executed responsibly and with excellence.

Sustainability foundation: Material topics

Elkem follows the principles, requirements, and guidelines of the GRI 2021 Standards to identify the material sustainability topics for the group.

Environmental
Climate action

- CO_2 and other GHG emission reductions, including energy management
- Biodiversity
- Local emissions to air
- Waste management and circularity
- Water management

Social
Safety first

- Health and safety on site
- Human rights, including labour rights

Governance
Responsible business partner

- Environmental and social due diligence in the supply chain
- Supplying the green transition
- Product governance, including chemical safety
- Responsible economic practices

Sustainability reporting

About this report
The annual ESG report is part of Elkem's annual report, approved by the board. The company defines the organisational boundaries on an operational control basis. All the numbers in the report covers 100% of operations. The ESG report also functions as a stand-alone report. For more information on Elkem's business areas and strategy, see page 26 and onwards in the annual report.

Reporting framework
Elkem adheres to the Global Reporting Initiative (GRI) Standards 2021 and regards this report as our Communication of Progress (COP) to the United Nations Global Compact (UNGC). We employ various reporting systems to enhance transparency and achieve standardised reporting. The GRI index is accessible online and incorporates links to the World Economic Forum's stakeholder capitalism initiative, aimed at standardising sustainability metrics. The section on Human and labour rights adheres to the requirements of the Norwegian Transparency act, the UK Modern Slavery Act, and Canada's Modern Slavery Act.

Assurance
PwC has undertaken a limited assurance engagement on the ESG reports alignment with the GRI Standard. Further information about the limited assurance can be found in the assurance statement. ↗

ESG transparency and reporting acknowledgements 2023

CDP: Improved scores
Elkem responds to the three CDP (Carbon Disclosure Project) scopes, and achieved the highest score for forests, improved the score on water security and maintained a strong score on climate change. The scores for 2023 are: Climate change A-, forests A, and water security A-.

ESG 100: A+
Elkem received the highest possible score, A+, for the ESG reporting from Position Green in their assessment of the top 100 listed companies in Scandinavia. The score reflects a best-in-class reporting on sustainable practice, strategy, quantifiable targets.

S&P Global Corporate Sustainability Assessment: Top 94th percentile
Elkem increased its score from 53 to 61 on S&P's CSA 2023, and is ranked in the top 94th percentile. The S&P Global Corporate Sustainability Assessment (CSA) is an annual evaluation of companies' sustainability practices. It covers over 10,000 companies from around the world. The CSA focuses on sustainability criteria that are both industry-specific and financially material and has been doing so since 1999.

EcoVadis: Gold
Top 5% of more than 100.000 companies, on sustainability transparency and action.

Our mission
Advanced silicon-based materials shaping a better and more sustainable future, adding value to stakeholders globally

Our commitment
To develop our business in accordance with the UN SDGs and Paris agreement

Our values
Respect
Precision
Involvement
Continuous improvements

The Elkem climate roadmap

Elkem presented its global climate roadmap, and our transition plan in 2021, closely aligned with the corporate strategy of green leadership. In 2023 Elkem has continued the work to reduce GHG-emissions. The roadmap outlines how Elkem aims to mitigate global warming resulting from climate change, focusing on three key pillars:

Reducing our emissions

Achieving fully climate neutral production throughout our value chain

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

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

Supplying to the transition

Providing the advanced material solutions required to enable the green transition

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

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

Enabling circular economies

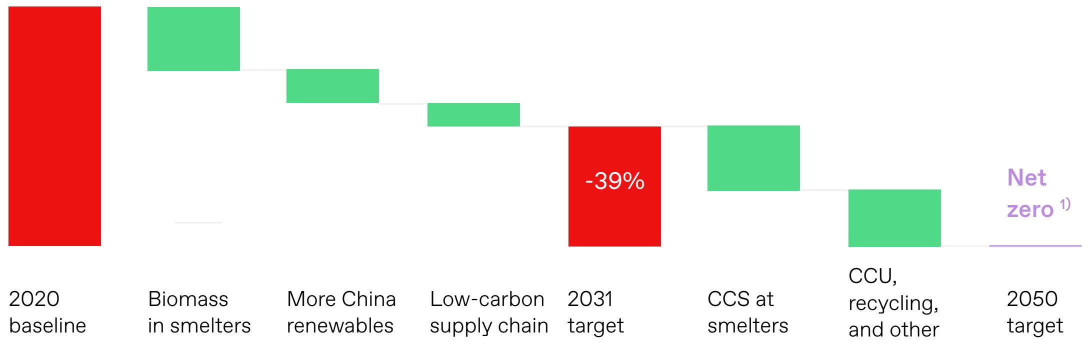
Enabling more circular activities in our operations, products and markets

Increase recycling in our own operations

Increase recycling with our customers

Develop the eco-design of innovative products

Our roadmap to climate neutral products



[1] *The goal is to achieve carbon neutral production by 2050, meaning that GHG emissions from production (scope 1 and 2) and upstream scope 3 shall be reduced and captured to reach net zero.*

Status – delivering on the roadmap

	Metric	2023	2022	2021	Development 2022 to 2023
Total GHG emissions (CO_2e)	Mill tonnes	**9.84**	10.74	11.60	-8.4%
Scope 1	Mill tonnes	**2.21**	2.42	2.34	-8.7%
Scope 2	Mill tonnes	**0.83**	0.94	0.90	-11.7%
Scope 3	Mill tonnes	**6.81**	7.38	8.35	-7.8%
Product group carbon footprint*	kg CO_2e/kg product	**8.0**	6.9	7.4	16.0%

* *CO_2 equivalents per kg of produced material*

Supplying the green transition

Elkem is one of the world's leading providers of advanced silicon-based materials shaping a better and more sustainable future. As part of Elkem's climate roadmap, the company aims to develop specialised products and services that can be key enablers in the green transition.

There is a growing awareness and interest among both commercial and political stakeholders for the need to secure key materials to supply the green transition. In Elkem, we see this as a great opportunity for growth, at the same time as we engage actively to reduce the environmental impact from our own production processes through reducing our GHG emissions, local emissions to air, and improvements in our water and waste management.

Silicon metal has been included on the European Commission's list of critical raw materials, and the US Department of Energy has listed silicon and electrical steel (specialty steel with silicon as the main additive element) as critical materials for energy.

This illustrates that 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.

Elkem is supplying these and other materials to a large number of different green applications. Specific examples include:

As a leader in silicone solutions for electric vehicle (EV) battery protection, Elkem understands that safety and reliability are critical parameters when designing an EV battery pack. To protect the battery pack in an EV, design engineers must consider thermal insulation to manage heating of the cells and thermal conductance to dissipate heat. Elkem offers robust and lightweight silicone solutions, flexible in cure chemistry for optimised processing, and mechanical integrity for safety and reliability. We are proud to offer proven battery thermal management solutions in more than 2 million EVs on the road today.

Silicon from Elkem plays a pivotal role in aluminum for vehicle electrification and on-board electronics. Silicon alloys reinforce aluminum, ensuring structural integrity in lightweight vehicle designs. This synergy between silicon and aluminum is driving the transition towards more efficient, eco-friendly, and high-performance vehicles in the era of electrification.

Elkem has since the early 1990s supplied several major manufacturers of electrical steel with high-purity ferrosilicon. Today, electrical steel is seeing an additional surge in use, thanks to the rapid growth in production of both electrical vehicles and wind turbines, as well as high voltage power line infrastructures. These new applications have driven much innovation in the sector, as customers demand ever greater performance from their electrical devices as well as reduced weight.

Photovoltaic panels must be efficient and long lasting, with lifespans of 20 years or more and with the ability to resist extreme weather conditions. To meet these market requirements, solar modules must be assembled with high quality components to ensure proper functioning and protection of vital components. Elkem provides cost-effective products that ensure electrical integrity (adhesives, electrical insulation, fire resistance) as well as electronic performance (sealing, bonding, and potting of parts).

The construction industry is constantly seeking ways to improve the durability and sustainability of concrete structures, including those used in windmill foundations. Since the early 1980s under the MICROSILICA® brand, Elkem has developed a unique range of silica fume products to improve the performance and durability of concrete.

Sustainability and ESG governance

Elkem adeptly manages a multifaceted value chain where every facet, from sourcing raw materials to securing skilled personnel and ensuring timely product delivery, significantly influences the company's ability to achieve its strategic objectives. The company's overarching strategy, characterised by dual-play growth and green leadership, hinges on robust management of Environmental, Social, and Governance (ESG) topics.

In today's landscape, there's a growing expectation for companies to conscientiously oversee their value chains, addressing environmental, social, and governance considerations. The global community increasingly looks to businesses to handle their operations responsibly, mitigating sustainability-related impacts across the entire value chain. This involves a comprehensive focus on environmental conservation, social responsibility, and ethical governance.

Specifically, there is a pressing global need for businesses to actively reduce their carbon footprints to promote the transition toward a greener and more just society, governed by ethical principles. Elkem recognises this imperative and aligns its approach with the production of recyclable, durable materials that are manufactured with minimal greenhouse gas (GHG) emissions.

Elkem insists on a responsible and ethical production of materials, using precautionary approaches to safeguard both people and the environment. The realisation of these objectives requires the development and adoption of innovative and efficient solutions. As society continues to advocate for low-carbon technologies and products, including solar panels, batteries, and electric vehicles, Elkem finds itself at the forefront, experiencing an uptick in demand for various product segments within silicones, silicon, and ferroalloys. This surge in demand not only underscores Elkem's strategic positioning but also emphasises its role in contributing to a sustainable and environmentally conscious future.

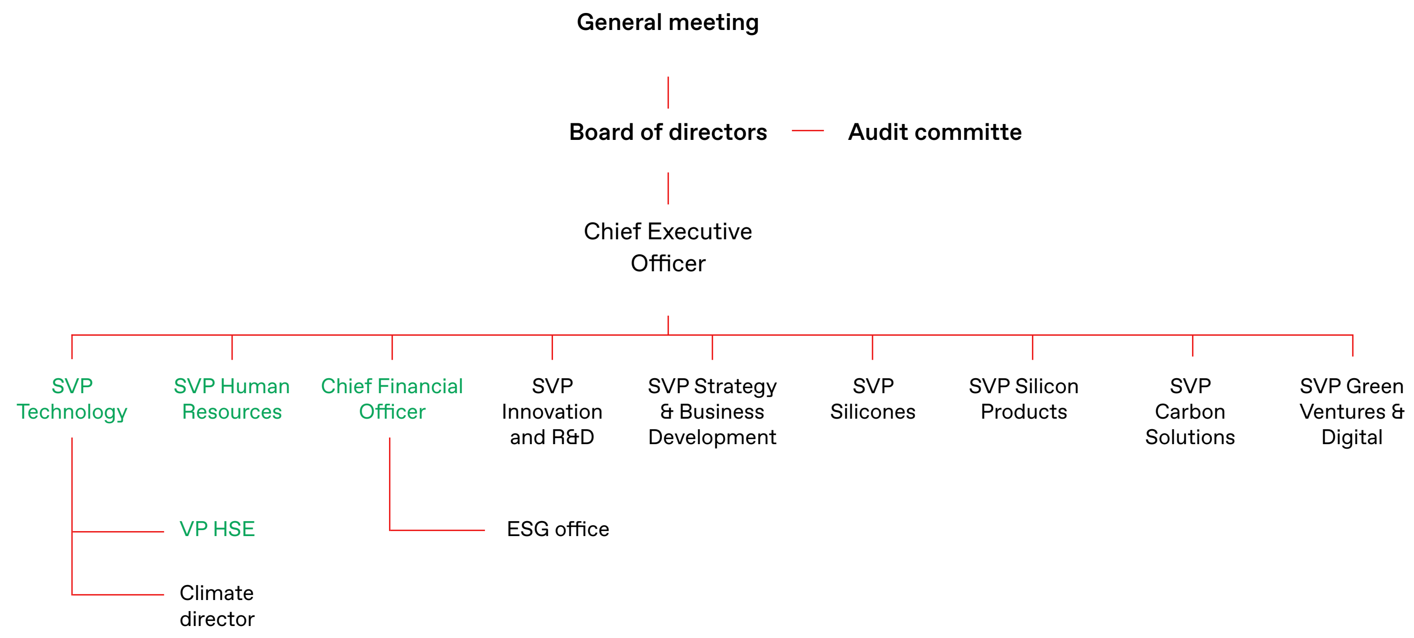
The Board's commitment to ESG and sustainability

ESG and sustainability are integral components of Elkem's overarching business strategy, overseen collectively by the board. ESG-related risks and opportunities are regularly featured on board meeting agendas, reflecting our commitment to responsible corporate practices. Annually, the board evaluates the group's ESG strategy as part of the strategic review process. Comprehensive information on the company's ESG performance and projects are consistently presented to the board during regular reporting sessions and meetings.

The audit committee handles preparatory work for sustainability and non-financial reporting. The audit committee plays a crucial role in preparing the board for subsequent follow-up, review, and the internal control of Elkem's sustainability and other non-financial reporting. It actively oversees sustainability-related risk management and monitors the company's performance in sustainability ratings. The committee's efforts ensure the board maintains effective procedures and internal controls over sustainability and non-financial reporting, reinforcing Elkem's commitment to transparency and accountability.

The board is required to conduct an annual assessment of its performance, competence, and expertise. This assessment encompasses a thorough evaluation of the composition of the board and the effectiveness of its individual members and group dynamics. Additionally, the board evaluates its overall performance, evaluating aspects such as agenda management, meeting topics, and preparation processes. The assessment extends to appraising the board's competence in alignment with both existing and newly established objectives and requirements for its operations.

ESG and sustainability governance structure



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

Management and operational oversight

The CEO has the operational responsibility for ESG and sustainability in Elkem, and acts according to the board's direction and oversight. The CFO is in charge of the daily operations related to ESG and sustainability. The CFO leads the ESG steering committee, a management body comprised of members from corporate management, with a specific focus on ESG responsibilities. The ESG steering committee operates on behalf of the Chief Executive Officer (CEO). Elkem's board of directors approves the business strategy and corporate governance policy, establishing the overarching framework for the group's strategic direction and governance.

The ESG steering committee meets monthly to review, discuss and propose actions according to the strategy. The committee will assess and propose changes to the strategy to the board, and monitor development of key indicators. The implementation of the strategy is the responsibility of the business units and divisions.The ESG steering committee consists of key members of Elkem's top management, and topical experts are invited to discuss and decide on key ESG topics.

The main coordinator of ESG in the organisation is the ESG office. The ESG office reports to the ESG steering committee and collaborates closely with business units and divisions, to review and advise on relevant sustainability and ESG issues – to set targets and improve systematically.

As part of the Elkem Business System (EBS), it is our belief that what gets measured gets managed. An essential part of this work is to advise and improve key performance indicators that are monitored by corporate management.

Governing documents

Elkem's governing documents establish the guiding principles for the group's business conduct. Central to these documents are the Code of Conduct and the Governance Policy. The Code of Conduct describes Elkem's expectations for responsible behaviour, setting ethical standards in crucial areas and guiding how Elkem representatives should act on behalf of the company. This Code is reinforced by various group policies, procedures, and supporting documents, all approved by the Compliance Committee.

Group policies provide direction for common objectives, commitments, and behaviours, defining principles and commitments for Elkem's governing processes while allocating roles and responsibilities within the group's functions. These governing documents impose mandatory requirements on all Elkem group companies and operational units, irrespective of division and geography. To ensure consistency in responsible business conduct across all activities and relationships, company governing documents must align with the Code of Conduct.

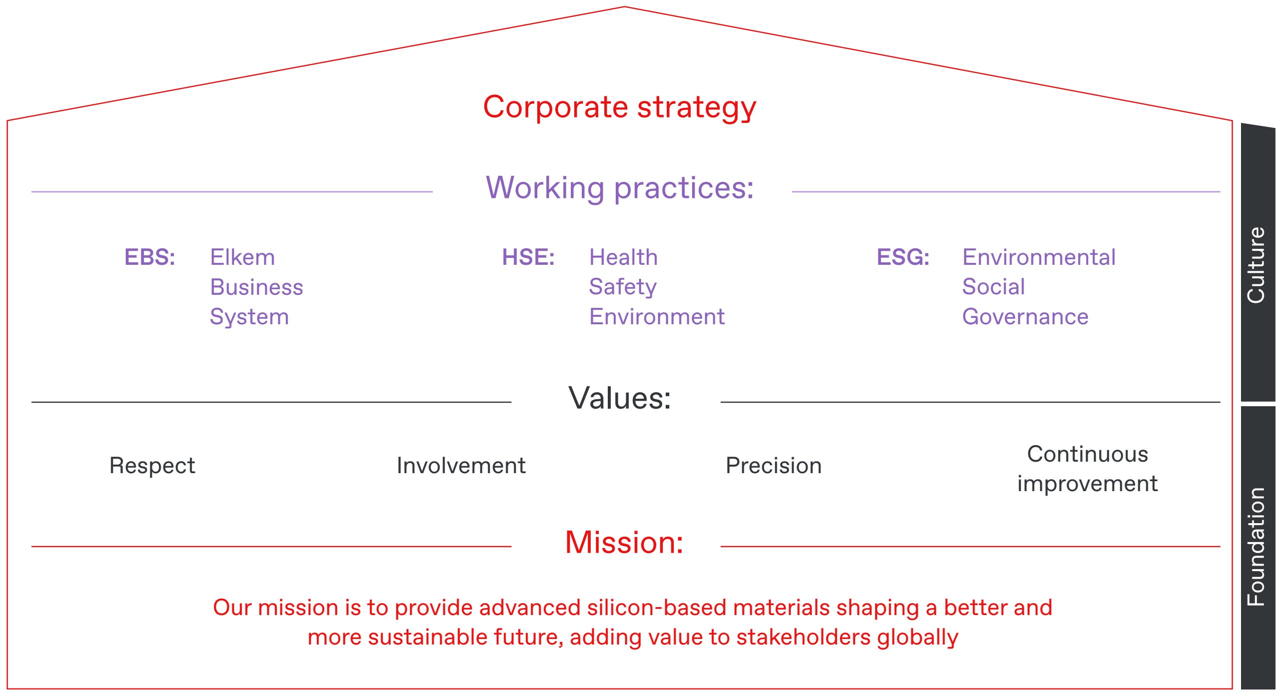


Figure: The Elkem house

Elkem has reviewed and updated its governing documents over the last years, and the documents are available on the Elkem website. In 2023, a Sustainability and ESG policy was developed to further underpin Elkem's commitment to material sustainability topics. All governing documents are available to employees on the intranet, and each policy owner formulates an implementation plan tailored to specific target groups based on roles and responsibilities.

The company adheres to the principles outlined in "The Norwegian Code of Practice for Corporate Governance" issued by the Norwegian Corporate Governance Board ("NUES" or the "Code"). This Code aims to ensure that companies listed on regulated markets in Norway adhere to comprehensive corporate governance practices that go beyond legal requirements. For further details on Elkem's corporate governance, refer to the board of directors' report on corporate governance in the annual report.

Remuneration framework

The CEO and corporate management receives performance-based compensation tied to predefined metrics aligned with their respective areas of responsibility. The performance-related short-term incentives (STI) are capped at 100% of the CEO's base salary and 50% for corporate management.

Elkem has a "clawback" provision, allowing for a fully or partially reclaim of awarded short-term incentive (STI) remuneration under specific circumstances, such as instances where incentive remuneration was based on subsequently proven incorrect information.

For the CEO in 2023, key metrics include:

- → Health, safety, and environmental performance, aiming for zero major incidents with high severity consequences.
- → Prevention of substantiated misconduct cases with the potential for financial or reputational harm to the company.
- → Global implementation of a new HSE system to ensure achievement of HSE and sustainability targets.

Corporate management's bonus for 2023 aligns with CEO metrics, emphasising compliance and sustainability. Additional criteria involve employees completing compliance training to foster a robust compliance culture, mitigating the risk of substantiated misconduct cases. For a detailed overview of remuneration management, refer to the board of directors' report on salary and other remuneration for leading personnel in 2023.

The Elkem House

The Elkem House serves as a visual representation of the fundamental components of Elkem's business model. At its core, our mission and values form the foundation for our working practices and defines our organisational culture. These elements - mission, values, and working practices - strengthen our corporate strategy.

Risk management and materiality assessment

Risk management process

The board of directors holds the ultimate responsibility to ensure Elkem's risk management systems fits with the scale and nature of the group's activities, encompassing the entire value chain impact. Recognising risk management as integral to Elkem's corporate governance structure, both the board and management consider it crucial for fostering trust,value creation, and addressing ESG and climate-related concerns.

Assessing ESG and climate-related risks and opportunities is a central part of Elkem's risk management processes. These factors significantly influence the company's strategy, financial conditions, and every facet of its value chain, from raw materials to finished products.

Elkem conducts annual risk mapping through interviews with divisions and corporate staff to thoroughly comprehend the group's risk profile. Each risk undergoes a detailed evaluation based on internal and external conditions, considering likelihood, estimated financial impact, time horizon, and potential mitigating activities. Financial impact assessments are rooted in understanding how a risk factor may affect Elkem's EBIT, cash flow, and equity position. Furthermore, the frequency or likelihood of each risk is assessed, categorising risks as low (frequency over 5 years or probability below 20%), medium (between 1-5 years or a probability of 20-60%), or high (more than 1 per year or a probability exceeding 60%). This meticulous approach ensures a nuanced and effective risk management strategy.

Climate risk

Elkem's approach to climate-related risks is centrally governed by the board, with integration into the overall business strategy. The board annually reviews the climate strategy, and climate related risks and opportunities, as part of the regular strategy process. The audit committee is responsible for preparatory work and supervision. The audit committee oversees sustainability reporting, internal control, and sustainability-related risk

management, ensuring compliance with regulations and achieving emission reduction targets. Within corporate management, the CEO owns the Environmental, Social, and Governance (ESG) policy, the CFO sets the financial framework, and SVP Technology manages the different climate-related support functions. The SVP Technology oversees technology solutions for lower GHG emissions, while the VP HSE monitors GHG emissions, and the Climate Director coordinates Elkem's climate strategy.

Elkem assesses climate risks and opportunities across short, medium, and long-term horizons, categorising transition risks and opportunities. The company acknowledges carbon emissions as an inevitable byproduct of silicon production, with carbon pricing mechanisms posing a key transitional risk. Physical climate risks, such as extreme weather and drought, are considered but have limited impact due to location and infrastructure. Although short-term climate risks are currently perceived as having limited financial impact or frequency, Elkem remains vigilant, recognising the potential changes brought about by climate change. The leadership regularly reviews the strategy, integrating climate-risk assessments into companywide risk management processes. The CFO presents comprehensive risk assessments, including climate factors, at board meetings. Elkem annually assesses risks through interviews with divisions and corporate staff to grasp the group's risk profile. Each risk undergoes a thorough evaluation based on internal and external factors, including likelihood, financial impact, time horizon, and potential mitigating activities. Financial impact assessments focus on how a risk may affect Elkem's EBIT, cash flow, and equity position. Risks are categorised as low, medium, or high based on frequency or likelihood (frequency over 5 years or probability below 20%), medium (between 1-5 years or a probability of 20-60%), or high (more than 1 per year or a probability exceeding 60%). This meticulous approach ensures a nuanced and effective risk management strategy.

Elkem's climate roadmap, and transition plan, aligns with the Paris Agreement. The company actively works toward reducing fossil CO_2 emissions, contributing to the green transition, and promoting circular economies. Elkem employs an internal carbon price for assessing emission abatement project profitability, aligning with the prevailing market price of carbon. This comprehensive and integrated approach reflects Elkem's commitment to addressing climate-related challenges and opportunities in its business strategy.

Transitional climate risk

Elkem specialises in manufacturing of advanced silicon-based materials. The energy-intensive production process, utilising carbon materials as reduction agents, releases CO_2 as a byproduct, presenting transitional climate risks. However, given that silicon and silicone are crucial components in the green transition, Elkem also possesses various transitional opportunities to contribute positively to sustainable initiatives.

Transitional risks

Risk type	Probability	Potential financial impact	Time horizon	Description	Mitigation
Regulatory	High	Medium	Short	Elkem produces silicon and ferrosilicon in Norway and Iceland, and silicones in France, all under the EU's emission trading system (ETS). Changes in free allowances or higher prices may raise Elkem's direct costs. In China, Elkem has silicon and silicones production, and the evolving quota system could potentially increase operational costs. The introduction of CBAM will also pose challenges to Elkem as we compete in a global market.	Increase share of biocarbon as reduction agent in silicon production.
Technological	Medium	High	Medium	Elkem faces potential impacts from the EU Taxonomy, requiring technological upgrades for sustainability. Global efforts to reduce fossil GHG emissions could diminish Elkem's product attractiveness, leading to substitutes. Additionally, reliance on coal and char as reduction agents poses a risk due to potential scarcity, affecting access to critical raw materials.	Reinforce efforts to reduce energy consumption, reduce GHG emissions, and continue to develop products that enable GHG emission reductions Increase share of biocarbon as a reduction agent Continue research and development of CCS and CCU

Transitional opportunity

Opportunity type	Probability	Potential financial impact	Time horizon	Description	Mitigation
Products and services	High	High	Short	The increasing demand for electric vehicles (EVs) and battery cells. These require products that Elkem delivers. Silicones are used as a non-flammable insulation for wiring and batteries, and EV require 4 times more silicone compared to internal combustion vehicles. Li-ion batteries have a key component that is the anode that usually consists of graphite.	Elkem is already capitalising on these opportunities as the company is already a qualified supplier of wire and battery insulation and speciality silicones to the EV industry. Elkem has developed technology to produce graphite, main component in anodes, with 90% lower GHG emissions than today's standard graphite. This has led to the establishment of Vianode, a company that Elkem owns 40%.
Products and services	High	High	Medium	Circular economy and increased recycling and reuse. In silicones production there are opportunities to recycle silicones in order to reduce emissions, up to as much as 65%. Byproducts from silicon production also represents an opportunity for Elkem.	Elkem are exploring the possibilities to recycle silicones through projects such as REPOS and RENOV Elkem are looking into opportunities to increase the use of recycled packaging materials and the reuse of wooden pallets used in transport Elkem has developed products such as Microsilica, a by-product from silicon production, that makes concrete less brittle and increase the lifespan of concrete construction Elkem has increased its use of biocarbon as a reduction agent in the silicon production to 24%
Products and services	High	Medium	Short	Increased demand for renewable power, power storage, electrification and improvement of electrical infrastructure	Elkem supplies products that enable these developments to aid in the transition to a more sustainable society, and one of Elkem's goals is green leadership that entails growing our deliveries to these sectors.

Physical climate risk

Since the inaugural TCFD report in 2021, Elkem has focused on enhancing its understanding of physical climate-related risks. Initially a mapping was conducted to identify the main climatic changes in the areas where our sites are located. The assessment was based on available research, map services (e.g. Kartverket) and specifically World Bank Group's Climate Change Knowledge Portal, and the scenarios where a high (RCP 8.5) and a low emission (RCP 4.5) scenario, and in a long- and short-term perspective. Standard data metrics were identified based on availability and quality, priorotising acute risks such as storm surge, heatwaves, extreme weather, and floods, as well as chronic risks such as rising sea levels and drought.

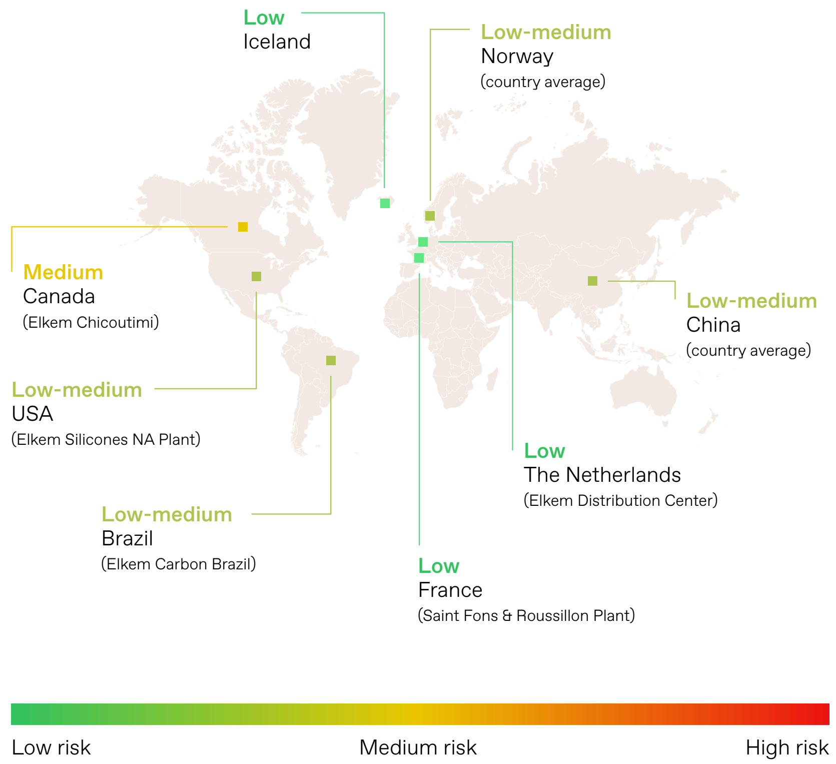
In 2023, Elkem conducted an in-depth analysis of the different sites and the surrounding infrastructure to map the risk exposure for the various sites. This resulted in a more nuanced picture of our physical climate risk, and a downgrading of the risk in Canada, and an increase of the risk for France. The down grading in Canada is due to the location of the site, and the increase in France is related to drought and heatwaves.

The accompanying risk maps illustrate findings for a 2-degree global warming scenario (low) and a 4-degree global warming scenario (high). These scenarios are hypothetical, plausible futures and not Elkem's own forecasts, but they are adjusted according to the assessment of the sites.

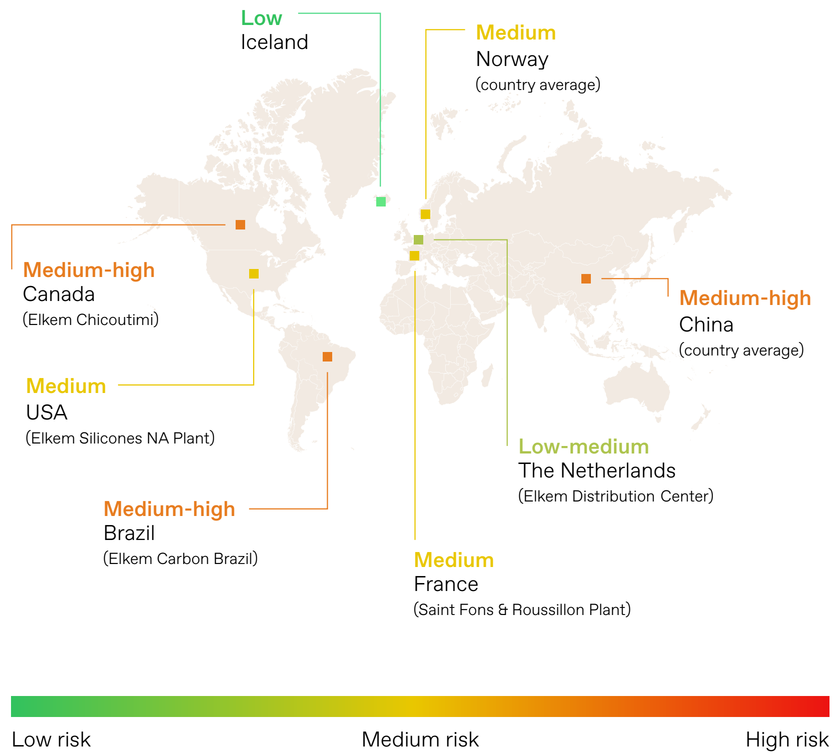
Climate-related metrics and targets

Elkem's ambition is to reduce the company's fossil CO_2 footprint, by increasing the use of renewable carbon sources and developing innovative production processes. Our targets and metrics are an integrated part in the annual ESG report that allows our stakeholders to follow our progression. For climate related metrics, review the section on GHG emissions and the scope 3 report.

Global overview of risks analysed: low emission scenario



Global overview of risks analysed: high emission scenario



Materiality assessment changes
Elkem adheres to the principles, requirements, and guidelines outlined in the GRI 2021 Standards to identify material topics for Elkem's ESG report in 2023. Embracing best practices, Elkem conducted a new impact-based materiality assessment within the framework of the GRI Standards, where impacts serve as the sole parameter for assessing materiality. This approach aims to foster objective and balanced reporting.

The identification of Elkem's most significant impacts commenced with mapping all production locations across the three business divisions: Silicones, Silicon Products, and Carbon Solutions. Recognising that the value chains of the divisions entail distinct potential impacts, Elkem mapped out activities and business relationships for each business area. Stakeholder input, expert guidance, and independent research on sectors and locations further informed this process.

Elkem acknowledges inherent risks associated with its operational activities, given the sector and geographical locations in which it operates. The identification and assessment of potential impacts are based on general risks relevant to Elkem's operations, without factoring in the company's specific approach and actions to mitigate these risks.

The impact assessment identified the following material topics:

- → CO_2 and other GHG emission reductions, including energy management
- → Local emissions to air
- → Biodiversity
- → Water management
- → Waste management and circularity
- → Health and safety on site
- → Human rights, including labour rights
- → Environmental due diligence in the supply chain
- → Social due diligence in the supply chain
- → Responsible economic practices
- → Product governance, including chemical safety
- → Supplying the green transition

These material topics encompass both positive and negative impacts deemed most significant for Elkem's global operations and value chains. The primary focus is on impacts directly connected to Elkem's activities, allowing for direct management. Elkem is currently conducting a double materiality assessment to prepare for the requirements of the Corporate Sustainability Reporting Directive (CSRD), and to get a deeper understanding of the impact of our material topics.

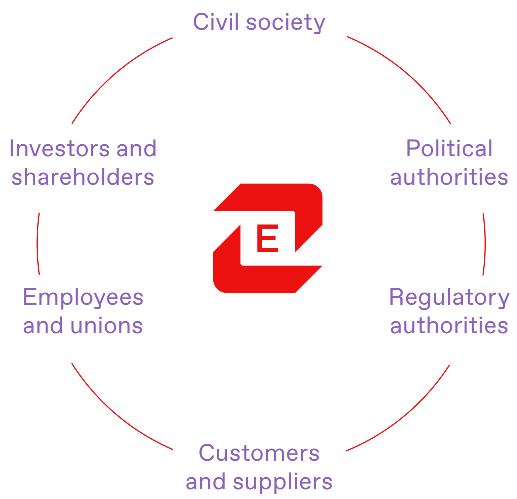
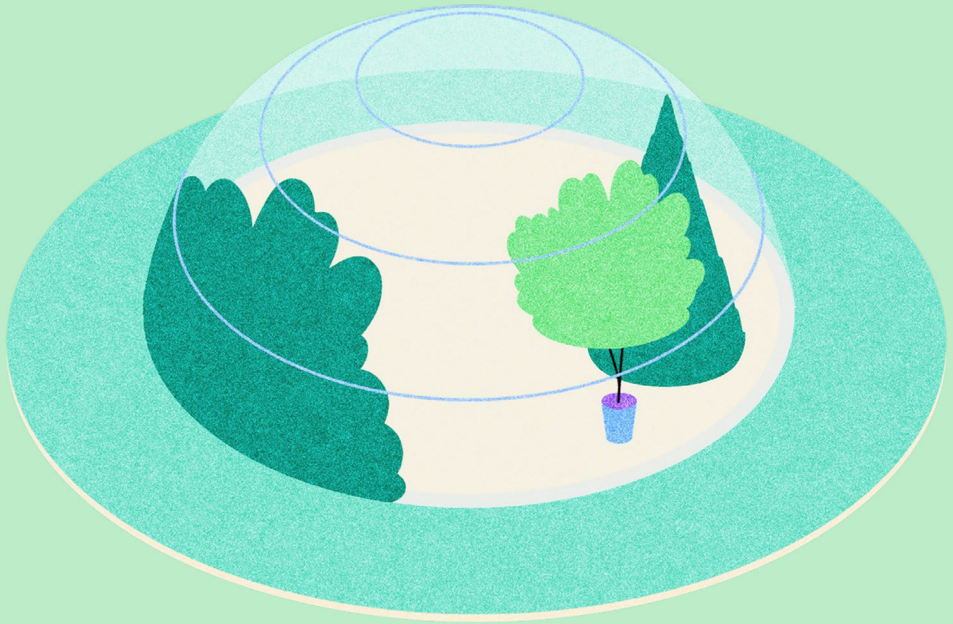


Figure: Key stakeholders

More information on stakeholder issues and ways of dialogue, see this article on our website



Environmental
Social
Governance

E

Introduction

Elkem maintains a fully integrated value chain, spanning from the sourcing of raw materials and the upstream silicon production to the downstream production of silicones. In this comprehensive process, it is vital to effectively manage the environmental footprint. Elkem's overarching objective is to minimise any adverse environmental impacts across the entire value chain.

Converting quartz into silicon involves a high-temperature smelting process that consumes substantial energy resources. While Elkem production is primarily powered by renewable energy, the production process relies on carbon sources such as fossil coal, charcoal, and wood chips as reductants in the chemical conversion, resulting in emissions of CO_2, NO_x (Nitrogen Oxides), SO_2 (Sulphur Oxides), and airborne particulates.

Environmental impact and the preservation of biodiversity are critical concerns for the process industry. Elkem has a long history of addressing impacts on both land and water ecosystems, and are now more engaged in a concerted effort to understand its influence on biodiversity threats.

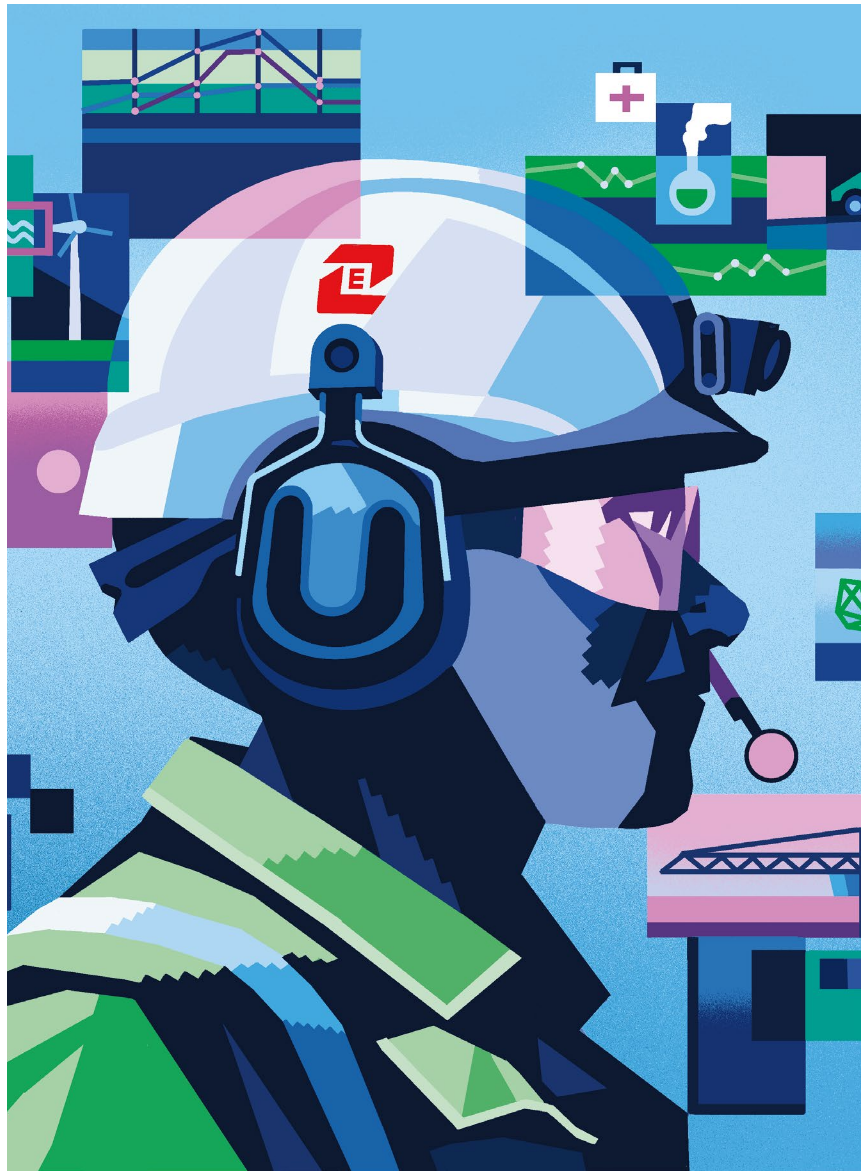
The transformation of silicon into silicones generates significant volumes of wastewater that necessitate treatment to eliminate residues, including substances contributing to chemical oxygen depletion (COD). The importance of effective water management is growing in significance, with challenges varying considerably throughout Elkem's value chain.

Environmental matters are systematically monitored and reported to corporate management on a monthly basis. These matters are overseen through Elkem's comprehensive HSE (Health, Safety, and Environment) management system. All Elkem units must develop and administer HSE management systems following corporate standards.

Elkem identify and document all environmental impacts, substantiated by precise measurements or calculations comparing our performance against governmental permits and internal improvement objectives. Elkem's approach emphasises the inherent value of waste streams, whether through reduction, recycling, or reuse, and we remain steadfast in our commitment to waste reduction across our operations.

At present, Elkem stands as a frontrunner in understanding the intricacies of producing carbon products, silicon, and silicones. This has enabled us to maintain a high yield, develop new revenue streams from waste and by-products, and our commitment to research and development will hopefully improve our circular opportunities further. Our continuous dedication to research and innovation improves the safety and efficiency of our production processes, reinforcing our position as a leader in the industry.

The environmental topics material to Elkem are:
→ CO_2 and other GHG emission reductions, incl. energy management
→ Local emissions to air
→ Biodiversity
→ Water management
→ Waste management and circularity



Key KPI

	Metric	2023	2022	2021	Development 2022 to 2023	
Total CO_2 emissions: Scope 1 + scope 2 + scope 3	Mill tonnes	**9.85**	10.74	11.60	-8.3%	
Biocarbon share	%	**20%**	20%	22%	No change	
Product group carbon footprint	kg CO_2e/kg product	**8.0**	6.9	7.4	16.0%	
Energy consumption from renewables	%	**82%**	81%	84%	1.2%	
Waste re-used, recycled, or diverted from landfill	%	**65%**	70%	70%	-6.9%	
Water consumption	Megaliters	**9 713**	27 439	25 709	Not comparable	Improved measurement has increased the precision and the consumption is lower than previously calculated.

CO_2 and other GHG emission reductions

Elkem is committed to taking a leading industry position in reducing fossil CO_2 emissions by increasing renewable carbon sources and developing innovative production processes.

Key takeaways

- Elkem reduced its total GHG emissions by 8.3% in 2023
- Elkem employs 25% biocarbon in production to reduce fossil CO_2 emissions, and this represents 20% of total scope 1 emissions
- Elkem's main strategy involves replacing fossil coal with biocarbon in smelting operations, with a target to reach a 50% biocarbon share at the smelters by 2031

Targets

- Reduce absolute emissions in scope 1+2 by (baseline year 2021)
- Reduce the product group carbon footprint by 39% by 2031 (baseline year 2021)

Key risks

- Carbon pricing and regulatory disharmony between countries and regions
- Market demand for less carbon intensive products
- Restrictions on the use of biobased sources
- Reputational risk with stakeholders if emissions are not reduced
- Physical risk, in particular the risks related to drought and heatwaves, as well as risks related to extreme weather variability in the form of acute precipitation increases

Key opportunities

- Elkem offers silicon with a significantly lower CO_2-footprint than the industry average
- Resource efficiency
- New market access and growing demand for more sustainable products

Key KPIs

Scope 1	Scope 2	Scope 3	Development of emissions
2.21 mill tonnes	0.83 mill tonnes	6.81 mill tonnes	-8.3%

Policies

- The climate change commitment has its foundation in the climate roadmap and the HSE policy.

Elkem's corporate policies ↗

KPIs

Product group	Weight	Metric	2023	2022	2021	Development 2022 to 2023
Avg. silicones PGCF	50%	kg CO_2e/kg product	10.9	8.8	10.0	24.9%
Avg, silicon alloys PGCF	50%	kg CO_2e/kg product	5.0	5.0	4.9	0.2%
Elkem average PGCF	100%	kg CO_2e/kg product	8.0	6.9	7.4	16.0%

	Metric	2023	2022	2021	Development 2022 to 2023
Scope 1 – direct emissions	Mill tonnes	2.21	2.42	2.34	-8.7%
Scope 2 – Indirect emissions, electricity use, location based	Mill tonnes	0.83	0.94	0.90	-11.7%
Scope 2 – Indirect emissions, electricity use, market based	Mill tonnes	2.89	2.64	2.77	9.5%
Scope 3 – indirect emissions, total	Mill tonnes	6.81	7.38	8.35	-7.8%
Upstream	Mill tonnes	4.00	4.06	4.92	-1.3%
Downstream	Mill tonnes	2.81	3.33	3.43	-15.7%
Biocarbon share	%	20%	20%	22%	No change

All numbers in the above table are CO_2 equivalents.
The colour indicates a positive or negative development year on year.

Elkem incorporates carbon sources like coal, coke, and biocarbon as reduction materials in silicon and ferrosilicon production, resulting in CO_2 emissions. Smelters contribute to approximately 70% of Elkem's total scope 1 emissions. In 2023, Elkem employed 25% biocarbon in production to reduce fossil CO_2 emissions, but these biogenic emissions make up only 20% of total scope 1. As part of the climate roadmap, the company aims to reduce emission further by increasing biocarbon use, sourcing materials with lower carbon footprints, and transitioning to a more renewable power mix. Elkem is formulating a comprehensive plan that encompasses plant upgrades, biocarbon substitution, carbon capture and storage, and strategic sourcing to realise these objectives.

Elkem reports scope 1, 2, and 3 emissions in accordance with the GHG Protocol guidelines. Our reporting follows operational control boundaries, where emissions from any asset Elkem controls are included in our direct emissions, while emissions from assets that we do not control are accounted as indirect emissions. All CO_2 emission figures are expressed as CO_2 equivalents unless specified otherwise.

Scope 1

Approximately 95% of Elkem's scope 1 emissions stems from production processes, and 5% from fuel and methane. Primary CO_2 emissions arise from smelting processes, where carbon reacts with oxygen in quartz to produce silicon/ferrosilicon. Emissions are calculated based on third-party certificates of carbon content in raw materials, with CO_2 emissions from other sources determined using standard conversion factors aligned with EU Emissions Trading Systems (EU ETS) Guidelines. In 2023, total scope 1 emissions reached 2,21 million tonnes, representing a reduction of 8.7% from 2022.

CO_2 and other GHG emission reductions

The reduction in Elkem's GHG emissions is mainly due to a decrease in production, but also due to an increased biocarbon share in key production locations. Minor changes in scope 1 are likely to occur during alignment with EU ETS audit.

Scope 2

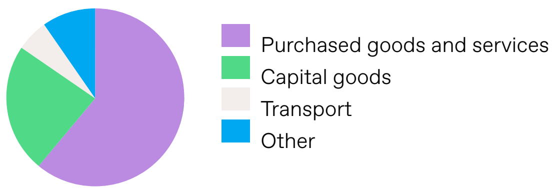
Elkem's power-intensive industrial processes rely heavily on electricity. Scope 2 emissions are defined as indirect GHG emissions linked to the consumption of electricity, steam, heat, and cooling. Elkem utilises electricity emission factors from the International Energy Agency for 2020, adapting to regional differences in China's power system. In 2023, Elkem's scope 2 In 2023, Elkem's scope 2 emissions was reduced to 832,654 tonnes. This represents a reduction of 11,7% compared to 2022 (941,656 tonnes), primarily due to reduced production in China. In China, Elkem has 90% of its scope 2 emissions due to more CO_2 emissions in the Chinese power mix.

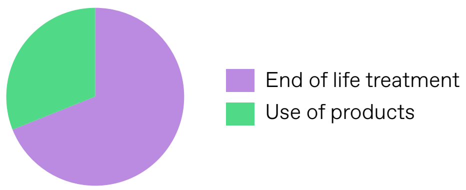
Scope 3

Scope 3 refers to the indirect GHG emissions originating in value chain activities beyond our operational control. Elkem has disclosed its scope 3 emissions since 2021. In 2023, scope 3 emissions totalled 6.81 million tonnes, reflecting a 7.8% reduction from 2022.

Elkem's scope 3 reporting covers all relevant categories to ensure that we capture the largest and most material sources of indirect GHG emissions in our value chain. The two largest categories are "category 1 – purchased goods and services" and "category 12 – end of life treatment of sold products". Elkem's scope 3 calculations are detailed in our scope 3 emissions methodology report. ↗

The breakdown across scope 3 categories:





Biocarbon

Carbon sources plays a crucial role in silicon and ferrosilicon production. To cut CO_2 emissions, Elkem prioritises replacing fossil carbon sources with biocarbon in its smelting operations. The strategy aims to reach a 50% biocarbon share at the smelters by 2031.

In 2023, the biocarbon share of Elkem's CO_2 emissions reached 20%, and thus it remains at the same level as in 2022. In production the biocarbon share of reduction agents was 25%, with Elkem Bremanger and Elkem Iceland achieving 31%. Elkem Paraguay consistently operates at over 95% biocarbon share.

Biocarbon undersupply poses a significant challenge, prompting Elkem to actively seek sustainable and financially viable sources. Each plant has devised a roadmap to attain the 2031 goal and will report progress accordingly. To secure an ample supply, Elkem is pioneering new biocarbon production technologies in Canada, leveraging residues from sawmills rather than virgin timber.

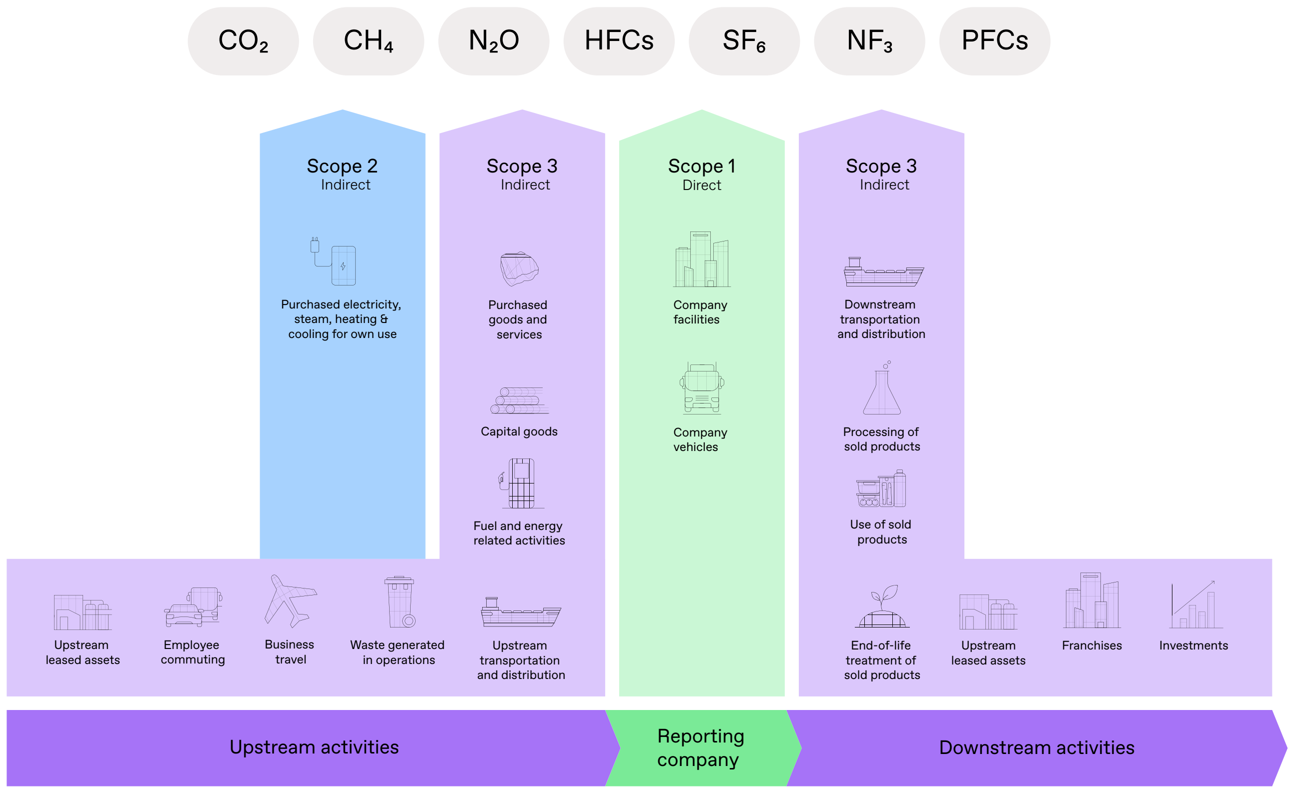
Elkem sources biocarbon from sustainable sources and from by-products from the lumber industry. We only source deforestation- and conversion free biocarbon (DCF). Elkem relies on certification schemes, such as FSC[1], SFI[2], SVLK[3] and PEFC[4], to ensure that the biocarbon is sustainably manufactured and sourced. Elkem reports to the Carbon Disclosure Projects's (CDP) questionnaire on forests, and in 2023 Elkem was awarded the highest rating: A.

Life Cycle Assessments (LCAs) and Product Carbon Footprints (PCFs)

Conducting Life Cycle Assessments (LCAs) is crucial for Elkem. These assessments quantifies the environmental impact of our products, and play a pivotal role in our commitment to reduce our environmental footprint. LCA's also offer product transparency and valuable insights to empower our customers in their transition toward a more sustainable future.

In 2023, Elkem Silicon Products conducted LCAs for three silicon/ferrosilicon plants with third-party support. Elkem Silicones conducted Product Carbon Footprints (PCFs) of siloxanes/ PDMS for our two upstream plants (France and China) with the support of a third party. The product carbon footprint measures the total greenhouse gas emissions generated by a product and is reported in CO_2e per kg.

[1] Forest Stewardship Council
[2] Sustainable Forestry Initiative
[3] Sistem Verifikasi Legalitas Kayu (The Indonesian Timber Legality Assurance System)
[4] Programme for the Endorsement of Forest Certification



The assessments of carbon footprints and environmental impacts of our products have been conducted with boundaries from the manufacturing process of raw materials to when our products are ready to leave our plants' gates (cradle-to-gate basis).

The Silicones division has successfully developed and employed a model to automatically calculate the carbon footprint of its products. The model has been assessed by a third party and complies with the GHG protocol and Together for Sustainability (TfS) Product Carbon Footprint for the Chemical Industry guidelines. Elkem will continue to develop our work on the carbon footprints and LCAs of our products in 2024.

Product Group Carbon Footprint (PGCF)

Elkem aims to cut absolute CO_2 emissions by 28% by 2031 (scope 1+2), despite projections of increased growth in volumes owing to its strong product alignment with the green transition. Subsequently, the company has established a goal to reduce its Product Group Carbon Footprint (PGCF) by 39%. This refers to the carbon intensity of its main products. While absolute CO_2 reduction is crucial, the relative decrease in PGCF is vital to evaluate the group's overall performance. The PGCF distinguishes itself from PCF as it encompasses several similar products as explained below.

Elkem has identified two product categories within the PGCF reduction target. These main product categories are characteristic of Elkem's primary product segments, which contributed to 93% of the total operating income in 2021 (the baseline year). The average PGCF scope therefore covers i) upstream production of silicones (silox), and, ii) tapped silicon and ferrosilicon metal, measured in CO_2e (scope 1+2+3 to gate) per kilogram of product produced.

The increase in Elkem's average PGCF in 2023 is explained by a change of raw material sourcing in China due to challenging market conditions.

Considering the relatively similar volumes and operating incomes of the Silicones and Silicon Products divisions, the average PGCF is computed as the arithmetic mean of the two product categories. This strategic focus underscores Elkem's dedication to sustainable practices and aligns with our broader environmental objectives throughout the value chain.

For example, Elkem's silicon production in Europe stands out for its low CO_2 footprint compared to silicon from other producers, due to: Utilisation of hydro-power, incorporation of biocarbon reductants, and strong operational performance, characterised by high yields, and minimal waste.

Energy management

Elkem is committed to ensure energy efficiency and sustainable energy sourcing to secure a reliable supply, while simultaneously diminishing Elkem's global greenhouse gas footprint.

Key takeaways

- Elkem annually consumes approximately 6.5 TWh of electricity, in 2023 82% was from renewable sources
- Energy recovery 1 TWh which represents 14% of total consumption

Targets

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

Key risks

- × Changing regulatory framework, permits and requirements
- × Volatility of energy prices

Key opportunities

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

Key KPIs

Total consumption	Total share renewable	Energy recovered
7 272 GWH	82%	14%

Policies

- Elkem uses an Energy management system at all energy intensive sites.
- HSE policy

Elkem's corporate policies ↗

KPIs

	Metric	2023	2022	2021	Development 2022 to 2023
Energy consumption – electricity	GWh	**5 873**	6 542	6 536	-10.2%
Consumption of purchased or acquired electricity, renewable	GWh	**4 807**	5 397	5 488	-10.9%
Consumption of purchased or acquired electricity, non-renewable	GWh	**1 066**	1 144	1 047	-6.8%
Renewable share of electricity consumption	%	**82%**	81%	84%	1.2%
Energy recovery	GWh	**995**	892	909	11.5%
Energy recovery of total consumption	%	**14%**	11%	13%	27.3%
Consumption of fuel (excluding feedstock) non-renewable	GWh	**1 211**	1 438	44	-15.8%
Consumption of fuel (excluding feedstock) renewable	MWh	**0.2**	0	0	
Consumption of purchased or acquired heat	MWh	**0**	0	0	
Consumption of purchased or required steam, renewable	MWh	**0**	0	0	
Consumption of purchased or required steam, non-renewable	MWh	**187**	53	59	252.8%
Total energy consumption	GWh	**7 272**	8 033	7 023	-9.5%

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

Energy management

In 2023, the energy market in Europe saw a relative stabilisation after the shock effects from the Russian invasion of Ukraine the year prior. Europe succeeded in re-stocking its gas storage facilities, which helped calm both the gas- but also the power markets across Europe. The continent also experienced an unusually mild winter, which reduced gas and power demand. Power prices declined throughout the year, with spot prices hitting exceptionally low or even negative values at times during summer. This is expected to be a more frequent occurrence in the future due to increasing amounts of solar and wind power and less dispatchable coal generation.

Parts of Elkem's value chain involve high-energy processes, particularly in the production of silicon, ferrosilicon, and foundry alloys using high-temperature electric arc furnaces. Elkem annually consumes 6.5 TWh (5.9 TWh in 2023), and in 2023, about 82% of this electricity was sourced from renewables. Given this already substantial percentage, Elkem has not set specific quantitative targets for further increasing renewable energy usage. However, the company anticipates a significant rise in the availability of renewable energy in China in the coming years, enabling a shift toward more renewable solutions in Elkem's Chinese power base.

Elkem focuses on three main energy targets:

a. Improving the energy efficiency of existing facilities and equipment
b. Reducing the energy intensity of main products
c. Increasing energy recovery from processes that generate surplus heat

Elkem, a forerunner in waste heat utilisation, installed its first energy recovery system on a silicon smelting furnace in the 1970s. Recovered heat finds versatile applications, serving as hot water for district heating, steam for various production processes, and new electricity generation.

Elkem's dedication to improving its energy footprint aligns with the broader commitment to minimising the environmental impact outlined in the Elkem General Policy. The Health, Safety, and Environment (HSE) management system mandates energy management, reporting on consumption, recycling, and deviations.

At the corporate level, an environmental manager and a senior corporate energy specialist coordinate improvement efforts. Elkem's energy management initiatives, includes ISO14001 and ISO 50001 certification at applicable sites. In 2023, Elkem continued our efforts to certify our energy management systems, and currently the Elkem sites at Salten (NO), Bjølvefossen (NO), Rana (NO), Thamshavn (NO), Iceland, Límpio (PA), and Chicoutimi (CA) are in progress to become ISO50001 certified. Elkem Xinghuo, Yongdeng, Shanghai, Ningxia, Bremanger, and Roussillon are certified according to ISO50001. All environmental deviations and indicators, including those related to energy, are systematically registered and monitored through the company's reporting and deviation management system, Synergi.

Energy consumption

In 2023, Elkem's gross electricity consumption was 5 873 GWh, representing a reduction of 9,5% from 2022 levels. The reduction was in line with the target for year on year energy consumption reduction . The reduction is primarily due to reductions in production, but also a result of increased energy efficiency in the smelting process and improved production yield.

In 2023 Elkem consumed around 5.9 TWh of electricity, and 82% of this came from renewable power sources. All Elkem smelting furnaces, except one in China, operating in countries with a fully renewable electrical energy mix. In addition to electrical energy, Elkem utilises approximately 1.4 TWh of other energy types, mainly for internal vehicle operations and facility/process heating and cooling. These energy types are predominantly fossil-based.

Elkem's targets concentrate on maximising energy efficiency, thereby reducing the energy intensity of products.

Energy recovery

As part of Elkem's climate programme, Elkem pursues an annual increase in energy recovery. Major production sites generate surplus heat with temperatures suitable for recovery. This recovered heat is harnessed to produce new electricity for the grid, as well as steam or hot water for internal or external use, including district heating. Globally, Elkem recovered 995 GWh GWh of heat and electricity in 2023, equivalent to the annual consumption of about 66,000 Norwegian households. This represents 14% of total energy consumption, an increase from 11% in 2022, due to lower production at sites without energy recovery.

Energy efficiency

Elkem mandates updated energy inventories at its sites as part of energy management efforts. These inventories outline specific consumption and potential efficiency improvements to reduce consumption and costs.

One notable example involves replacing old, inefficient electrical motors with new, efficient ones featuring variable frequency drives. Other significant projects include transitioning from inefficient coal boilers to cogeneration technology at Elkem Xinghuo, reducing coal consumption, and expanding siloxane capacity at lower energy intensity. We have carried out four energy audits at four of our Norwegian sites, Salten, Bjølvefossen, Rana and Thamshavn. The audits are done to map possible energy savings by assessing core processes (such as smelter furnaces, distillation columns and calciners) and possible auxillary energy savings (such as lighting, compressed air, etc.). These audits are key for continous improvement and increased energy efficiency.

Conversion factors	China	EU – ETS countries incl. Norway and Iceland	Rest of the World
Electricity – market based	Regional factors from CRU	Residual mixes from Association of Issuing Bodies (AIB)	IEA Country factors
Electricity – location based	Regional factors from CRU	IEA Country factors	
Purchased steam	Local factors given by the plants, where available. Otherwise DEFRA factor.		

Biodiversity

Elkem has an integrated value chain which is composed of several processes that can have an impact on biodiversity. In 2023, Elkem conducted a biodiversity risk assessment to estimate the risk for all our sites. Mining, high-temperature calcining, high temperature smelting processes, and chemical production have been identified to have potential impact on flora and fauna.

Key takeaways

- → Biodiversity risk assessment completed for all Elkem sites, and the results have been communicated to the organisation
- → Competence building on biodiversity is ongoing
- → Elkem deposits to a restoration fund annually, and the funds are used for restoration of nature when we close down mining operations
- → Elkem has worked to reduce local emissions to air and water for years, and have succeeded with significant reductions over the years.
- → Dust emissions have been reduced by 48,6% from 2015 when a target was set to reduce dust emissions by 30% by 2025. SO_2 and NO_x emissions are also down.

Targets

- → No net loss of biodiversity in new projects
- → Elkem has set targets for reduction of dust, SO_2 and NO_x emissions, but are working to raise the ambition level further. More on this in the chapter on local emissions to air
- → Rehabilitation of mined areas. Elkem deposits money each year to a fund, and these are used to restore the mined areas after the operations have shut down.

Key risks

- × Fire and incident risks
- × Local emissions of SO_2, NO_x, and dust to surrounding areas
- × Hazardous substances used in production processes

Key opportunities

- → Improved planning of new sites and projects resulting in reduced ecological impact
- → Optimising the use of raw materials and improved efficiency can reduce waste and demand on natural resources
- → New technology can reduce local emissions to surrounding areas
- → Engaging with local communities, authorities, NGOs and other stakeholders to address biodiversity concerns and develop joint conservation strategies
- → More sustainable sourcing of raw materials

Policies

→ HSE policy

Elkem's corporate policies ↗

Elkem defines biodiversity as the variation among living organisms across terrestrial, marine, and aquatic ecosystems, as well as the intricate ecological networks they constitute. This encompasses diversity within species, between species, and across ecosystems, aligning with the guidelines set forth by the newly established Taskforce on Nature-related Financial Disclosures (TNFD) and the upcoming Corporate Sustainability Reporting Directive (CSRD). Biodiversity is integrated into Elkem's environmental management system and is closely interwoven with other sustainability metrics overseen by the Vice President of Health, Safety, and Environment (VP HSE). For more on governance review chapter on ESG governance. ↗

Maintaining a conscientious stance toward environmental stewardship, Elkem recognises the imperative of curbing its operational impact, emphasising a commitment to biodiversity conservation and the promotion of sustainable management practices.

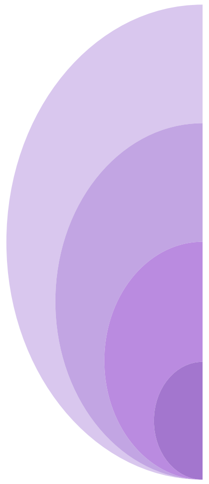
Elkem acknowledges the significance environmental considerations, with a focus on elements such as water quality, water usage, soil conditions, habitats, vegetation, and the structural integrity of landscapes and decommissioned structures. This holistic approach underscores Elkem's proactive stance in addressing environmental impacts across various facets of its operations.

Biodiversity risk assessment

In 2023 Elkem conducted a biodiversity risk assessment where we assessed the risk of all our production sites. We used the Integrated Biodiversity Risk Assessment Tool (IBAT) to identify risks related to threatened species, protected areas and key biodiversity areas up to 50 km from our facilities, with a granularity of 1 km. Enabling us to get a detailed and science-based understanding of what nature values we are exposed to. To identify our priority sites, we conducted interviews with topical experts and site managers to determine the risk factors specific for each site to account for differences in operations, infrastructure, location, topographical attributes, and weather patterns.

By combining these two assessments, Elkem arrived at a holistic understanding of the biodiversity risks inherent to each production site. This approach not only considered the broader ecological context but also factored in on-the-ground, real-world risks specific to each facility, enabling us the better plan our mitigation efforts.

In 2023, we expanded the scope of reporting in relation to where we have operations in protected areas and key biodiversity areas. Summary of our presence in relation to this is presented below.



	Assets
In the vicinity (5-15 km)	
→ Of Protected Areas	6
→ Of Key Biodiversity Areas	5
Close (1-5 km)	
→ Of Protected Areas	14
→ Of Key Biodiversity Areas	7
Adjacent (<1 km)	
→ Of Protected Areas	4
→ Of Key Biodiversity Areas	2
Inside	
→ Of Protected Areas	3
→ Of Key Biodiversity Areas	0

Figure 1: If several protected areas (PA) or Key Biodiversity Areas (KBA) are present within a proximity category around a given asset or operation, they are counted as one. If a given PA or KBA are within proximity categories for several assets or operations, it is counted in for each of these assets or operations.

Biodiversity

Mining
Mining, with its inherent biodiversity risks tied to water and terrestrial ecosystem use, also poses threats related to GHG emissions, air and water pollutants, soil contaminants, and solid waste. Elkem, however, exclusively mines quartz, which exerts less stress on ecosystems compared to other mining practices. Given the abundance of quartz, Elkem sources raw materials from non-protected areas, aligning its activities closely with national mining authorities. Environmental risk and impact assessments, involving consultations with biodiversity experts and local stakeholders, are integral steps in Elkem's mining permit applications.

Throughout mining projects, Elkem actively monitors emissions to water and air, as well as their impact on soil, vegetation, and the landscape. National mining authorities audit all activities, and Elkem prioritises the utilisation of mineral side streams to minimise the mining process's impact. As a proactive measure, Elkem allocates annual provisions for mine restoration post-activity, demonstrating a commitment to responsible environmental practices. As a member of IMA-Europe (Industrial Minerals Association) and the Towards Sustainable Mining Initiative, Elkem collaborates with other mining companies to foster more sustainable mining practices.

We prioritize sustainable mining with a strong focus on habitat restoration. In Spain, we lease land for quartz mining, then restore it meticulously, achieving a 93% restoration rate at our Frades, Salamanca, and Castillo sites in 2023. Similarly, in Norway, we ensure our operations leave the land in better condition, reflecting our dedication to environmental responsibility and positive community impact.

Smelting and Calcinating
Through smelting and calcination processes Elkem has an impact on biodiversity through its emission of SO_2, NO_x and dust, but also noise and heat pollution from our smelting plants. The negative impact has a limited radius, and mitigating measures has been implemented.

Chemicals
Elkem produces silicones and this entails biodiversity risks such as water usage, process water discharge, incidents that can cause release of hazardous air pollutants (HAPs) and persistent organic pollutants (POPs). Elkem vigilantly monitors its water management and chemical safety at its silicone production sites.

Elkem's chemical processing aligns rigorously with national and local authorities, incorporating biodiversity risk assessments for new processing plants. Collaborating with local governments and experts, Elkem strives to mitigate biodiversity impacts. Its Silicones division, as a member of the Responsible Care Global Charter, commits to the safe management of chemicals, contributing to sustainable development.

Water, a critical input in Elkem's main production processes, is extensively addressed in the Water Management chapter on page 120. ↗

Water management

Water is a crucial input in numerous Elkem production processes, and its indirect dependence on water is significant, with over 80% of its electricity sourced from hydropower. Ensuring a sustainable water footprint is vital. Challenges related to water vary considerably throughout Elkem's value chain, primarily focused on preventing hazardous discharge. Elkem is committed to sustainable water management.

Key takeaways

- → Most Elkem sites are situated in areas with ample access to water. Still it is key to manage the water sustainably and minimise the negative impact. For sites in areas where water is scarce water targets are in place, and closed loops to avoid any waste of water
- → Safe production processes and minimising the risk of emissions of dangerous substances to water recipients is key to Elkem. An example of this is Elkem Rousillon that has reduced its copper emissions by 97%

Targets

- → 20% reduction of water withdrawals in areas with occasional water scarcity by 2031 from a 2020 base year. The target covers the following Elkem plants: Yongdeng (China), Elkem Carbon China, Ferroveld (South Africa) , Elkem Foundry China, Nagpur (India)
- → 12% reduction per unit of produced silicones by 2031 from a 2020 base year. Production of silicones accounts for 90% of Elkem's total water consumption

Key risks

- × Water availability, directly as process water and indirectly as power source
- × Water quality (contamination and discharge)
- × Water-related regulatory framework and permits
- × Biodiversity and ecosystems
- × Stakeholder conflict

Key opportunities

- → Improvements of water handling, particularly the production expansion project at the Xinghuo plant in China
- → Improved water efficiency and management reduces the physical climate risk and biodiversity risk for production sites

Key KPIs

Total water withdrawal	Total water discharge	Total water consumption
80,636 Megalitres (-10.0%)	70,923 Megalitres (14.1%)	9,713 Megalitres

Policies

- → HSE policy
- Elkem's corporate policies ↗

KPIs

	Metric	2023	2022	2021	Development 2022 to 2023	
Withdrawal						
Total freshwater withdrawal	Megaliters	**80 636**	89 587	85 654	-10.0%	
Withdrawal of fresh surface water, including rainwater, water from wetlands, rivers, and lakes	Megaliters	**39 385**	46 509	46 698	-15.3%	
Withdrawal of groundwater – renewable	Megaliters	**2 321**	452	581	Not comparable	Development mainly due to improved data quality and tracking
Withdrawal from third party sources	Megaliters	**38 931**	42 716	38 391	-8.9%	
Discharge						
Discharge of cooling water	Megaliters	**60 423**	54 542	52 925	10.8%	
Discharge of process water	Megaliters	**7 766**	7 605	7 020	2.1%	
Discharge to fresh surface water	Megaliters	**4 621**	4 489	4 936	2.9%	
Discharge to brackish water or seawater	Megaliters	**36 961**	56 437	54 883	-34.5%	
Discharge to third-party destinations	Megaliters	**13 416**	1 210	1 260	Not comparable	Development mainly due to improved data quality and tracking
COD flow	Thousand kg	**237**	183	202	29.5%	
Total water discharge	Megaliters	**70 923**	62 145	59 945	14.1%	Development mainly due to improved data quality and tracking
Total water consumption (fresh water)	Megaliters	**9 713**	27 439	25 709	Not comparable	Development mainly due to improved data quality and tracking

Water management

Elkem is dependent on water for various parts of its production. This implies that Elkem has to have a solid water management, both in terms of treating discharge water to avoid emissions or spills of hazardous substances or making sure that cooling water is discharged in a manner that minimises the impact on marine biotopes. Elkem also has operations in areas where water is scarce, but not classified as water stressed, and we work to minimise the water consumption in these areas. Fortunately these are small operations that require limited amounts of water.

The primary water consumption in Elkem is related to silicone production and it accounts for 90% of Elkem's water consumption.

- Water withdrawals in areas with occasional scarcity were 17% lower (120 megalitres) than baseyear of 2020, but increased by 8% compared to 2022.
- Water intensity (fresh fresh water withdrawals) related to silicone production have increased by 8% in 2023 compared to 20220 (base year), driven by reduced production.
- CDP water security: A- (up from B in 2023)

Water consumption and scarcity

Recognising water as a vital shared resource, Elkem has initiated programs to enhance corporate water stewardship. We monitor water withdrawal, consumption, and discharge to uphold responsible water management. Elkem's use of freshwater is typically related to water as a raw material for production (silicones), water for cooling of production equipment and products, water for cleaning purposes and for emergency preparedness.

The majority of water usage falls into the first two categories, demanding high-quality water to prevent product contamination, equipment corrosion, and clogging, as well as safeguarding water infrastructure.

Water consumption, including discharge and withdrawals, is regularly monitored and reported quarterly to corporate. Measurement methods vary based on availability and source, utilising in-line water meters for direct measurement or capacity calculations reflecting operational time.

In regions with water scarcity, third parties control water withdrawals, typically via external suppliers. Process water discharge volumes are reported quarterly to corporate, excluding cooling water, which is returned to the source at similar quality.

Elkem's production sites adhere to discharge regulations, reporting annual parameters specified in permits. Seventeen water discharge parameters are reported quarterly to corporate from applicable plants.

Most production units benefit from abundant water access, crucial for both production and hydropower-based electricity. A few sites in regions like north-east China, South Africa, and India, face occasional water scarcity, though not water stress. Elkem implements water management measures, conducts systematic risk assessments (including those related to TCFD), and limits withdrawals in these areas.
All Elkem sites provide free potable water for employees and contractors, along with sanitary facilities. Showers and changing rooms are available where needed, and working uniforms are provided and cleaned by the company.

Indirect water use in the value chain beyond Elkem is yet to be fully evaluated, with ongoing discussions centring on the critical role of hydroelectric power as an energy source for Elkem's smelters. This is identified as a possible risk in Elkem mapping of physical climate risk, and the developments in water reservoirs that Elkem depends on are monitored, but it is not considered a significant risk.

Water Management:

While Elkem's production sites in water-abundant areas pose low water consumption risks, the focus sharpens on environmental repercussions linked to water discharge. The majority of our major production sites neighbor substantial bodies of water, warranting stringent water management to avert enduring negative environmental impacts. This involves comprehensive understanding of the environmental effects of all water discharges connected to production, ensuring effective water monitoring, and treatment systems to comply with discharge permits and meet targets for reducing harmful substance discharges.
Key enablers to attain strategic water-related goals include:

- Substitution of raw materials.
- Implementation of good housekeeping practices.
- Continuous development of new processes and production technology.
- An advanced control program incorporating environmental monitoring.
- Wastewater treatment and reduction through recycling or reuse.
- Transparency, including participation in CDP Water.

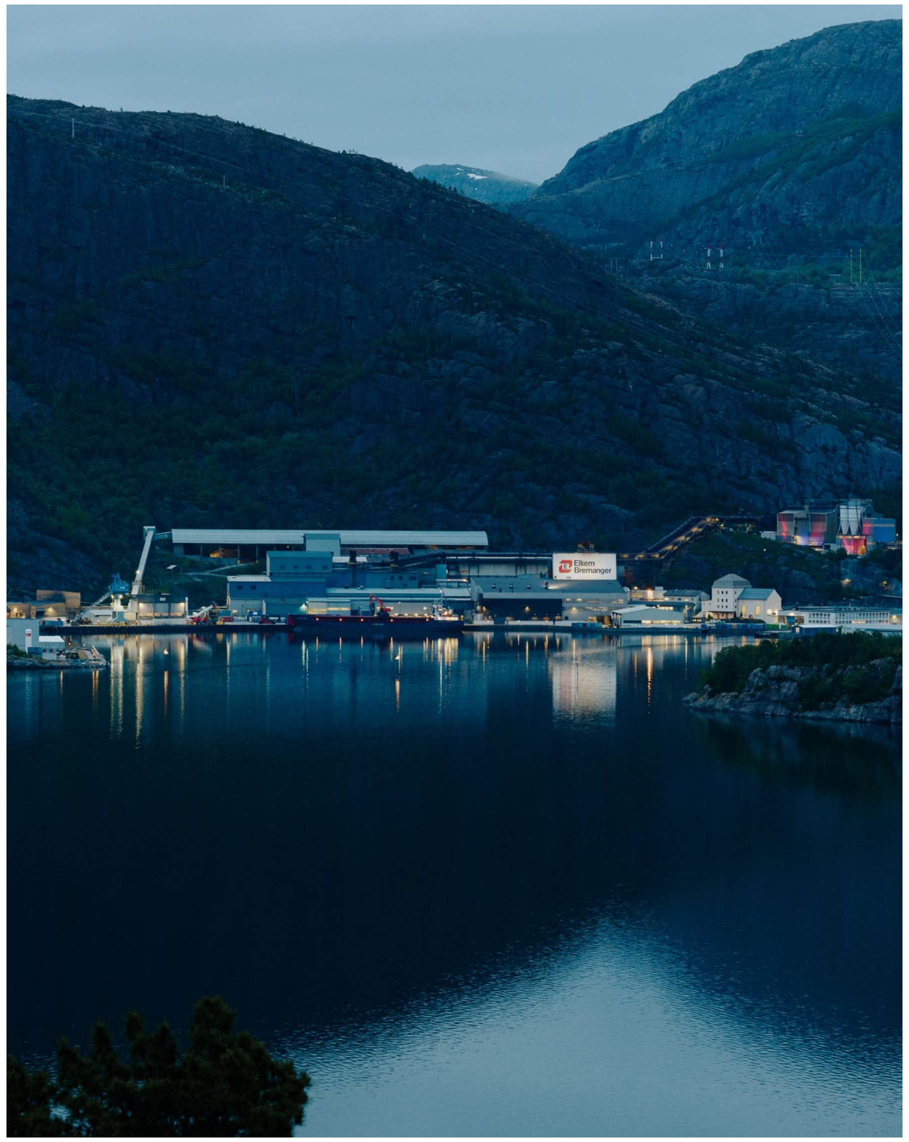
Discharge Oversight and Treatment

Elkem's production sites adhere to water discharge permits, reporting specific parameters annually. Seventeen water discharge parameters are measured or calculated and reported quarterly to corporate HSE from relevant plants.

The top three critical discharges include organic substances affecting oxygen concentration (COD), Silicone Cyclics (D4, D5, and D6), and Polycyclic aromatic hydrocarbon (PAH). Elkem employs extensive monitoring and maintenance measures to ensure compliance:

- COD: Monitoring and minimising organic waste generation, infrastructure maintenance, and optimal on-site water treatment to purify before discharge.
- Silicone Cyclics (D4, D5, D6): A focus on process control, avoidance of spills and leakages, R&D collaboration with customers to reduce residues, and substantial investments in China to replace cyclic materials.
- PAH Discharges: Originating from coal-tar pitch in carbon product production, Elkem ensures compliance through process control, on-site water treatment, and substantial R&D investments in alternative binders without PAH.

In 2023, Elkem's Santa Perpetua plant unfortunately experienced a leakage from a defect sewage set up, and this resulted in 6 m3 of cyclics, mainly D4, leaking in to the public sewer. A crisis management team was mobilised and authorities where alerted immediately. Fortunately no deviations were registered in the waste water system. Elkem will do a full review of this incident and local authorities will ensure that proper remediation is in place. This underlines the importance of sound water management.



Waste management and circularity

Elkem's business system (EBS) adheres to a zero-waste philosophy, emphasising the reduction of waste across the value chain. The primary focus lies on efficiently utilising resources, minimising waste generation, and promoting the reuse, recycling, or sale of residual waste. This aligns seamlessly with circularity principles, and Elkem remains dedicated to exploring fresh opportunities for the recycling and reuse of waste and products.

Key takeaways

→ Multiple projects across the value chain that address waste management and circularity, including: remelting of slags, recycling of fines and filter dust, reuse of pallets, recycling and deploymerization of silicones waste and other key projects
→ Microsilica, an important process product finds use in construction, refractory, energy and polymer industries
→ Updates to (internal) waste data reporting and associated KPIs

Targets

→ Hazardous waste to landfill: Reduction of 10%
→ Waste to disposal: Reduction of 10%
→ Waste recycled: Increase by 10%

Key risks

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

Key opportunities

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

Key KPIs

Waste recycling index	Total waste generated	Total waste reused or recycled
65.2%	353 992 tonnes	230 655 tonnes

Policies

→ HSE policy

Elkem's corporate policies ↗

KPIs

	Metric	2023	2022	2021	Development 2022 to 2023
Total waste generated	**Tonnes**	**353 992**	**462 745**	**397 247**	-23.5%
Non-hazardous waste to landfill	Tonnes	55 163	45 273	58 465	21.8%
Hazardous waste to landfill	Tonnes	7 781	6 301	5 200	23.5%
Non-hazardous waste to destruction	Tonnes	1 718	2 485	15 660	-30.9%
Hazardous waste to destruction	Tonnes	58 674	**67 166**	38 791	-12.6%
Total waste directed to disposal	**Tonnes**	**123 337**	**121 225**	**118 116**	1.7%
Byproducts to recycling/sale ex. microsilica	Tonnes	53 503	129 318	137 998	-58.6%
Oils and chemicals to recycling	Tonnes	5 754	9 398	69	-38.8%
Scrap, packaging, etc. to recycling	Tonnes	11 243	65 386	4 491	-82.8%
Microsilica	Tonnes	106 327	137 418	136 573	-22.6%
Other waste diverted from disposal	Tonnes	53 828			New category
Total waste diverted from disposal (reused or recycled)	**Tonnes**	**230 655**	**341 520**	**279 131**	-32.5%
Mining activities*	Tonnes	**332 717**	**354 456**	**320 687**	-6.1%

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

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

Waste management and circularity

Elkem's value chain includes numerous process flows, including mining, high-temperature calcining, high temperature smelting, and chemical processing. This results in a variety of waste, and poses different challenges in terms of recycling and reuse. Major waste streams from our process flows are:

- Tailings and off-spec materials from mining activities.
- Degraded and off-spec raw materials from calcining and smelting.
- Spent synthesis mass, filtration cakes and spent solvents from chemical processing.
- Dust and sludges from air and water treatment facilities.
- Dirty packaging.

Management and utilisation

Efforts have been implemented to minimise waste, primarily through process improvements focusing on:

- Reducing waste generation.
- Reusing and recycling (spent mass neutralization and packaging).
- Incineration with and without energy recovery.

In 2023 65% of Elkem's waste was reused or recycled. This is down from 70% in 2022. The main reason for this is better data quality and tracking of waste streams, and lower production and sale of by-products such as Microsilica. We saw a significant decrease in the total waste generated in 2023. Elkem's product value chain comprises four main production types, each with specific potential waste streams:

Quartz

Quartz is extracted from mountain seams using explosives or riverbeds with diggers. The process involves washing, crushing, and sizing without the use of hazardous chemicals. Waste streams include tailings, off-spec qualities, or sizes, most of which are repurposed for mine restoration or sold as by-products (construction sands and gravels). Some waste is landfilled during mining site restoration. Elkem explores alternative uses for sands in agriculture and sports.

Waste in connection with shipment: Bulk shipping with no specific packaging.

Hazard classification: No hazardous wastes as quartz is a naturally occurring mineral.

Carbon production

Carbon production involves high-temperature treatment of anthracite and petroleum coke, creating various pastes for metallurgical smelting. Most of the off-spec production and degraded raw materials can safely be reprocessed into new batches. Remaining waste is sent to approved suppliers for hazardous waste treatment. Non-hazardous (green) binders are in development to reduce reliance on high-temperature coal tar pitch (CTPht).

Waste in connection with shipment: Primary raw materials are bulk-shipped, eliminating packaging. Finished products are delivered in big bags or on pallets, potentially generating customer waste. Packaging materials are of sufficient quality for multiple reuses.

Hazard classification: Degraded raw materials and off-spec production may contain CTPHT binders, listed as a substance of very high concern.

Silicon smelting

Silicon smelting involves a high-temperature chemical reaction, transforming quartz and carbon into silicon, with additional operations for alloying, crushing, and sizing to meet customer specifications in electronics, foundry, and chemical industries.

Key waste streams include degraded raw materials, smelting slag, off-gas emissions particles, and fines from crushing and sizing. Since the 1970s, Elkem pioneered off-gas capture, converting waste into valuable products, totaling 150,000 tonnes annually.

Historically, other waste streams were sold as low-value products or landfilled. Dedicated teams have increased utilisation, treating them as valuable raw materials for reintroduction into Elkem's processes or as value-added products, harvesting over 100,000 tonnes annually, reducing costs and offering new solutions.

Waste in connection with shipment: Except for charcoal and alloying materials (often shipped in smaller containers), most raw materials are bulk-supplied, minimising packaging. Finished products are shipped in bulk or big bags on reusable pallets.

Hazard classification: Major waste streams are non-hazardous, while some hazardous materials used in post-smelting processing are sent to certified third-party suppliers for disposal.

Silicone formulation

Silicone formulation involves various chemical processes producing specialised products tailored to customer needs. It generates diverse waste streams, both hazardous and non-hazardous, including acid water, used solvents, hydrolysis by-products, sludge, and waste masses. Waste reduction is integrated into annual objectives and improvement plans by production teams and research departments.

Waste in connection with shipment: Significant packaging is required for raw materials, intermediates, and finished products. Waste reduction focuses on reuse (IBCs, pallets, drums) and recycling.

Hazard classification: A substantial portion of generated waste during production is hazardous. Hazardous waste is either treated on-site (incineration, neutralization, reuse) or sent to certified providers for destruction.

Generic waste streams

Elkem manages generic waste streams, including used oil from vehicles and equipment, and packaging materials from sourced goods. Each site implements dedicated waste sorting systems, delivering waste to approved service providers for recycling or re-use whenever possible.

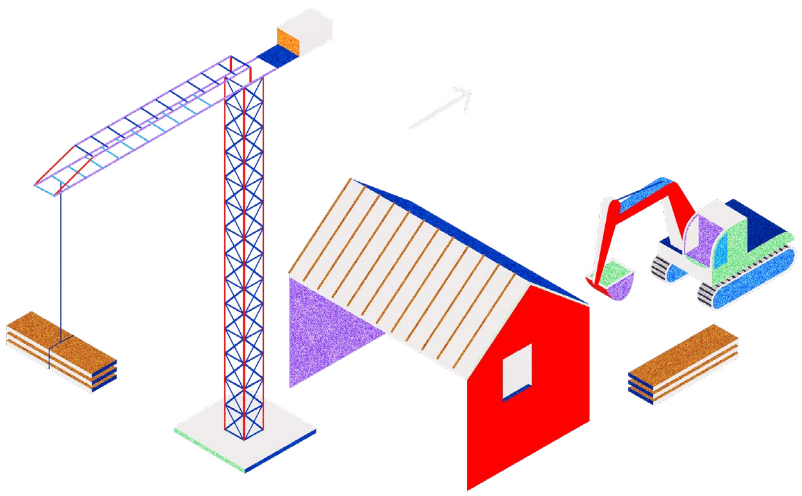
Circularity

In alignment with our commitment to sustainable business practices, we actively contribute to our climate strategy through various circular economy initiatives. Sustainability is not merely a consideration but a fundamental precondition in all our projects, guiding our actions across the entire value chain. We are dedicated to exploring the integration of biobased materials into our production processes, promoting the use of renewable resources and reducing dependence on finite raw materials. Furthermore, we emphasise the importance of eco-design principles in both our products and processes, ensuring that environmental considerations are integral from the initial concept through the entire lifecycle.

Waste management and circularity

Project	Description
Biocarbon as a reductant	Elkem's strategic initiative focuses on securing long-term access to affordable, high-quality renewable biocarbon as a reductant in its smelting process. This is done to replace fossil-based reductants, enhancing competitiveness in sustainable silicon production. Currently using 24.4% biocarbon, Elkem aims for 50% by 2031, supported by a pilot biocarbon plant in Canada. The Paraguay plant achieved 100% biocarbon, making Elkem a pioneer in the industry. In collaboration with Vow ASA's subsidiary, Vow Industries, Elkem aims to reduce fossil CO_2 emissions by developing and manufacturing biocarbon and other sustainable products using wood feedstock.
BRIQSIL™	Elkem's briquetting initiative demonstrates an innovative approach to reusing materials. BRIQSIL™, a ferrosilicon substitute, is created from fine materials generated during quartz and coal processing. These solid briquettes, resilient during handling and transportation, reintegrate into furnaces, increasing production while reducing associated waste.
Sicalo - Carbon capture and usage (CCU) in silicon production	Elkem is engaged in a crucial project on the development of a new silicon production process with lower carbon emissions through carbon looping. The primary goal is to significantly decrease the use of fossil reduction materials and cut all direct CO_2 emissions, showcasing our commitment to sustainable practices and innovation for a greener future.
Recycling of wooden pallets	Elkem Nagpur in India adopts a circular economy approach in pallet management by reusing and repairing inbound wooden pallets to minimise new purchases. The initiative, stemming from the DISHA program, has been expanded to all warehouses, resulting in significant waste reduction. Elkem India successfully repurposes approximately 6,000 pallets annually, showcasing a strong commitment to sustainability and resource efficiency.
SiTHERMO - Eco-design of thermally conductive silicones	Elkem Silicones is working on innovating thermal management materials, focusing on optimising the balance between thermal conductivity and environmental impact throughout the life cycle. Fillers represent key component (70-95% by mass) in the production of thermal management silicone materials. Elkem is addressing key challenges such as lightening materials with isoperformance and enhancing recyclability. In an eco-design approach, Elkem assesses benefits across different life cycle stages, including the extraction of raw materials, production processes, material use efficiency, and end-of-life recyclability. As part of the SiTHERMO project, Elkem integrates life cycle assessment (LCA) and environmental data into formulation design for the first time, fostering cross-team workshops on eco-design. This project is supported by ADEME, The French Agency for Ecological Transition, with LCA work conducted by EVEA.

Project	Description
REPOS - REssourcement POlymères Silicones	The REPOS project will develop intensified depolymerization processes of Silicones waste to return to monomer or oligomer units reused in polymerization and functionalization in an economically and industrially viable way. The objectives of the project are the development of competitive, selective and clean processes of silicone polymers depolymerization at low temperature. First trials demonstrate the validity of this collaborative project and a reduction of more than 65% of waste and carbon footprint is estimated on preliminary studied perimeter.
RENOV - Recycling and reincorporation of elastomer materials	The RENOV project aims to develop technologies for mechanically recycling cured and cross-linked elastomeric material waste, with a focus on recycling processes and material analysis. The goal is to achieve optimal reincorporation into formulations containing virgin elastomers for applications with upgraded properties. The project addresses waste recovery mechanisms, methods for analyzing chemical composition and developing recycling routes, and evaluates economic and environmental aspects through Life Cycle Assessments (LCA) and cost studies for the entire solution from waste recovery to final product manufacturing with recycled materials.



Local emissions to air

Local emissions to air are inherent to many of Elkem's main production processes and are therefore deemed material to the company. As local emissions to air, such as NO_x, SO_2 and dust, affect air quality, measures to control and reduce the emissions are therefore priority areas of improvement. These local emissions can impact our employees and local biotopes, and Elkem is committed to reduce these emissions and limit the impact.

Key takeaways

- → Elkem has focused on reducing local emissions to air for years. This is a material topic that can negatively affects health and safety on site, biodiversity and local communities.
- → In 2015 Elkem set a target to reduce dust emissions by 30% by 2025. By 2023 Elkem has reduced its dust emissions by 48,6%.
- → In 2023 Elkem saw reductions in SO_2 and NO_x emissions due to increased use of biocarbon reductants and lower production.

Targets

- → Dust: 30% reduction by 2025 baseline year 2015 (1,970 tonnes). By 2023 Elkem has reduced the dust emissions by 48,6%, and we will set new targets going forward.
- → SO_2: Elkem has a target to reduce SO_2-emissions by 3000 tonnes. This target will be further developed in 2024, and is closely connected to our biocarbon target.
- → NO_x: Elkem has reduced its NO_x-emissions significantly over the years, with a 34,7% reduction from 2021. Targets will be developed in 2024.

Key risks

- × Increased levels of sulphur (S) in available raw materials
- × Increased emissions due to volume expansions

Key opportunities

- → Reduction of dust, NO_x and SO_2 by substitution of old boilers at Xinghuo with efficient Co-Gen Technology (2024)
- → New emission abatement at Elkem Carbon China (2022) will significantly reduce both dust and SO_2 emissions
- → Elkem biocarbon strategy will reduce SO_2 emissions by approx. 2,000 tonnes per year towards 2030

KPIs

	Metric	2023	2022	2021	Development 2022 to 2023
Dust	Tonnes	**1 012**	1 204	1 379	-15.9%
SO_2	Tonnes	**6 700**	7 229	7 280	-7.3%
NO_x	Tonnes	**5 830**	6 519	8 932	-10.6%

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

Policies

→ HSE policy

Elkem's corporate policies ↗

Local air emissions are closely monitored for compliance with public permits, and applicable sites report 17 parameters related to air emissions quarterly to corporate HSE. Variations in emissions are primarily tied to production volume changes inherent to the process, influenced by raw material quality, process control, and investments in filtration or scrubber systems, all regulated by public permits.

NO_x

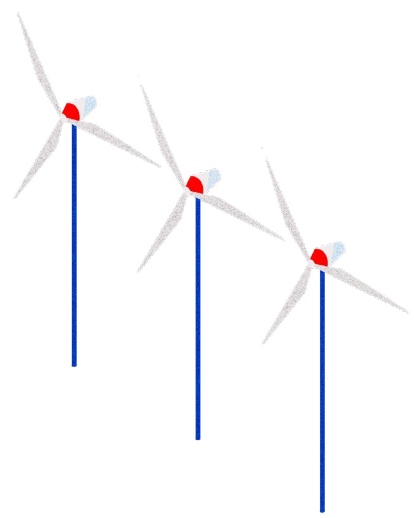
Nitrogen oxides (NO_x) result from Elkem's high-temperature smelting and calcining processes, potentially harming ecosystems, vegetation, and human health. Elkem has invested in furnace upgrades and R&D, and this has significantly reduced NO_x-emissions over the years, and we have seen a 10,6% decrease from 2022 to 2023 (34,7% from 2021 to 2023). Over 80% of reported NO_x-emissions rely on online monitoring, with the remaining 20% based on industrial emission factors.

SO_2

Sulphur dioxide (SO_2) is generated during the smelting process using carbon materials and calcining coal and coke in carbon products, with potential negative effects on plant and animal life and human health. In 2023 Elkem managed to reduce SO_2-emissions by 7,3% compared to 2022. This is mainly due to an increased use of biocarbon reductants and lower production. Most reported SO_2 emissions are based on mass balance, and a few plants use digital monitoring. The increased use of biocarbon as a reductant in the silicon smelting process reduces the SO_2-emissions.

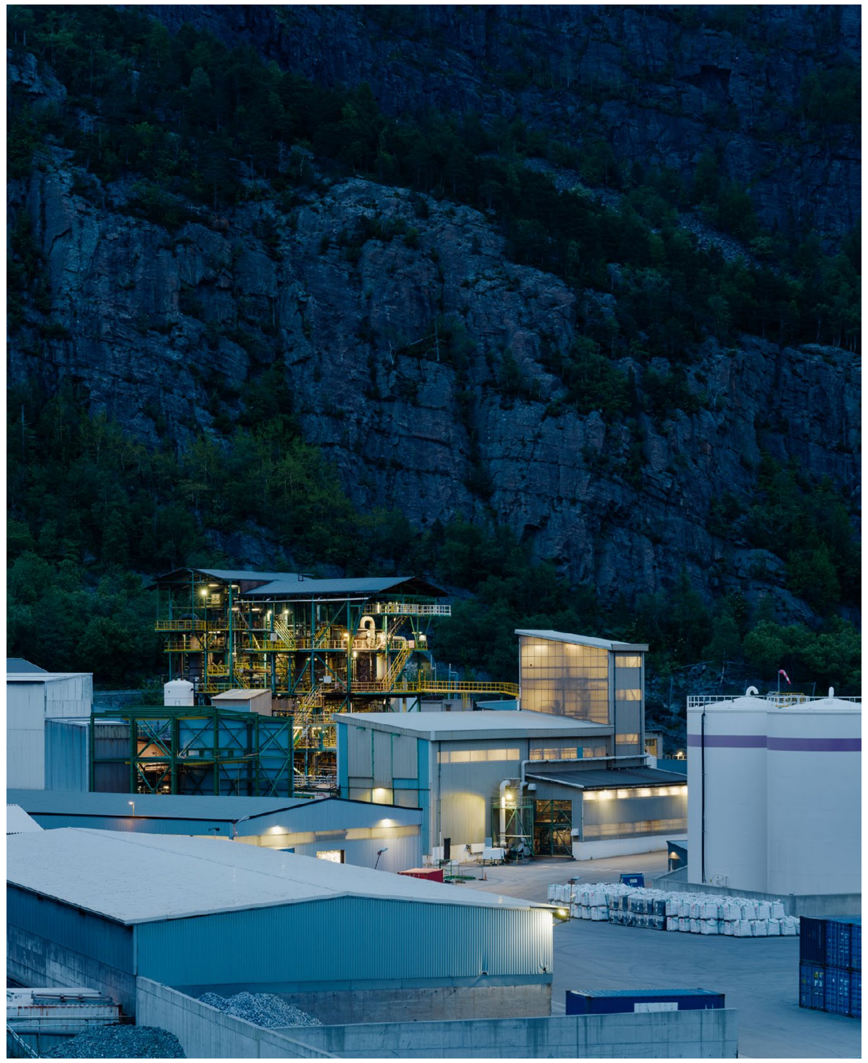
Dust

Dust poses a significant challenge in silicon and carbon product production, impacting both the environment and worker health. The focus is on reducing dust generation and enhancing collection and filtration to prevent escape into the working environment. Despite challenges posed by high temperatures and ultra-fine particles, Elkem allocates substantial resources to combat dust. The long-term ambition is to achieve acceptable exposure levels without respiratory protection. Elkem has succeeded in reducing its dust emissions by 48,6% from 2015 to 2023, and thus the target of reducing dust by 30% by 2025 will be revised in 2024. Dust emission calculations employ various quantification strategies, including continuous monitoring, fugitive emissions estimates, and third-party control.



Statement on the EU Taxonomy for sustainable economic activities

The EU Taxonomy[1] is a classification system that establishes a list of environmentally sustainable economic activities. The purpose of the EU Taxonomy is to scale up sustainable investments to these environmentally sustainable activities and further, help in reaching the EU's climate and environmental targets for 2050 and the objectives of the European Green Deal[2].



About the EU Taxonomy
The Taxonomy Regulation is a key component of the European Commission's action plan to redirect capital flows towards a more sustainable economy. It represents an important step towards achieving EU's 2050 carbon neutrality goal, as the Taxonomy is a classification system establishing detailed criteria for determining whether an economic activity qualifies as environmentally sustainable.

The EU Taxonomy Regulation outlines six environmental objectives to which a set of predefined economic activities may have a substantial positive contribution, as defined by the EU Commission. These are:

1. Climate Change Mitigation (CCM)
2. Climate Change Adaptation (CCA)
3. Sustainable use and protection of water and marine resources (WTR)
4. Transition to a circular economy (CE)
5. Pollution prevention and control (PPC)
6. Protection and restoration of biodiversity and ecosystems (BIO)

An activity is Taxonomy-eligible if it's described in the EU Commission's Delegated Acts[3], regardless of whether it meets the technical criteria. Non-eligible activities are those not yet described in these Acts.

A Taxonomy-aligned activity meets the technical criteria in the Delegated Acts, including contributing substantially to an environmental objective, not significantly harming other objectives, and complying with minimum safeguards (e.g., human rights, labour rights, consumer interests, anti-corruption, taxation, fair competition).

Scope
Elkem falls within scope of the EU Taxonomy Regulation, as the regulation applies to large public interest entities with more than 500 employees.

The EU Taxonomy Disclosures Delegated Act[4] was published in July 2021, with first mandatory reporting requirements for Norwegian non-financial companies having a closing financial balance date at 31.12.2023 or later. Elkem ASA, with a financial year running from January 1 to December 31, provides Taxonomy disclosures in this report for the period spanning January,1, 2023, to December 31, 2023, which is the financial period under scope.

This report includes disclosures for all the six environmental objectives of the EU Taxonomy. However, for the financial year 2023, companies are only required to report on eligibility against environmental objectives 3-6. Hence, Elkem presents figures on Taxonomy-alignment soley for the first two environmental objectives, CCM and CCA, in this report.

Disclosure requirements
Companies within the scope of the regulation are required to report performance indicators on net turnover, capital expenditure (CapEx) and operational expenditure (OpEx) associated with both Taxonomy-eligible and aligned economic activities across the various environmental objectives set out in the regulation.

[1] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment.
[2] Communication from the European Commission to the European parliament, the European council, the Council, the European economic and social committee and the committee of the regions the European Green Deal of 11 December 2019.
[3] Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021, Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022 and Commission Delegated Regulation of 27 June 2023 with regards to amendments of Regulation (EU) 2021/2139 and environmental objectives 3-6.
[4] Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 by specifying the content and presentation of information to be disclosed.

Elkem Taxonomy-eligible and aligned activities

The subsequent section details the percentage of Elkem ASA's net turnover, capital expenditure (CapEx), and operating expenditure (OpEx) attributed to economic activities eligible for the EU Taxonomy and aligned with the two environmental goals of the EU Taxonomy. This data pertains to the financial reporting period of 2023.

Overview

FY 2023	Total (MNOK)	Proportion of Taxonomy-eligble economic activities	Proportion of Taxonomy-aligned economic activities	Proportion of non-eligble economic activities
Turnover	35 545	42%	0%	58%
Capital expenditure (CapEx)	5 442	68%	0%	32%
Operating expenditure (OpEx)	1 852	42%	0%	58%

Taxonomy-eligible activities

Elkem has identified the following economic activities as Taxonomy-eligible across the six environmental objectives in the Taxonomy Regulation:

Economic Taxonomy activity	Description	Relevant environmental objective in Taxonomy
3.17 Manufacture of plastics in primary form	Manufacture of plastics in primary form is an eligible activity under the EU Taxonomy. Although silicones are not defined within the general terms of plastics (from oil), this activity gathers all Elkem's silicones products that have generic applications. The description of this economic activity in the Taxonomy refers to NACE code C20.16, which includes silicones. As of the reporting date Elkem consider silicones as an eligible activity.	Climate Change Mitigation Climate Change Adaptation
3.1 Manufacture of renewable energy technologies	Manufacture of renewable energy technologies with highly specialised applications can be defined as eligible under the EU Taxonomy. Ferrosilicon and foundry alloys are highly specialised products for wind power equipment and therefore comply with the taxonomy definition for this activity.	Climate Change Mitigation Climate Change Adaptation
3.6 Manufacture of other low carbon technologies	Manufacture of other low carbon technologies that aim to substantially reduce GHG emissions in use, can qualify under this category. Microsilica has significant and direct low carbon impact, such as reduced use of cement and longevity, when used in cement, compared to conventional cement production.	Climate Change Mitigation Clmate Change Adaptation

Assessment of Taxonomy-alignment

Many of Elkem`s upstream products are defined as taxonomy – non – eligible economic activities, meaning that these activities are not described in the supplementing delegated acts. Silicon-based advanced materials are essential to the green transition, with silicon metal on the EU`s 2023 list of critical raw materials.
As long as the EU Taxonomy regulation does not cover silicon-based materials the company`s assessment of the taxonomy-aligned activities will be limited.

Elkem performed an initial assessment of the EU Taxonomy in 2022, which provided an indication of the eligibility of the portfolio. In 2023, Elkem continued to look for other eligible activities and expanded the assessment to cover alignment. Activities not assessed as core and material to Elkem, have been scoped out from reporting for 2023. Furthermore, there has been some additional changes compared to last year reporting. The company`s silicone activities have been merged into activity 3.17 to ease the reporting. The EU Taxonomy is constantly evolving and applying to the taxonomy is therefor a continuous learning process. The screening criteria are comprehensive, and changes may occur. Elkem will continue to interpret the description of eligible activities and conduct assessments of the technical screening criteria in accordance with the taxonomy alignment in 2024.

3.17 Manufacture of plastics in primary form

Substantial contribution to Climate Change Mitigation:
The manufacturing of plastics in primary form has been included in the technical screening criteria from the delegated acts. However, the EU has set strict requirements for when this activity can be seen as sustainable. According to the Taxonomy, activity 3.17 consist of NACE C.20.16, where silicones are covered. For silicones to meet the sustainable contribution criteria the production must be derived wholly or partially from renewable feedstock. Silicon-metal is essential to production of silicones. Elkem Silicones sources Si-metal from e.g. norwegian plants that use a biocarbon as an reduction material in the production process. This criterion is also in line with one of Elkem's primary CO_2 strategies, which aims to replace fossil carbon with biocarbon in our smelting operations. Silicones derived partly from Si-metal with a share of biocarbon will qualify as alignment will therefore meet the first "alignment-test" as substantial contribution to Climate Change Mitigation.

Do no significant harm (DNSH):
Elkem has reviewed the activity against the DNSH criteria, and identified areas where alignment is strong and others where further evaluation is necessary.

As of the reporting date, Elkem will transparently report zero alignment with DNSH. This reflects the company`s commitment to integrity and our acknowledgment that the assessment process is ongoing. During 2024 Elkem will continue to refine the approach, collaborate with relevant stakeholders, and strive for meaningful alignment with the EU Taxonomy.

3.1 Manufacture of renewable energy technologies

Substantial contribution to Climate Change Mitigation:
This activity is automatically complying with the criteria.

Do no significant harm (DNSH):
As of the reporting date Elkem has not yet assessed the DNSH criteria for this activity, and as a result, the company will transparently report zero alignment.

3.6 Manufacture of other low carbon technologies

Substantial contribution to Climate Change Mitigation:
Elkem Microsilica improve concrete performance, making it more durable, increasing the service life and reducing maintenance costs, it will also contribute to reduce the carbon footprint for a concrete mix. Elkem has performed a LCA of microsilica. As of the reporting date, the LCA has not yet been verified by a third party, hence this eligible activity does not meet the substantial contribution criteria against climate change mitigation.

Do no significant harm (DNSH):
As of the reporting date Elkem has not yet assessed the DNSH criteria for this activity, and as a result, the company will transparently report zero alignment.

Minimum safeguards
The next section outlines Elkem's compliance with the Minimum Safeguards criteria across four areas: human rights, anti-corruption, taxation, and fair competition, demonstrating Elkem's commitment to maintaining high standards in its operations.

Human rights (including labor rights and consumer interests, as well as issues related to science, technology and innovation)
Based on the UNGPs and the OECD MNE Guidelines, including the OECD Due Diligence Guidance for Responsible Business Conduct, we have implemented a six-step approach in order to identify, prevent and, if necessary, mitigate and remediate any actual and potential negative impacts on human rights. Our human rights program, describing our strategy, the high-impact areas and our processes and measures to prevent negative human rights impacts, is publicly available on

our website and described in our annual ESG report which covers our reporting responsibilities under the Norwegian Transparency Act. Our strategy for combating human rights violations is based on a third party impact analysis that takes particular account of geographical and sectoral risks. The impact analysis includes our own business units, subsidiaries and business partners, and our value chain. Measures to prevent and mitigate actual and potential adverse human rights impacts were identified and implemented. Our processes ensure that remedial action is taken promptly in the event of an acute human rights violation and, if necessary, compensation is provided to affected individuals. The effectiveness of our processes is monitored by internal reviews on a regular basis.

Corruption and bribery
To prevent and fight against corrupt practices, Elkem has implemented an ant-corruption program. The company`s control mechanisms to prevent corruption and bribery in our business units and value chains are based on a risk assessment, including geographical and sectoral criteria. Anti-corruption is an integral part of our Code of Conduct and elaborated on in a dedicated anti-corruption program description. Our zero tolerance for corruption and bribery is also communicated to our business partners through our Code of conduct for business partners. Regular training of employees on the anti-corruption rules and on the application of those rules, as well as specific training of employees and other actors identified as specifically exposed to corruption risks, is mandatory.

Taxation
In line with the company`s ethical business values, tax governance and tax compliance are important elements of our oversight, and we are committed to complying with all relevant tax laws and regulations. Therefore, in line with the Group's strategy, the company`s tax strategy is transparent, sustainable in the long term and complies with the Code of Conduct. Tax risk management is an essential component of our Corporate Management System and is embedded in our overall company risk management system. Elkem`s risk-based tax governance framework is managed by a team of dedicated, qualified tax experts, who work closely with our group management.

Fair competition
Elkem carry out activities in a manner consistent with all applicable competition laws and regulations, taking into account the competition laws of all jurisdictions in which the company`s activities might have anticompetitive effects. With the company`s guideline for fair competition and ethical business conduct, Elkem pursue the goal of achieving and maintaining lively competition in a free market environment for the entire group by establishing a corresponding corporate culture. The company`s guideline provides the employees with assistance in preventing, detecting and remedying any competition violations. Raising awareness and conducting training that addresses competition law risks of our business activities are of particular importance to ensure fair competition.

3. KPIs and accounting policy

Turnover KPI
The denominator of the turnover KPI is based on our consolidated net turnover in accordance with paragraph 82(a) of IAS 1. For further details on our accounting policies regarding our consolidated net turnover, see page 209 of our Annual Report 2023. Our consolidated net turnover can be reconciled to our consolidated financial statements, see the income statement on page 280 of our Annual Report 2023.

For activity 3.17 Manufacture of plastic in primary forms the total turnover of this activity has been applied. To calculate the turnover from activity 3.1 Manufacture of renewable energy technologies we have used the customer information as basis. Since all of our foundry customers operate in more than one market segment we categorized them by revenue. If a foundry customer generates over half of their revenue from the 'wind energy turbines' sub-segment, we count that revenue towards this activity. For the activity 3.6 Manufacture of other low carbon technologies we have used the volume of microsilica sold to construction to calculate the revenue in this segment.

CapEx KPI
The CapEx KPI is defined as Taxonomy-eligible and aligned CapEx (numerator) divided by our total CapEx (denominator).

Total CapEx consists of additions to tangible and intangible fixed assets during the financial year, before depreciation, amortisation, and any remeasurements, including those resulting from revaluations and impairments, as well as excluding changes in fair value. It includes acquisitions of tangible fixed assets (IAS 16), intangible fixed assets (IAS 38), right-of-use assets (IFRS 16) and investment properties (IAS 40). Additions resulting from business combinations are also included. Goodwill is not included in CapEx, because it is not defined as an intangible asset in accordance with IAS 38. For further details on our accounting policies regarding our CapEx, see page 239 of our Annual Report 2023 (the CapEx definition needs to be adapted to the actual CapEx of Elkem). Our total CapEx can be reconciled to our consolidated financial statements, see page 187 of our Annual Report 2023.

Given the nature of Elkem's production processes, CapEx projects impacts both eligible and non-eligible activities. Since Silicones is defined as eligible, we have used the revenue split of Silicones division as a proxy for the allocation of CapEx from the silicone's activities. For other eligible activities we have used the total revenue split as proxy.

OpEx KPI
The OpEx KPI is defined as Taxonomy-eligible and aligned OpEx (numerator) divided by total OpEx as defined in the Taxonomy (denominator).

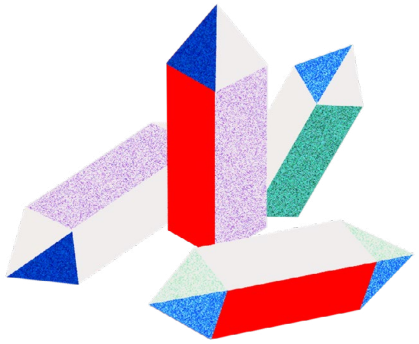
Total OpEx as defined in the Taxonomy (restrictive scope) consists of direct non-capitalised costs related to research and development, building renovation measures, short-term leases, maintenance and repair and any other direct expenses relating to the day-to-day maintenance of fixed assets.

- Research and development expenditure is recognised as an expense during the reporting period in our income statement (see page 220 of our Annual Report 2023). In line with our consolidated financial statements (paragraph 126 of IAS 38), this includes all non-capitalised expenditure that is directly attributable to research or development activities.
- The volume of non-capitalised leases was determined in accordance with IFRS 16 and includes expenses for short-term leases and low-value leases (see page 231 of our Annual Report 2023).
- Maintenance and repair expenditures were determined based on the maintenance and repair costs allocated to our internal cost centers. The related cost items can be found in various lines items in our income statement, including production costs (maintenance in operations), sales and distribution costs (maintenance logistics) and administration costs (such as maintenance of IT systems). This also includes building renovation measures.

In general, this includes staff costs, costs for services and material costs for daily servicing, as well as for regular and unplanned maintenance and repair measures. These costs are directly allocated to our PP&E. This does not include expenditures relating to the day-to-day operation of PP&E, such as raw materials, cost of employees operating the machinery, electricity or fluids that are necessary to operate PP&E. Amortisation and depreciation are also not included in the OpEx KPI.

The total operating expenditures included in the OpEx KPI are:

- Research and development costs cover MNOK 641, related to employee benefits.
- Building renovation measures are currently of limited relevance to Elkem, as there is no ongoing significant project related to this subject.
- Short term leases cover MNOK 66, described in note 16.
- Maintenance and repair expenses include Elkem`s maintenance and repair cost not qualifying for capitalisation as part of the relevant asset. Repair and maintenance activities consist of MNOK 1 145.



Turnover KPI

2023				Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm') (h)									
Economic Activities (1)	Code (2)(a)	Turnover (3)	Proportion of Turnover, year N (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	**Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) turnover, year N-1 (18)**	Category enabling activity (19)	Category transitional activity (20)
A. Taxonomy-eligible activites																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%	0%	0%	0%	0%	0%	0%								0%		
Of which Enabling		0	0%	0%	0%	0%	0%	0%	0%								0%		
Of which Transitional		0	0%	0%													0%		
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (g)				(f)	(f)	(f)	(f)	(f)	(f)										
3.17 Manufacture of plastics in primary form	CCM	14 079	39.6%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
3.1 Manufacture of renewable energy technologies	CCM	230	0.6%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
3.6 Manufacture of other low carbon technologies	CCM	618	1.7%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		14 926	42%	42%	0%	0%	0%	0%	0%								0%		
A. Turnover of Taxonomy eligible activities (A.1+A.2)		14 926	42%	42%	0%	0%	0%	0%	0%								0%		
B. Taxonomy-non-eligible activities																			
Turnover of Taxonomynon-eligible activities		20 619	58%																
Total		**35 545**	**100%**																

CapEx KPI

2023				Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm') (h)									
Economic Activities (1)	Code (2)(a)	Turnover (3)	Proportion of Turnover, year N (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	**Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) OpEx, year N-1 (18)**	Category enabling activity (19)	Category transitional activity (20)
A. Taxonomy-eligible activites																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%	0%	0%	0%	0%	0%	0%								0%		
Of which Enabling		0	0%	0%	0%	0%	0%	0%	0%								0%		
Of which Transitional		0	0%	0%													0%		
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (g)				(f)	(f)	(f)	(f)	(f)	(f)										
3.17 Manufacture of plastics in primary form	CCM	734	39.6%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
3.1 Manufacture of renewable energy technologies	CCM	12	0.6%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
3.6 Manufacture of other low carbon technologies	CCM	32	1.7%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		778	42%	42%	0%	0%	0%	0%	0%								0%		
A. OpEx of Taxonomy eligible activities (A.1+A.2)		778	42%	42%	0%	0%	0%	0%	0%								0%		
B. Taxonomy-non-eligible activities																			
OpEx of Taxonomynon-eligible activities		1 074	58%																
Total		**1 852**	**100%**																

OpEx KPI

2023				Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm') (h)									
Economic Activities (1)	Code (2)(a)	Turnover (3)	Proportion of Turnover, year N (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	**Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) turnover, year N-1 (18)**	Category enabling activity (19)	Category transitional activity (20)
A. Taxonomy-eligible activites																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%	0%	0%	0%	0%	0%	0%								0%		
Of which Enabling		0	0%	0%	0%	0%	0%	0%	0%								0%		
Of which Transitional		0	0%	0%													0%		
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (g)				(f)	(f)	(f)	(f)	(f)	(f)										
3.17 Manufacture of plastics in primary form	CCM	3 675	67.5%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
3.1 Manufacture of renewable energy technologies	CCM	10	0.2%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
3.6 Manufacture of other low carbon technologies	CCM	26	0.5%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		3 711	68%	68%	0%	0%	0%	0%	0%								0%		
A. CapEx of Taxonomy eligible activities (A.1+A.2)		3 711	68%	68%	0%	0%	0%	0%	0%								0%		
B. Taxonomy-non-eligible activities																			
CapEx of Taxonomynon-eligible activities		1 731	32%																
Total		**5 442**	**100%**																

Template 1: Nuclear and fossil gas related activities

Row	Nuclear energy related activities	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
	Fossil gas related activities	
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

Environmental
Social
Governance

S

Introduction

Safety is our top priority in Elkem. Elkem firmly believes that all incidents are preventable, and we steadfastly adhere to a zero-harm philosophy in all our divisions. To realise this, a skilled, engaged, and diverse workforce is key.

Elkem's growth and green leadership strategy pivot on operational excellence and a continuous improvement. Our global team, comprising more than 7,400 dedicated employees are central to our success. Our employees shares a deep commitment to our stakeholders, working collectively to realise our full potential.

Our employees are our most invaluable resource, and as such, Elkem takes responsibility for safety for all on-site activities. Elkem actively seek to influence our suppliers and partners to align with our consistent focus on health and safety.

Regrettably, Elkem experienced four fatalities among its contractors in 2023. Investigations revealed lapses in following essential safety measures, underscoring the imperative nature of unwavering focus on health and safety. For further details, please refer to the HSE chapter.

Elkem emphasises individual involvement in creating a secure work environment. We place significant emphasis on human rights, fair wages, and equal opportunities. These elements are seen as vital to Elkem's operations and a sustainable future. Our dedication remains consistent to establish a culture founded on equality and respect for cultural differences.

To bolster our commitment to human rights, Elkem is implementing its action plan based on the human rights risk assessment done in 2022. Labour right, working conditions, anti-discrimination, diversity, equality, and inclusion have been included in the internal HR audits, and a new supplier management system (SRM) will be implemented.

The social topics material to Elkem are:
→ Health and safety on site
→ Human rights, including labour rights

Key KPI

	2023	2022	2021
Total recordable injury rate	**3.0**	3.2	3.7
Reported confirmed cases of child or forced labour	**0**	0	0
Employees covered by collective bargaining agreements	**35%**	40%	39%
Female share	**25%**	25%	25%

Health and safety on site

A strong health and safety culture is fundamental to Elkem's license to operate. Elkem's Health, Safety, and Environment (HSE) initiatives follows a zero-harm philosophy, with a systematically implemented management system working to achieve this objective. In 2023, the total recordable injury rate for our employees continued to decrease, but we unfortunately experienced some high-consequence incidents and an increased total injury rate for our contractors.

Key takeaways

- → In 2023, Elkem implemented FORUS, a HSE Management System to systematically increase focus on HSE.
- → The TRIR (total recordable injury rate) for own employees continued to decline, but it has proven difficult to convey our HSE-culture to our contractors which have shown a deterioration in performance.
- → An increased focus on reporting of incidents, investigating these incidents and the sharing of these learnings has been a focus of the improvement work.

Targets

- → Elkem follows a zero-harm philosophy
- → Reduction in Frequency rates by 10% from base of 2022
- → Increased training of all people on our sites meeting required planned training hours per job level

Key risks

- × Exposure to hazardous substances
- × Hazardous operations
- × Working at height
- × Moving equipment and safeguarding
- × Legislative changes and requirements

Key opportunities

- → Improved training has resulted in a decrease in injuries among own employees, and we work to see the same development among our contractors.
- → Sharing of learnings from Injuries and High Risk Incidents will enable Elkem to learn across the organisation and work to prevent reoccurrence of incidents.
- → Continued implementation of FORUS will establish good systems to enable the continued HSE improvement work.

Key KPIs

TRIR	TRIR contractor	Lost workday rate	Lost workday rate contractor
3.0	3.4	0.7	2.1

Policies

- → Code of conduct
- → HSE policy
- → Code of conduct for Elkem's business partners

Elkem's corporate policies ↗

8 DECENT WORK AND ECONOMIC GROWTH

KPIs

Employees

Work-related injuries	Metric	2023	2022	2021	Development 2022 to 2023
Fatalities	Absolute numbers Rate	**0** **0.0**	0 0	0 0	No change
High-consequence work-related injuries	Absolute no. Rate	**0** **0.0**	1 0.1	0 0	-100.0%
Lost workday injuries	Absolute no. Rate	**11** **0.7**	13 0.9	21 1.5	-15.4%
Other recordable injuries	Absolute no. Rate	**31** **2.2**	31 2.2	30 2.2	No change
Total recordable injuries	Absolute no. Rate	**42** **3.0**	44 3.2	51 3.7	-4.5%
Hours worked	Number	**14 216 585**	13 936 109	13 706 429	2.0%

Contractors

Work-related injuries	Metric	2023	2022	2021	Development 2022 to 2023	
Fatalities	Absolute numbers Rate	**4** **0.4**	2 0.3	0 0	100.0%	
High-consequence work-related injuries	Absolute no. Rate	**4** **0.4**	2 0.3	0 0	100.0%	
Lost workday injuries	Absolute no. Rate	**24** **2.1**	14 2.4	7 1.5	71.4%	
Other recordable injuries	Absolute no. Rate	**14** **1.3**	8 1.4	10 2.1	55.6%	
Total recordable injuries	Absolute no. Rate	**38** **3.4**	22 3.8	17 3.5	72.7%	
Hours worked	Number	**11 176 605**	5 722 932	4 797 159	95.3%	Hours worked by contractors have increased significantly due to expansion and maintenance at plant in Xinghuo.

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

Health and safety on site

Health and safety management

Elkem's production activities entail inherent risks, exposures, and emissions, given operations involving high-temperature smelting (>2,000°C) and advanced processing of hazardous chemicals. A paramount aspect of our success and operational license is the commitment to a zero-harm philosophy, emphasising the health and safety of employees and contractors on-site. While Elkem bears full responsibility for maintaining a safe and healthy workplace, it expects equal commitment from its workforce to actively contribute to this goal.

To reinforce line management's ability to fulfil this responsibility, each site has an HSE organisation tailored to its size and risk level. Oversight of Elkem's HSE management system lies with the corporate Vice President for HSE. Routine internal audits, conducted by corporate and divisional resources, ensure system compliance at each site.

Elkem aims to audit all production sites a minimum of every other year, conducting 22 audits in 2022 and 20 in 2023. The safety management system FORUS further enhances the focus on safety through internal self-assessments, divisional, and corporate audits. In 2024 the plan is to conduct 25 audits.

Continuous efforts are invested in equipping employees and contractors with the necessary skills and tools to identify and manage workplace risks. Comprehensive risk management systems, applicable globally, underline Elkem's commitment to health and safety. This commitment is demonstrated by clear responsibilities, accountability at all levels, prioritisation of individual health and safety in decision-making, ambitious goals for continuous improvement, and uniform HSE systems across all Elkem operations worldwide.

In 2023, Elkem reported a decrease in the overall number of injuries in 2023, with the majority being low-consequence injuries. The total recordable injury rate decreased from 3.2 to 3.0, and the lost workday rate reduced from 0.9 to 0.7 in 2023.

Unfortunately, Elkem experienced a significant challenge with four contractor fatalities in 2023. This underscores the crucial importance of maintaining an unwavering focus on health and safety.

Elkem follows a stringent reporting regime for injuries, requiring comprehensive reporting, investigation, and mitigation measures, irrespective of severity. All injuries and high-potential incidents undergo thorough investigation, with implemented measures to prevent recurrence. Detailed insights are shared across Elkem sites to ensure lessons learned from incidents.

HSE management system and auditing

To enhance safety management, Elkem decided to introduce a new system in 2022, FORUS, modelled after the ISRS safety management system. The name FORUS signifies the aim to be a leader (Forerunner System) in safety. This risk-based system comprises a manual, safety procedures, protocols, and a comprehensive auditing system. All Elkem employees and contractors working on Elkem property are subject to the system's requirements, and suppliers are expected to adhere to basic HSE rules within contractual purchasing agreements.

Elkem's HSE management system establishes HSE as a line management responsibility, emphasising accountability for HSE performance at all levels of the organisation across different locations.

In 2023, the rollout of the system continued with the development of communication and visualisation tools, the development of training modules related to the introduction of Basic HSE and FORUS system and the Life Saving rules. The plants completed self-assessments of the current state versus the new standards for FORUS, and action plans have been developed to close the gaps. In 2024, the goal is to focus on process safety while closing the gaps related to these elements in FORUS.

Incident management

Elkem adheres to general requirements for recording, notification, and classification of injuries and incidents based on criteria from the US Occupational Safety and Health Administration (OSHA), aligning with the nature of Elkem's industry. The company employs a comprehensive digital incident management system, urging all employees to promptly report injuries, incidents, unsafe conditions, deviations, and non-compliances. Each report undergoes investigation, mitigation sharing, and, when appropriate, contributes to organisational learning and improvement. Serious incidents undergo thorough root cause analysis.

Recordable injuries and high-risk incidents are regularly presented to corporate management for weekly discussion. In addition to reporting, incident management encompasses emergency preparedness. Each Elkem site possesses tailored emergency plans and resources commensurate with their risk levels. These resources range from basic first aid and fire extinguishing equipment to fully equipped in-house emergency response teams.

Health and safety training

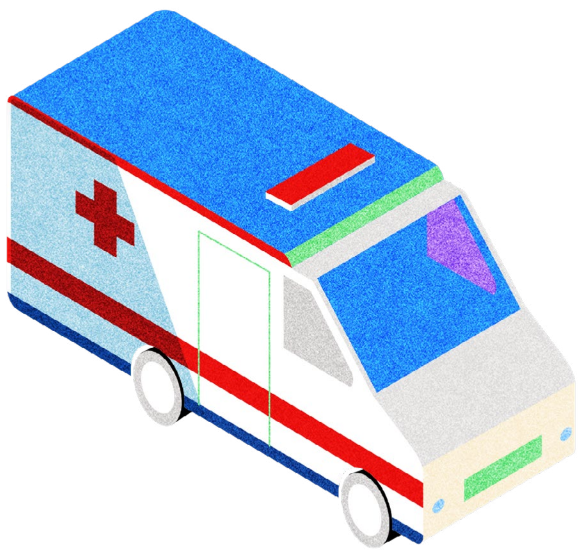
Elkem prioritises the safety of its employees through thorough and documented HSE training. This training equips employees with a comprehensive understanding of workplace hazards and empowers them to mitigate risks during their daily operations. Training activities include:

- Basic training in Elkem's HSE management system FORUS mandatory for all employees.
- Specific work-related training for each work operation and each tool employees are required to use to ensure they have necessary competence to do the job in a safe and healthy manner.
- Awareness training to ensure each employee understands how their personal behaviour can affect the health and safety of themselves and others.
- Training needs and completed training activities are reviewed annually through development discussions with each employee and documented at the site level.
- The Basic HSE and Introduction to FORUS training has been updated and rolled out into the organisation. This started by training trainers to present the training with the latest methods of retention of knowledge so that employees and contractors retain and apply knowledge and concepts learnt.
- Modules for Life Saving Rules are in development and are being rolled out into the organisation.

Contractor health and safety on site

Elkem extends its zero-harm philosophy to all contractors working on-site, ensuring they adhere to the same health and safety standards as Elkem employees. Contractor companies undergo screening before being contracted, and their employees receive dedicated HSE training from Elkem before commencing work at Elkem plants. The four fatalities among Elkem's contractors underscores the importance of continually training both Elkem's own employees and contracted personnel.

Many of the total contractor hours worked within Elkem in 2023 were related to the upgrade projects within the Silicones Division. Even though there were many training hours concluded and much on site follow up, the performance was still not as required. The Division implemented a review of the work and improvements were implemented which assisted with the improvement in contractor performance in the second half of 2023. This work will be continued in 2024, while we bring these large projects to the startup phase.



People and organisation

Elkem's appeal as an employer is built on a robust and empowering company culture, equitable treatment of all employees, and a secure, inclusive, and motivating workplace. Ongoing organisational development supporting the strategy implementation, systematic competency development and performance management are vital for the company's sustained growth. Elkem is dedicated to empowering individuals in their respective roles through involvement, respect, continuous improvement, and precision.

Key takeaways

- Elkem introduced a new global Learning Management System in 2023, and this will improve the training of all employees.
- Elkem saw the turnover rate reduce from 6% to 4,5% in 2023.
- Elkem offers leadership development for first-level, mid-level, and senior-level leaders. The development programmes are adapted to the different managerial levels.

Targets

- 100% of employees have an annual development discussion
- 100% of the mandatory training is completed by the assigned target group

Key risks

- × Ability to attract necessary resources – both the necessary competencies and capacity – in the remote locations of the Elkem plants, often far away from education institutes etc.
- × Ability to retain a diverse workforce by offering continuous competency- and career development
- × Lack of development opportunities and follow-up may result in demotivated employees and a high turnover rate

Key opportunities

- As an attractive employer and industry leader worldwide, Elkem can retain and attract highly skilled and motivated employees that support the shared strategic goals
- Global operations offer exciting development opportunities to all employees, who are willing to relocate on short or long term assignments
- Systematic investment in development of leaders at all levels in the organisation offer an opportunity to further enhance employee performance and motivation globally
- Focus on increasing diversity and retaining diverse workforce contributes to improved performance and well-being of the employees and teams.

Policies

- People policy
- HSE policy
- Elkem Business System (EBS)

Elkem's corporate policies ↗

Key KPIs

Total employees	Temporary hire rate/part time workers rate	Female share
7 534	5.5%	25%

KPIs

	Metric	2023	2022	2021	Development 2022 to 2023
Total employees*	Number	**7 534**	7 372	7 074	2.2%
Europe	Number	**2 925**	2 953	2 898	-0.9%
Asia	Number	**3 643**	3 632	3 433	0.3%
America	Number	**957**	758	716	26.3%
Africa	Number	**9**	28	27	-67.9%
Turnover rate	%	**4.5%**	6%	8%	-25.0%
Female share of new hires	%	**30%**	26%	27%	15.4%
Female share of leavers	%	**29%**	27%	23%	7.4%
Blue collar / operators	%	**55%**	59%	55%	-6.8%
White collar / staff	%	**45%**	41%	45%	9.8%
Total contractors**	FTE	**283**	331	433	-14.5%
Europe	Number	**96**	125	159	-23.2%
Asia	Number	**160**	171	238	-6.4%
America	Number	**27**	35	36	-22.9%
Africa	Number	**0**	0	0	No change
Temporary hire rate (%) to permanent employment	%	**5.5%**	5%	7%	10.0%
Part time workers rate (%) to permanent employment	%	**3.9%**	1%	6%	290.0%
Development discussions	%	**78%**	89%	78%	-12.4%

**Total employees are calculated using total headcount*
***Total contractors are calculated using FTEs*
The colour indicates a positive or negative development year on year.

People and organisation (Own workforce)

Elkem values its people as the most critical and appreciating asset. The human resource strategy, optimisation of the organisational structure, and ongoing investment in employee development drive and enable business strategy implementation. Key elements include leadership development, reinforcing culture fundamentals and the Elkem Way, ensuring critical competencies, and investing in individual employee growth and well-being, thus ensuring continuous high engagement levels. Elkem provides a diverse internal training program, continuously refining and evaluating it. The adoption of digital channels facilitates swift and widespread competency development.

Leadership development

Elkem offers three standardised global leadership development programs for first-level, mid-level, and senior-level leaders. The first-level program, Leadership Essentials, targets middle management, team leaders, shift leaders, and those with personnel responsibility, aiming to foster a unified Elkem culture aligned with the company's purpose, values, and mission.

The mid-level program, Elkem Leadership, is a one-year extensive program for high potentials and senior leaders, featuring five modules, interdisciplinary team projects, individual coaching, and evaluations. Participants are selected globally by Elkem's corporate management.

For the most senior leaders who have completed the Elkem Leadership program, as well as division management and leaders of other leaders, Elkem offers the Elkem Excellence Program at the third leadership level.

Competency development

Competency Development at Elkem is offered locally at plants and units, as well as at the division level and the corporate global level. The offering is facilitated through the company intranet's Learn-pages, where both mandatory and all other internal training courses are accessible. The mandatory training includes HSE, Compliance, IT Security, and other elements reviewed and prioritised annually to equip the organisation with necessary competencies in the current business environment.

Additionally, Elkem provides a range of optional training categories such as Elkem Business system, Digitalisation, Innovation, IP, Legal and leadership development as well as interpersonal and communication skills. The global on-boarding program for all employees is standardised. Elkem encourages employees to take ownership of their learning by ensuring easy access and widespread availability of courses, fostering continuous growth and development. A global Learning Management System was implemented in 2023 to facilitate this.

Development discussion (DD)

At Elkem, the Development Discussion (DD) is a key process where employees discuss and agree on their annual targets with their leaders, identifying the necessary development initiatives, support and resources needed for successful and high performance. The discussion also includes a mutual feedback discussion, also with the aim to support the development of both the employee and the leader. All employees are expected to contribute to a culture of continuous improvement and innovation, facilitated by regular constructive feedback on performance and contributions to the working environment.

Formal and informal channels, including the DD, are used for this purpose. Elkem fosters an environment where employees are encouraged to take on new challenges and responsibilities, work in cross-functional improvement teams and be willing to re-locate and be mobile.

Elkem aims for 100% of employees worldwide to engage in an annual development discussion with their leaders. In 2023, 78% of Elkem employees had their DD.

People policy and survey

Elkem's global People Policy establish the principles related to the management of people in Elkem, and define the roles and responsibilities across the organisation.

The purpose is to ensure that business units within Elkem adhere to standardised group HR procedures. HR representatives have an obligation to handle employment matters consistently supporting the employees throughout their employment lifecycle with Elkem. The policy outlines the high-level principles and commitments required to achieve that consistency and it is supported by detailed global or local procedures and guidelines.

In 2024 , Elkem will conduct its second global employee engagement survey.

Elkem Business System (EBS) – our common culture

EBS, Elkem's business system and leadership philosophy, unifies our culture, language, and continuous improvement methods. Rooted in our values—respect, involvement, precision, and continuous improvement—EBS fosters operational excellence in all parts of the value chain. Central to EBS is the commitment to involve all employees in improvement work, empowering them as experts in their areas of responsibility. Elkem values delegated decision-making, considering it a strength and integral to our business culture.

The EBS principle of empowering people underpins Elkem's stance on labor rights and employee involvement. Efficiency in the product value chain is sought through the people value chain. Elkem employs a team-based structure with orderly working conditions, offering diverse opportunities for personal development.

Establishing a shared language and culture is a gradual process. When Elkem expands or acquires new entities, priority is given to implementing HSE and EBS standards and systems. Some sites are in the early stages, while others have made significant progress.

EBS assessments, conducted biannually by a corporate team, evaluate site progression, involvement, and improvements. Topics cover daily operations, systematic improvements, and leadership commitment to continuous improvement. Elkem's global expansion, demonstrates successful EBS implementation despite cultural differences. Critical position planning, competency development of employees, and assessments identify gaps and improvement areas for ongoing organisational development.

Flexibility and work-life balance

To achieve Elkem's overarching goals, fostering an organizational culture of participation, physical meetings and teamwork, and empowerment is crucial. Elkem is committed to offering flexibility in working hours and location in line with local laws, accommodating employee requests while contributing to increased efficiency and without hindering the performance of job tasks. The working terms shall enable employees to balance work and family life. Recognising the positive impact on motivation, performance, and productivity, Elkem supports employees in achieving a better work-life balance and managing their priorities effectively.

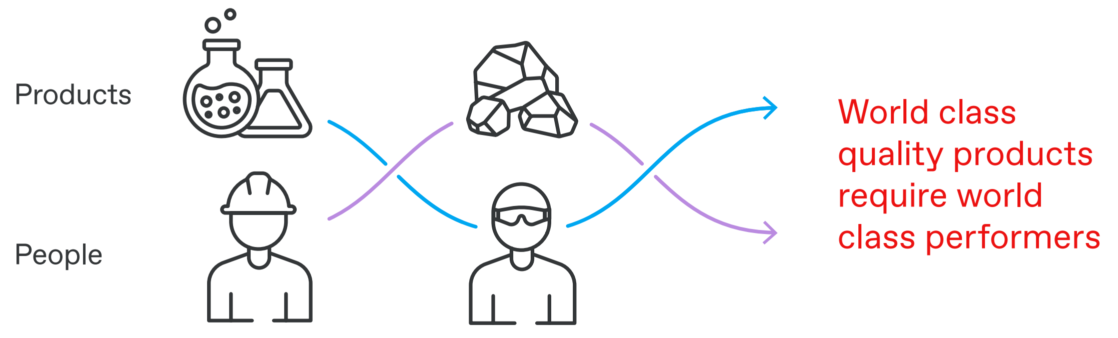


Figure: The double value chain

Turnover

Elkem aims to retain and attract employees, gauging its attractiveness through turnover rates. In 2023, the group's total turnover decreased to 4.5% from 6% in 2022.

Contractors and temporary hires

All Elkem employees, including contractors and temporary hires, must have written employment documentation complying with local laws. While Elkem primarily offers permanent employment, during peak times, contracted or temporary work may be considered for specific projects. Fair compensation and priority rights to potential permanent roles are ensured for temporary workers. Contractors adhere to the same HSE requirements as Elkem employees, receiving full training for a safe and healthy work environment. In 2023, Elkem had contracted employees equal to 283 FTEs. These contractors work with core activities (e.g. production processes). Elkem saw a decrease of 14.5% in use of contractors, while the hours worked increased significantly. This is because contracted hours include maintenance and construction related to a large expansion of the operations at Xinghuo.

Changes to the organisation

Elkem's workforce needs can fluctuate for various reasons, leading to potential increases or decreases. In the event of downsizing the organisation, the process adheres to relevant local laws and agreements. The management engages employees and their representatives early in a transparent and constructive manner, and leaders in Elkem are equipped with competency and understanding of the importance of change management as a vital component of organisational change processes. In connection with expansion, M&As etc. Elkem set up integration project teams to ensure a professional, compliant and smooth integration of new entities to Elkem.

Human and labour rights

Elkem advocates for fair working conditions and upholds human rights throughout our operations and value chains. We recognise the responsibility of businesses to respect human rights and remain dedicated to the UN Declaration and International Conventions on Human Rights, the OECD Guidelines for Multinational Enterprises, the ILO Declaration on Fundamental Principles and Rights at Work, ILO's core conventions, and applicable local legislations in the countries where we operate. Our commitment aligns with the United Nations Guiding Principles on Business and Human Rights.

Key takeaways

- Decision to implement new supplier management (SRM) system will address main weakness in managing supply chain human rights risks
- Integrated labour rights, working conditions, anti-discrimination, diversity, equality, and inclusion as topics in internal HR audit template
- Reached agreement with local stakeholders on mitigating measures to ensure sustainable coexistence with expanded mining operations in Tana, Norway

Targets

- Make human rights eLearning mandatory for key employee target groups
- Further strengthen framework for human rights due diligence in the supply chain through new supplier management platform

Key risks

- Risk of unsafe, hazardous work environment and safety concerns related to Elkem's own production and processes or our supply chain
- Risk of unfavourable working conditions (specifically working hours, wage and overtime payment) among Elkem's suppliers
- Risk of forced or involuntary labour occurring in Elkem's supply chain
- Risk of negatively impacting the living conditions and livelihoods of the local community through Elkem's own production and processes or our supply chain

Key opportunities

- New SRM will enable risk-based targeting of suppliers for enhanced qualification and follow-up
- Solid human rights program builds stakeholder trust and secures Elkem's position as a preferred supplier to strategic customers

Policies

- Code of conduct
- Code of conduct for business partners
- Human rights program
- People policy

Elkem's corporate policies ↗

Framework for managing human rights risks

Elkem's operations, business activities, organisation structure and supply chain are described in more detail in the Our business chapter. As an international company operating globally, as both a producer and buyer, Elkem acknowledges the risk of potential involvement in human rights violations due to our expansive footprint. We are committed to prevent adverse human rights impacts across our operations. This commitment is outlined in our board-approved code of conduct, further detailed in our Human Rights program, and operationalised in function-specific policies and procedures. Our expectations for partners are defined in our business partner code of conduct.

Respecting human rights requires understanding what human rights are and how our business activities may impact them. In 2023, our training efforts were relatively narrowly targeted towards our raw materials sourcing teams. To further raise awareness in the wider organisation, we have developed an eLearning course. Due to changes in our global learning management platform the roll-out of this training to broader target groups was postponed from 2023 to 2024.

Despite our focus on employee representation and strong HSE practices, challenges arise in ensuring full transparency within our complex supply chain, especially in regions with human rights concerns. We recognise the need to address and mitigate human rights risks within our value chains. While we cannot solve all every issue independently, our commitment involves continuous efforts to strengthen our human rights framework.

Human rights risk assessment

In 2022, Elkem engaged independent third-party advisors to conduct a human rights risk assessment. The final report was issued in January 2023. It concluded that Elkem has high inherent risk of adversely affecting human rights due to the company's nature of operations, geographic presence, and size / complexity of supply chain. It was noted that Elkem has good systems and processes in place to manage risk of adverse impacts of our own operations. The main observed gap was the lack of a global supplier management system, which reduces our ability to work risk based and systematically address human rights risks in our supply chain. The advisors also noted that Elkem could benefit from more systematic training and awareness efforts.

Key KPIs

Employees covered by collective bargaining agreements, %	Reported confirmed cases of child or forced labour, number	Number of cases reported through grievance mechanism, number
35%	0	1

Human and labour rights

This third-party risk assessment is considered a starting point for improved human rights management in Elkem. An action plan was developed by the Human rights working group and approved by the ESG Steering Committee to address the findings. Implementation will require efforts by the line organisation as well as several supporting functions including Compliance, HR, HSE, and Supply chain. Progress on the action plan is reported to the ESG steering committee.

Safeguarding human and labour rights in our own operations

Elkem's most salient human rights risks are the impacts of our own operations have on employees and other personnel working on our sites. In 2023, Elkem did not record any confirmed incidents where the company caused or contributed to adverse human rights impacts from our own operations.

Forced labour and child labour

There were no incidents of forced labour or child labour reported in Elkem in 2023. Our people policy and business partner code of conduct safeguard vulnerable stakeholders, setting a minimum working age of 18 with limited exceptions for specific circumstances. Elkem strictly adheres to local law, ensuring all employees have proper documentation, insurance, and correct tax payments.

The chapters Human rights Responsible value chain management, and Responsible economic practices have been developed to comply with the legal requirements to report / produce and annual statement as stated in the Forced Labour in Canadian Supply Chains Act (2023), the Norwegian Transparency Act (2021), and the UK Modern Slavery Act (2015).

The reporting requirements apply to Elkem as an enterprise resident in Norway with total assets of more than NOK 35 million combined with, on average, more than 50 full time employees, a supplier of goods with a total turnover of GBP 36 million or more in the UK, and as an entity engaged in producing, selling or distributing goods in Canada having with $20 million or more in assets,

$40 million or more in revenue, and / or an average of 250 or more employees.

The information is valid for Elkem ASA and its consolidated subsidiaries.

The statement is approved and signed by the Board of Directors of the parent company Elkem ASA as part of their approval of the annual ESG report.

Health and safety on Elkem's sites

HSE rules and training apply universally to Elkem employees and contractors, with all incidents and follow-ups inclusive of contractors. High-risk work areas undergo rigorous compliance measures, including routine HSE audits. Despite these efforts, there were four fatalities among contractors working on Elkem sites in 2023. These tragic incidents underscore the importance of HSE always being our top priority, including our responsibility for disseminating good HSE practices in our supply chain. The accidents have been investigated and initiatives have been launched to address the root causes and prevent future accidents. More details are provided in the section on HSE on site.

Freedom of association and collective bargaining

Elkem upholds the right of all employees to form and join trade unions of their choice. We foster a tradition of inclusion and collaboration, and believe that a robust, ongoing, and positive dialogue between employees and management enhances our decision-making. As per the Norwegian Companies Act, Elkem includes three employee representatives on its board. Additionally, Elkem has a European Works Council (EWC) that aligns with the EU Directive 2009/38/EC.

We explicitly acknowledge and respect the freedom of association and the right to collective bargaining in alignment with local and national legislation and practices. In regions where local laws, practices, or traditions may not fully support these rights, Elkem actively promotes alternative channels and forums. These avenues empower employees to stay informed about the company, voice concerns, and exert influence on decisions affecting them.

In 2023, 35% of Elkem's global workforce benefited from collective bargaining agreements, primarily in Norway and other countries. The generalisation of these agreements ensures that all eligible employees receive equitable pay and fair working conditions. This approach protects against disparities and promotes fairness, especially for foreign workers.

Trade union coverage varies worldwide, with some countries operating under a single collective bargaining agreement. In locations without formal unions, Elkem encourages local management to establish collaboration channels, leveraging the EBS tools and culture to involve employees in decisions. For non-union members and groups not covered by agreements, Elkem determines conditions based on existing agreements to ensure equality.

Labour rights and decent working conditions

The HR function collaborates with local management to comply with local laws and safeguard labour rights. Working hours conform to local laws or agreements, with adjustments made, when necessary, to prioritise rest intervals and align with our guiding principles.

Elkem ensures comprehensive support for employees' well-being, covering medical treatment for work-related sickness or injury. In cases of work-related disablement or death, insurance payments and pensions are provided to employees or their immediate surviving family members. Furthermore, Elkem safeguards employees from dismissal due to pregnancy or new-born child responsibilities in accordance with local customs and laws.

In 2023, the template for internal HR audits was updated to include additional questions on labour rights, working conditions, anti-discrimination, diversity, equality, and inclusion. Countries with inherent high risk as identified in the human rights risk assessment were prioritised for internal HR audits. No major con-conformities were discovered, but improvement areas are addressed by local management with support from the global HR organisation.

Minimising adverse impacts on external stakeholders

Elkem's operations directly affect people and the environment around our plants. In 2023, we codified our ambitions within energy management, biodiversity stewardship, water-, resource- and waste management in a new Sustainability policy. Our efforts to safeguard the local environment is further described in the HSE chapter.

Elkem source materials, goods, and services from thousands of suppliers and service providers globally and is therefore at risk of being directly linked to adverse human rights impacts on workers in our supply chain.

Responsible supply chain management

The risk of forced labour and unsatisfactory working conditions for workers in Elkem's supply chain is considered high, especially for certain raw materials. Mitigating measures such as integrity due diligence of intermediaries and producers, audits, and on-site visits for critical raw material suppliers are already in place. However, the human rights risk assessment identified variable practices in our supply chain management processes. The introduction of a new supplier relationship management (SRM) system is planned for 2024. This global platform will improve our ability to identify human rights risk, prioritise areas of high impact, and conduct systematic risk-based supplier qualification and follow-up. More information is provided in the chapter Responsible sourcing practices.

Stakeholder dialogue

Elkem aims to provide safe and stable job opportunities as well as contribute to the economic and human development of our employees and the communities in which we operate. Local stakeholder dialogue and the nature of community involvement differ from site to site to cater for historical and local needs and differences. Several Elkem plants have implemented local initiatives and support programmes, including initiatives for better education and local infrastructure, sports activities, local community poverty reduction and food support, healthcare, and other social impact initiatives.

Bigger changes to Elkem operations require more extensive stakeholder dialogue. The most recent example is the long and demanding negotiations with reindeer grazing district 7 (Rákkonjárga) in Tana, Norway. The expansion of one of the world's largest quartzite mines will secure access to a key source of raw materials for the green transition. But the expansion will impact local reindeer herding activities, and the parties have come to an agreement on mitigating measures to ensure sustainable coexistence.

Grievance mechanisms

Elkem's grievance mechanism, accessible on the company's website, is designed for stakeholders providing feedback or expressing concerns about our global operations. The ESG Office manages confidentially received concerns, engaging relevant parts of the organisation for resolution. Elkem also has a secure speak-up channel for both internal and external parties, detailed in the chapter on responsible business practices.

KPIs

	Metric	2023	2022	2021	Comment
Employees covered by collective bargaining agreements	%	**35%**	40%	39%	
Reported confirmed cases of child or forced labour	Number	**0**	0	0	
Number of cases reported through the grievance mechanism		**1**	6	2	All cases reported were resolved

Diversity, equality and inclusion (DEI)

At Elkem, we consider our people our greatest and appreciating asset. The amalgamation of individual differences is not only integral to our culture but also defines our reputation and achievements. Our commitment to equal opportunities, diversity, and an inclusive company culture reflects our goal to enhance customer centricity, cultural awareness, compliance, and innovation.

Key takeaways

- Elkem has conducted its first global employee engagement survey, resulting in high engagement score, 5% point higher than global industry benchmark. On the DEI dimension 84% of employees responded positively, matching the manufacturing benchmark.
- DEI has been included in all leadership training offering in Elkem, both first line-, middle- and senior management levels.
- DEI Awareness workshops have been organised at the corporate and the division management levels
- Elkem Iceland received in 2023 a Gender Equality Initiative award for its outstanding contribution towards gender parity in leadership positions.

Targets

- Expand the DEI awareness training for both leaders and employees globally
- Develop & implement DEI training for recruitment, promotion and talent management purposes
- Continue to focus on diversity in connection with hiring and internal promotions

Key risks

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

Key opportunities

- Attract, retain and engage diverse talent
- Tap into diverse perspectives, leading to better continuous improvement and innovation
- DEI delivers a positive impact on performance, motivation and engagement

Key KPIs

Female share in company	Female share in management	Female share in trainee program
25%	24%	31%

Policies

- Code of conduct
- Speak up policy
- People policy

Elkem's corporate policies ↗

KPIs

	Metric	2023	2022	2021	Development 2022 to 2023
Female share					
Female share in company	%	**25%**	25%	25%	No change
Female share in management	%	**24%**	30%	30%	-20.0%
Female share in leadership programme	%	**32%**	36%	N/A	-11.1%
Female leaders overall, with personell responsibility	%	**25%**	22%	24%	13.6%
Female share in trainee programme	%	**31%**	38%	43%	-18.4%
Female share of part time workers	%	**42%**	31%	45%	35.5%
Female share of temporary employees	%	**27%**	25%	29%	8.0%
Female share white collar	%	**32%**	35%	36%	-8.6%
Female share blue collar	%	**14%**	17%	17%	-17.6%
Parental leave – average women (Norway only)	Weeks	**37**	38.3	38	-3.4%
Parental leave – average men (Norway only)	Weeks	**21**	17.5	16	20.0%
Age distribution, employees					
< 30 years	%	**17%**	16%	16%	6.3%
30-50 years	%	**53%**	56%	56%	-5.4%
>50 years	%	**30%**	28%	28%	7.1%
Age distribution, management teams					
< 30 years	%	**2%**	3%	6%	-33.3%
30-50 years	%	**56%**	59%	60%	-5.1%
>50 years	%	**42%**	38%	34%	10.5%
Salary: CEO to median employee (NOR) wage	Ratio	**11:1**	10:1	7:1	10.0%

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

Diversity, equality and inclusion (DEI)

Cultural diversity
Elkem boasts a strong multicultural workforce, measured by the distribution of employees belonging to nationalities outside the country in which they work. In Norway, we have 38 nationalities represented at our locations. Going forward, Elkem remains committed to evaluating diversity needs and attracting cultural diversity. Our workforce comprises individuals from 65 different nationalities, with Chinese, Norwegian, French, American, Icelandic, and Spanish being the largest groups.

Age diversity
Within our workforce, 17% are under 30 years old (16% in 2022), 53% fall between 30 and 50 (2022: 56%), and 30% are above 50 (2022: 28%). In management, 56% of leaders (2022: 59%) belong to the 30-50 age category. Elkem actively monitors our age structure, undertaking systematic efforts to foster knowledge transfer and skill development from senior to less experienced employees.

In many Elkem plants and units the company actively engages in supporting the education of young people by offering apprentice-placements, trainee-programs and special programs for young people to support inclusion.

Gender diversity
Elkem maintains a stable gender diversity ratio, with female employees constituting 25% (2022: 25%) and males 75% (2022: 75%) of the workforce. Globally, female representation in management teams stands at 24% (2022: 30%), and among leaders with personnel responsibility, it is 25% (2022: 23%). There are fluctuations in the different categories of female share in Elkem, and this is to be expected given our total share of 25% women. Our ongoing initiatives aim to enhance female representation through recruitment, retention, and promotion processes.

We recognise that a diverse, equitable, and inclusive workplace is vital for business success, fostering varied perspectives essential for excellence in research, innovation, and continuous learning. Elkem is committed to long-term Diversity, Equity, and Inclusion (DEI) efforts, aiming to strengthen awareness and reinforce core behaviours aligned with our values.

Leadership
Our firm conviction lies in the paramount importance of leadership commitment and accountability. How our leaders communicate, interact, and shape the workplace culture significantly influences diversity and inclusivity. Leaders' vision, communication, decision-making, and the trust they build are pivotal. Elkem's leadership development programs prioritise equipping leaders with essential people skills to engage and empower their teams. Deliberately intertwined with the thread of Diversity, Equity, and Inclusion (DEI), these programs cover modules such as Inclusive Leadership, Unconscious Bias, Psychological Safety, Managing Self, and Managing Teams.

Board and management
Elkem's board comprises 11 members from China, France, and Norway, with a 36% (2022: 36%) female representation. Among the ten-member corporate management team, 10% (2022: 10%) are female. The age distribution shows one member in the 30-50 age group, while the majority is 51 or older.

The road ahead
Diversity, Equality and Inclusion (DEI) are key pillars in our Corporate Human Resources Strategy, People Policy, underlying HR procedures and the Code of Conduct.

The fundament of the way we work and interact in Elkem is the Elkem Business System (EBS). Our values and leadership principles are founded in EBS and our commitment to continuous improvement is dependent on empowered and motivated people. Employees use their skills and competency in improvement teams to measure gaps and follow up on risks.

We have implemented a global Learning Management System (LMS) in order to ensure equality by increasing accessibility of learning and development opportunities for all employees, regardless of their geographical work location or their position level.

To work more strategically with DEI, we have taken a holistic approach, by first analysing and amending all the processes and procedures we currently have in place through a DEI lens. We reviewed and re-designed our HR People policy, procedures and supplementary material, ensuring equal opportunities for all as well as committing to equity as an organisation. Our focus has been on wellbeing, flexibility and fairness in the workplace. Dedicated DEI workshops have increased awareness and competency on DEI, both at the corporate and the division management levels.

All of our HR related policies and procedures are regularly reviewed and, where relevant, discussed with the local employee representatives, who engage in continuously improving the working conditions, evaluating any inequalities and identifying any health and safety risk and/or improvement areas.

We also have a Speak up channel, where employees can raise any concerns.

Environmental
Social
Governance

G

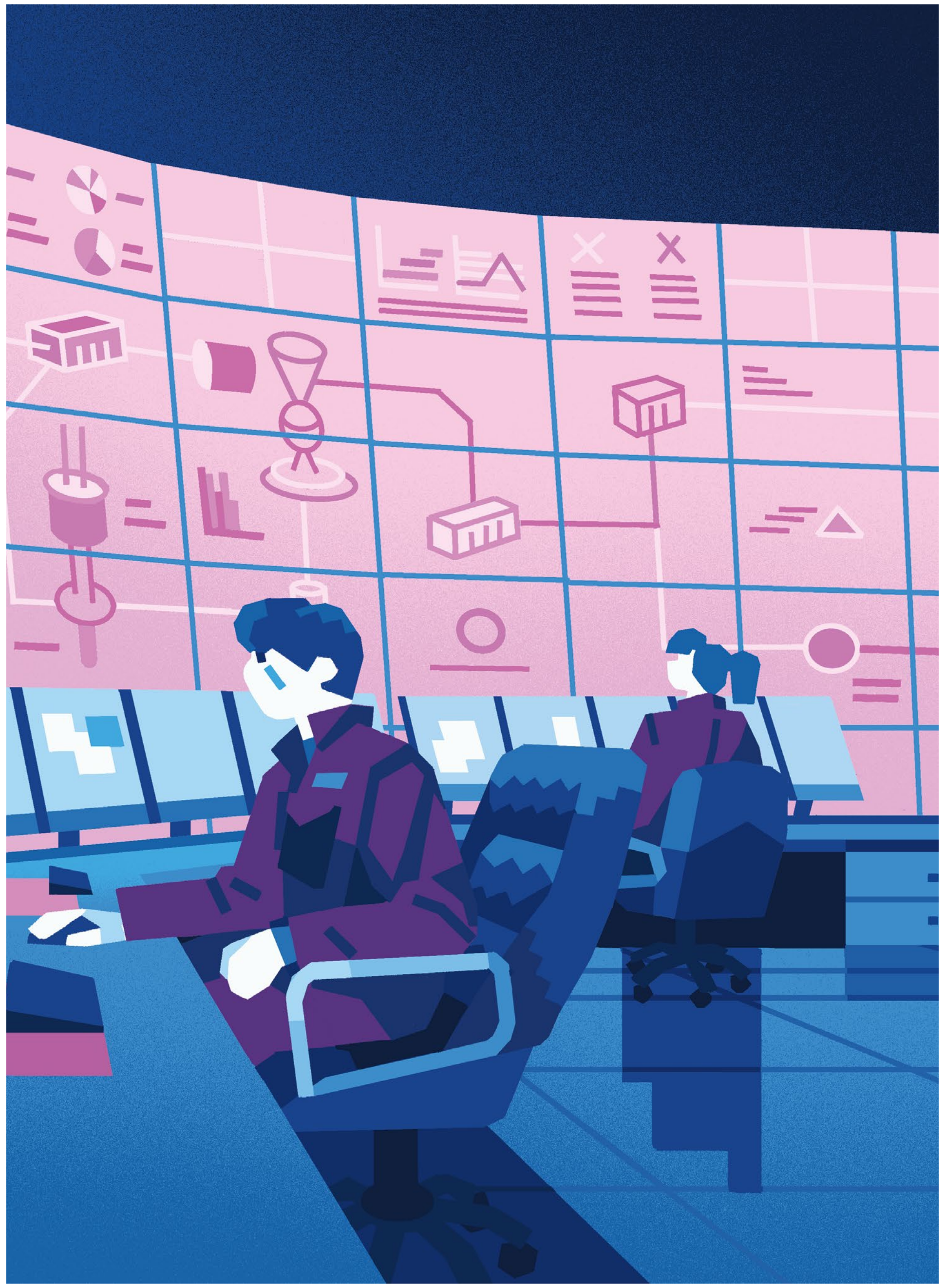
Introduction

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

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

Elkem is committed to developing its business in accordance with the UN Sustainable Development Goals and the Paris agreement. As a signatory of the United Nations Global Compact, Elkem aims to ensure that the business is aligned with the ten UN Global Compact principles. Elkem seeks to obtain a satisfactory regulatory framework for all its operations, and are committed to do so in accordance with our code of conduct, with complete transparency and no hidden agendas. Therefore, we participate in relevant industry organisations and take lobby positions when needed.

In this chapter we will introduce the following governance topics defined as material to Elkem
- → Responsible economic practices
- → Responsible value chain management
- → Product governance, including chemical safety



Key KPIs

	Metric	2023	2022	2021
New raw material suppliers subjected to assessment and pre-qualification	%	**80%**	100%	92%
Compliance training	Minutes / employee	**21**	31	28
Employees with signed code of conduct	%	**Incomplete data**	94%	96%
Number of significant fines due to non-compliance with law or environmental deviations	Number	**0**	0	0

Responsible economic practices

Elkem prioritises robust corporate governance for value creation and trustworthiness, emphasising effective compliance programs amid increasing regulatory demands. The company advocates for responsible economic practices, zero tolerance for corruption, and compliance with anti-money laundering and antitrust laws, conducting its activities based on honesty, respect, and ethical standards globally.

Key takeaways

- → Elkem assesses risks by identifying high-risk jurisdictions and vulnerable employee groups to anti-competitive practices. They provide updated eLearning based on their competition law procedure and offer targeted training for compliance, conducting ad hoc assessments to address any identified red flags or gaps.
- → In 2023, Elkem's new online training program received positive feedback. Upgraded in 2022, it now includes modules on ethics, anti-bribery, corruption, and antitrust topics. Mandatory for designated employees, the program is accessible in multiple languages.
- → All employees and external stakeholders have access to a secure speak-up channel.

Key risks

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

Key opportunities

- → Empower employees and partners through targeted training and awareness activities
- → Reduce financial and reputational risk through effective compliance program implementation
- → Build stakeholder trust through transparent disclosure of compliance performance

Key KPIs

Compliance training	Total number of misconducts	Confirmed cases of corruption and fraud
21 minutes per employee	15 reported cases	1 case

Policies

- → Code of conduct
- → Code of conduct for business partners
- → Compliance policy
- → Speak up and investigation procedure
- → Anti-corruption compliance program
- → Conflict of interest procedure
- → Gifts and hospitality procedure
- → Sponsoring and donations procedure
- → Third-party risk management procedure
- → GDPR compliance policy
- → Competition law procedure

Elkem's corporate policies ↗

Compliance training

Elkem is dedicated to delivering relevant and engaging compliance training. The training program was upgraded in 2022, introducing new modules covering ethics, anti-bribery and corruption, and antitrust topics. In 2023 these modules have been targeted towards new employees to set clear expectations of ethical employee conduct.

In 2023, Elkem has invested significant resources in developing a new Code of conduct eLearning course, accessible in multiple languages. Completion will be mandatory for office-based employees in 2024, and for new employees joining the company going forward. This commitment underscores Elkem's proactive approach to fostering a culture of compliance and ethical conduct among its workforce. In the last year, Elkem has both implemented a new global learning platform and adopted new software to support in-house development of compliance training modules for our employees. Use of these new technologies will enable us to deliver on our ambition to deliver risk-based and role-specific training to different groups of employees.

Anti-competitive practices

Elkem is committed to preventing anti-competitive practices in all operations. Elkem conducts risk assessments to identify high-risk jurisdictions and employee groups vulnerable to anti-competitive practices. Additionally, Elkem offers both recently updated eLearning based on Elkem's own competition law procedure as well as targeted training for competition law compliance, performing ad hoc assessments to identify red flags and address any gaps. This proactive approach underscores Elkem's commitment to upholding competition law standards throughout its operations. Elkem has further implemented its dawn raid guidelines at all major locations globally and conducted specific training for employees and management.

Anti-Bribery and anti-corruption measures

Elkem maintains a zero-tolerance policy against corruption. Operating in various jurisdictions, including high-risk countries, Elkem engages with government officials for permits and administrative matters. The company adopts a risk-based approach to compliance, utilising risk assessments to inform and enhance its anti-bribery and corruption program. This approach is consistently applied to all aspects of Elkem's operations, including market entries and product introductions.

Working with business partners

Elkem recognises that cases involving bribery, human rights breaches, environmental disasters, and scandals often implicate business partners, including agents, consultants, suppliers, joint venture partners, and distributors. Ensuring high ethical standards in these partnerships is crucial. Elkem's screening tools against sanction lists and our Code of conduct for business partners have been significantly improved in previous years, and all stakeholders have access to our speak-up channel. This year we have started the development of a new supplier relationship management system that will develop our risk management and control further.

Responsible economic practices

Speak-up/whistleblowing

Elkem promotes a culture of reporting possible dishonest or illegal conduct without fear of repercussions. A secure speak-up channel is in place for employees and external parties to report misconduct and non-compliance with Elkem's code of conduct. Available in all Elkem languages, the channel allows for anonymous reporting via web or telephone, with clear guidance. Severe matters can be escalated to management, the audit committee, and the external auditor. The speak-up channel and policy are accessible on Elkem's intranet and corporate website, promoted during employee training, and featured on posters and handouts at plants and offices. Misconduct reports are handled by Corporate Compliance in accordance with relevant legislation, and Elkem has a zero-tolerance policy against retaliation, with sanctions for those who engage in it.

Tax strategy

Elkem is dedicated to full compliance with tax laws across all operating jurisdictions, emphasising transparency and cooperation with tax authorities. We prioritise adherence to relevant laws and regulations, maintaining a low-risk tolerance in tax matters and avoiding aggressive planning. Our tax approach undergoes annual reviews and is aligned with the overall risk strategy.

The group tax function, reporting to the CFO, ensures effective tax governance, collaborating with other functions to identify and mitigate risks. Elkem manages the primary tax risk of non-compliance through experienced decision-making and, when necessary, third-party advisors. Group tax has procedures in place to identify, measure, manage, monitor and report on tax risks. Tax risk is managed in line with Elkem's internal control framework.

We pursue an open and transparent relationship with tax authorities, committing to consistent, timely, and professional dealings. In line with Elkem's transparency goals, we report country-by-country information for the entire group, including subsidiaries and joint ventures where Elkem holds 50% ownership.

Non-compliance

There were no significant instances of non-compliance with laws and regulations during 2023 that resulted in significant fines or non-monetary sanctions. Elkem defines significance by environmental deviations, long- and short-term damage on the environment, production stops and economic impact.

KPIs

	Metric	2023	2022	2021	Development 2022 to 2023	
Average minutes of compliance training per employee*	Minutes / employee	**21**	31	28	-32.3%	A change in e-training suppliers, and the move to a newly developed e-course on the Code of conduct caused several delays. This hampered the compliance training programme in 2023. This will be remediated in 2024.
Total number and nature of misconduct reports	Number	**15 Company/ professional code violation: 2 Conflict of interest: 3 Corruption and fraud: 4 HSE violation: 1 Inappropriate workplace behaviour and harassment: 2 Rights and protection of individuals: 1 HR case: 2**	14	13	7.1%	
Number of confirmed cases of corruption** and fraud	Number	**1**	6	0	-83.3%	
Number of confirmed incidents in which employees were dismissed or disciplined for corruption**	Number	**0**	2	0	-100.0%	
Public legal cases regarding corruption** brought against the organisation or its employees	Number	**0**	0	0	No change	
Confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption**	Number	**0**	5	0	-100.0%	
Employees with confirmed commitment to the code of conduct	%	**Incomplete data**	94%	96%	NA	A change in e-training suppliers, and the move to a newly developed e-course on the Code of conduct caused several delays. This will be remediated in 2024.

**2022 training included eLearning courses concerning ethics and Elkem's code of conduct, anti-bribery, and corruption, and antitrust. The courses were distributed to different risk-based target groups.*

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

Responsible value chain management

Responsible sourcing is a strategic imperative for Elkem. With an annual global procurement spend of approximately NOK 25 billion, encompassing raw materials, energy, goods, services, and logistics, Elkem actively engages with a diverse supply base of around 18,000 global suppliers. While the count of raw material suppliers is relatively low, the spend is significant and this is an area of sourcing that is connected to higher risk levels.

Key takeaways

- Started implementation of new supplier management scheme, and new supplier relationship management system is being introduced. The new SRM is expected to be implemented fully by the end of 2024.
- CDP: Elkem recieved the highest score with an A on CDP forest
- Signed new contract with NCL for environmentally-friendly container vessels
- Increased biocarbon share to 24%
- Started production at Elkem's biocarbon pilot plant in Canada
- New water treatment plant in Tana where water is purified and reused resulting in less water consumption and no discharge of contaminated water
- Contract signed with indigenous peoples to secure an expanded operating area in Tana
- Contract signed with Wilson Shipping to build 2-4 environmentally-friendly bulk vessels for Elkem's use

Targets

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

Key risks

- ESG-related risk in supply chain
- Incidents or accidents in Elkem's supply chain
- Breach of sanctions in Elkem's supply chain

Key opportunities

- Develop new biocarbon products to reduce CO_2 fossil emissions
- New container vessels in operation in 2024 to reduce CO_2 emissions
- Implementation of Supplier Relationship Management system "Ivalua"

Policies

- Code of conduct for Elkem's business partners
- Human rights program
- HSE policy

Elkem's corporate policies ↗

Key KPIs

Share of new raw materials suppliers subjected to assessment and pre-qualification screening	Share of critical raw material suppliers subjected to supplier audit	Adverse human rights concerns in supply chain reported
80%	50%	0

KPIs

	Metric	2023	2022	2021	Comment
Share of new raw materials suppliers subjected to assessment and pre-qualification screening	%	**80%**	100%	92%	-20%
Share of new raw material suppliers subjected to supplier audit	%	**50%**		19%	
Adverse human rights concerns in supply chain reported	Number	**0**	0	1	No change

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

Responsible value chain management

Responsible sourcing and the supply chain

Elkem focuses on enhancing supply chain practices. The decentralised procurement organisation manages raw materials, logistics, and services across corporate, divisional, and plant levels. Distinctions are made between raw materials and indirect material procurement, considering both as potentially critical. The corporate procurement council oversees Elkem's global procurement and logistics strategy, policies, and procedures.

Elkem ensures responsible sourcing through its procurement policy and associated procedures for supplier prequalification and management. The biocarbon sourcing policy underscores Elkem's commitment to sustainable forest management and the requirements for procuring bio-based reductants. Supplier contracts enable risk assessments and audits, aligning with Elkem's code of conduct for business partners, emphasising ethics, labour rights, and social and environmental considerations.

Supplier due diligence and screening

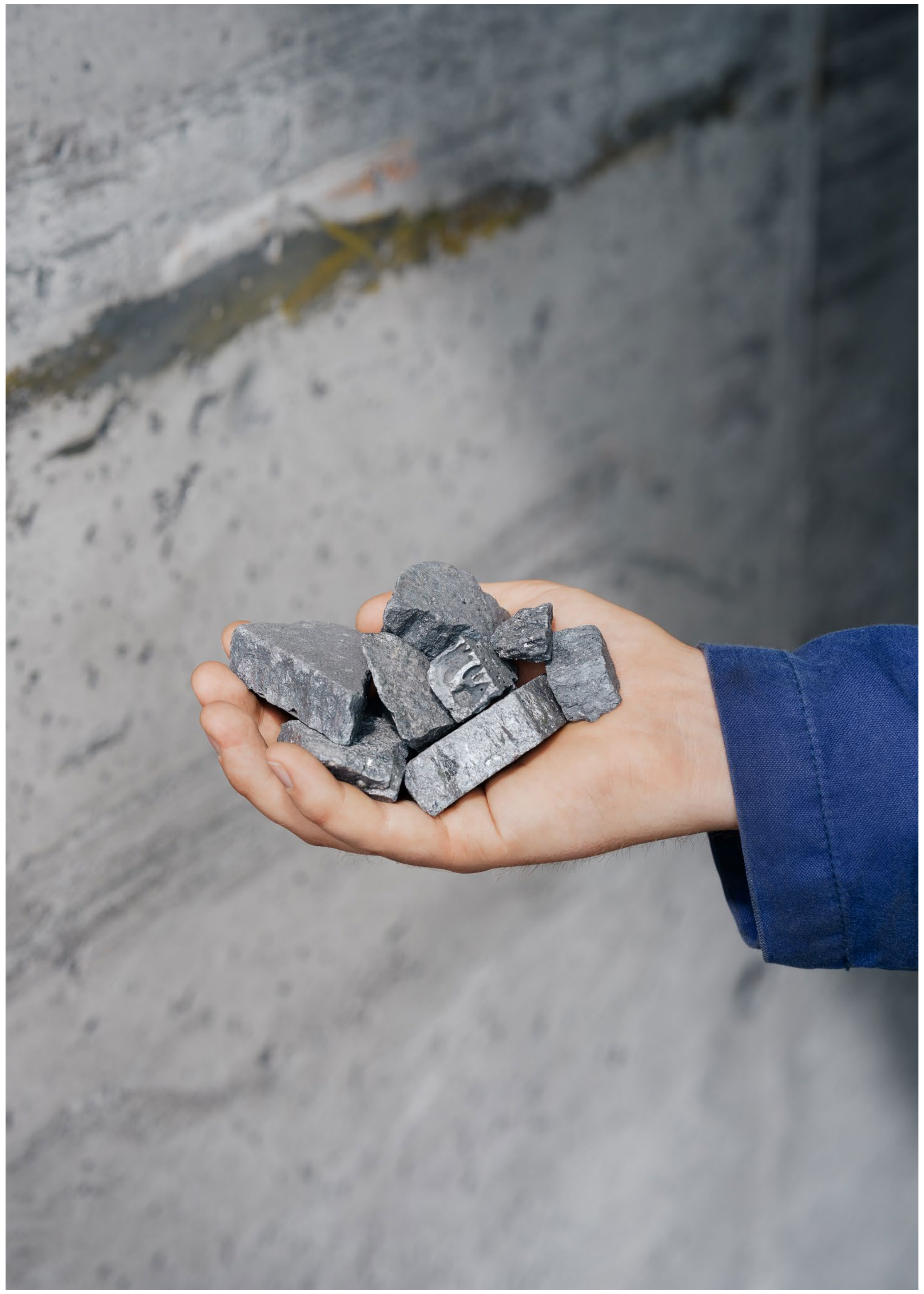
The procurement function conducts pre-qualification and risk assessments based on corporate criteria, including environment, health and safety, social responsibility, anti-corruption, and legal compliance. New raw material suppliers undergo screening against environmental and social standards, with high-risk suppliers subject to additional due diligence like integrity assessments.

Elkem is reshaping its responsible sourcing approach and introducing a new supplier relationship management (SRM) system. This will develop Elkem's supply chain risk management further. This system will streamline screening processes, unify vetting across divisions and jurisdictions, monitor compliance throughout the contract lifecycle, and manage supplier risk. The SRM platform is planned to go live in the first half of 2024.

Responsible supply chain management

Elkem sets rigorous requirements for high-risk suppliers and contractors in areas such as health, safety, and environmental standards. Actively involved in ensuring safe working conditions, Elkem provides health and safety training, supplies appropriate personal protective equipment, and enforces age controls to prevent child labour. Suppliers and contractors are mandated to offer fair contracts, inform employees about their rights, and allow them to organise and bargain collectively where legally possible. In spite of these requirements and efforts we unfortunately saw four fatalities among contractors working on Elkem sites in 2023. This underlines the importance of Elkem's focus on HSE in the supply chain, and Elkem has investigated the accidents and launched initiatives to prevent such tragedies in the future. For more on this review the section on HSE on site.

Regular discussions with suppliers reinforce Elkem's expectations. High-risk suppliers must showcase their comprehension of legal requirements and operational hazards, presenting plans to eliminate or control risks while working for Elkem. Elkem conducts audits during routine visits and unannounced site inspections, with external auditors engaged on its behalf. Violations prompt warnings and requests for improvements, with repeated offenses leading to swift implementation of improvement plans, financial penalties, or contract termination.



Product governance including chemical safety

Elkem spans the entire value chain, starting from quartz as a raw material and progressing through metallurgical silicon to specialty silicones. Consequently, comprehensive product stewardship principles apply across all production steps. Proactively managing chemical usage and prioritising environmental and human health protection are fundamental prerequisites for Elkem's business operations.

Key takeaways

- Product governance hierarchy in Elkem is set up as follows:
  - Product governance – Policies and management responsibilities
  - Product stewardship – Regulations and standards, product safety (PS), advocacy, life cycle analyses
  - Product compliance – Safety Data Sheets, Compliance certificates, REACH, product registrations, emission permits

Key risks

- × Accidents causing spills
- × Hazardous substances used in production processes
- × Non-compliance to chemical regulations resulting in lost market access

Key opportunities

- Competitive advantage triggered by the bio-carbon strategy and the use of hydroelectric power: low Carbon footprint and EPD of our products

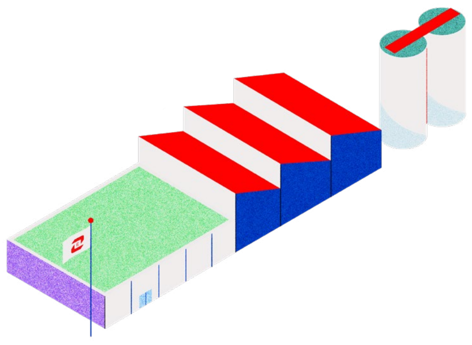
Key KPIs

	2023	2022	2021
Number of spilles of hazardous substances	1	0	0

Policies

- Product stewardship policy
- HSE policy

Elkem's corporate policies ↗



Elkem adheres to various rules and regulations for its products, including safety data sheets, transport regulations, and REACH registrations. Product compliance ensures fulfillment of legal requirements. Beyond this, Elkem embraces product stewardship as an integrated business process, managing health, safety, environmental, and regulatory risks in the best interest of society. Above product stewardship is product governance, establishing policies for Elkem's products, covering ethical obligations, animal testing, emerging technologies, raw material sustainability, biodiversity, and CO_2 emission reduction targets. This chapter outlines key aspects of Elkem's product governance.

Renewable raw materials and biobased products

Biocarbon serves as a strategic raw material for Elkem's sustainable silicon and ferrosilicon production, encompassing wood chips, charcoal, and biocarbon agglomerates. Elkem is dedicated to ethical and sustainable raw material sourcing, adhering to internationally recognised principles and standards such as FSC (Forest Stewardship Council) and PEFC (Programme for the Endorsement of Forest Certification). Elkem's sourcing contracts and corporate standards align with the highest levels of sustainability and responsible sourcing for natural raw materials.

Mining activities and biodiversity

Elkem is committed to excluding protected areas from its mining operations, closely coordinating with national mining authorities. As quartz, the primary raw material, is abundant, Elkem sources exclusively from non-protected areas. Environmental risk assessments are integral to mining permit applications, involving consultations with biodiversity experts. Throughout mining operations, emissions are monitored, and audits by national mining authorities ensure compliance. Elkem allocates annual provisions for mine restoration post-activity. Recognised in Spain for sustainable practices, Elkem aligns with IMA-Europe's sustainability charter for biodiversity and the environment. Committed to responsible mineral sourcing, Elkem actively avoids conflicts with human rights abuses and environmental degradation. Elkem is a member of the Towards Sustainable Mining Initiative through its membership in Norsk Bergindustri.

Transport safety

International regulations, including UN Transport Regulations and IMO standards, govern the transport of hazardous goods, establishing standards for packed material (IMDG), solid bulk cargoes (IMSBC), and bulk liquids (IBC). Professional transport companies handle all transportation, adhering to these regulations. At plant sites, hazardous goods are transported by truck, with rigorous procedures ensuring safe transport, including loading, unloading, and handling. Standard routines involve checklists for vehicle and equipment conditions, speed, and alcohol control. Plant sites are ISPS ports with restricted access, and all personnel undergo safety training, while transport companies engage in safety drills with the plant's fire brigade.

Product governance including chemical safety

Hazardous substances management

Elkem prioritises assessing safer alternatives for hazardous substances, promoting their substitution and reduction. The company systematically reviews options to mitigate identified risks, including potential substitution, phasing out substances posing unacceptable risks to human health or the environment, and limiting exposure to SVHC substances when substitution is not possible. This assessment of alternative solutions for hazardous chemicals is implemented consistently across all Elkem laboratories and plants.

The main hazardous substances of concern used in Elkem's operations are:

- In carbon products: High temperature coal tar pitch (CAS no. 65996-93-2) is used as an intermediate in the production of Söderberg electrode paste.
- In silicones: D4, D5, D6 are key intermediates in the production of silicones-based polymers that are classified as Substances of Very High Concern (SVHC). They are used under strict conditions in a limited number of products and closely controlled throughout the production, storage, and shipping processes. While substitution is not possible, production processes are constantly improved to reduce the residual amount in the downstream products.
- In silicon products and ferroalloys: These are made from natural raw materials such as quartz, coal, and iron oxide that often contain trace amounts of heavy metals. Cadmium and lead are listed as SVHC but their concentrations in Elkem's products are far below the generic threshold limit value of 0.1 % w/w and do not trigger regulatory action.

The REACH legislation mandates suppliers to inform European downstream users about SVHC substances exceeding 0.1 % (w/w). Elkem consistently monitors its product portfolio for SVHC substances, reviewing management plans regularly to define specific risks. The company explores various options to mitigate risks, including substitution, phasing-out, or exposure limitation.

In addition to adhering to chemical production regulations, the Silicones division is a signatory of the Responsible Care Global Charter by ICCA. Through Responsible Care, Elkem commits to improving performance, engaging with stakeholders, and extending responsible practices throughout the value chain. The key principles of the charter is:

- Promoting transparency to build trust with stakeholders.
- Safeguarding people and the environment by continuously improving environmental, health and safety performance.
- Driving continuous improvement in chemical product safety and stewardship throughout the supply chain.
- Strengthening chemicals management systems by participating in the development and implementation of lifecycle-oriented, sound-science and risk-based chemical safety legislation and best practices.

In 2023, Elkem's Santa Perpetua plant faced a sewage leak from a defective setup, resulting in approximately 6 m³ of cyclics, mainly D4, escaping into the public sewer. A crisis management team acted swiftly, and authorities were notified. Fortunately, no irregularities were detected in the wastewater system. Elkem will conduct a thorough review, and local authorities will oversee remediation efforts.

Product safety program:

Elkem ensures product safety through two key pillars:

1. Chemical safety assessments align with operative chemical legislation.
2. Mandatory safety data sheets (SDS) serve as hazard communication tools for safe product handling by customers and employees.

The product stewardship team provides expertise for key end-markets from the initial stages of product development, ensuring compliance with the correct regulatory context.

Elkem's management upholds a zero-harm policy, enforcing detailed standard operating procedures (SOP), mandatory familiarization with safety data sheets, and safe job analyses. Formal requirements are stored in databases like Inosa, ensuring traceability. Incident investigation and corrective actions follow corporate HSE standards, supported by the Synergi software tool. Auditing, a crucial element of Elkem's safety program, encompasses suppliers, contractors, and internal audits, aligning with Elkem's ISO 9001 and ISO 14001 certifications.

There were no material incidents of non-compliance concerning the health and safety impacts of products and services, to Elkem's knowledge in 2023.

Chemical Safety

Elkem ensures compliance with various chemical product regulations, covering registrations, autorisations, safety data sheets, and labels. Specific industry regulations are followed, especially for products in contact with food, water, or healthcare applications.
With over 4,000 diverse products, regulatory and product compliance is a priority. The Silicones division employs a document management system for easy access to compliance, certificates, and regulatory statements. Elkem globally complies with regulatory requirements, providing safety data sheets (SDS) following the UN Globally Harmonised System. Products must meet specific technical, regulatory, health, and environmental standards in all markets.

Elkem engages in regional and international trade associations to anticipate and understand emerging regulations and standards impacting its industry. Key events in chemical safety for 2022 include:

- Elkem Silicones is actively working on its REACH Turkey (KKDIK regulation) obligations to meet the registration deadline (postponed to 2026-2028)
- Elkem Silicones to finish its review of REACH dossier
- Elkem Silicones is actively working to meet the EU Poison Center Notifications (PCN) requirements for industrial uses. 2024 is the transition period.

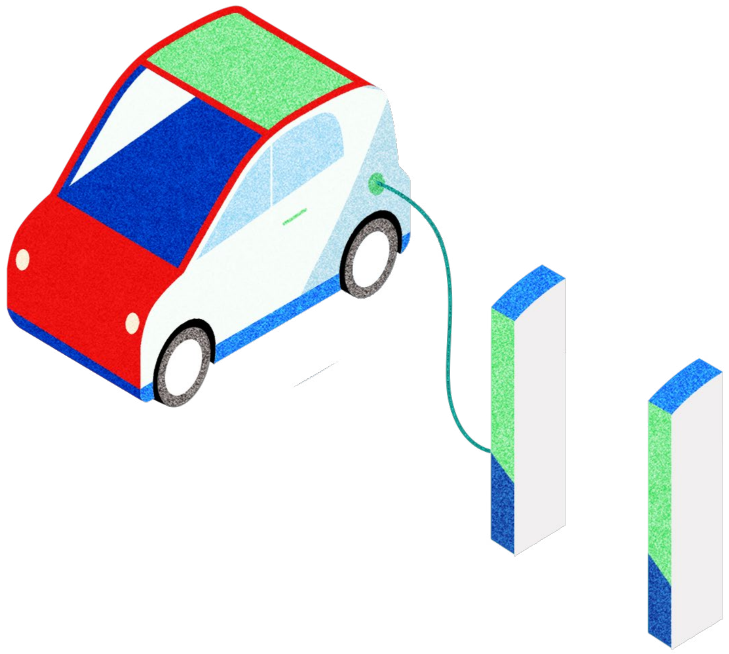
Animal testing policy

Elkem commits to avoiding animal testing, except when legally mandated. Toxicology studies on vertebrate animals conducted by Elkem Silicones are validated and centrally coordinated by an Elkem toxicologist. This central coordination ensures comprehensive data awareness for the product stewardship team, supporting product safety and meeting global regulatory requirements. All studies strictly adhere to European cosmetic regulations.

Policy on emerging technologies

Elkem acknowledges risks tied to emerging technologies and abstains from using GMOs or engaging in stem cell and genetic engineering research. While avoiding these areas, Elkem employs nanoforms of existing products, essential for sustainable constructions (Elkem Microsilica®) and battery technology (silicon). The company is dedicated to assessing and mitigating risks associated with nanoparticles, adhering to national occupational hygiene legislation. Nanoforms undergo specific chemical safety assessments under European REACH legislation to ensure safe use.

Elkem's evaluation of new products, including nanoforms, follows internal procedures facilitated by the corporate product stewardship team. As of Elkem's knowledge, there have been no material incidents of non-compliance concerning the health and safety impacts of its products and services.



To the Board of Directors of Elkem ASA

Independent statement regarding Elkem ASA's sustainability reporting

We have undertaken a limited assurance engagement in respect of Elkem ASA's GRI Index for 2023 and defined key performance indicators for sustainability (sustainability reporting) for the year ending 31 December 2023.

- Elkem's GRI Index for 2023 is an overview of which sustainability topics Elkem considers material to its business, together with a reference to where material sustainability information is reported. Elkem's GRI Index for 2023 is available at https://www.elkem.com/sustainability/esg-reporting/. We have examined whether Elkem has developed a GRI Index for 2023 and whether mandatory disclosures are presented according to the Standards published by the Global Reporting Initiative (www.globalreporting.org/standards) (criteria).
- Elkem has defined key performance indicators for sustainability in their ESG report for 2023. The measurement of the indicators is determined by topic-specific disclosure requirements from GRI or own disclosures as specified by Elkem and explained in the ESG report (below the relevant KPI table) (criteria). "Supplying the green transition" is based on the criteria as defined in EU Taxonomy. For the following KPIs we have examined the basis for 2023 and examined whether the KPIs are calculated, estimated and reported in accordance with the criteria:
  - "CO2 and other GHG emission reductions, incl. energy management " (see KPIs presented on page 109 and 113)
  - "Local emissions to air" (see KPIs presented on page 130)
  - "Biodiversity" (see KPIs presented on page 117)
  - "Water management" (see KPIs presented on page 121)
  - "Waste management and circularity" (see KPIs presented on page 125)
  - "Health and safety on site" (see KPIs presented on page 147)
  - "Environmental due diligence in the supply chain" (see first KPI presented on page 171)
  - "Social due diligence in the supply chain" (see first KPI presented on page 171)
  - "Responsible economic practices, including anti-corruption and tax strategy" (see first four KPIs presented on page 169)
  - "Supplying the green transition" (see KPIs presented on page 134)

Management's Responsibility

Management is responsible for Elkem's sustainability reporting and for ensuring that it is prepared in accordance with the criteria described above. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of a GRI Index and key performance indicators for sustainability that are free from material misstatements, whether due to fraud or error.

GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions to different gases.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements as required by relevant laws and regulations and the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply the International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements,* and accordingly, maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

Our Responsibilities

Our responsibility is to express a limited assurance conclusion on Elkem's sustainability reporting based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 revised – «Assurance Engagements other than Audits or Reviews of Historical Financial Information» and,in respect of greenhouse gas emissions, ISAE 3410 - "Assurance Engagements on Greenhouse Gas Statements", issued by the International Auditing and Assurance Standards Board. These standards require that we plan and perform this engagement to obtain limited assurance about whether the sustainability reporting is free from material misstatement. A limited assurance engagement in accordance with ISAE 3000 and ISAE 3410 involves assessing the suitability in the circumstances of management's use of the criteria as the basis for the preparation of the sustainability reporting, assessing the risks of material misstatement of the sustainability reporting whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the sustainability reporting. 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.

The procedures we performed were based on our professional judgment and, among others, included an assessment of whether the criteria used are appropriate, as well as an assessment of the overall presentation of the sustainability reporting. Our procedures, based on an assessment of the risk of error, also included meetings with representatives from Elkem who are responsible for the material sustainability topics covered by the sustainability reporting; review of internal control and routines for reporting key performance indicators for sustainability; obtaining and reviewing relevant information that supports the preparation of key performance indicators for sustainability; assessment of completeness and accuracy of the sustainability reporting; and controlling the calculations of key performance indicators for sustainability.

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 the Subject Matter Information has been prepared, in all material respects, in accordance with the Criteria.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that

- Elkem's GRI Index for 2023 is not, in all material respects, developed and presented in accordance with the requirements of the Standards published by The Global Reporting Initiative;
- Elkem's key performance indicators are not, in all material aspects, calculated, estimated and reported in accordance with the definitions and explanations provided in relation to the key performance indicators.

Oslo, 12 March 2024
PricewaterhouseCoopers AS

Anders Ellefsen
Anders Ellefsen
State Authorised Public Accountant (Norway)

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Financial statements

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Consolidated statement of profit or loss

Amounts in NOK million	Note	2023	2022
1 January - 31 December			
Revenue	7	**34 364**	45 018
Other operating income	8	**1 135**	746
Share of profit (loss) from equity accounted investments	5	**46**	135
Total operating income	6	**35 545**	45 898
Raw materials and energy for production		**(20 401)**	(21 976)
Employee benefit expenses	9	**(5 253)**	(4 918)
Other operating expenses	11	**(6 319)**	(6 714)
Amortisation and depreciation	15, 16, 17	**(2 312)**	(1 999)
Impairment losses	15, 16, 17	**(94)**	(28)
Other items	12	**516**	2 151
Operating profit (loss)		**1 682**	12 414
Share of profit (loss) from equity accounted financial investments	5	**(63)**	(17)
Finance income	13	**182**	67
Foreign exchange gains (losses)	13	**(106)**	85
Finance expenses	13, 16	**(743)**	(313)
Profit (loss) before income tax		**951**	12 236
Income tax (expense) benefit	14	**(781)**	(2 594)
Profit (loss) for the year		**170**	9 642
Attributable to:			
Non-controlling interests' share of profit (loss)		**98**	80
Owners of the parent's share of profit (loss)		**72**	9 561
Earnings per share in NOK:			
Basic	30	**0.11**	15.09
Diluted	30	**0.11**	15.04

Consolidated statement of comprehensive income

Amounts in NOK million	Note	2023	2022
1 January - 31 December			
Profit (loss) for the year		**170**	9 642
Remeasurement of defined benefit pension plans	9	**(19)**	146
Tax effects on remeasurement of defined benefit pension plans	14	**4**	(33)
Change in fair value of equity instruments		**3**	(4)
Share of other comprehensive income (loss) from equity accounted companies	5	**(0)**	-
Total items that will not be reclassified to profit or loss		**(12)**	109
Currency translation differences		**476**	765
Hedging of net investment in foreign operations	26	**(199)**	(142)
Tax effects hedging of net investment in foreign operations	14	**44**	31
Cash flow hedges	26	**(1 294)**	992
Tax effects on cash flow hedges	14	**285**	(218)
Share of other comprehensive income (loss) from equity accounted companies	5	**3**	15
Total items that may be reclassified to profit or loss in subsequent periods		**(686)**	1 443
Share of other comprehensive income (loss) from equity accounted companies	4, 5	**-**	13
Cash flow hedges	26	**170**	(424)
Tax effects on cash flow hedges	14	**(37)**	93
Total reclassification adjustments for the period		**132**	(317)
Other comprehensive income (loss) for the year, net of tax		**(566)**	1 234
Total comprehensive income for the year		**(396)**	10 876
Attributable to:			
Non-controlling interests' share of comprehensive income		**102**	86
Owners of the parent's share of comprehensive income		**(498)**	10 790
Total comprehensive income for the year		**(396)**	10 876

Consolidated statement of financial position

Amounts in NOK million	Note	31.12.2023	31.12.2022
Assets			
Property, plant and equipment	15, 19	**22 754**	19 520
Right-of-use assets	16, 19	**854**	779
Other intangible assets	17, 19	**1 458**	1 385
Goodwill	18, 19	**1 015**	984
Deferred tax assets	14	**134**	151
Equity accounted investments	5	**1 296**	1 039
Derivatives	25, 26	**977**	1 562
Other assets	22	**556**	716
Total non-current assets		**29 045**	26 136
Inventories	20	**9 018**	10 325
Trade receivables	21	**3 209**	4 248
Derivatives	25, 26	**411**	711
Other assets	22	**2 062**	1 698
Restricted deposits	23	**388**	408
Cash and cash equivalents	23	**6 367**	9 255
Total current assets		**21 455**	26 645
Total assets		**50 500**	52 781
Equity and liabilities			
Paid-in capital	29	**3 498**	6 228
Retained earnings		**20 827**	22 412
Non-controlling interests		**133**	134
Total equity		**24 458**	28 773
Interest-bearing liabilities	16, 23	**13 509**	10 331
Deferred tax liabilities	14	**935**	1 123
Employee benefit obligations	9	**507**	489
Derivatives	25, 26	**235**	-
Provisions and other liabilities	24	**279**	232
Total non-current liabilities		**15 465**	12 175
Trade payables		**5 281**	5 335
Income tax payables		**240**	1 903
Interest-bearing liabilities	16, 23	**1 231**	204
Bills payables	23	**1 466**	1 742
Employee benefit obligations	9	**912**	994
Derivatives	25, 26	**66**	109
Provisions and other liabilities	24	**1 381**	1 545
Total current liabilities		**10 576**	11 832
Total equity and liabilities		**50 500**	52 781

Oslo, 12 March 2024

Zhigang Hao
Chair

Dag Jakob Opedal
Vice chair

Olivier Tillette de Clermont-Tonnerre
Board member

Yougen Ge
Board member

Bo Li
Board member

Grace Tang
Board member

Marianne Elisabeth Johnsen
Board member

Nathalie Brunelle
Board member

Thomas Eggan
Board member

Terje Andre Hanssen
Board member

Marianne Færøyvik
Board member

Helge Aasen
CEO

Consolidated statement of cash flows

Amounts in NOK million	Note	2023	2022
1 January - 31 December			
Operating profit (loss)		**1 682**	12 414
Amortisation, depreciation and impairment losses	15, 16, 17	**2 406**	2 027
Changes in working capital	31	**1 584**	(1 583)
Equity accounted investments	5	**22**	(108)
Changes in fair value of derivatives		**(59)**	(1 139)
Changes in provisions, bills receivable and other		**190**	(539)
Gains (losses) on acquisition and disposal of subsidiaries	4, 5	**-**	(159)
Interest payments received		**179**	66
Interest payments made		**(716)**	(319)
Income taxes paid		**(2 281)**	(1 345)
Total cash flow from operating activities		**3 006**	9 314
Investments in property, plant and equipment and intangible assets	15, 17	**(4 988)**	(4 213)
Received investment grants	8	**132**	156
Proceeds from sale of property, plant and equipment	15, 17	**77**	70
Acquisition of subsidiaries, net of cash acquired	4	**(152)**	(108)
Disposal of subsidiaries, net of cash	4	**-**	151
Payment of contingent consideration related to acquisitions (IFRS 3)	24, 31	**(38)**	(176)
Acquisition of and capital contribution to joint ventures	5	**(329)**	(292)
Other investments / sales		**(1)**	9
Total cash flow from investing activities		**(5 299)**	(4 404)
Dividends paid to non-controlling interests		**(104)**	(38)
Dividends paid to owners of the parent	28	**(3 815)**	(1 900)
Net sale (purchase) of treasury shares	29	**(8)**	(38)
Net changes in bills payable and restricted deposits	23	**(237)**	(218)
Payment of lease liabilities	16, 23	**(209)**	(116)
New interest-bearing loans and borrowings	23	**3 911**	6 648
Payment of interest-bearing loans and borrowings	23	**(262)**	(7 237)
Total cash flow from financing activities		**(724)**	(2 899)
Change in cash and cash equivalents		**(3 017)**	2 011
Currency translation differences		**129**	205
Cash and cash equivalents opening balance		**9 255**	7 040
Cash and cash equivalents closing balance	23	**6 367**	9 255

Consolidated statement of changes in equity

2023

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 interest	**Total**
Opening balance	3 197	3 030	**6 228**	1 914	798	19 699	**22 412**	**28 639**	134	**28 773**
Profit (loss) for the year	-	-	**-**	-	-	72	**72**	**72**	98	**170**
Other comprehensive income for the year	-	-	**-**	317	(878)	(10)	**(570)**	**(570)**	4	**(566)**
Total comprehensive income for the year	-	-	**-**	317	(878)	62	**(498)**	**(498)**	102	**(396)**
Share-based payments (note 10)	-	8	**8**	-	-	-	**-**	**8**	-	**8**
Net movement treasury shares (note 29)	-	(3)	**(3)**	-	-	(5)	**(5)**	**(8)**	-	**(8)**
Dividends to equity holders (note 28)	-	(2 734)	**(2 734)**	-	-	(1 081)	**(1 081)**	**(3 815)**	(104)	**(3 919)**
Closing balance	3 197	301	**3 498**	2 231	(79)	18 675	**20 827**	**24 325**	133	**24 458**

2022

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 interest	**Total**
Closing balance 31 December 2021	3 197	4 899	**8 097**	1 266	355	10 071	**11 692**	**19 789**	86	**19 874**
Changes in accounting policy	-	-	**-**	-	-	(24)	**(24)**	**(24)**	-	**(24)**
Opening balance 1 January 2022	3 197	4 899	**8 097**	1 266	355	10 047	**11 668**	**19 764**	86	**19 850**
Profit (loss) for the year	-	-	**-**	-	-	9 561	**9 561**	**9 561**	80	**9 642**
Other comprehensive income for the year	-	-	**-**	648	444	137	**1 228**	**1 228**	6	**1 234**
Total comprehensive income for the year	-	-	**-**	648	444	9 689	**10 790**	**10 790**	86	**10 876**
Share-based payments (note 10)	-	24	**24**	-	-	-	**-**	**24**	-	**24**
Net movement treasury shares (note 29)	-	7	**7**	-	-	(46)	**(46)**	**(38)**	-	**(38)**
Dividends to equity holders (note 28)	-	(1 900)	**(1 900)**	-	-	-	**-**	**(1 900)**	(38)	**(1 938)**
Closing balance	3 197	3 030	**6 228**	1 914	798	19 699	**22 412**	**28 639**	134	**28 773**

Notes to the consolidated financial statements

1. General information

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

Elkem is one of the world's leading providers of advanced material solutions shaping a better and more sustainable future. The company develops silicones, silicon products and carbon solutions by combining natural raw materials, renewable energy and human ingenuity. Elkem helps its customers create and improve essential innovations like electric mobility, digital communications, health and personal care as well as smarter and more sustainable cities. With a strong track record since 1904, its global team of more than 7,400 people have a joint commitment to stakeholders: Delivering your potential. In 2023, Elkem achieved an operating income of NOK 35,545 million.

The consolidated financial statements for Elkem ASA (hereafter Elkem/the group), including notes, for the year 2023 were authorised for issue by the Board of Directors of Elkem ASA on 12 March 2024.

2. Basis for preparing the consolidated financial statements

Compliance
The consolidated financial statements are prepared and in accordance with International Financial Reporting Standards (IFRS®) as endorsed by the European Union (EU) and effective at 31 December 2023. All accounting policies are used consistently by all subsidiaries in the consolidated financial statement. 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 other financial assets 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 rows and 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
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 to each entity's functional currency 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, cash and cash equivalents 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

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 when the dividend is approved by the 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.

New and revised standards - adopted
The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their significant accounting policies with a requirement to disclose their material accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments have had an impact on the group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the consolidated financial statements.

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

3. Accounting estimates

The preparation of the consolidated financial statements according to IFRS requires management to make estimates and assumptions that affect 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 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 following notes:

- → Note 14 Taxes
- → Note 19 Impairment assessments
- → Note 24 Provisions and other liabilities
- → Note 25 Financial assets and liabilities

4. Composition of the group

Principle application and judgements

Consolidation
The consolidated financial statements include the financial statements of Elkem ASA and entities controlled directly or indirectly by Elkem ASA.

Business combinations
The acquisition method of accounting is used to account for business combinations made by the group.

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

Company	*Functional currency*	Country of incorporation	31.12.2023 Equity interests	31.12.2022 Equity interests	Owner
Elkania DA (Joint operation)	*NOK*	Norway	50%	50%	Elkem ASA
Elkem (Thailand) Co., Ltd.	*THB*	Thailand	100%	100%	Elkem ASA
Elkem Carbon (China) Co., Ltd.	*CNY*	China	100%	100%	Elkem Carbon Singapore Pte. Ltd.
Elkem Carbon AS	*NOK*	Norway	100%	100%	Elkem ASA
Elkem Carbon Malaysia Sdn. Bhd.	*MYR*	Malaysia	100%	100%	Elkem Carbon AS
Elkem Carbon Singapore Pte. Ltd.	*SGD*	Singapore	100%	100%	Elkem Carbon AS
Elkem Carbon Slovakia, a.s. [2]	*EUR*	Slovakia	100%	-	Elkem Carbon AS
Elkem Chartering Holding AS	*NOK*	Norway	80%	80%	Elkem ASA
Elkem Digital Office AS	*NOK*	Norway	100%	100%	Elkem ASA
Elkem Distribution Center B.V.	*EUR*	Netherlands	100%	100%	Elkem ASA
Elkem Dronfield Ltd.	*GBP*	United Kingdom	100%	100%	Elkem UK Holdings Ltd.
Elkem Egypt for Industry, Contracting & Trading S.A.E.	*USD*	Egypt	100%	100%	Elkem International AS
Elkem Ferroveld JV (Joint operation)	*ZAR*	South Africa	50%	50%	Elkem Carbon AS
Elkem Foundry (China) Co., Ltd.	*CNY*	China	100%	100%	Elkem ASA
Elkem GmbH	*EUR*	Germany	100%	100%	Elkem ASA
Elkem Iberia S.L.U	*EUR*	Spain	100%	100%	Elkem ASA
Elkem International AS	*NOK*	Norway	100%	100%	Elkem ASA
Elkem International Trade (Shanghai) Co., Ltd.	*CNY*	China	100%	100%	Elkem International AS
Elkem Ísland ehf.	*NOK*	Iceland	100%	100%	Elkem ASA
Elkem Japan K.K.	*JPY*	Japan	100%	100%	Elkem ASA
Elkem Korea Co., Ltd.	*KRW*	Republic of Korea	100%	100%	Elkem ASA
Elkem Ltd.	*GBP*	United Kingdom	100%	100%	Elkem UK Holdings Ltd.
Elkem Madencilik Metalurji Sanayi Ve Ticaret Ltd. STI	*EUR*	Turkey	100%	100%	Elkem International AS
Elkem Materials, Inc.	*USD*	USA	100%	100%	NEH LLC
Elkem Materials Delaware, Inc. [3]	*USD*	USA	-	100%	Elkem Materials, Inc.
Elkem Materials Processing (Tianjin) Co., Ltd.	*CNY*	China	100%	100%	Elkem ASA
Elkem Materials Processing Services BV	*EUR*	Netherlands	100%	100%	Elkem ASA
Elkem Materials South America Ltda.	*BRL*	Brazil	100%	100%	Elkem Materials, Inc.
Elkem Metal Canada Inc.	*CAD*	Canada	100%	100%	Elkem ASA
Elkem Milling Services GmbH	*EUR*	Germany	100%	100%	Elkem ASA
Elkem Nordic A.S.	*DKK*	Denmark	100%	100%	Elkem ASA
Elkem Oilfield Chemicals FZCO Ltd.	*AED*	UAE	51%	51%	Elkem ASA
Elkem Paraguay S.A.	*USD*	Paraguay	100%	100%	Elkem ASA [1]
Elkem Participações Indústria e Comércio Limitada	*BRL*	Brazil	100%	100%	Elkem Carbon AS
Elkem Processing Services S.A.	*EUR*	Belgium	100%	100%	Elkem ASA
Elkem S.à r.l.	*EUR*	France	100%	100%	Elkem ASA
Elkem S.r.l.	*EUR*	Italy	100%	100%	Elkem ASA

Company	*Functional currency*	Country of incorporation	31.12.2023 Equity interest	31.12.2022 Equity interest	Owner
Elkem Silicon Materials (Lanzhou) Co., Ltd.	*CNY*	China	100%	100%	Elkem ASA
Elkem Silicon Product Development AS	*NOK*	Norway	100%	100%	Elkem ASA
Elkem Siliconas España S.A.U	*EUR*	Spain	100%	100%	Elkem ASA
Elkem Silicones (UK) Ltd.	*GBP*	United Kingdom	100%	100%	Elkem UK Holdings Ltd.
Elkem Silicones Brasil Ltda.	*BRL*	Brazil	100%	100%	Elkem ASA
Elkem Silicones Canada Corp.	*CAD*	Canada	100%	100%	Elkem ASA
Elkem Silicones Czech Republic, s.r.o.	*CZK*	Czech Republic	100%	100%	Elkem ASA
Elkem Silicones Finland OY	*EUR*	Finland	100%	100%	Elkem ASA
Elkem Silicones France SAS	*EUR*	France	100%	100%	Elkem ASA
Elkem Silicones Germany GmbH	*EUR*	Germany	100%	100%	Elkem ASA
Elkem Silicones Guangdong Co., Ltd.	*CNY*	China	100%	100%	Elkem ASA
Elkem Silicones Hong Kong Co., Ltd.	*HKD*	Hong Kong	100%	100%	Elkem ASA
Elkem Silicones Korea Co., Ltd.	*KRW*	Republic of Korea	100%	100%	Elkem ASA
Elkem Silicones Material Zhongshan Co., Ltd.	*CNY*	China	100%	100%	Elkem Silicones Guangdong Co., Ltd.
Elkem Silicones México S. De R.L. De C.V.	*MXN*	Mexico	100%	100%	Elkem ASA
Elkem Silicones Poland sp. z o.o.	*PLN*	Poland	100%	100%	Elkem ASA
Elkem Silicones Scandinavia AS	*NOK*	Norway	100%	100%	Elkem ASA
Elkem Silicones Services S.à r.l.	*EUR*	France	100%	100%	Elkem ASA
Elkem Silicones Shanghai Co., Ltd.	*CNY*	China	100%	100%	Elkem ASA
Elkem Silicones USA Corp.	*USD*	USA	100%	100%	Elkem ASA
Elkem Siliconi Italia S.r.l.	*EUR*	Italy	100%	100%	Elkem ASA
Elkem Singapore Materials Pte. Ltd.	*SGD*	Singapore	100%	100%	Elkem ASA
Elkem South Asia Private Limited	*INR*	India	100%	100%	Elkem ASA
Elkem UK Holdings Ltd.	*GBP*	United Kingdom	100%	100%	Elkem ASA
Elkem Uruguay S.A.	*USD*	Uruguay	100%	100%	Elkem ASA
Euro Nordic Logistics BV	*EUR*	Netherlands	80%	80%	Elkem Chartering Holding AS
Euro Nordic Netherlands BV	*EUR*	Netherlands	80%	80%	Euro Nordic Logistics BV
Explotación de Rocas Industriales y Minerales S.A. (ERIMSA)	*EUR*	Spain	100%	100%	Elkem ASA
Iniconce, S.L.	*EUR*	Spain	100%	100%	Explotación de Rocas Industriales y Minerales S.A.
Jiangxi Bluestar Xinghuo Silicones Co., Ltd.	*CNY*	China	100%	100%	Elkem ASA
NEH LLC	*USD*	USA	100%	100%	Elkem ASA
NorenoComercial Importada e Exportadora Limitada	*BRL*	Brazil	100%	100%	Elkem Participações 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.

[1] Elkem ASA owns 79% and Elkem Uruguay S.A owns 21%
[2] Formerly VUM a.s
[3] Dormant company that was liquidated during 2023

Changes in composition of the group in 2023, business combination

31 May 2023 Elkem acquired Elkem Carbon Slovakia a.s (formerly VUM a.s), a Slovak producer of carbon materials. The transaction will further increase Elkem's capacity and competence in attractive specialty markets and increase its flexibility in the supply chain. Revenues of NOK 97 million and a loss after tax of NOK 6 million after the acquisition date from the company have been included in consolidated statement of profit or loss. If the company had been part of the group from 1 January 2023 revenue and profit after tax would have increased with NOK 101 million and NOK 10 million respectively. Elkem Carbon Slovakia a.s is presented within the Carbon Solutions operating segment.

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

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

Consideration	2023
Cash transferred on acquisition	152
Total consideration	**152**

Assets acquired and liabilities assumed

Amounts in NOK million	Carrying amount	Excess value	Fair value
Property, plant and equipment	14	67	81
Other intangible assets	0	29	29
Inventories	71	(1)	70
Trade receivables	26	-	26
Other assets, current	10	-	10
Cash and cash equivalents	0	-	0
Deferred tax liabilities	(0)	(20)	(20)
Employee benefit expenses	(1)	-	(1)
Trade payables	(18)	-	(18)
Income tax payables	(11)	-	(11)
Interest-bearing liabilities, current	(31)	-	(31)
Provisions and other liabilities, current	(6)	-	(6)
Total identifiable net assets	**54**	**75**	**129**
Goodwill	-	23	23
Total recognised	**54**	**75**	**152**

Acquisition-related costs of NOK 13 million (NOK 4 million in 2022) are recognised in other items in the statement of profit or loss related to the acquisition of Elkem Carbon Slovakia a.s.

Changes in composition of the group in 2022, business combinations

31 January 2022 Elkem increased its ownership in Salten Energigjenvinning AS (SEAS) from 50% to 100% by acquisition from Kvitebjørn Energi AS. Salten Energigjenvinning AS operates the Salten energy recovery plant. The investment in the energy recovery plant further strengthens Elkem's efforts to ensure environmentally friendly silicon and ferrosilicon production with the lowest possible emissions and lowest possible use of resources. Salten Energigjenvinning AS was merged with Elkem ASA in 2022 and is presented within the Silicon products operating segment.

The energy recovery plant has been built in partnership between Elkem and Kvitebjørn Energi. The total investment in the energy recovery plant has amounted to around NOK 1,180 million, financed through a NOK 350 million grant from Enova, external debt and some equity. The book value of Elkem's 50% equity accounted joint venture was NOK 47 million at 31 January 2022. The difference between the fair value and the book value of the 50% share results in a fair value gain of NOK 75 million. This gain is partially offset by a loss on pre-existing relationships of NOK 58 million related to delivery of heat from Elkem ASA to Salten Energigjenvinning AS and a loss of NOK 13 million related to the cash flow hedge reserve from an interest rate hedge in SEAS which has been reclassified from other comprehensive income to other items in the consolidated statement of profit and loss as a result of the transaction (see note 12 Other items). If the company had been part of Elkem from 1 January 2022 revenue would have increased with NOK 1 million and profit after tax would have decreased with NOK 6 million.

20 June 2022 Elkem acquired Elkem Processing Services S.A (formerly KeyVest Belgium S.A), a specialist company in the sourcing of materials and production of metal powders to the refractory industry and other segments including advanced ceramics. With the acquisition of Elkem Processing Services S.A Elkem will enable further growth by providing additional specialised products to our current customers, improve service level and processing capabilities and grow in adjacent segments. The acquisition will expand Elkem's product portfolio and create a platform for further growth. The production facility and related inventory amounts to around NOK 30 million. After the acquisition date revenues of NOK 37 million and profit after tax of NOK 1 million from the company has been included in consolidated statement of profit or loss. If the company had been part of Elkem from 1 January 2022 revenue and profit after tax would have increased with NOK 59 million and NOK 10 million respectively. Elkem Processing Services S.A is presented within the Silicon Products operating segment.

Net cash outflow	2022
Cash transferred on acquisition	(156)
Cash and cash equivalents of the acquiree	48
Acquisition of subsidiaries, net of cash acquired	**(108)**

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

Consideration	2022
Cash transferred on acquisition	156
Fair value of 50% pre-transaction ownership in SEAS	122
Total consideration	**278**

Assets acquired and liabilities assumed

Amounts in NOK million	Carrying amount	Excess value	Fair value
Property, plant and equipment	823	119	942
Other intangible assets	0	6	6
Deferred tax assets	7	-	7
Inventories	29	-	29
Trade receivables	10	-	10
Other assets, current	13	-	13
Cash and cash equivalents	48	-	48
Deferred tax liabilities	-	(28)	(28)
Interest-bearing liabilities, non-current	(650)	-	(650)
Derivatives, non-current	(87)	-	(87)
Trade payables	(7)	-	(7)
Income tax payables	(3)	-	(3)
Interest-bearing liabilities, current	(10)	-	(10)
Provisions and other liabilities, current	(46)	-	(46)
Total identifiable net assets	128	97	225
Loss on pre-existing relationship	-	-	58
Gain on bargain purchase [1]	-	-	(5)
Total recognised	128	97	278

[1] *After the transaction process started, KeyVest delivered better than expected results. This was not fully reflected in the final purchase price, resulting in a bargain purchase.*

Acquisition-related costs of NOK 2 million is recognised in other items in the statement of profit or loss in 2022.

Loss of control
6 April 2022 Elkem, Hydro and Altor (Altor Fund V) announced a partnership with the intention to accelerate the growth of Elkem ASA's subsidiary Vianode AS, a producer of sustainable battery materials. See note 5 Equity accounted investments and joint operations.

Net cash outflow	2022
Cash transferred on acquisition	-
Cash and cash equivalents of the acquiree	151
Acquisition of subsidiaries, net of cash acquired	**151**

5. Equity accounted investments and joint operations

Principle application and judgements

Share of profit (loss) from investments in associates and joint ventures
Share of profit (loss) from investments in associates and joint ventures is presented 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 presented as share of profit from equity accounted companies, included in total operating income. Investments in associates and joint ventures that do not operate within Elkem's main business areas are presented as share of profit from equity accounted financial investments. Judgement is applied in determining the category of investment.

Elkem has interests in the following joint arrangements and associates

Name of entity	Business office	Country	Principal actvities	Classification	**% equity interests 2023**	% equity interests 2022
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%
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	-	**-**	-
Klafi EHF	Grundartangi, Akranes	Iceland	Transportation / harbour services	Joint venture	**50%**	50%
Weldermate AS	Oslo	Norway	Robot welding systems	Joint venture	**50%**	50%
Vianode AS	Oslo	Norway	Battery materials	Joint venture	**40%**	40%
Jiangxi Guoxing Intelligence Energy Co. Ltd	Yangjialing	China	Energy production	Joint venture	**35%**	35%
Euro Partnership BV	Moerdijk	Netherlands	Ship management services	Associate	**50%**	50%
Combined Cargo Warehousing BV	Moerdijk	Netherlands	Warehousing	Associate	**33%**	33%
Euro Nordic Agencies Belgium NV	Antwerpen	Belgium	Ship agencies services	Associate	**50%**	50%
EPB Chartering AS	Oslo	Norway	Deep sea charter services	Associate	**25%**	25%
Osiris GIE	Roussillon	France	Business supplies and equipment	Associate	**25%**	25%
3Deus Dynamics SAS	Lyon	France	3D printing	Associate	**21%**	-
Future Materials AS	Grimstad	Norway	Marketing of research facilities	Associate	**20%**	20%

The share of equity interests are equal to Elkem's voting rights, with the exception of Elkem's investments in Vianode AS where the parties in accordance with the shareholder agreement have 33,3% ownership influence. The shareholder agreements for Jiangxi Guoxing Intelligence Energy Co. Ltd requires a two-third majority in order to approve a majority of business decision on behalf of the entity, making Elkem together with one other party in control of the business.

Of the entities above, Vianode AS is classified to not operate within Elkem's main business areas.

There is no quoted market price for the investments.

31 January 2022 Elkem increased its ownership in Salten Energigjenvinning AS (SEAS) from 50% to 100% by acquisition from Kvitebjørn Energi AS. For further information see note 4 Composition of the group.

6 April 2022 Elkem, Hydro and Altor (Altor Fund V) announced a partnership with the intention to accelerate the growth of Elkem ASA's subsidiary Vianode AS, a producer of sustainable battery materials. The final regulatory approvals for the transaction were received on the 14 September 2022 upon which Elkem lost of control of Vianode. Elkem has recognised a gain of NOK 149 million in the third quarter 2022 resulting from the loss of control. The entire gain is attributable to the fair value measurement of Elkem's retained investment in Vianode. Following the transaction Elkem classified the remaining investment as a joint venture and measure the investment using the equity method of accounting. The value of the investment on initial recognition was NOK 576 million including the first tranche of capital injection on loss of control, NOK 134 million.

In 2023 Elkem has covered the remaining parts of its commitment for capital injections, NOK 267 million of a total of NOK 534.5 million. Vianode AS is set to start the production at their pilot facility at Herøya, Norway at the beginning of 2024. Further Vianode AS is looking to expand with additional full scale facilities and will seek additional financing from its owners to progress.

At the end of 2022 Elkem invested in Jiangxi Guoxing Intelligence Energy Co. Ltd (Jinangxi Energy) an entity established to build a cogeneration production facility near Elkem's plant Silicones Xinghuo. Elkem has committed to cover its proportion of total estimated capital injections in Jinangxi Energy of CNY 48.7 million, whereof CNY 41.0 million is paid as of 31 December 2023. In addition Elkem has committed to sell the land, buildings and equipment needed to establish the cogeneration facility and committed to supply excess steam from production. The sale is partly effected in 2023 resulting in a gain of CNY 8.4 million (NOK 12.1 million) whereof Elkem's share of the gain, CNY 3 million (NOK 4 million), is not recognised. The facility is up and running and Elkem purchase power generated by the facility.

6 December 2023 Elkem increased its ownership and invested EUR 2.2 million (NOK 26 million) in 3Deus Dynamics SAS, an entity operating to develop a dynamic molding process for 3D printing with the help of Elkem's expertise with silicones. Elkem held warrants and shares in the company prior to the increase in ownership. With the transaction Elkem recognised a fair value gain of EUR 1 million (NOK 11.6 million) of the previously held interest in the company, resulting in a total fair value of Elkem's share in 3Deus Dynamics SAS of EUR 3.2 million (NOK 37 million).

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

Movements in equity accounted investments

Amounts in NOK million	**2023** Joint ventures	**2023** Associates	**2023** Total	2022 Joint ventures	2022 Associates	2022 Total
Opening balance	**822**	**217**	**1 039**	115	126	241
Acquisition of and capital contribution to joint ventures	**303**	**26**	**329**	292	-	292
Change in equity interest, in relation to business combinations	**-**	**-**	**-**	(47)	-	(47)
Change in equity interest, in relation to disposal of subsidiaries	**-**	**-**	**-**	443	-	443
Change in equity interest, transfer from financial instruments (note 25)	**-**	**11**	**11**	-	-	-
Dividends received	**(18)**	**(50)**	**(68)**	(13)	(14)	(26)
Share of profit (loss) from equity accounted companies	**16**	**29**	**46**	42	93	135
Share of profit (loss) from equity accounted financial investments	**(63)**	**-**	**(63)**	(17)	-	(17)
Gain on sales of assets to equity accounted companies	**(4)**	**-**	**(4)**	-	-	-
Part of other comprehensive income	**(0)**	**3**	**2**	7	7	15
Currency translation differences	**(2)**	**6**	**4**	0	5	5
Closing balance	**1 054**	**242**	**1 296**	822	217	1 039

Share of profit and loss and carrying amount for equity accounted investments

Amounts in NOK million	**2023 Share of profit**	**31.12.2023 Carrying amount**	2022 Share of profit	31.12.2022 Carrying amount
North Sea Container Line AS	**13**	**90**	42	95
North-Sea Management AS	**2**	**5**	(0)	2
Salten Energigjenvinning AS	**-**	**-**	(6)	-
Klafi EHF	**0**	**1**	(0)	1
Weldermate AS	**-**	**0**	(0)	0
Vianode AS	**(63)**	**903**	(11)	699
Jiangxi Guoxing Intelligence Energy Co. Ltd	**1**	**56**	-	25
Euro Partnership BV	**18**	**43**	10	44
Combined Cargo Warehousing BV	**2**	**4**	1	6
Euro Nordic Agencies Belgium NV	**1**	**5**	1	4
EPB Chartering AS	**8**	**105**	80	117
Osiris GIE	**-**	**49**	-	46
3Deus Dynamics SAS	**-**	**36**	-	-
Future Materials AS	**-**	**0**	-	0
Total	**(17)**	**1 296**	117	1 039

Cash-flow from operations, equity accounted investments

Amounts in NOK million	**2023**	2022
Share of profit (loss) from equity accounted investments	**(46)**	(135)
Dividend received	**68**	26
Equity accounted investments	**22**	(108)

Summary of unaudited financial information for joint ventures on a 100% basis

Amounts in NOK million	Vianode AS	Other	**Total 2023**	Vianode AS	Other	Total 2022
Current assets, including cash and cash equivalents NOK 866 million (NOK 92 million)	805	460	**1 264**	729	269	998
Non-current assets	1 653	436	**2 089**	783	92	875
Current liabilities, including current financial liabilities NOK 28 million (NOK 0 million)	203	124	**328**	120	94	214
Non-current liabilities, including non-current financial liabilities NOK 547 million (NOK 651 million)	148	421	**569**	127	-	127
Net assets/equity	2 107	350	**2 457**	1 265	268	1 533
Excess value	60	-	**60**	193	-	193
Elkem's carrying amount	903	151	**1 054**	699	123	822
Total revenue	0	890	**891**	0	907	907
Total expenses, including depreciation and amortisation NOK 5 million (NOK 31 million) and other items	(187)	(868)	**(1 055)**	(33)	(834)	(867)
Financial income, including interest income NOK 42 million (NOK 0 million)	38	13	**52**	5	3	8
Financial expenses, including interest expenses NOK 9 million (NOK 11 million)	(10)	(1)	**(11)**	(0)	(4)	(4)
Tax expense	-	(1)	**(1)**	0	(0)	(0)
Total profit for the year	(158)	34	**(125)**	(28)	71	43
Other comprehensive income	(0)	0	**(0)**	-	(14)	(14)
Total comprehensive income	(159)	34	**(125)**	(28)	57	29
Elkem's share of profit for the year	(63)	16	**(47)**	(11)	36	24
Elkem's share of other comprehensive income	(0)	0	**(0)**	-	7	7

Summary of unaudited financial information for associates on a 100% basis

Amounts in NOK million	**Total 2023**	Total 2022
Revenue	**2 458**	1 770
Profit for the year	**70**	347
Other comprehensive income	**10**	29
Total comprehensive income	**80**	377
Elkem's share of profit for the year	**29**	93
Elkem's share of other comprehensive income	**3**	7
Net assets/equity	**775**	768
Excess value	**26**	-
Elkem's carrying amount	**242**	217

6. Operating segments

Principle application and judgements

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

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

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

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

The segment reporting is based on the IFRS accounting policies applied for the group except for: Realised effects from hedge ineffectiveness and from the discontinuation of hedging is included in other items in statement of profit and loss, but included in operating expenses in the segment reporting. This is because management follows up the operating segments including the impact of the realised effects from power contracts.

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 identifies its segments according to the organisation and reporting structure used by group management. 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. The battery technology company Vianode AS was de-consolidated in the third quarter of 2022 and is now classified as a joint venture.

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.

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

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 lining material to Silicon Products. Sales prices are based on prices to external customers.
- → Other sale of management services e.g., logistics, procurement, financial services, technical support and R&D services. Prices are based on cost plus.

Major customers

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

Main items by operating segment
2023

Amounts in NOK million	Silicones	Silicon Products	Carbon Solutions	Other	Eliminations	Total
Revenue from sale of goods (note 7)	14 055	16 535	3 742	(401)	-	**33 931**
Other revenue (note 7)	23	113	17	280	-	**434**
Other operating income (note 8)	220	890	9	16	-	**1 135**
Share of profit from equity accounted investments (note 5)	1	0	-	44	-	**46**
Total operating income from external customers	14 301	17 538	3 768	(61)	-	**35 545**
Operating income from other segments	63	865	450	506	(1 884)	**-**
Total operating income	14 364	18 403	4 217	445	(1 884)	**35 545**
Operating expenses	(14 969)	(15 099)	(2 931)	(977)	2 203	**(31 774)**
EBITDA	(605)	3 304	1 286	(532)	318	**3 771**
EBIT	(2 142)	2 610	1 164	(585)	318	**1 365**
Cash flow from operations	(1 033)	3 511	1 394	(859)	14	**3 027**
Working capital	1 790	4 388	641	(356)	(80)	**6 383**
Capital employed	18 183	11 068	1 724	1 553	(80)	**32 449**
Reinvestments						**(2 351)**
Strategic investments						**(2 866)**
Movement CAPEX payables						**361**
Cash flow from investments in property, plant and equipment and intangible assets, including received investment grants						**(4 856)**

Main items by operating segment
2022

Amounts in NOK million	Silicones	Silicon Products[1]	Carbon Solutions	Other[1]	Eliminations	Total
Revenue from sale of goods (note 7)	18 994	22 361	3 393	(87)	-	**44 660**
Other revenue (note 7)	66	72	21	199	-	**358**
Other operating income (note 8)	150	542	5	48	-	**746**
Share of profit from equity accounted investments (note 5)	0	(0)	(0)	135	-	**135**
Total operating income from external customers	19 210	22 974	3 419	295	-	**45 898**
Operating income from other segments	78	1 515	333	392	(2 319)	**-**
Total operating income	19 288	24 489	3 752	688	(2 319)	**45 898**
Operating expenses	(17 266)	(14 263)	(2 586)	(920)	2 062	**(32 973)**
EBITDA	2 022	10 226	1 166	(233)	(257)	**12 925**
EBIT	743	9 632	1 063	(283)	(257)	**10 898**
Cash flow from operations	1 271	7 802	620	(157)	16	**9 551**
Working capital	2 449	5 456	739	(636)	(371)	**7 637**
Capital employed	16 762	11 293	1 597	1 030	(371)	**30 310**
Reinvestments						**(1 682)**
Strategic investments						**(2 797)**
Movement CAPEX payables						**421**
Cash flow from investments in property, plant and equipment and intangible assets, including received investment grants						**(4 058)**

[1] *2022 figures have been restated, see text above*

Definitions
The segments' performance are evaluated based on EBITDA and EBIT.

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 (except realised gains and losses from hedge ineffectiveness and discontinuation of hedging), impairment losses and amortisation and depreciation.

EBIT 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 (except realised gains and losses from hedge ineffectiveness and discontinuation of hedging).

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, inventories, other current assets, accounts payable, current employee benefit obligations and other current liabilities. Accounts receivables are defined as trade receivables less bills receivables. Other current assets are defined as other current assets less current receivables to related parties, current interest-bearing receivables, tax receivables, grants receivable, assets at fair value through profit or loss and accrued interest income. Accounts payable are defined as trade payables less CAPEX payables. Other current liabilities are defined as provisions and other current liabilities less current provisions, contingent considerations, contract obligations and liabilities to related parties.

Capital employed consists of working capital as defined above, property, plant and equipment, right-of-use assets, other intangible assets, goodwill, equity accounted investments, grants payable, trade payables and prepayments related to purchase of non-current assets.

The definitions are not specified by IFRS Accounting Standards and therefore may not be comparable to apparently similar definitions used by other companies.

Below is a reconciliation of profit (loss) for the year against EBIT and EBITDA:

2023

Amounts in NOK million	Silicones	Silicon Products	Carbon Solutions	Other	Eliminations	**Elkem**
Profit (loss) for the year						**170**
Income tax (expense) benefit						**781**
Finance expenses						**743**
Foreign exchange gains (losses)						**106**
Finance income						**(182)**
Share of profit from equity accounted financial investments						**63**
Other items						**(516)**
Realised effects from hedge ineffectiveness and discontinuation of hedging						**199**
EBIT	(2 142)	2 610	1 164	(585)	318	**1 365**
Impairment losses						**94**
Amortisation and depreciation						**2 312**
EBITDA	(605)	3 304	1 286	(532)	318	**3 771**

2022

Amounts in NOK million	Silicones	Silicon Products	Carbon Solutions	Other	Eliminations	**Elkem**
Profit (loss) for the year						**9 642**
Income tax (expense) benefit						**2 594**
Finance expenses						**313**
Foreign exchange gains (losses)						**(85)**
Finance income						**(67)**
Share of profit from equity accounted financial investments						**17**
Other items						**(2 151)**
Realised effects from hedge ineffectiveness and discontinuation of hedging						**635**
EBIT	743	9 632	1 063	(283)	(257)	**10 898**
Impairment losses						**28**
Amortisation and depreciation						**1 999**
EBITDA	2 022	10 226	1 166	(233)	(257)	**12 925**

Below is a reconciliation of working capital and capital employed:

Capital employed and working capital

Amounts in NOK million	31.12.2023	31.12.2022
Inventories	9 018	10 325
Trade receivables	3 209	4 248
Bills receivables	(823)	(1 086)
Accounts receivable	**2 386**	**3 162**
Other assets, current	2 062	1 698
Other receivables to related parties, interest free	(8)	(7)
Grants receivables	(671)	(620)
Tax receivables	(261)	(338)
Assets at fair value through profit or loss	-	-
Accrued interest	(0)	(0)
Other current assets included in working capital	**1 122**	**733**
Trade payables	5 281	5 335
Trade payables related to purchase of non-current assets	(1 313)	(1 117)
Accounts payables included in working capital	**3 968**	**4 219**
Employee benefit obligations	**912**	**994**
Provisions and other liabilities, current	1 381	1 545
Provisions, contingent considerations and contract obligations	(101)	(144)
Liabilities to related parties	(17)	(30)
Other current liabilities included in working capital	**1 263**	**1 371**
Working capital	**6 383**	**7 637**
Property, plant and equipment	22 754	19 520
Right-of-use assets	854	779
Other intangible assets	1 458	1 385
Goodwill	1 015	984
Equity accounted investments	1 296	1 039
Grants payable	(17)	(16)
Trade payables- and prepayments related to purchase of non-current assets	(1 295)	(1 018)
Capital employed	**32 449**	**30 310**

The table below show realised effects from Elkem's power and foreign exchange hedging programmes, including realised effects from hedge ineffectiveness and discontinuation of hedging, on the different group segments.

2023

Amounts in NOK million	Silicones	Silicon Products	Carbon Solutions	Other	Eliminations	Total
Revenue from sale of goods (note 26)	1	34	-	(400)		**(366)**
Operating expenses (note 26)	-	290	(2)	23		**311**
Total realised effects from derivatives included in EBITDA	1	323	(2)	(377)		**(55)**

2022

Amounts in NOK million	Silicones	Silicon Products	Carbon Solutions	Other	Eliminations	Total
Revenue from sale of goods (note 26)	0	37	-	(86)		**(49)**
Operating expenses (note 26)	-	982	44	(15)		**1 012**
Total realised effects from derivatives included in EBITDA	0	1 019	44	(100)		**963**

Total revenue by geographic market based on customer location

Amounts in NOK million	2023	2022
Norway	**1 194**	1 342
Other Nordic countries	**1 241**	1 545
United Kingdom	**902**	1 354
Germany	**3 846**	5 394
France	**994**	1 566
Italy	**1 400**	1 719
Poland	**610**	869
Spain	**965**	1 066
Other European countries	**2 654**	3 238
Europe	**13 806**	18 093
Africa	**386**	345
USA	**4 219**	5 470
Canada	**473**	770
Brazil	**1 978**	1 854
Other American countries	**420**	548
America	**7 090**	8 643
China	**7 706**	10 849
Japan	**1 349**	2 153
South Korea	**537**	501
India	**1 433**	1 485
Other Asian countries	**2 285**	2 792
Asia	**13 310**	17 780
Rest of the world	**139**	206
Total revenue before hedging effects	**34 730**	45 067
Realised effects from hedging programmes (note 26)	**(366)**	(49)
Total revenue	**34 364**	45 018

Non-current assets by geographic areas based on entity location

Amounts in NOK million	2023	2022
Norway	**6 548**	5 744
Other Nordic countries	**855**	568
United Kingdom	**40**	38
Germany	**102**	97
France	**4 730**	4 133
Italy	**147**	134
Poland	**2**	0
Spain	**380**	324
Other European countries	**209**	177
Europe	**13 013**	11 214
Africa	**115**	112
USA	**990**	882
Canada	**686**	643
Brazil	**448**	357
Other American countries	**454**	494
America	**2 578**	2 376
China	**11 827**	10 363
Japan	**9**	2
South Korea	**226**	230
India	**111**	79
Other Asian countries	**54**	48
Asia	**12 228**	10 721
Total non-current assets	**27 934**	24 423

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

7. Revenue

Principle application and judgements

Revenue

Revenue is measured based on the consideration specified in a contract with a customer. Elkem recognises revenue when Elkem transfers control over a goods or service to a customer. A five-step process is applied before revenue can be recognised:

- → identify contracts with customers
- → identify the separate performance obligation
- → determine the transaction price of the contract
- → allocate the transaction price to each of the separate performance obligations, and
- → recognise the revenue as each performance obligation is satisfied.

Sale of goods

Elkem's main performance obligation is related to sale of goods where the obligation is to deliver agreed volume of products within the agreed specification. Elkem has both short-term and long-term contracts. Short-term contracts, normally within one month, cover delivery of an agreed volume at market price at the date the order is placed. These types of contracts are most common for commodity products, such as sales of ferrosilicon and silicones and sales to customers in China. The long-term contracts cover a period of a few months and up to one year, where the prices normally are fixed within a volume range. Elkem has for sale of metallurgical silicon some contracts that cover a period longer than one year. In these contracts the prices are normally negotiated on an annual basis. Some of Elkem's sales contracts include an element of freight services, see separate section below for accounting policies.

Revenue is recognised when control of the goods is transferred to the customer, at an amount that reflects the consideration to which Elkem expects to be entitled in exchange for those goods. Control is transferred to the buyer, according to the agreed delivery term for each sale. Delivery terms are based on Incoterms® 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 and are presented as other operating expense.

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.

Details of revenue from contracts with customers 2023

Amounts in NOK million	Silicones	Silicon Products	Carbon Solutions	Other	Total
Sale of goods, Silicones	14 012	-	-	-	**14 012**
Sale of goods, Silicon Products	43	16 501	-	(1)	**16 543**
Sale of goods, Carbon Solutions	-	-	3 742	-	**3 742**
Revenue from energy recovery and other energy related income	3	63	-	92	**157**
Service agreements with related parties (note 32)	4	0	3	72	**79**
Other revenue from contracts with customers	17	50	14	117	**198**
Total revenue from contracts with customers	14 078	16 614	3 759	279	**34 730**
Realised effects from hedging programmes (note 26)	1	34	-	(400)	**(366)**
Total revenue	14 079	16 648	3 759	(121)	**34 364**

Details of revenue from contracts with customers 2022

Amounts in NOK million	Silicones	Silicon Products	Carbon Solutions	Other	Total
Sale of goods, Silicones	18 954	-	-	-	**18 954**
Sale of goods, Silicon Products	39	22 324	-	(1)	**22 362**
Sale of goods, Carbon Solutions	-	-	3 393	-	**3 393**
Revenue from energy recovery and other energy related income	2	38	0	52	**92**
Service agreements with related parties (note 32)	14	1	-	14	**30**
Other revenue from contracts with customers	48	31	21	133	**232**
Total revenue from contracts with customers	19 057	22 395	3 413	197	**45 063**
Rental income	2	1	0	1	**4**
Realised effects from hedging programmes (note 26)	0	37	-	(86)	**(49)**
Total revenue	19 060	22 432	3 414	112	**45 018**

8. Other operating income

Principle application and judgements

Insurance settlements

Income from insurance settlements is recognised as other operating income when it is virtually certain that the group will receive the compensation. Expected cash flows from credit insurance contracts where such contracts are deemed to be an integral part of the sale transactions is presented net against impairment losses trade and other receivables, included in other operating expenses. See note 21 Trade receivables.

Grants

Grants related to income are presented 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.

Non-monetary grants are measured at nominal value.

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 other operating income

Amounts in NOK million	2023	2022
Grants	**785**	717
Sale of CO_2 emission allowances	**288**	-
Gain on disposal of fixed assets	**35**	0
Insurance settlements	**8**	19
Other	**19**	10
Total other operating income	**1 135**	746

Details of grants

	2023		2022	
Amounts in NOK million	**Other operating income**	**Deduction of carrying amount FA/IA**	Other operating income	Deduction of carrying amount FA/IA
R&D grants from the Norwegian government	**24**	**-**	59	-
R&D grants from the French government	**73**	**-**	71	-
Other R&D grants	**58**	**38**	13	91
CO_2 compensation from the Norwegian Environment Agency	**549**	**-**	497	-
Other government grants	**81**	**1**	72	1
Total government grants	**785**	**39**	712	93
Norwegian NO_x fund for reduced emission of NO_x	**-**	**28**	1	64
Other grants	**-**	**-**	3	-
Total grants from other than governments	**-**	**28**	5	64
Total grants	**785**	**67**	717	157
Grants receivable related to fixed and intangible assets (note 22)		**-**		64
Grants receivable related to income (note 22)		**891**		862
Grants payable (note 24)		**(17)**		(16)
Grants, deferred income (note 24)		**(34)**		(8)

CO_2 emission allowances
CO_2 emission allowances allocated from the government are classified as grants, measured at nominal value (zero). The CO_2 allowance scheme pertains to the group's plants in Europe. If actual emissions exceed the number of allocated allowances, additional allowances must be purchased and the cost is included as a part of production cost of inventory. The allocation of free allowances for the period 2021-2025 has been decided by the national authorities. Gain on sale of CO_2 emission allowances are included in other operating income.

CO_2 compensation
The Norwegian government has since 2013 had a CO_2 compensation scheme to partially compensate for CO_2 costs included in the power price for certain industries. The compensation scheme is based on a corresponding scheme for EU and are approved by the EFTA surveillance authority ESA. The current scheme ends 31 December 2025. The CO_2 compensation scheme applies for Elkem's Norwegian Silicon and Ferrosilicon plants. The compensation is based on the market price of CO_2 allowances and will as such vary with the price development. For compensation granted for 2023, the Norwegian government has introduced a deduction of 375 NOK/tonne CO_2 (up from deduction of 200 NOK/tonne for 2022). As the grant partially 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.

NO_x Fund
The industry in Norway pays a fee for their emission of NO_x 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 NO_x emissions from the industry in Norway.

Other
The remaining grants are mainly related to R&D projects.

9. Employee benefits

Principle application and judgements

Employee benefits
Employee benefits include both current and non-current benefits, and are expensed as incurred, together with any social security taxes applicable. Short-term 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 reporting period. Long-term 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 where Elkem 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 pension plans where Elkem is responsible for paying pensions at a certain level, based on employees' salaries when retiring. 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.

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.

Employee benefit expenses

Amounts in NOK million	**2023**	2022
Salaries, holiday pay and variable compensation	**(3 998)**	(3 755)
Employer's national insurance contributions / social security tax	**(893)**	(787)
Pension expenses	**(138)**	(168)
Share-based payments (note 10)	**(8)**	(24)
Other payments / benefits	**(217)**	(185)
Total employee benefit expenses	**(5 253)**	(4 918)
Average number of full-time equivalents	**7 647**	7 592

Remuneration to corporate management

Amounts in NOK million	**2023**	2022
Fixed compensation	**(36)**	(33)
Variable compensation - STI	**(9)**	(20)
Variable compensation - LTI	**(3)**	(31)
Other benefits	**(1)**	(2)
Pension benefits	**(4)**	(4)
Total remuneration to corporate management	**(54)**	(90)
Remuneration provided to the board of directors	**(6)**	(5)
Remuneration provided to the committee remuneration	**(1)**	(1)

For more details on the remuneration to corporate management see "Report on salary and other remuneration to leading personnel in Elkem ASA for the financial year 2023". The report is published on Elkem's website. ↗

Shares and options granted to corporate management and board members

		2023		2022	
Name	Position	Number of shares	Number of options	Number of shares	Number of options
Helge Aasen	CEO	68 406	101 000	46 206	101 000
Morten Viga	CFO	46 896	300 000	46 896	408 380
Katja Lehland	SVP Human Resources	-	300 000	-	400 000
Asbjørn Søvik	SVP Green Ventures & Digital	10 000	300 000	10 000	400 000
Håvard Moe	SVP Elkem Technology	10 000	300 000	110 000	600 000
Louis Vovelle	SVP Innovation R&D	6 896	308 380	6 896	425 140
Morten Magnus Voll (from February)	SVP Business development	10 384	200 000	-	-
Frédéric Jacquin	SVP Business development	-	-	81 551	408 380
Inge Grubben-Strømnes	SVP Silicon Products	35 189	300 000	35 189	676 526
Luiz Simao	SVP Carbon Solutions	22 000	300 000	20 000	350 000
Larry Zhang	SVP Silicones	-	150 000	-	250 000
Zhigang Hao [1]	Chair of the board	-	-	-	-
Dag Jakob Opedal	Vice chair of the board	40 000	-	40 000	-
Olivier Tillette de Clermont-Tonnerre [1]	Board member	15 517	-	15 517	-
Yougen Ge [1]	Board member	-	-	-	-
Marianne Johnsen	Board member	-	-	-	-
Grace Tang	Board member	-	-	-	-
Nathalie Brunelle (from May)	Board member	-	-	-	-
Jin Wang Johnny Wu (from May until November) [1]	Board member	-	-	-	-
Li Bo (from November) [1]	Board member	-	-	-	-
Terje Andre Hanssen [2]	Board member	-	-	-	-
Marianne Færøyvik [2]	Board member	4 950	-	4 950	-
Thomas Eggan (from July) [2]	Board member	-	-	-	-
Heidi Feldborg [2]	Observer	-	-	-	-
Jan Harald Karlsen (from July) [2]	Observer	-	-	-	-
Anja Isabel Dotzenrath (until April)	Board member	-	-	-	-
Knut Sande (until June) [2]	Board member	-	-	-	-
Per Roar Aas (until June) [2]	Observer	-	-	-	-

[1] *Representatives for the majority shareholder.*
[2] *Employee representatives*

Employee benefit assets and obligations

	Non-current		Current	
Amounts in NOK million	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Pension plan assets, net (note 22)	28	40	-	-
Pension contribution fund (note 22)	1	1	3	2
Employee prepayments etc.	-	-	-	5
Total employee benefit assets	**29**	41	**3**	7
Salaries, holiday pay and variable compensation	-	-	684	752
Employer's national insurance contributions / social security tax	-	-	210	226
Pension plan obligations, net	375	370	-	-
Other benefit plans	132	119	18	16
Total employee benefit obligations	**507**	489	**912**	994

(a) Salaries, holiday pay and variable compensation
The obligations are related to incurred employee benefits, not paid.

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. As at 31 December there is no accrual (EUR 2 million) related to this agreement.

(b) Pension plans
Elkem has both defined contribution and defined benefit plans. For defined contribution plans the cost is equal to Elkem's contribution to the employee's pension savings during the period. For defined benefit plans the cost is calculated based on actuarial valuation methods, taking assumptions related to the employee's salary, turnover, mortality, discount rate, etc. into consideration.

Defined contribution plans
Defined contribution plans are the main pension plan for Elkem's Norwegian entities, where the contribution to each individual pension plan is 5% of annual salary up to 7.1G and 15% of annual salary between 7.1-12G. 1G refers to the Norwegian national insurance scheme's basic amount, which is NOK 118,620 as at 1 May 2023. Pension on salary above 12G is not supported by external service providers and is therefore handled as a separate plan and included under defined benefit plans.

In addition, a Norwegian multi-employer early retirement scheme called AFP, where sufficient information to calculate each participant's pension obligation is not available, is accounted for as it is a defined contribution plan in accordance with the Ministry of Finance's conclusion. The participants in the pension plan are jointly responsible for 2/3 of the plan's pension obligation, the government is responsible for the remaining part. The pension premium in 2023 is 2.6% of the employees' salary between 1 and 7.1G, covering this year's pension payments and contribution to a security fund for future pension obligations. The yearly premium for 2024 is set to 2.7%.

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. The pension scheme in UK and two of Canada's schemes are overfunded and are net in an asset position. The schemes that are underfunded and are net in a liability position as at 31 December 2023 are distributed as follows Norway 24%, France 48%, Canada 10%, other Europe 15%, other countries 4%. 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.

Breakdown of net pension expenses

Amounts in NOK million	2023	2022
Current service expenses	(25)	(43)
Administration expenses	(1)	(1)
Curtailments	23	-
Net pension expenses, defined benefit plans	(3)	(45)
Defined contribution plans	(113)	(102)
Early retirement scheme AFP (Norway)	(22)	(21)
Total pension expenses	**(138)**	(168)
In addition, interest expenses on net pension liabilities are recognised as a part of finance expenses	**(11)**	(9)

Net defined benefit obligations

Amounts in NOK million	2023	2022
Present value of funded pension obligations	(438)	(384)
Fair value of plan assets	466	425
Net funded pension obligations	28	40
Present value of unfunded pension obligations	(375)	(370)
Net value of funded and unfunded obligations	**(347)**	(329)

Movements in the defined benefit obligations and plan assets

Amounts in NOK million	2023 Defined benefit obligations	2023 Defined benefit plan assets	2023 Net pension plan obligations	2022 Defined benefit obligations	2022 Defined benefit plan assets	2022 Net pension plan obligations
Opening balance	(754)	425	(329)	(978)	487	(492)
Current service expenses incl. social security tax	(25)	-	(25)	(43)	-	(43)
Interest (expenses) income	(34)	23	(11)	(22)	13	(9)
Administration expenses	-	(1)	(1)	-	(1)	(1)
Remeasurement gains (losses)	(30)	11	(19)	237	(91)	146
Contributions from employer	-	6	6	-	32	32
Benefits paid	44	(23)	21	85	(33)	52
Curtailments	23	-	23	-	-	-
Other changes	4	-	4	3	-	3
Currency translation differences	(41)	25	(16)	(36)	18	(19)
Closing balance	(813)	466	(347)	(754)	425	(329)

Breakdown of pension plan assets

Amounts in NOK million	31.12.2023 Distribution%	31.12.2023 Fair value of plan assets	31.12.2022 Distribution%	31.12.2022 Fair value of plan assets
Cash, cash equivalents and money market investments	12%	54	12%	52
Bonds	14%	67	15%	62
Shares	34%	156	36%	152
Property	33%	155	35%	147
Other plan assets	7%	33	3%	12
Total pension plan assets	100%	466	100%	425
Actual return on plan assets	8%	34	-16%	(78)

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)

Principal assumptions used for the actuarial valuations in 2023 (2022)

	Norway 2023	Norway (2022)	France 2023	France (2022)	Canada 2023	Canada (2022)	Germany 2023	Germany (2022)	UK 2023	UK (2022)
Discount rate	4.8%	4.2%)	3.0%	(3.0%)	4.8%	(5.0%)	3.7%	(3.9%)	4.8%	(5.1%)
Expected rate of salary increase	na	(na)	3.0%	(3.0%)	3.5%	(3.5%)	3.0%	(3.0%)	na	(na)
Annual regulation of pensions paid	2.3%	(1.9%)	na	(na)	na	(na)	2.0%	(2.0%)	na	(na)

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

Sensitivity on pension obligations based on changes in main actuarial assumptions
The defined benefit pension schemes expose Elkem 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 obligation 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
2023: Effect on the pension obligation	(43)	48	17	(17)	19	(17)
2022: Effect on the pension obligation	(38)	42	14	(15)	10	(10)

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	8	18	19	4	6
Weighted average duration of the defined benefit obligations	6 years	15 years	15 years	11 years	11 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 76 million (NOK 64 million) relate to jubilee and long-service benefits in the Silicones segment, mainly in France. Estimated duration of the obligation is 12 years. Non-current provisions for other employee benefits for Elkem's Chinese entities, in the Silicones segment, are NOK 31 million (NOK 35 million), mainly consisting of post-employment benefits related to employees laid off due to reorganisation. The estimated remaining duration for these two obligations is 16 years.

10. Share-based payment

Principle

Elkem's share option scheme

The group has in 2018 - 2021 granted share options to corporate management and selected key employees. Each option gives the right to acquire one share in Elkem ASA on exercise. In 2022 the Board decided to terminate the option scheme and replace it with a Long-term Bonus Scheme (LTBS). See the "Report on salary and other remuneration to leading personnel in Elkem ASA for the financial year 2023" for description of the LTBS. The previous granted options are still exercisable over the exercise period.

The share options vest annually in equal tranches over a three-year period following the date of grant, with one-third vesting each year. The options will expire two years after vesting, in total 5 years after the date of grant. No option holder may in any calendar year realise a total gain on exercise of options in excess of twice the option holder's base salary in the same calendar year, however provided that the maximum gain for Elkem's CEO shall be four times the CEO's base salary. See note 9 Employee benefits for an overview of options granted to Elkem's corporate management.

When the options are exercised, the corresponding number of shares are transferred to the employee. The proceeds received from the exercise of the options (net of any directly attributable transaction costs) are credited directly to equity.

Components of share-based payments employee benefit expenses

Amounts in NOK million	**2023**	2022
Share-based payment	**(8)**	(24)
Social security contribution	**4**	(9)
Total expenses related to share-based payments	**(4)**	(33)

Parameters connected to share options granted in years respectively

Amounts in NOK million	2021	2020	2019
Number of options granted	7 451 000	8 000 000	8 000 000
Date of Grant	29 Jul 2021	29 Jul 2020	29 Jul 2019
Exercise price (NOK)	31.20	19.10	23.53
Share price (NOK)	32.90	17.19	24.66
Expected lifetime*	3.34	3.12	3.12
Volatility*	34.4%	46.0%	35.8%
Interest rate*	0.9%	0.2%	1.3%
Dividend*	6.5%	6.5%	6.5%
FV per instrument*	5.19	2.95	4.08
Vesting conditions	Service	Service	Service

**Weighted average parameters of instruments*

Outstanding instruments

		31 December 2023		31 December 2022	
Grant Amounts in NOK million	Exercise price	Number of instruments outstanding	Remaining contractual life	Number of instruments outstanding	Remaining contractual life
2018 programme	38.52	-	-	2 300 000	0.72
2019 programme	23.53	259 190	0.58	612 688	1.57
2020 programme	19.10	2 433 380	1.50	2 945 140	2.38
2021 programme	31.20	4 921 950	2.01	5 778 375	2.85
Total outstanding		**7 614 520**	1.80	**11 636 203**	**2.24**

Quantity and weighted average prices

	31 December 2023		31 December 2022	
Overview of outstanding options Amounts in NOK million	Number of instruments	Weighted average exercise price	Number of instruments	Weighted average exercise price
Outstanding options 1 January	11 636 203	29.18	20 479 772	28.55
Granted during the year	-	-	-	-
Exercised during the year	(1 413 303)	25.76	(6 443 569)	23.97
Forfeited during the year	(408 380)	30.03	(200 000)	30.01
Expired during the year	(2 200 000)	38.52	(2 200 000)	38.52
Outstanding options 31 December	**7 614 520**	**27.07**	**11 636 203**	**29.18**
Of which exercisable (vested)	5 280 854	25.25	4 368 870	32.47
Average share price at exercise date (NOK per share)		37.52		37.64

11. Other operating expenses

Details of operating expenses

Amounts in NOK million	**2023**	2022
Loss on disposal of fixed assets	**(3)**	(2)
Freight and commission expenses	**(1 910)**	(2 395)
Leasing short-term and low value contracts (note 16)	**(66)**	(70)
Machinery, equipment, spare parts and operating materials	**(1 145)**	(1 344)
External services [1]	**(2 593)**	(2 441)
Insurance expenses	**(183)**	(137)
Impairment losses trade and other receivables	**8**	(2)
Other operating expenses[2) 3)]	**(426)**	(324)
Total other operating expenses	**(6 319)**	(6 714)

1) Including services from auditor, see specification below
2) Including changes in inventories of finished goods and work in progress of positive NOK 387 million (positive NOK 288 million)
3) Including capitalised salary on fixed asset projects of positive NOK 96 million (positive NOK 125 million)

Research and development
During 2023, Elkem expensed NOK 1,021 million (NOK 1,000 million) related to research and innovation activities, which includes product and business development, technical customer support and improvement projects. In addition, Elkem capitalised development expenses of NOK 100 million (NOK 312 million).

Grants relating to research and development amount to NOK 155 million (NOK 143 million) and are recognised in other operating income. In addition NOK 38 million (NOK 91 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	**2023**	2022
KPMG		
Audit fee	**(23)**	(19)
Other assurance services	**(1)**	(1)
Tax services	**(0)**	-
Other services	**-**	-
Other audit firms		
Audit fee	**(4)**	(2)
Other assurance services	**(0)**	(0)
Tax services	**(2)**	(2)
Other services	**(1)**	(0)
Total fees to KPMG and other audit firms	**(30)**	(25)

Fees to auditors are reported exclusive of VAT.

12. Other items

Principle application and judgements

Other gains (losses)
Other gains (losses) consist 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, effects from discontinuation of hedging and foreign exchange gains (losses) related to operating activities such as trade receivables, trade payables, bank accounts / overdrafts. Foreign exchange gains (losses) related to financing activities, mainly interest-bearing liabilities and group loans, are classified as a part of financial income and expenses.

Other income (expenses)
Other income (expenses) consist of transactions and events that are related to acquisition of business, gains / (losses) on disposal of businesses and restructuring programmes. In addition, performance incentives for Elkem employees related to such items. Cost related to liquidated / wound-up businesses, or updated regulations with retroactive effect related to events / periods before purchase of the business, e.g., environmental measures, are also included in other income and expenses.

Acquisition related costs may include both costs related to completed acquisitions, acquisitions in progress 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 related to listed companies classified as other shares are presented as other income (expenses).

Details of other items

Amounts in NOK million	**2023**	2022
Changes in fair value commodity contracts (note 25)	**(1)**	(2)
Net gains (losses) on embedded EUR derivatives power contracts (note 25)	**(73)**	218
Ineffectiveness on cash flow hedges (note 26)	**357**	1 471
Net foreign exchange gains (losses) - forward currency contracts	**(26)**	9
Operating foreign exchange gains (losses)	**308**	387
Total other gains (losses)	**566**	2 084
Dividends from other shares	**3**	4
Change in fair value from other shares measured at fair value through profit or loss	**6**	1
Gains (losses) on acquisition and disposal of subsidiaries (note 4 and 5)	**-**	159
Restructuring expenses (note 24)	**(43)**	26
Dismantling and environmental expenses (note 24) [1]	**(4)**	(72)
Other[2]	**(13)**	(50)
Total other income (expenses)	**(50)**	67
Total other items	**516**	2 151

1) 2022 includes NOK 70 million in restoration expense related to decommissioned business in Canada.
2) Mainly expenses related to business projects and acquisitions

13. Finance income and expenses

Principle application and judgements

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 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. Judgement is applied in determining if a project is expected to last for a substantial period of time.

Financial expenses also include interest on net pension liabilities, unwinding of the discount effect from provisions and contingent consideration from acquisition of subsidiaries, and interest on lease liabilities.

Interest expenses from factoring and supply finance agreements are presented as part of finance expenses.

Details of net finance income (expenses)

Amounts in NOK million	**2023**	2022
Interest income on loans and receivables	**179**	65
Other financial income	**3**	1
Total finance income	**182**	67
Net foreign exchange gains (losses) [1]	**(106)**	85
Interest expenses on interest-bearing liabilities measured at amortised cost	**(647)**	(229)
Interest expenses from other items measured at amortised cost [2]	**(102)**	(50)
Interest expenses on lease liabilities (note 16)	**(27)**	(30)
Capitalised interest expenses	**51**	20
Unwinding of discounted liabilities	**(5)**	(10)
Interest expenses on net pension liabilities (note 9)	**(11)**	(9)
Other financial expenses	**(2)**	(5)
Total finance expenses	**(743)**	(313)
Net finance income (expenses)	**(668)**	(161)

[1] Some / part of loans are designated as a hedging instrument, hence the unrealised part of net foreign exchange gains (losses) are recognised against OCI, see note 26 Hedging.

[2] Interest expenses from other items measured at amortised cost consist mainly of interest on bills payables and factoring agreements.

14. Taxes

Principle application and judgements

Income taxes

Penalties and interest related to income taxes are recognised as income tax (expense) benefit in the statement of profit or loss.

Deferred tax assets

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.

Judgement has been applied in the assessment of the probability of being able to apply the group's carry forward loss against future taxable profit. Based on the current facts and circumstances Elkem has concluded that it is not probable that the carry forward loss will be applied against future profit within a reasonable period and have therefore not recognised a deferred tax asset. When assessing the recognition of deferred tax assets, a five-year historic performance is applied in order to determine if future profit is probable. All entities with carry forward loss, except for Paraguay, have had negative taxable result this year. To reconsider and recognise deferred tax assets, an entity must experience stable taxable income for 3-5 years.

Judgement has been applied in the assessment of the uncertain tax position related to a pending tax issues with the Norwegian tax authorities (se details below). Based on Elkem's own assessment and the advice from third party expertise it has been concluded that it is more likely than not that Elkem will be successful in the appeal against the tax claim.

Estimates

Part of the basis for recognising deferred tax assets is based on applying the loss carried forward against future taxable income, which requires use of estimates for calculating future taxable income.

When estimating uncertain tax positions, the most probable amount, including interests and penalties, is used because in most cases the outcome of the tax review is binary. See details on current uncertain tax positions below.

Income tax recognised in profit or loss

Amounts in NOK million	**2023**	2022
Profit (loss) before income tax	**951**	12 236
Current taxes	**(683)**	(2 234)
Deferred taxes	**(98)**	(360)
Total income tax (expense) benefit	**(781)**	(2 594)

Income taxes recognised in other comprehensive income (OCI)

Amounts in NOK million	**2023**	2022
Remeasurement of defined benefit pension plans	**4**	(33)
Hedging of net investment in foreign operations	**44**	31
Cash flow hedges	**247**	(125)
Total tax charged to OCI	**295**	(127)

Reconciliation of income tax (expense) benefit

Amounts in NOK million	2023	2022
Profit (loss) before income tax	951	12 236
Expected income taxes, 22% of profit before tax (22%)	(209)	(2 692)
Tax effects of:		
Difference in tax rates for each individual jurisdiction	61	(99)
Preferential tax rates	(136)	61
Permanent differences		
Tax effects of income from Norwegian controlled foreign companies (NOKUS)	(22)	(16)
Tax effects share of profit (loss) from equity accounted companies	(5)	24
Tax effects non-deductible expenses	(48)	(12)
Tax relief based on value of equity	10	19
Tax effects gains (losses) on acquisition and disposal of subsidiaries	-	34
Tax effects non-taxable income	83	134
Other effects		
Tax effects of changes in unrecognised deferred tax assets	(476)	(32)
Other current taxes	(20)	(10)
Previous year tax adjustment	(19)	(5)
Total income tax (expense) benefit	**(781)**	(2 594)
Effective tax rate	82%	21%

Three companies in China are taxed under the regulations for "High and new technology company" which mean that the tax rate is 15% compared to the regular 25%. The companies have to confirm to the authorities every 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 related to R&D, additional R&D deduction and non-taxable R&D grants, and additional deduction on investments in fixed assets equipment.

Other current taxes relates mainly to taxes that are indirectly calculated based on profit (loss) before income tax and withholding taxes.

Deferred tax assets and deferred tax liabilities

	31.12.2023		31.12.2022	
Amounts in NOK million	Temporary difference	Deferred tax	Temporary difference	Deferred tax
Property, plant and equipment and intangible assets	177	36	412	69
Pension liabilities	339	86	325	79
Trade receivables	879	5	92	7
Inventories	755	158	998	222
Provisions	661	146	364	72
Other differences	294	55	458	93
Debt waiver	595	153	595	161
Tax losses carried forward	6 151	1 261	2 901	648
Gross deferred tax assets	**9 850**	**1 900**	6 145	1 351
Unrecognised deferred tax assets for tax loss carried forward	(5 800)	(1 166)	(2 398)	(520)
Unrecognised debt waiver	(595)	(153)	(595)	(161)
Unrecognised deferred tax assets other items	(91)	(11)	(1 264)	(190)
Recognised deferred tax assets	**3 366**	**570**	1 888	480
Netting		(436)		(329)
Net deferred tax assets		**134**		151
Derivatives including cash flow hedges	1 087	239	2 162	476
Property, plant and equipment and intangible assets	4 437	972	3 451	775
Inventories	96	20	284	62
Other differences	651	139	683	139
Gross deferred tax liabilities	**6 271**	**1 370**	6 580	1 452
Netting		(436)		(329)
Net deferred tax liabilities		**935**		1 123
Net deferred tax (liabilities) assets recognised		**(801)**		(972)

Unrecognised deferred tax assets other items, are mainly related to property, plant and equipment and inventories. The tax assets are not recognised due to uncertainty regarding future taxable income and the long period for which the tax asset shall be amortised.

Movements in net deferred tax assets and deferred tax liabilities

Amounts in NOK million	2023	2022
Opening balance	**(972)**	(457)
Recognised in profit or loss for the year	**(98)**	(360)
Effect of business combination	**(20)**	(20)
Disposal of subsidiaries	**-**	2
Recognised in other comprehensive income	**295**	(127)
Currency translation differences	**(6)**	(10)
Closing balance	**(801)**	(972)

Tax losses carried forward 31 December 2023

Amounts in NOK million	Gross tax losses carried forward	Net tax losses carried forward	Unrecognised tax losses	Recognised deferred tax losses carried forward
France	2 692	695	(623)	73
China	2 774	416	(416)	-
Brazil	206	70	(70)	-
Paraguay	345	46	(46)	-
Malaysia	29	7	(7)	-
US	87	22	-	22
Canada	11	3	(3)	-
Korea	6	1	(1)	-
UK	1	0	(0)	-
Total tax losses to carried forward	**6 151**	**1 261**	**(1 166)**	**95**

Tax losses carried forward 31 December 2022

Amounts in NOK million	Gross tax losses carried forward	Net tax losses carried forward	Unrecognised tax losses	Recognised deferred tax losses carried forward
France	1 803	451	(337)	114
China	490	74	(74)	-
Brazil	175	59	(59)	-
Paraguay	295	30	(30)	-
Malaysia	61	15	(15)	-
US	56	14	-	14
Canada	18	5	(5)	-
Mexico	3	1	(1)	-
Total tax losses to carried forward	2 901	649	(520)	128

Tax losses carried forward by expiry date

	31.12.2023		31.12.2022	
Amounts in NOK million	**Total unrecognised losses**	**Total recognised losses**	Total unrecognised losses	Total recognised losses
Loss car.forw.which exp. within 1 year	**(5)**	**-**	(3)	-
Loss car.forw.which exp. within 2 years	**(9)**	**-**	(5)	-
Loss car.forw.which exp. within 3 years	**(10)**	**-**	(9)	-
Loss car.forw.which exp. within 4 years	**(3)**	**-**	(10)	-
Loss car.forw.which exp. within 5 years	**-**	**-**	(70)	-
Loss car.forw.which exp. within 5-10 years	**(40)**	**-**	(7)	-
Without maturity	**(1 100)**	**95**	(416)	128
Total tax losses carried forward	**(1 166)**	**95**	(520)	128

Pending tax issues with tax authorities
The Norwegian Tax Office decided in February 2021 to increase Elkem ASA's taxable income for the fiscal years 2016-2019 by in total NOK 781 million, which would have lead to an increase in the income tax expense of NOK 181 million. The reassessments relate to loan arrangements / debt waiver agreements acquired by Elkem ASA in 2016 through the cross-border parent-subsidiary merger with Bluestar Silicones International Sarl. Elkem is of the opinion that the reassessment is unfounded and has appealed. Based on legal advice, Elkem's assessment is that the defence against the action will be successful, and the increase in taxable income is therefore not recognised in profit or loss. The amount was paid in first quarter of 2021 and a corresponding receivable for the paid income tax was recognised in 2021.

Debt waiver
Elkem Silicones France SAS has four Elkem internal debt waiver agreements where internal loans were converted to equity and the converted amounts were treated as taxable income. Elkem Silicones France SAS can only reinstate the loans to the extent that the company has an accounting profit according to IFRS. All debt that is reinstated under the agreements can be deducted against taxable income. The gross taxable value of the agreements as of 31 December 2023 is NOK 595 million (NOK 595 million). Elkem Silicones France SAS has not reinstated any loan amounts in 2023 or 2022 and correspondingly no tax credit is recognised in 2023 or 2022.

Debt waiver 31 December 2023

Amounts in NOK million	2010	2012	2013	2014	**Total**
Gross value of debt waiver	54	186	149	207	**595**
Utilised 2023	-	-	-	-	**-**
Total debt that can be reversed	54	186	149	207	**595**
Deferred tax asset unrecognised [1]	14	48	38	53	**153**
The respective agreements expire in	2 years	4 years	5 years	6 years	

[1] *Based on tax rate 25.8% (27.0), which is applicable in France.*

Debt waiver 31 December 2022

Amounts in NOK million	2010	2012	2013	2014	**Total**
Gross value of debt waiver	54	186	149	207	**595**
Utilised 2021	-	-	-	-	**-**
Total debt that can be reversed	54	186	149	207	**595**
Deferred tax asset unrecognised [1]	15	50	40	56	**161**
The respective agreements expire in	3 years	5 years	6 years	7 years	

[1] *Based on tax rate 25.8% (27.0), which is applicable in France.*

15. Property, plant and equipment

Principle application and judgements

Property, plant and equipment (PPE) are stated in the statement of financial position at cost less accumulated depreciation and accumulated impairment losses.

Initial cost includes expenditures that are directly attributable to the acquisition of the asset. In projects depending on new technology all cost up to final investment decision is expensed when incurred. In projects using known technology the cost incurred in the preparation for the final investment decision is capitalised due to the close integration with the investment. This is for example relevant for relining of furnaces.

When substantial parts of an installation are replaced with a new component, the cost is capitalised. The replacement is substantial when the costs associated with the replacement account for more than approximately 70% of the value of an equivalent new installation. Upon capitalization, 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. Major periodic maintenance typically requires curtailment of production during the maintenance period. Silicon products typically perform relining of a furnace approximately every 10 to 15th year, Silicones performs mainly biennial maintenance of production equipment, while maintenance within Carbon Solutions is mostly performed on a day-to-day basis. Costs related to restarting the production after major maintenance are expensed when incurred.

Costs that do not relate to replacement of substantial parts or major periodic maintenance that is carried out less frequently than every year, are classified as "day-to-day servicing" and are expensed directly.

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. Elkem has certain leases with local governments. Unless there are indications to the contrary it is assumed that these leases are extended at expiry when determining the useful life of the assets situated on the land. Depreciation commences when the assets are ready for their intended use. Judgement is applied to determine the time when the asset is ready for intended use.

The main rule is to classify spare parts as inventory. However, major spare parts and stand-by equipment qualify as property, plant, and equipment when Elkem expects to use them during more than one period. Depreciation for major spare parts starts when the asset is recognised in the asset register.

Accounting principle application and judgements for impairment of assets, see Note 19 Impairment assessments.

Details of property, plant and equipment 2023

Amounts in NOK million	Land	Buildings and other property	Plant, machinery, equipment and motor vehicles	Office and other equipment	Construction in progress	**Total**
Cost						
Opening balance	233	8 957	25 406	1 078	5 022	**40 696**
Additions	0	14	97	22	4 883	**5 016**
Transferred from CiP	12	532	1 534	976	(3 053)	**-**
Reclassification	(1)	2	(286)	285	-	**-**
Business combinations (note 4)	21	33	25	-	2	**81**
Disposals	-	(76)	(227)	(17)	(13)	**(333)**
Currency translation differences	10	113	417	(15)	2	**526**
Closing balance	276	9 575	26 965	2 328	6 842	**45 987**
Accumulated depreciation						
Opening balance		(3 322)	(14 437)	(580)		**(18 339)**
Additions		(319)	(1 440)	(208)		**(1 967)**
Reclassification		1	267	(268)		**-**
Disposals		40	204	16		**260**
Currency translation differences		(39)	(245)	(2)		**(287)**
Closing balance		(3 639)	(15 650)	(1 043)		**(20 332)**
Impairment losses						
Opening balance	(11)	(435)	(2 358)	(1)	(30)	**(2 836)**
Additions	-	(13)	(80)	-	(0)	**(94)**
Reclassification	-	(9)	22	(14)	-	**-**
Disposals	-	10	18	0	1	**29**
Currency translation differences	(1)	1	1	0	0	**1**
Closing balance	(12)	(446)	(2 398)	(15)	(30)	**(2 900)**
Carrying amount						
Closing balance	264	5 490	8 917	1 271	6 812	**22 754**
Original cost of assets fully depreciated but still in use	0	2 214	7 979	240	-	**10 433**
Estimated useful life	Indefinite	5–50 years	3–50 years	3–20 years		
Depreciation plan		Straight-line	Straight-line	Straight-line		

Capitalised interest is NOK 51 million in 2023. The weighted average cost of capital for capitalisation of loan interest in 2023 is in the range of 2.8% and 3.6% per annum.

Impairment losses in 2023 are primarily related to impairment of production units at Xinghuo NOK 69 million and impairment as a result of fire at Salten NOK 17 million.

Details of property, plant and equipment
2022

Amounts in NOK million	Land	Buildings and other property	Plant, machinery, equipment and motor vehicles	Office and other equipment	Construction in progress	Total
Cost						
Opening balance	217	8 064	23 043	866	2 819	**35 009**
Additions	1	13	34	5	4 091	**4 143**
Transferred from CiP	2	475	1 271	181	(1 929)	**-**
Reclassification	-	1	1	(6)	(40)	**(43)**
Business combinations (note 4)	1	185	749	0	7	**942**
Disposal of subsidiaries (note 4)	-	-	-	-	(29)	**(29)**
Disposals	(0)	(10)	(384)	(9)	(12)	**(415)**
Currency translation differences	13	229	691	40	116	**1 088**
Closing balance	233	8 957	25 406	1 078	5 022	**40 696**
Accumulated depreciation						
Opening balance		(2 999)	(13 085)	(430)		**(16 514)**
Additions		(263)	(1 293)	(137)		**(1 693)**
Reclassification		0	(1)	1		**0**
Disposals		8	306	6		**321**
Currency translation differences		(68)	(365)	(20)		**(453)**
Closing balance		(3 322)	(14 437)	(580)		**(18 339)**
Impairment losses						
Opening balance	(11)	(419)	(2 315)	(1)	(28)	**(2 774)**
Additions	-	(10)	(13)	(0)	(5)	**(28)**
Reclassification	-	6	(6)	(0)	-	**(0)**
Disposals	-	0	44	0	4	**48**
Currency translation differences	(1)	(13)	(68)	(0)	(1)	**(82)**
Closing balance	(11)	(435)	(2 358)	(1)	(30)	**(2 836)**
Carrying amount						
Closing balance	222	5 200	8 610	497	4 991	**19 520**
Original cost of assets fully depreciated but still in use	0	2 738	6 592	252	-	**9 583**
Estimated useful life	Indefinite	5–50 years	3–50 years	3–20 years		
Depreciation plan		Straight-line	Straight-line	Straight-line		

Capitalised interest is NOK 20 million in 2022. The weighted average cost of capital for capitalisation of loan interest in 2022 is in the range of 2.5% and 3.7% per annum.

16. Leases

Principle application and judgements

Right-of-use assets are presented separately in the statement of financial position, whereas lease liabilities are presented in interest-bearing liabilities.

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. 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 applies a single recognition and measurement approach for all leases, except for:

- → Lease contracts for which the lease term ends within 12 months as of the commencement date are not capitalised (short-term leases). Elkem's short-term lease commitments are related to rental of equipment in connection with maintenance or installation of new equipment.
- → Lease contracts for which the underlying asset is of low value, mainly office equipment, are not capitalised.
- → Lease of intangible assets are not capitalised.
- → Lease payments on contracts that are not capitalised are recognised as other operating expenses on a straight-line basis over the lease term.

Right-of-use assets are subject to impairment assessments as described in note 19 Impairment assessments.

Details of right-of-use assets
2023

Amounts in NOK million	Land	Buildings and other property	Plant, machinery, equipment and motor vehicles	Office and other equipment	Total
Cost					
Opening balance	326	659	150	2	**1 138**
Additions / lease modifications / remeasurements	73	95	57	-	**225**
Partial or full termination of agreements	-	(30)	(63)	-	**(93)**
Currency translation differences	(3)	9	9	0	**15**
Closing balance	397	733	153	2	**1 285**
Accumulated depreciation					
Opening balance	(70)	(191)	(96)	(1)	**(359)**
Additions	(10)	(93)	(38)	(0)	**(141)**
Partial or full termination of agreements	-	30	48	-	**77**
Currency translation differences	0	(3)	(6)	(0)	**(9)**
Closing balance	(80)	(258)	(92)	(2)	**(431)**
Impairment losses					
Opening balance	-	-	-	-	**-**
Closing balance	-	-	-	-	**-**
Carrying amount					
Closing balance	317	476	61	0	**854**
Estimated useful life	9–99 years	2–25 years	2–6 years	3-4 years	
Depreciation plan	Straight-line	Straight-line	Straight-line	Straight-line	

Details of right-of-use assets
2022

Amounts in NOK million	Land	Buildings and other property	Plant, machinery, equipment and motor vehicles	Office and other equipment	Total
Cost					
Opening balance	432	730	138	11	**1 310**
Additions / lease modifications / remeasurements	4	105	21	0	**131**
Disposal of subsidiaries (note 4)	(118)	(145)	-	-	**(264)**
Partial or full termination of agreements	(0)	(46)	(15)	(9)	**(71)**
Currency translation differences	9	15	7	1	**31**
Closing balance	326	659	150	2	**1 138**
Accumulated depreciation					
Opening balance	(66)	(143)	(75)	(5)	**(288)**
Additions	(8)	(79)	(32)	(1)	**(119)**
Disposal of subsidiaries (note 4)	8	10	-	-	**18**
Reclassification	(3)	(7)	-	-	**(10)**
Partial or full termination of agreements	0	32	15	5	**53**
Currency translation differences	(2)	(6)	(4)	(0)	**(12)**
Closing balance	(70)	(191)	(96)	(1)	**(359)**
Impairment losses					
Opening balance	-	(1)	-	(4)	**(5)**
Partial or full termination of agreements	-	1	-	4	**5**
Currency translation differences	-	(0)	-	(0)	**(0)**
Closing balance	-	-	-	-	**-**
Carrying amount					
Closing balance	256	468	55	1	**779**
Estimated useful life	8–99 years	2–25 years	2–6 years	3-4 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	2023	2022
Opening balance	**578**	801
Additions / lease modifications / remeasurements	**225**	124
Partial or full termination of agreements	**(16)**	(6)
Disposal of subsidiaries	**-**	(238)
Payments	**(236)**	(146)
Interest expenses on lease liabilities	**27**	30
Currency translation differences	**10**	13
Closing balance (note 23)	**589**	578

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

Amounts recognised in consolidated statement of profit or loss

Amounts in NOK million	2023	2022
Depreciation of right-of-use assets	**(141)**	(119)
Interest expenses on lease liabilities (note 13)	**(27)**	(30)
Leasing expenses, short-term leases (note 11)	**(52)**	(56)
Leasing expenses, low value assets (note 11)	**(14)**	(13)
Leasing expenses, variable lease payments (note 11)	**(1)**	(2)
Total amount recognised in consolidated statement of profit or loss	**(235)**	(219)

17. Other intangible assets

Principle application and judgements

Judgement is used in determining when a project move from the research phase to the development phase for internally developed intangible assets. To ensure consistent judgement, different activities are grouped in four different phases. Expenses incurred in phase 1 are classified as research and expensed directly to profit and loss. Expenses incurred in phase 2-4 are normally capitalised as long as the criteria for capitalisation are met. Phase 4 may also contain commercialisation/industrialisation of technology developed in phase 1-3 into full scale plants and judgement must be applied both in terms of separation between fixed and intangible assets as well as the correct starting point for depreciation. In general depreciation of the intangible assets starts when the full-scale production facility is put into operation.

Expenditures related to research and development activities, see note 11 Other operating expenses.

Accounting principle application and judgements for impairment of assets, see Note 19 Impairment assessments.

Details of intangible assets
2023

Amounts in NOK million	Land use rights	Technology and licences	Software	Development	Other intangible [1]	Intangible assets under construction	Total
Cost							
Opening balance	108	868	627	880	350	377	**3 209**
Additions [2]	-	-	17	-	-	183	**200**
Transferred from CiP	-	5	67	94	3	(170)	**-**
Business combinations (note 4)	-	-	0	-	29	-	**29**
Disposals	-	-	(9)	-	-	-	**(9)**
Currency translation differences	7	38	13	56	2	17	**133**
Closing balance	116	911	714	1 030	384	407	**3 563**
Accumulated amortisation							
Opening balance	(59)	(579)	(457)	(606)	(122)		**(1 824)**
Additions	(2)	(43)	(58)	(65)	(37)		**(205)**
Reclassification	-	-	-	-	-		**-**
Disposals	-	-	9	-	-		**9**
Currency translation differences	(4)	(32)	(8)	(40)	(0)		**(84)**
Closing balance	(65)	(654)	(514)	(711)	(159)		**(2 103)**
Impairment losses							
Opening balance	(1)	-	-	-	-	-	**(1)**
Currency translation differences	(0)	-	-	-	-	-	**(0)**
Closing balance	(1)	-	-	-	-	-	**(1)**
Carrying amount							
Closing balance	49	257	200	319	225	407	**1 458**

Estimated useful life	3-10 years	3-15 years	3-10 years	3-16 years	3-10 years		
Amortisation plan	Straight-line	Straight-line	Straight-line	Straight-line	Straight-line		

[1] Other intangible assets consists mainly of customer relationships.
[2] Additions in 2023 consists mainly of capitalisation of development projects of NOK 100 million of which NOK 20 million is related to Elkem's biocarbon initiative.

Details of intangible assets
2022

Amounts in NOK million	Land use rights	Technology and licences	Software	Development	Other intangible [1]	Intangible assets under construction	Total
Cost							
Opening balance	103	828	567	775	335	568	**3 175**
Additions [2]	-	-	24	1	0	310	**335**
Transferred from CiP	-	-	5	58	-	(63)	**-**
Reclassification	-	3	43	-	(1)	7	**53**
Business combinations (note 4)	-	0	-	-	6	-	**6**
Disposal of subsidiaries (note 4)	-	-	-	-	-	(460)	**(460)**
Disposals	-	-	(30)	-	-	(3)	**(33)**
Currency translation differences	5	36	18	46	11	18	**134**
Closing balance	108	868	627	880	350	377	**3 209**
Accumulated amortisation							
Opening balance	(55)	(513)	(398)	(519)	(87)		**(1 572)**
Additions	(2)	(41)	(54)	(57)	(33)		**(186)**
Reclassification	-	-	(1)	-	1		**(0)**
Disposals	-	-	8	-	-		**8**
Currency translation differences	(3)	(26)	(12)	(30)	(3)		**(74)**
Closing balance	(59)	(579)	(457)	(606)	(122)		**(1 824)**
Impairment losses							
Opening balance	(1)	-	-	-	-	-	**(1)**
Currency translation differences	(0)	-	-	-	-	-	**(0)**
Closing balance	(1)	-	-	-	-	-	**(1)**
Carrying amount							
Closing balance	48	288	170	273	228	377	**1 385**

Estimated useful life	3-10 years	3-15 years	3-10 years	3-16 years	3-10 years		
Amortisation plan	Straight-line	Straight-line	Straight-line	Straight-line	Straight-line		

[1] Other intangible assets consists mainly of customer relationships.
[2] Additions in 2022 consists mainly of capitalisation of development projects of NOK 312 million of which NOK 230 million is related to Elkem's biocarbon initiative and battery projects.

18. Goodwill

Principle application and judgements

If the fair value at the time of acquisition of the group's interest in the net assets of the acquired subsidiary exceeds the cost of the acquisition (negative goodwill), the differences are presented directly in the statement of profit or loss as other items. Judgement is applied in determining net identifiable assets and hence in determining the amount of goodwill.

Accounting principle application and judgement for impairment of assets, see Note 19 Impairment assessments.

Details of goodwill

Amounts in NOK million	2023	2022
Opening balance	**984**	941
Business combinations (note 4)	**23**	-
Currency translation differences	**8**	43
Closing balance	**1 015**	984

Origin of goodwill per CGU and operating segment 31 December 2023

Amounts in NOK million	Silicones	Silicon Products	Carbon Solutions	Total
Elkem Silicones Guangdong Co., Ltd.	499	-	-	**499**
Elkem Silicones Korea Co., Ltd	126	-	-	**126**
Elkem Silicones excluding Xinghuo/Yongdeng, Elkem Guangdong, and Elkem Silicones Korea	85	-	-	**85**
Elkem Rana AS	-	40	-	**40**
Elkem Nagpur	-	38	-	**38**
Elkem Oilfield Chemical FZCO	-	24	-	**24**
Elkem Dronfield Ltd.	-	17	-	**17**
Elkem Materials Processing Services BV	-	0	-	**0**
Elkem Ferroveld JV	-	-	41	**41**
Elkem Carbon Slovakia a.s.	-	-	21	**21**
Elkem Participações Indústria e Comércio Limitada	-	-	9	**9**
Elkem Carbon (China) Co., Ltd.	-	-	1	**1**
NEH LLC	-	96	18	**113**
Total goodwill	710	215	89	**1 015**

Origin of goodwill per CGU and operating segment 31 December 2022

Amounts in NOK million	Silicones	Silicon Products	Carbon Solutions	Total
Elkem Silicones Guangdong Co., Ltd.	499	-	-	**499**
Elkem Silicones Korea Co., Ltd	126	-	-	**126**
Elkem Silicones excluding Xinghuo/Yongdeng, Elkem Guangdong, and Elkem Silicones Korea	80	-	-	**80**
Elkem Rana AS	-	40	-	**40**
Elkem Nagpur	-	38	-	**38**
Elkem Oilfield Chemical FZCO	-	23	-	**23**
Elkem Dronfield Ltd.	-	16	-	**16**
Elkem Materials Processing Services BV	-	0	-	**0**
Elkem Ferroveld JV	-	-	43	**43**
Elkem Participações Indústria e Comércio Limitada	-	-	8	**8**
Elkem Carbon (China) Co., Ltd.	-	-	1	**1**
NEH LLC	-	93	17	**110**
Total goodwill	705	209	69	**984**

19. Impairment assessments

Principle application and judgements

This disclosure covers the impairment assessment for goodwill, intangible assets, property plant and equipment and right-of-use assets (non-current non-financial assets).

Impairment is recognised when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount. As a starting point Elkem uses the value in use method for estimating recoverable amount in an impairment test. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the strategic plan 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. An exception from this is ongoing projects with known technology where both future cash inflows and remaining investments are included.

A long-term growth rate is calculated and applied to project future cash flows after the fifth year. If the value in use calculation indicates an impairment, the fair value less cost to sell will be estimated and the higher of this amount and the value in use is applied as the recoverable amount.

Judgement is applied by management in determining if an impairment trigger exist. Management assesses a wide range of quantitative and qualitative information before concluding on the trigger review. Triggers normally assessed in Elkem include:

- → performance compared to budget since the last trigger review
- → the expected development in sales prices and the cost of materials, employees and other operating expenses in both the short and medium term
- → supply/demand balance
- → regulatory changes and new technology
- → competitive situation

There is significant judgment required to determine the CGU for impairment testing. For impairment testing of property, plant and equipment intangible and right of use assets the CGU is the lowest level that generates cash inflows. This can be both a single plant or a combination of plants depending on the facts and circumstances. For goodwill the unit of testing is a combination of CGUs and is based on the level where synergies are expected to be realised following a business combination. The combination of CGUs for impairment testing of goodwill is determined to be the operating segments as presented in note 6 Operating segments.

Estimates

The value-in-use calculations are based on estimated future cash flows. The uncertainty in the cash flows relates to future prices for both key input factors in the production and market prices for the sale of Elkem's products. There is uncertainty regarding these factors both for the next 12 months and for the rest of the forecast period. There is also uncertainty in estimating replacement investments and the growth rate in the terminal value. The estimated future pre-tax cash flows are discounted using a discount rate before tax. The estimation uncertainty in the discount rate relates to the determination of the risk-free rate, the market risk premium and the beta. Elkem uses a beta per business segment and the beta is found using observable betas of comparable companies for each business segment. Elkem has performed sensitivity analysis for key drivers in the impairment test to reflect the uncertainty in the estimates.

Impairment assessment for non-current non-financial assets including goodwill

The impairment assessment for non-current non-financial assets is performed on two levels.

- → For non-current non-financial assets other than goodwill a quarterly trigger assessment is performed for each of the separate CGUs within the three operating segments Silicones, Silicon Products and Carbon Solutions. If a trigger is identified an impairment assessment is performed for the CGU.
- → Goodwill acquired through business combinations are allocated to the operating segments Silicones, Silicon Products and Carbon Solutions. Each of the operating segments consist of several CGUs, typically a plant or a group of plants. Impairment testing of goodwill is done annually, or more frequently if indicators exist, for the group of CGUs that is included in the respective operating segments.

The following table gives an overview of carrying amount of total non-current non-financial assets and goodwill allocated to each of the operating segments. The table also includes the pre-tax discount rate for each operating segment.

Operating segment	Carrying amount		Of which goodwill		Pre-tax discount rate	
Amounts in NOK million	**31.12.2023**	31.12.2022	**31.12.2023**	31.12.2022	**31.12.2023**	31.12.2022
Silicones	**17 458**	15 152	**710**	705	**11.9%**	10.5%
Silicon Products	**6 874**	6 041	**215**	209	**11.9%**	10.1%
Carbon Solutions	**1 108**	886	**89**	69	**12.3%**	10.2%
Goodwill	**25 440**	22 080	**1 015**	984		

Elkem analyses both quantitative and qualitative triggers that may indicate that a CGU is impaired. Quantitative indicators include Elkem's market capitalisation, return on capital employed compared to WACC and EBITDA margin compared to budget. Qualitative indicators include significant adverse changes in expected sales volumes or margins, raw material prices, power prices and supply and changes in regulations.

The impairment assessment for goodwill allocated to the operating segments and for the respective CGUs within the operating segments performed at year-end is covered for each operating segment below.

Discounted cash flow models are applied to determine the value in use for the operating segments. Key assumptions used in the calculation of value in use are sales prices and volumes, raw material prices and discount rates.

A range of important assumptions used in the impairment assessment is common for all GGUs/operating segments and are to large extent determined at the group level in relation with the budget and strategic forecast process. These assumptions are described below. In addition, certain assumptions such as sales prices, cost of materials and supply / demand balance are specific for the respective CGUs / operating segments. These assumptions are described within the below impairment assessments done for each operating segment and underlying CGUs.

Common assumptions for all operating segments and CGUs

Financial forecasts

The 2024 budget approved by the board is used as a basis for the 2025-2028 strategic plan and hence the forecasts which is used for the impairment assessment. When preparing the budget and strategic plan a range of both external and internal sources are considered. External sources include market reports and price indexes. Internal sources include agreed sales volumes for the period, the effect of implemented cost saving initiatives and planned investments and maintenance.

EBITDA level represents the operating profit (loss) before depreciation and amortisation. The key assumptions used in reaching the forecast figures are sales prices, total volume and product mix, operating costs, and productivity targets. See Note 6 Operating segments for Elkem's definition of EBITDA.

Other operating costs

These are estimated based on the current level and adjusted for expected inflation in the respective locations where the business is situated. Operating costs are also impacted by ongoing operational efficiency programmes. Changes to the outcome of these initiatives may affect future 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 are not included in the cash flow projection. However, capex includes remaining investments on strategic projects in an advanced stage where only a small part of the total investment remains before start up.

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 target capital structure of 50:50, respectively, derive from its weighted average cost of capital. The WACC rates are based on 10-year risk-free interest rate for the relevant currency of the CGU. For the operating segments with cash inflows and outflows in different currencies these are translated to NOK in the goodwill impairment test and a NOK 10 year risk-free interest rate is used in the WACC. The rates are adjusted for inflation differential and country risk premium. The discount rates also consider the debt premium, market risk premium, corporate tax rate and asset beta. The WACC are adjusted for tax to determine a pre-tax rate that is used for discounting the estimated future cash flows.

Growth rates

The expected growth rates for a cash-generating unit (CGU) 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 experience, assumptions in terms of market share and expectations for the market development in which the entity operates. Growth rate used in Elkem's DCF models is 2% for Silicon Products and Carbon Solutions with a significant market exposure in Europe and 2.5% for Silicones due to a significant part of the market exposure being in developing markets.

Currency rates and inflation

The value-in-use calculation is performed in the functional currency for the CGU. The currency rates used to translate future incomes and expenses in other currencies than the functional currency is based the currency rates used in the strategic planning process. These are also used when translating the cash inflows and outflows in the operating segments to NOK in the goodwill impairment test. The long-term inflation (CPI) are based on external predictions and reflect the CPI in which each CGU is located.

Climate related risk

The calculation of value in use reflects the expected development in both the cost of CO_2 quotas and the income from CO_2 compensation going forward, in line with the current regulatory framework. Outside of this no climate related legislation has been passed at the current time that will impact the group. However, there is an expectation that any increase in cost due to new legislation will be covered by increased sales prices, full or partial compensation by incentive schemes or increased effectiveness resulting in limited impact on operating cash flows.

Impairment assessment for operating segments and CGUs

Elkem Silicones

The Silicones division has experienced a challenging market situation that has resulted in a weak financial performance in 2023. The challenging market situation can be explained by several factors:

- → Supply/demand imbalance in the market following increased production capacity in China and delayed recovery of demand in Chinese construction industry after the COVID pandemic as well as lower demand for specialties in all regions
- → Chinese commodity prices reaching a 10-year low in August 2023 without a comparable reduction in raw material cost resulting in a significant pressure on EBITDA and ROCE.
- → Higher pressure on commodity prices compared to specialty prices.

Based on the above indicators and weak financial performance, impairment triggers have been identified for the following CGUs:

- → Xinghuo/Yongdeng
- → Elkem Guangdong (Polysil)
- → Elkem Silicones excluding Xinghuo/Yongdeng, Elkem Guangdong, and Elkem Silicones Korea

Impairment tests have been performed for these CGUs in parallel with the goodwill impairment test performed for the Silicones division. The assumptions used, and the assessments made for the goodwill impairment test for the division is to a large extent applicable to the different CGUs due to the global characteristics of the Silicones market and Elkem's ability to adapt production at the plants across the different geographies based on supply and demand in the different markets. However, there are some differences in markets and product mix that will impact the outcomes. Below the results for each test is summarized including sensitivities.

Silicones operating segment
The conclusion is no impairment for the goodwill allocated to the Silicones operating segment. Key assumptions used in reaching this conclusion:

- External markets analysts expect continued challenging supply/demand balance both in China and globally for the next two years, before a gradual recovery towards the end of the forecast period resulting in a more balanced market
- The strategic capacity increase investments in China and France are expected to ramp up production during 2024 and 2025. The new assets are expected to yield cost savings, more efficient production and an improved specialty ratio that will improve both absolute and stability in margins
- Cost saving programmes initiated in 2023 are expected to give lasting reductions through reduced operating expenses going forward
- A more balanced market, combined with an increased specialty ratio, results in improved average sales prices and combined with reduced cost leads to a gradually improving EBITDA-margin throughout the forecast period

Given the challenging market situation throughout 2023 and the uncertainties regarding the timeline and level of market improvement both within the next 12 months and in the longer term, relevant and reasonable sensitivities have been performed to indicate a range of outcomes.

- A scenario where volumes and prices decrease with 5% across all years in the forecast would result in no impairment. In this scenario employee benefit and other operating expenses have been adjusted to reflect lower activity. Further, as sales prices for commodity products are closely aligned with raw material prices these have also been reduced with 5%.
- An increase in WACC of 0.5 percentage point – would not result in an impairment
- A 11% reduction in base case EBITDA for each year in the forecast period would result in a break even scenario

Elkem Silicones Xinghuo/Yongdeng
Elkem has identified impairment indicators within Elkem Silicones Xinghuo/Yongdeng. The total carrying amount of the CGU is NOK 9,849 million. The impairment indicators are largely due to falling sale prices and volumes caused by a supply/demand imbalance in the Silicones markets globally.
The assumptions applied follow the assumptions as applied for the goodwill, see above. It is expected that 2024 and 2025 will be challenging before gradually improving towards the end of the forecast period. Pre-tax discount rate used in the DCF calculation for the CGU is 10.4%.

Given the challenging market situation throughout 2023 and the uncertainties regarding the timeline and level of market improvement both within the next 12 months and in the longer term, relevant and reasonable sensitivities have been performed to indicate a range of outcomes.

- A scenario where volumes and prices decrease with 5% across all years in the forecast– would result in no impairment. In this scenario employee benefit and other operating expenses have been adjusted to reflect lower activity. Further, as sales prices for commodities are closely aligned with raw material prices these have also been reduced with 5%.
- Increased WACC of 0,5 percentage point – would not result in an impairment
- A 12% reduction in base case EBITDA for all future periods – would result in a break even scenario

Elkem Silicones excluding Xinghuo/Yongdeng, Elkem Guangdong, and Elkem Silicones Korea
Elkem has identified impairment indicators within Elkem Silicones excluding Xinghuo/Yongdeng, Elkem Guangdong, and Elkem Silicones Korea which primarily includes operations in EMEA and AMS. The total carrying amount of the CGU is NOK 6,177 million. The impairment indicators are largely due to falling sale prices and volumes caused by a supply/demand imbalance in the Silicones markets globally and pressure on specialty prices.

The assumptions applied follow the assumptions as applied for the goodwill, see above. It is expected that 2024 and 2025 will be challenging before gradually improving towards the end of the forecast period. Pre-tax discount rate used in the DCF calculation for the CGU is 11.5%.

Given the challenging market situation throughout 2023 and the uncertainties regarding the timeline and level of market improvement both within the next 12 months and in the longer term, relevant and reasonable sensitivities have been performed to indicate a range of outcomes.

- A scenario where volumes and prices decrease with 5% across all years in the forecast– would result in no impairment. In this scenario employee benefit and other operating expenses have been adjusted to reflect lower activity. Further, as sales prices are closely aligned with raw material prices these have also been reduced with 5%.
- Increased WACC of 0.5 percentage point – would not result in an impairment
- A 12% reduction in base case EBITDA for all future periods – would result in a break even scenario

Elkem Silicones Guangdong
Elkem has identified impairment indicators within Elkem Silicones Guangdong. The total carrying amount of the CGU is NOK 627 million. The impairment indicators are largely due to weaker financial performance than forecasted in last year's impairment test due to lower sales prices and volumes.

The assumptions applied follow the assumptions as applied for the goodwill, see above. It is expected that 2024 and 2025 will be challenging before gradually improving towards the end of the forecast period. Pre-tax discount rate used in the DCF calculation for the CGU is 9.9%.

Given the challenging market situation throughout 2023 and the uncertainties regarding the timeline and level of market improvement both within the next 12 months and in the longer term, relevant and reasonable sensitivities have been performed to indicate a range of outcomes.

- A scenario where prices decrease with 5% across all years in the forecast would result in an impairment of NOK 50 million. In this scenario employee benefit and other operating expenses have been adjusted to reflect lower activity. For Guangdong sales prices are less correlated with raw material prices than for the other CGUs. The raw material prices have therefore been reduced with 2%
- Increased WACC of 0.5 percentage point – would result in an impairment of NOK 35 million.

Other mandatory tests
Silicon Products and Carbon Solutions
For Elkem Silicon Products and Carbon Solutions the impairment test has been done based on approved business plans for the period 2024-2028 an a terminal value for the subsequent years. The estimated value in use exceeds the carrying amount.

2022 Impairment assessment
In 2022 Elkem identified impairment indicators for Elkem Silicones Guangdong, but no impairment was recognised. Impairment triggers have been identified for the CGU in 2023 as well. See above for impairment assessment for 2023.

20. Inventories

Principle application and judgements

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 manufacturing of the products and an allocation of direct fixed operating expenses. Judgement is applied in determining the share of cost to be allocated to inventory from departments that perform both production and overhead related tasks.

The cost of CO_2 allowances that Elkem needs to purchase in addition to allowances received from the government, see note 8 Other operating income, are based on estimated production / emissions for the year. The cost is allocated to cost of conversion proportionally with estimated produced volumes over the year as the number of allocated allowances will not be revised unless there is a substantial change in the production level at the plants.

The income from the Norwegian government CO_2 compensation scheme is recognised in inventory based on estimated compensation per produced ton and accrued proportionally with produced volumes.

Cost of production is presented in different lines in the statement of profit or loss based on nature, raw materials and energy for production, employee benefits and other operating expenses. Actual cost of conversion related to goods sold is reported net of change in cost of conversion in inventory and is 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 consolidated statement of financial position is based on the separate entity's classification.

The allocation of fixed production overheads to the costs of conversion is based on the normal capacity of the production facilities. Judgement is applied in determining normal level of production per plant, but is also aligned with comparable plants within the group.

Details of inventory

	31.12.2023			31.12.2022		
Amounts in NOK million	**Cost price**	**Provision**	**Net total**	Cost price	Provision	Net total
Raw materials	**2 359**	**(39)**	**2 321**	3 322	(12)	3 310
Semi-finished goods	**467**	**(0)**	**466**	402	(41)	361
Finished goods	**5 385**	**(238)**	**5 147**	6 035	(142)	5 893
Operating materials and spare parts	**1 121**	**(36)**	**1 084**	792	(31)	761
Total inventories	**9 331**	**(314)**	**9 018**	10 550	(226)	10 325

This year's change in provision for impairment of inventory, a loss of NOK 81 million (loss of NOK 14 million), is recognised as a part of raw materials and energy for production.

21. Trade receivables

Principle application and judgements

Trade and bills receivables are initially recognised at transaction price, which in most cases corresponds to their nominal amount. Elkem mainly has receivables without stated interest rate and no significant financing component and the trade and bills receivables are therefore subsequently measured at nominal amount, less any provision for expected credit loss. Judgement has been applied in assessing derecognition of trade receivables included in factoring arrangements.

When Elkem's Chinese entities sells goods to a customer a trade receivable is established. The customer can then issue a bank guaranteed bill that is used to settle the trade receivable. A bill receivable is transferable and can be used to pay trade payables (endorsed) or be settled in cash with a finance institution (discounted). Bills receivables are mainly bank acceptance bills that are guaranteed by a financial institution The duration of a bill receivable is normally below 6 months.

Trade receivables are derecognised when settled, replaced by bills receivables or when transferred to a third party and Elkem has no further risk related to the receivables. Bills receivables are derecognised when they are settled on due date or when the risk and reward are transferred to a third party. Transferral to a third party can be done by discounting a bill receivable before due date or by endorsing the bill receivable, meaning that it is accepted by the supplier as payment for goods or services received. See below for details on the different agreements.

Elkem calculates the expected credit losses (ECL) for trade receivables and bills receivables in accordance with the simplified approach. All expected cash flows, including cash flows from credit insurance contracts where such contracts are deemed to be an integral part of the transactions, is taken into consideration. The assessment is based on historical experienced losses adjusted for forward-looking estimates on changes in risk / probability that credit losses will occur for the different customer groups /segments where applicable.

Details of trade receivables

Amounts in NOK million	**31.12.2023**	31.12.2022
Trade receivables	**2 417**	3 208
Trade receivables, related parties (note 32)	**29**	19
Allowance for expected credit losses	**(59)**	(65)
Bills receivables	**823**	1 086
Total trade receivables	**3 209**	4 248

Elkem has entered into factoring agreements with a credit limit of a total of EUR 195 million (EUR 162), NOK 2,191 million (NOK 1,698 million), to sell on continuing basis trade receivables that meet specific conditions. The agreements include a recourse clause for maximum 5% -10%, depending on the agreement, of the face value of the individual receivables sold. The non-recourse amount of the receivables sold is derecognised and the recourse amount is recognised as a current liability when the title to the receivables is transferred. As at 31 December 2023, NOK 94 million (NOK 106 million) is recognised as current liability (see note 24 Provisions and other liabilities). In addition, Elkem has entered into factoring agreements without recourse. Receivables that are sold without recourse are derecognised in its entirety when the title is transferred, as there is no remaining credit risk after transfer. As at 31 December 2023 NOK 1,806 million (NOK 1,777 million) of Elkem's trade receivables are derecognised under these agreements.

Bills receivables consist of NOK 822 million (NOK 1,086 million) bank acceptance bills and NOK 1 million (NOK 0 million) commercial acceptance bills.

A total of NOK 1,531 million (NOK 4,033 million) in unmatured bills receivables are endorsed to a third party where the final payment of the bill is guaranteed by a highly rated financial institution. Elkem will only suffer losses on an endorsed bill if the bank that has issued the bill or all companies that have endorsed the bill before Elkem goes bankrupt. These bills are derecognised as there is very low remaining credit risk related to endorsed bills.

Analysis of gross trade receivables by age, presented based on the due date

Amounts in NOK million	31.12.2023	31.12.2022
Not due	**1 956**	2 392
Overdue by:		
1–30 days	**312**	527
31–60 days	**78**	92
61–90 days	**38**	124
More than 90 days	**62**	91
Total trade receivables [1]	**2 445**	3 227

[1] *Bills receivables are not included in the ageing table*

Movements in allowance for expected credit losses

Amounts in NOK million	2023	2022
Opening balance	**(65)**	(69)
Business combinations (note 4)	**-**	-
Realised losses during the year / Received on earlier losses	**0**	5
Provision for expected credit losses	**(14)**	(27)
Reversal of earlier provisions	**16**	29
Currency translation differences	**2**	(2)
Closing balance	**(59)**	(65)

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

Amounts in NOK million	31.12.2023	31.12.2022
Not due	**(10)**	(13)
Overdue by:		
1–30 days	**(1)**	(1)
31–60 days	**(4)**	(0)
61–90 days	**(4)**	(3)
More than 90 days	**(41)**	(48)
Total allowance for expected credit losses	**(59)**	(65)

22. Other assets

Principle application and judgements

Other shares

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 with gains and losses presented in other items. 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). Dividends from such investments are presented as other items in the statement of profit or loss.

Loans and receivables

Loans and receivables are non-derivative hold to collect 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.

Judgement is applied in assessing the need for impairment on loans and receivables outside of trade and bills receivables and in determining the level of credit loss.

Judgement is applied when determining the estimated expected credit loss on other receivables and prepayments. The judgement is based on experienced losses in the past and expectations about future economic conditions for the different counterparties. Elkem calculates the expected credit losses (ECL) for other receivables in accordance with the simplified approach. The assessment is based on historical experienced losses adjusted for forward-looking estimates on changes in risk / probability that credit losses will occur.

Details of other assets

	Non-current		Current	
Amounts in NOK million	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Other shares	**26**	24	**-**	-
Restricted deposits	**51**	46	**-**	-
Other deposits	**15**	10	**-**	-
Pension assets, defined benefits and contribution plans (note 9)	**29**	41	**3**	2
Prepayments for construction of fixed assets	**18**	99	**-**	-
Prepayments for goods and equipment	**-**	-	**143**	150
Prepayments for other expenses	**80**	77	**103**	90
Prepayments to related parties (note 32)	**-**	-	**2**	15
Receivables from related parties, interest-bearing (note 32)	**1**	1	**-**	-
Receivables from related parties, interest free (note 32)	**-**	-	**8**	7
Grants receivable (note 8)	**220**	306	**671**	620
Value added tax	**61**	64	**742**	418
Corporate income tax receivables	**-**	-	**261**	338
Interest receivables	**-**	-	**0**	0
Other receivables	**9**	8	**115**	47
Fixed assets under disposal	**2**	-	**-**	-
Other assets	**45**	39	**14**	11
Total other assets	**556**	716	**2 062**	1 698

Provision for impairment included in total other assets, mainly prepayments.	**(68)**	(75)

Restricted deposits consist mainly of restricted deposits related to the ongoing tax litigation in Elkem's business in Brazil of NOK 18 million (NOK 15 million), see note 24 Provisions and other liabilities, and deposit for pension guarantee, related to unfunded pension liabilities for salaries above 12G, of NOK 32 million (NOK 31 million).

23. Interest-bearing assets and liabilities

Principle application and judgements

Bills payables

When Elkem's Chinese entities purchases goods from a supplier a trade payable is established. Elkem can issue a bank guaranteed bill that is used to settle Elkem's trade payable. The issued bill payable is a document where Elkem as the buyer formally agrees to pay for purchased goods or services at maturity date and is normally guaranteed by a financial institution. The bills payables are initially recognised when the supplier accepts the bill of exchange and is recognised at the amount equal to the trade payables it replaces. The duration of a bill payable is normally below six months. When the bill payable is guaranteed by a financial institution Elkem is normally required to deposit a certain per centage of the nominal value of the bill payable into a restricted bank account. The deposit is assessed to be a collateral/prepayment for the issued bill and is presented net with bills payable in the statement of cash flows, but presented gross in the statement of financial position. All bills payables in Elkem are bank acceptance bills which is guaranteed by a financial institution.

Cash and cash equivalents

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. Deposits where the access are restricted for use by the bank (more than 3 months) are presented separately in the statement of financial position and excluded from cash and cash equivalents presented in the statement of cash flows.

Lease liabilities

See note 16 Leases for accounting policies for right-of-use assets and lease liabilities.

Details of interest-bearing assets / (liabilities)

	Non-current		Current	
Amounts in NOK million	**31.12.2023**	31.12.2022	**31.12.2023**	31.12.2022
Interest-bearing liabilities				
Lease liabilities (note 16)	**464**	475	**125**	103
Loans from external parties, other than bank	**5 279**	3 697	**1 060**	10
Bank financing	**7 767**	6 160	**18**	74
Accrued interest	**-**	-	**28**	17
Total interest-bearing liabilities	**13 509**	10 331	**1 231**	204
Total bills payables	**-**	-	**1 466**	1 742
Total interest-bearing liabilities including bills payable	**13 509**	10 331	**2 697**	1 946
Interest-bearing assets				
Cash and cash equivalents	**-**	-	**6 367**	9 255
Restricted deposits bills payable	**-**	-	**351**	395
Other restricted deposits	**51**	46	**37**	12
Receivables from related parties	**1**	1	**-**	-
Loans to external parties	**9**	8	**-**	-
Accrued interest income	**-**	-	**-**	0
Total interest-bearing assets	**60**	55	**6 756**	9 663
Net interest-bearing assets / (liabilities)	**(13 449)**	(10 276)	**4 059**	7 717

Interest-bearing liabilities by currency

	31.12.2023		31.12.2022	
Amounts in NOK million	**Currency amount**	**NOK**	Currency amount	NOK
EUR	**771**	**8 664**	630	6 620
USD	**2**	**20**	3	31
NOK	**3 647**	**3 647**	2 753	2 753
CNY	**2 656**	**3 800**	1 963	2 809
Other currencies	**-**	**74**	-	66
Total interest-bearing liabilities		**16 206**		12 278

Maturity of interest-bearing liabilities 31 December 2023

Amounts in NOK million	2024	2025	2026	2027	2028	2029 and later	Total
Lease liabilities	125	79	63	48	44	230	**589**
Loans from external parties, other than bank	1 060	1 031	2 354	500	1 393	-	**6 339**
Bank financing	18	83	547	5 770	191	1 221	**7 830**
Bills payable	1 466						**1 466**
Accrued interest	28						**28**
Total interest-bearing liabilities excluding prepaid loan fees	2 697	1 193	2 964	6 318	1 628	1 452	**16 252**
Prepaid loan fees							**(45)**
Total interest-bearing liabilities							**16 206**

Maturity of interest-bearing liabilities 31 December 2022

Amounts in NOK million	2023	2024	2025	2026	2027	2028 and later	Total
Lease liabilities	103	74	57	47	40	257	**578**
Loans from external parties, other than bank	10	916	1 234	942	500	105	**3 706**
Bank financing	74	9	39	63	5 335	755	**6 276**
Bills payable	1 742						**1 742**
Accrued interest	17						**17**
Total interest-bearing liabilities excluding prepaid loan fees	1 946	1 000	1 330	1 052	5 875	1 117	**12 320**
Prepaid loan fees							**(42)**
Total interest-bearing liabilities							**12 278**

Loan agreements
The main non-current loan agreements as of 31 December 2023 are a term loan of EUR 500 million (EUR 500 million), issued bond loans of a total of NOK 2,750 million (NOK 2,500 million) and a series of loans issued in the Schuldschein market of EUR 225 million (EUR 113 million). The main loan agreements are granted to Elkem ASA. In addition, Elkem Silicones Xinghuo is financing parts of its upgrade of property, plant and equipment with a unsecured term loan of CNY 1,533 million (CNY 650 million). The interest rates for the non-current loan agreements are in the range of 5.65% to 6.27% for the bond loans, 1.82% to 5.64% for the loans in the Schuldschein market and 2.80% to 3.65% for the PPE loans. For the term loan the interest rate is 5.23%.

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

The term loan of EUR 500 million is linked to two sustainability KPIs, KPI 1 Lost Time Injury Rate and KPI 2 – Product Group Carbon Footprint. The margin of the RCF and term loan shall be reduced by 0.025% if both KPIs are met, and increased by 0.025% if none of the KPIs are met. If one KPI is met there shall be no change to the margin. Based on inital testing of the KPI's there will be no change to the margin in 2024.

One of the loans issued in the Schuldschein market (EUR 15 million), is a fixed rate loan with a fixed rate of 1.82%. Given the market conditions as at 31 December 2023 the loan would have been approximately EUR 0.4 million lower, due to the difference between fixed and market rate. The green bond consists of one part with floating interest rate and one part with fixed interest rate. Elkem has entered into an interest swap from fixed to floating interest rate for the part of the green bond with fixed rate. As at 31.12.2023 the fair value of this swap is NOK 12 million.

The bond loans are listed on Oslo Børs from January 2024. The fair value of the bond loans is negative NOK 12 million.

The loan facilities are unsecured, but part of the loans has financial covenants related to them, see below.

Credit facilities
As of 31 December 2023 the group is granted credit facilities of NOK 6,293 million. The facilities remain undrawn at 31 December 2023.

As of 31 December 2022 the group is granted credit facilities of NOK 6,356 million. At 31 December 2022 NOK 14 million is drawn.

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 500 million, CNY 199 million and NOK 250 million respectively. See note 27 Financial risk, section (c) liquidity risk for more information.

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

Loan covenant
Elkem has financial covenants related to its main bank financing and parts of loans from external parties, other than bank (Schuldschein), 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. The financial covenants are calculated monthly, based on last 12 months figures, and reported quarterly. Elkem ASA and Elkem Metal Canada Inc. are compliant with their covenants at the end of 2023 and 2022. Elkem initiated a waiver process during first quarter of 2024, and requested the lenders' consent for a temporary waiver of the current Interest Cover Ratio to ensure that Elkem has sufficient headroom to operate through these uncertain times.

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 8,148 million (NOK 6,501 million) in Elkem ASA

Amounts in NOK million		**31.12.2023**	31.12.2022	Loan covenant
Total Equity	NOK	**24 458**	28 773	
Total Assets	NOK	**50 500**	52 781	
Equity ratio		**48%**	55%	> 30%
EBITDA excluding income/loss from associated entities and joint ventures	NOK	**3 726**	12 790	
Net interest payable	NOK	**597**	219	
Interest cover ratio		**6.24**	58.38	> 4.00

Movements in interest-bearing liabilities 2023

		Cash flows	**Non-cash changes**				
Amounts in NOK million	31.12.2022	Receipts/ Payments	Additions, lease modifications, remeasurements and terminations	Acquisition / Disposal of subsidiaries	Reclassification	Currency translation differences	**31.12.2023**
Lease liabilities	475	-	210	-	(227)	6	**464**
Loans from external parties, other than bank	3 697	2 590	-	-	(1 164)	157	**5 279**
Bank financing	6 202	1 286	-	-	(19)	343	**7 812**
Total movements non-current	10 374	3 876	210	-	(1 410)	506	**13 555**
Lease liabilities	103	(209)	-	-	227	3	**125**
Loans from external parties, other than bank	10	(114)	-		1 164	0	**1 060**
Bank financing	74	(113)	-	31	19	7	**18**
Total movements current	187	(436)	-	31	1 410	11	**1 203**
Total	**10 561**	**3 440**	**210**	**31**	**-**	**516**	**14 758**

Movements in interest-bearing liabilities 2022

Amounts in NOK million	31.12.2021	Cash flows: Receipts/ Payments	Non-cash changes: Additions, lease modifications, remeasurements and terminations	Non-cash changes: Acquisition / Disposal of subsidiaries	Non-cash changes: Reclassification	Non-cash changes: Currency translation differences	31.12.2022
Lease liabilities	685	-	118	(218)	(117)	8	**475**
Loans from external parties	3 125	547	-	-	(9)	34	**3 697**
Bank financing	4 615	902	-	650	(189)	223	**6 202**
Total movements non-current	8 425	1 449	118	432	(315)	266	**10 374**
Lease liabilities	116	(116)	-	(20)	117	5	**103**
Loans from external parties	1 264	(1 328)	-	-	9	64	**10**
Bank financing	572	(710)	-	10	189	13	**74**
Total movements current	1 952	(2 153)	-	(9)	315	82	**187**
Total	10 376	(704)	118	423	-	348	**10 561**

Net changes in bills payables and restricted deposits 2023

Amounts in NOK million	31.12.2022	Cash flows Receipts/ Payments	Non-cash changes Currency translation differences	31.12.2023
Restricted deposits bills payables	(395)	47	(3)	**(351)**
Bills payables	1 742	(284)	7	**1 466**
Total	1 347	(237)	4	**1 114**

Net changes in bills payables and restricted deposits 2022

Amounts in NOK million	31.12.2021	Cash flows Receipts/ Payments	Non-cash changes Currency translation differences	31.12.2022
Restricted deposits bills payables	(601)	231	(25)	(395)
Bills payables	2 096	(449)	96	1 742
Total	1 494	(218)	70	1 347

24. Provisions and other liabilites

Principle application and judgements

The cost of CO_2 allowances that Elkem needs to purchase in addition to allowances received from the government (note 8 Other operating income), are based on estimated production / emissions for the year. The liability related to the purchase of allowances is accrued for using an average cost method with the assumption that the allowances received from the government is consumed evenly across the year. The provision for the purchase of allowances is measured at the agreed purchase price for forward purchases and the remaining at the market price at the reporting date.

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.

The estimate uncertainty primarily relates to environmental measures related to closed production sites and landfills. The potential outcome can vary within a relatively wide range depending on the final scope of the measures required and the cost of fulfilling the measures. In these cases, the estimated provision is made based on a combination of expert opinions and management's assessment of the known facts and circumstances.

Details of provision and other liabilities

Amounts in NOK million	Non-current 31.12.2023	Non-current 31.12.2022	Current 31.12.2023	Current 31.12.2022
Employee withholding taxes and other public taxes	**-**	-	**143**	160
Value added tax	**-**	-	**252**	137
Prepayments	**-**	-	**112**	195
Prepayments from related parties (note 32)	**-**	-	**10**	17
Liabilities to related parties (note 32)	**-**	-	**17**	30
Provisions	**262**	216	**101**	102
Contingent consideration acquisition of subsidiaries	**-**	-	**-**	42
Accrued expenses	**-**	-	**389**	516
Grants, deferred income (note 8)	**-**	-	**34**	8
Grants payable (note 8)	**17**	16	**-**	-
Advances on export exchange contracts (ACC)	**-**	-	**106**	160
Recourse liabilities factoring agreement (note 21)	**-**	-	**94**	106
Settlement liabilities factoring agreements	**-**	-	**71**	-
Other liabilities	**-**	-	**53**	72
Total provisions and other liabilities	**279**	232	**1 381**	1 545

The contingent consideration acquisition of subsidiaries relates to the acquisition of Polysil on 1 April 2020. The payments of the contingent consideration was due in instalments and the payments have not differed significantly from the maximum that was recognised initially. As at 31 December 2023 the contingent consideration is fully paid.

Elkem has for its Carbon operations in Brazil entered into Advances on foreign exchange contracts (ACC) with financial institutions. Under these contracts Elkem receives full or partial prepayments from the financial institution before the goods are shipped. The prepayments are used to finance imports of raw materials.

Movements in contingent consideration

Amounts in NOK million	**2023**	2022
Opening balance	**42**	203
Fair value adjustment of contingent consideration upon payment	**(3)**	(0)
Unwinding	**0**	4
Payments	**(38)**	(176)
Currency translation differences	**(1)**	12
Closing balance	**-**	42

Movements in provision
2023

Amounts in NOK million	Restructuring	Site restoration	Environmental measures	Litigations	Customers	Other provisions	**Total provisions**
Opening balance	17	34	190	62	9	7	**318**
Additional provisions recognised	43	2	6	5	1	10	**67**
Used during the year	(15)	(1)	(1)	(3)	(5)	(12)	**(37)**
Reversal of provisions recognised	-	-	-	-	(1)	-	**(1)**
Currency translation differences	(0)	0	9	7	1	0	**16**
Closing balance	44	35	203	71	5	5	**363**
Hereof non-current	-	35	167	59	-	1	**262**
Hereof current	44	-	36	11	5	5	**101**
Closing balance	44	35	203	71	5	5	**363**

Movements in provision
2022

Amounts in NOK million	Restructuring	Site restoration	Environmental measures	Litigations	Customers	Other provisions	**Total provisions**
Opening balance	70	32	109	66	4	134	**415**
Additional provisions recognised	-	2	83	7	6	0	**99**
Used during the year	(31)	(0)	(2)	(17)	(1)	(127)	**(180)**
Reversal of provisions recognised	(26)	-	(1)	(1)	(1)	-	**(28)**
Currency translation differences	3	0	0	7	1	0	**12**
Closing balance	17	34	190	62	9	7	**318**
Hereof non-current	-	34	131	50	-	1	**216**
Hereof current	17	-	58	12	9	6	**102**
Closing balance	17	34	190	62	9	7	**318**

Restructuring
The provision is related to Elkem's cost saving programme in Silicones division.

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. Provisions are made for each case based on estimates that are quality assured by external parties. The estimates are manly unchanged from last year, except from effects from inflation. It is expected that the engineering work in Canada will start in 2024, with execution in 2025. For the other projects the timing of when the work will start is uncertain. A reasonable possible change in the estimate for the environmental measures are aroud 20%.

Litigations
The provisions due to litigations are mainly related to the Carbon division in Brazil.

Federal tax cases in Brazil can take a substantial amount of time before resolution by the authorities, hence the time of settlement is uncertain. The main part of the provision is related to cases back to 2006. 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 14 Taxes for ongoing tax audits by authorities.

25. Financial assets and liabilities

Principle application and judgements

Financial assets
Non-derivative financial assets include trade receivables, restricted deposits and cash and cash equivalents.

Financial liabilities
Non-derivative financial liabilities include interest-bearing liabilities, bills payables and trade payables.

Embedded derivatives
Elkem has long-term power purchase contracts settled in Euro which is different from both Elkem and the counterparty's functional currency. The currency portion of these contracts is an embedded derivative and is recognised and presented as an independent derivative.

Commodity contracts within the scope of IFRS 9
Non-financial commodity contracts where the relevant commodity is readily convertible to cash and where the contracts are not for own use, fall within the scope of IFRS 9 Financial instruments - recognition and measurement. Elkem's principle is that power delivered in a different grid area than the grid area where the power is consumed will meet the own use criteria.

The group currently has no energy contracts in Norway that do not meet the own use criteria except for the 30-øringen power contract. This contract originally had net settlement and was therefore classified as a derivative and cannot subsequently be reclassified to own use. The 30-øringen derivative is designated as hedging instrument in a cash flow hedge.

Estimates

Estimates are used to estimate fair value 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. Due to the current market situation in the energy market with very high prices and high volatility there is significant uncertainty in the estimation of forward power prices with direct impact on the value of the power contracts classified as financial instruments. The estimated value of the power contracts can be impacted by the changes in the power prices both within the next 12 months, but also in the period beyond 12 months. There is also uncertainty related to the discount rate used for discounting future cash flows and the expectation to the development in the consumer price index going forward.

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 2023

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		745	232	-	-	-	**977**
Other assets, non-current	22	7	-	18	75	456	**556**
Trade receivables	21	-	-	-	3 209	-	**3 209**
Derivatives, current		269	142	-		-	**411**
Other assets, current	22	-	-	-	123	1 939	**2 062**
Restricted deposits	23	-	-	-	388	-	**388**
Cash and cash equivalents	23	-	-	-	6 367	-	**6 367**
Total		1 022	374	18	10 163	2 394	

Liabilities by category
31 December 2023

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	23	-	-	13 509	-	**13 509**
Derivatives, non-current [2]		(127)	362	-	-	**235**
Provisions and other liabilities, non-current	24	-	-	-	279	**279**
Trade payables		-	-	5 281	-	**5 281**
Interest-bearing liabilities, current [1]	23	-	-	1 231	-	**1 231**
Bills payables	23	-	-	1 466	-	**1 466**
Derivatives, current [2]		(48)	114	-	-	**66**
Provisions and other liabilities, current	24	-	-	729	652	**1 381**
Total		(174)	475	22 216	930	

Assets by category
31 December 2022

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		822	740	-	-	-	**1 562**
Other assets, non-current	22	7	-	18	65	627	**716**
Trade receivables	21	-	-	-	4 248	-	**4 248**
Derivatives, current		284	427	-	-	-	**711**
Other assets, current	22	-	-	-	54	1 644	**1 698**
Restricted deposits	23	-	-	-	408	-	**408**
Cash and cash equivalents	23	-	-	-	9 255	-	**9 255**
Total		1 113	1 167	18	14 030	2 271	

Liabilities by category
31 December 2022

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	-	-	10 331	-	**10 331**
Provisions and other liabilities, non-current	24	-	-	-	232	**232**
Trade payables		-	-	5 335	-	**5 335**
Interest-bearing liabilities, current [1]	23	-	8	196	-	**204**
Bills payable	23	-	-	1 742	-	**1 742**
Derivatives, current [2]		(27)	136	-	-	**109**
Provisions and other liabilities, current	24	42	-	885	618	**1 545**
Total		15	144	18 490	850	

[1] In addition to the hedging instruments included in derivatives, currency effect of EUR loan is designated as a hedging instrument in a cash flow hedge of highly probable future sales. See note 26 Hedging.

[2] The group applies hedge accounting for certain currency contracts and certain parts of power contracts. The negative value reported as assets and liabilities at fair value is representing the value of parts of power contracts where hedge accounting is not applied.

There are no material differences between fair value and the carrying amount for financial liabilities and financial assets at amortised cost.

(a) Fair value measurement

Elkem's financial instruments measured to fair value are categorised into three levels based on the inputs to the valuation techniques used to measure fair value.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

Assets and liabilities measured at fair value 31.12

Amounts in NOK million	Level 1	Level 2	Level 3	Total 2023	Level 1	Level 2	Level 3	Total 2022
Financial assets at fair value through profit or loss	7	24	990	**1 022**	7	287	819	**1 113**
Derivatives designated in a hedging relationship	-	153	221	**374**	-	(55)	1 222	**1 167**
Assets at fair value through other comprehensive income	-	-	18	**18**	-	-	18	**18**
Total assets	7	178	1 229	**1 414**	7	233	2 058	**2 297**
Financial liabilities at fair value through profit or loss	-	(174)	-	**(174)**	-	(27)	42	**15**
Derivatives designated in a hedging relationship	-	475	-	**475**	-	144	-	**144**
Total liabilities	-	301	-	**301**	-	117	42	**159**

Level 1:
Financial assets measured at level 1 apply to external quoted shares, which are measured based on the quoted prices.

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 derivative contracts, contingent consideration and shares in unlisted companies.

When valuing the power contracts observable data is used, such as power price, currency rates, CPI and CfD, when available. The power prices for long-term electricity contracts in Norway are not directly observable in the market for the whole contract length. Power prices are observable until 2031, CfD prices are only observable for a short time period and currency rates are observable until 2026. Valuation of the contracts for the remaining periods are based on the latest observable data adjusted for CPI, if relevant.

Overview of contracts and the assumptions used for assessment of fair value for the level 3 contracts

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 was 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 five years preceding 1 January 2021, 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 was classified as other items before 1 January 2021. Due to the change in the contact's price structure of the instrument from 2021, the contract is designated as a hedging instrument from 1 January 2021. This means that fair value changes from the effective part of the hedging relationship 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. The ineffective part of the hedging relationship is recognised in other items.

Assumptions for valuation of the contracts
- Discount rate: 4.98% (4.87%) p.a. for the "30-øringen" power contract. The assumptions are based on the estimated risk of the contract, including credit risk.
- Inflation: 2% (2%) p.a.
- Power prices: Market prices per 31 December 2023 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.

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 Provisions and other liabilities for value of contingent liabilities.

Movements in fair value measurement level 3

Amounts in NOK million	2023	2022
Opening balance	**2 016**	212
Acquisition / business combinations	**2**	(58)
Transfer to / from other levels	**-**	3
Transfer to investment in equity accounted companies	**(11)**	-
Change in fair value recognised in OCI, cash flow hedges	**(704)**	1 227
Hedge ineffectiveness	**58**	1 391
Disposal	**(1)**	(5)
Settlement / realised effects	**(137)**	(735)
Other changes in fair value through profit or loss, unrealised	**4**	(7)
Currency translation differences	**1**	(12)
Closing balance	**1 229**	2 016

(b) Details of financial instruments

Details of currency exchange contracts 31 December 2023

Purchase currency	Purchase ccy million	Sale currency	Sale ccy million	Type of instrument	Currency deal rate	Due	Fair value NOK	Notional amount [1] NOK
CAD	9	USD	7	Fwd	1,3454	2024	1	68
NOK	1 897	EUR	164	Fwd	11,5408	2024	43	1 848
NOK	193	JPY	1 976	Fwd	0,0975	2024	48	142
NOK	234	JPY	2 266	Fwd	0,1031	2025-2026	61	163
NOK	167	USD	16	Fwd	10,1675	2024	0	167
USD	1	JPY	168	Fwd	0,0070	2024	(0)	12
NOK	807	EUR	76	Embedded [2]	10,6493	2024	(54)	851
NOK	5 101	EUR	458	Embedded [2]	11,1367	2025-2034	(235)	5 148
Total fair value[3]							**(136)**	

[1] Notional value of the contracts, based on currency rates 31 December.

[2] Embedded EUR derivatives in own use power contracts.

[3] The spot element of forward currency contracts with duration more than 3 months are designated as hedging instruments in a cash flow hedge of highly probable future sales, hence this part is classified as "Derivatives used for hedging" in the table "Assets and liabilities classified by category" above. The interest element of these contracts and contracts of duration < 3 months are classified as "Assets/liabilities at fair value through profit or loss".

Details of currency exchange contracts
31 December 2022

Purchase currency	Purchase ccy million	Sale currency	Sale ccy million	Type of instrument	Currency deal rate	Due	Fair value NOK	Notional amount [1] NOK
CAD	40	USD	31	Fwd	1,3101	2023	(9)	301
NOK	1 750	EUR	170	Fwd	10,2788	2023	(44)	1 790
NOK	189	JPY	2 014	Fwd	0,0938	2023	36	151
NOK	426	JPY	4 242	Fwd	0,1005	2024-2026	88	317
NOK	764	USD	79	Fwd	9,6767	2023	(10)	780
USD	1	JPY	123	Fwd	0,0072	2023	(0)	9
NOK	719	EUR	69	Embedded 2)	10,4520	2023	(22)	723
NOK	3 688	EUR	335	Embedded 2)	11,0169	2024-2034	42	3 520
Total fair value [3]							80	

[1] Notional value of the contracts, based on currency rates 31 December.

[2] Embedded EUR derivatives in own use power contracts.

[3] The spot element of forward currency contracts with duration more than 3 months are designated as hedging instruments in a cash flow hedge of highly probable future sales, hence this part is classified as "Derivatives used for hedging" in the table "Assets and liabilities classified by category" above. The interest element of these contracts and contracts of duration < 3 months are classified as "Assets/liabilities at fair value through profit or loss".

Details commodity contracts and interest rate swap within the scope of IFRS 9
31 December 2023

Amounts in NOK million	Volume GWh / Oz	Due	Fair value	Notional amount [1]
Power contract "30-øringen"	501 GWh	2024	303	172
Power contract "30-øringen"	3006 GWh	2025-2030	907	1 105
Commodity contracts Platinum	1176 Oz	2024	0	3
Interest rate swap	350 MNOK	2023-2028	12	94
Total fair value contracts within scope of IFRS 9 [2]			**1 223**	

Details of power contracts and other commodity contracts within the scope of IFRS 9
31 December 2022

Amounts in NOK million	Volume GWh / Oz	Due	Fair value	Notional amount [1]
Forward power contracts financial institutions	44	2023	43	15
Power contract "30-øringen"	501	2023	608	158
Power contract "30-øringen"	3 507	2024-2030	1 430	1 199
Equity warrants		2023	3	3
Commodity contracts Platinum	2 380	2023	1	7
Total fair value contracts within scope of IFRS 9 [2]			2 085	

*[1] Notional value of underlying asset at the end of reporting period, calculated as volume * price * currency rate as at 31 December (if other currencies than NOK).*

[2] Certain power contracts 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

Financial assets
31 December 2023

Amounts in NOK million	Gross amount of financial assets	Gross amount of financial liabilities set off in the statement of financial position	Net amounts of financial assets recognised / presented	Financial instruments not set off in the statement of financial position	Cash collateral pledged	Net amount
Power contracts including embedded derivatives	1 211	-	1 211	-	-	1 211
Forward currency contracts	153	-	153	7	-	160
Total	**1 364**	**-**	**1 364**	**7**	**-**	**1 371**

Financial liabilities
31 December 2023

Amounts in NOK million	Gross amount of recognised financial liabilities	Gross amount of recognised financial assets set off in the statement of financial position	Net amounts of financial liabilities presented	Financial instruments not set off in the statement of financial position	Cash collateral pledged	Net amount
Power contracts including embedded derivatives	289	-	289	-	-	289
Forward currency contracts	12	-	12	7	-	19
Total	**301**	**-**	**301**	**7**	**-**	**308**

Financial assets
31 December 2022

Amounts in NOK million	Gross amount of financial assets	Gross amount of financial liabilities set off in the statement of financial position	Net amounts of financial assets recognised / presented	Financial instruments not set off in the statement of financial position	Cash collateral pledged	Net amount
Power contracts including embedded derivatives	2 123	(1)	2 122	-	-	2 122
Forward currency contracts	147	-	147	21	-	168
Total	2 269	(1)	2 268	21	-	2 289

Financial liabilities
31 December 2022

Amounts in NOK million	Gross amount of recognised financial liabilities	Gross amount of recognised financial assets set off in the statement of financial position	Net amounts of financial liabilities presented	Financial instruments not set off in the statement of financial position	Cash collateral pledged	Net amount
Power contracts including embedded derivatives	23	(1)	22	-	-	22
Forward currency contracts	86	-	86	21	-	108
Total	109	(1)	108	21	-	129

26. Hedging

Principle application and judgements

Elkem has applied IFRS 9 for hedge accounting. Elkem applies cash flow hedging and net investment hedging. Cash flow hedging is applied to one power contract, interest rate swap and for hedging of sales in foreign currency.

The 30-øringen power contract is delivered in the power price area NO2 in the south of Norway but is used to hedge cash flows for all the Norwegian plants including plants in other power price areas. At initial hedge designation there was a strong economic relationship between the prices in the different price areas. However, due to the at times significant differences in prices between the price areas the last 2.5 years, significant judgement is required to assess if there is still an economic relationship between the hedged item and the hedging instrument. There is an expectation that the price differences will be reduced over time due to for example grid improvements and changes in the supply/demand balance. Given the strict requirements in IFRS 9 for being allowed to discontinue hedging and the fact that the 30-øringen is a long-term contract with expiry in 2030 it has been assessed that there is still an economic relationship between the hedging item and the hedged object.

Estimates

See disclosures describing estimation uncertainty for financial assets in note 25 Financial assets and liabilities.

Elkem's hedging instruments

Cash flow hedge

Elkem has forward currency contracts and embedded EUR derivatives in power contracts 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 derivative contracts, 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. The ineffective part of changes in the fair value of the financial instruments is recognised in other items in the statement of profit and loss. Elkem has a policy of floating interest rate on long term financing. In 2023 Elkem issued financing with fixed interest rate and entered into a interest rate swap from fixed to floating interest rate. 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 interest expense when realised.

Net investment hedge

Elkem has a EUR 500 term loan. EUR 275 million of the loan was designated as a hedge of the net investment in the group's subsidiaries with EUR as functional currency. In November 2023 EUR 45 million was discontinued as a consequence of reduced value of net investments in euro, reducing the amount of the loan designated as a hedge of the net investment to EUR 230 million. The fair value and carrying amount of the borrowing at 31 December 2023 was NOK 2,585 million (NOK 2,891 million). The change in foreign exchange loss of NOK 199 million (a loss of NOK 142 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 recognised from the net investment hedge.

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

Cash flow hedging instruments, by type

Amounts in NOK million	**31.12.2023 Assets fair value**	**31.12.2023 Liabilities fair value**	31.12.2022 Assets fair value	31.12.2022 Liabilities fair value
Forward currency contracts	**141**	**12**	110	80
Power contracts financial institutions	**-**	**-**	28	-
Power contract "30-øringen"	**220**	**-**	1 235	-
Power contracts embedded derivatives	**-**	**463**	(207)	56
Interest rate swap	**12**	**-**	-	
Currency effect loan EUR	**-**	**-**	-	8
Commodity contracts Platinum	**0**	**-**	1	-
Total hedging instruments	**374**	**475**	1 167	144
Less non-current portion				
Forward currency contracts	**60**	**-**	87	-
Power contracts financial institutions	**-**	**-**	-	-
Power contract "30-øringen"	**162**	**-**	861	-
Power contracts embedded derivatives	**-**	**362**	(207)	-
Interest rate swap	**9**	**-**	-	-
Currency effect loan EUR	**-**	**-**	-	-
Commodity contracts Platinum	**-**	**-**	-	-
Current portion of hedging instruments	**142**	**114**	427	144

As at 31 December 2023 financial power contracts designated in a hedging relationship comprise 14% of expected consumption in Norway in the period 2024 - 2030.

Elkem has hedged approximately 19% of the expected revenues in EUR and approximately 2% of expected revenues in USD for 2024. For the years 2025-2034 EUR is hedged at a range of 1 - 6%.

Financial instruments
31 December 2023

Amounts in NOK million	Net fair value	Hereof recognised in OCI	Effects to be recycled from OCI: Within 1 year	Within 2 years	Within 3 years	Within 4 years or more
Forward currency contracts	153	129	69	52	8	-
Embedded EUR derivatives	(289)	(463)	(101)	(96)	(84)	(182)
Power contracts	1 211	220	58	42	38	83
Interest rate swap	12	12	3	3	3	4
Commodity contracts Platinum	0	0	0	-	-	-
Total [1]	**1 087**	**(102)**	**28**	**1**	**(36)**	**(95)**

Financial instruments
31 December 2022

Amounts in NOK million	Net fair value	Hereof recognised in OCI	Effects to be recycled from OCI: Within 1 year	Within 2 years	Within 3 years	Within 4 years or more
Forward currency contracts	60	30	(57)	33	46	7
Embedded EUR derivatives	20	(263)	(56)	(51)	(49)	(108)
Power contracts	2 080	1 263	402	229	167	464
Warrants 2)	3	-	-	-	-	-
Commodity contracts Platinum	1	1	1	-	-	-
Total [1]	2 164	1 031	291	211	165	364
EUR loan designed as cash flow hedging instrument	(56)	(8)	(8)	-	-	-
Total		1 023	283	211	165	364

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

[2] Subscription SAFE (Simple Agreement for Future Equity)

Of total changes in fair value of power contracts designated as hedging instruments NOK 357 million (NOK 1,471 million) is recognised in profit or loss, and classified as other items (see note 12 Other items), due to ineffectiveness in the hedging relationship and discontinuation of hedging. The ineffectiveness on cash flow hedges relates to Elkem's hedges of future power purchase. The ineffectiveness is caused by the extraordinary developments in the Norwegian power market with significant differences in prices between the different price areas. Consequently, the cumulative change in fair value of some of the hedging instruments are higher than the cumulative changes in the present value of the hedge objects from the inception of the hedge. The difference between the two is the recognised as ineffectiveness. Of the NOK 357 million (NOK 1,471 million) recognised in 2023, NOK 273 million (NOK 1,422 million) relates to hedge ineffectiveness caused by these price differences. The remaining gain of NOK 84 million (NOK 49 million) is related to discontinuation of power hedging caused by furnace curtailments in Norway.

Realised effects hedge accounting

Amounts in NOK million	**31.12.2023**	31.12.2022
Realised effects from forward currency contracts, recognised in revenue	**(229)**	(14)
Realised effects from embedded derivatives EUR, recognised in revenue	**(122)**	(29)
Realised effects from EUR loans, recognised in revenue	**(15)**	(5)
Realised effects from platinum contracts, recognised in revenue	**1**	0
Realised effects from power contracts, recognised in raw materials and energy for production	**112**	377
Realised effects hedge discontinuation, recognised in other items	**85**	38
Realised effects from interest rate swap, recognised in finance expenses	**(1)**	-
Realised effects Salten Energigjenvinning, business combination (note 4)	**-**	58
Total realised effects hedge accounting	**(170)**	424

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
2023

Amounts in NOK million	Opening balance	Net change in fair value	Reclassified to P&L	Closing balance
Hedging of future sales, forward currency contracts	30	(130)	229	129
Hedging of future sales, embedded EUR derivatives in own use power contracts [1]	(263)	(322)	122	(463)
Hedging of future sales, currency effects EUR loan	(8)	(7)	15	-
Hedging of future sales, platinum contracts [2]	2	(1)	(1)	0
Hedging of future need for power, contracts with financial institutions	28	(22)	(6)	0
Hedging of future need for power, contract "30-øringen" [2]	1 235	(824)	(190)	220
Change in fair value of derivatives designated as a hedging of future interest expense	-	11	1	12
Total (before tax)	**1 023**	**(1 294)**	170	**(102)**

Movements in OCI related to hedging instruments
2022

Amounts in NOK million	Opening balance	Net change in fair value	Reclassified to P&L	Closing balance
Hedging of future sales, forward currency contracts	127	(112)	14	30
Hedging of future sales, embedded EUR derivatives in own use power contracts [1]	(110)	(182)	29	(263)
Hedging of future sales, currency effects EUR loan	(10)	(3)	5	(8)
Hedging of future sales, platinum contracts [2]	0	2	(0)	1
Hedging of future need for power, contracts with financial institutions	27	57	(56)	28
Hedging of future need for power, contract "30-øringen" [2]	364	1 230	(359)	1 235
Hedging of future need for power, contract Salten Energigjenvinning, business combination (see note 4)	58	0	(58)	-
Total (before tax)	**455**	**992**	**(424)**	**1 023**

[1] Hedge accounting from 2016.
[2] Hedge accounting from 2021.

27. Financial risk

Elkem is exposed to financial risk from fluctuations in market 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 (c) Liquidity risk and (d) Climate 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 risk, 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 main future need for power by entering into power contracts, primarily classified as own use contracts according to IFRS 9, hence such contracts are off-balance. In addition to the own use contracts certain financial power contracts are classified as derivatives and designated in a cash flow hedging relationship in accordance with IFRS (see notes 25 Financial assets and liabilities and 26 Hedging). 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. This includes both own use and derivative contracts at fair value. 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 entering into long term power contracts is to reduce volatility in the power cost and to increase the predictability of the cost base. Fair value of commodity contracts is especially sensitive for future changes in energy prices.

Changes in fair value of commodity contracts, classified as financial instruments, reflect unrealised gains or losses, and are calculated as the difference between market price and contract price, discounted to present value. Valuations are based on market information where this is available, if not, valuations are based on estimated market price for non-observable parameters.

Valuation of the power contracts

The assumptions for the fair value measurement of power contracts are described in note 25 Financial assets and liabilities.

Sensitivity analysis - power contracts

Sensitivity on the "30-øringen" contract is as follows.

"30-øringen" contract

		31.12.2023		31.12.2022	
Amounts in NOK million		Fair value	Adjusted NPV	Fair value	Adjusted NPV
Discount rate (used 5.0% (4.9%))	change with -3.5 %-point	1 211	1 323	2 037	2 239
Discount rate (used 5.0% (4.9%))	change with +3.5 %-point	1 211	1 115	2 037	1 869
CPI (used 2.0%)	change to 1%	1 211	1 241	2 037	2 084
CPI (used 2.0%)	change to 3%	1 211	1 180	2 037	1 988
Power price	decrease -10%	1 211	982	2 037	1 721
Power price	increase + 10%	1 211	1 439	2 037	2 353

(ii) Currency risk

Elkem has revenues and operating costs in various currencies. The prices of finished goods are to a large extent determined in international markets, primarily denominated in US dollar, Chinese yuan and Euro. This is partly offset by purchases of raw materials denominated in the same currencies. Elkem aims to establish natural hedging positions if this is possible and economically viable. Financial derivatives are then used to hedge the remaining net currency risk exposures. Elkem has net positive operating cash flows mainly in Euro, US dollar, Chinese yuan and Brazilian real. Due to the location of its plants, Elkem has net cost positions in certain other currencies, mainly Norwegian krone, but also Canadian dollars and Icelandic krona.

Elkem's policy is to hedge the net positive cash flows in foreign currencies against NOK to even out fluctuations in result and cash flow. The target is to hedge expected net cash flow for 0–3 months on a 90% hedging ratio. Expected net cash flow for 4–12 months should be hedged on a rolling basis targeting a 45% hedging ratio. The hedging ratio for 4–12 months may vary subject to internal approval. Chinese yuan (CNY) is not included in the hedging programme. Elkem has hedged Japanese yen until 2026, related to a long-term customer contract. Elkem uses hedge accounting for all cash flow hedges over 3 months. Embedded EUR derivatives in power contracts are included in the foreign exchange hedging programme. To ensure an effective hedge, according to the hedge accounting principles, the spot element of the forward currency contracts is designated as hedging instruments and highly probable future revenue as hedging object in a hedging relationship, covering the exposure beyond 3 months.

Elkem realised a loss of NOK 367 million from hedging programme (loss of NOK 49 million).

Elkem aims to mitigate the currency risk in the statement of financial position by keeping interest-bearing debt in the same currencies as the group's assets. Elkem has mainly interest-bearing debt in Euro, Chinese yuan and Norwegian krone.

Currency effects recognised in total comprehensive income for the year, excluding effects from cash flow hedging

Amounts in NOK million	2023	2022
Net foreign exchange gains (losses) - forward currency contracts - recognised in other items	**(26)**	9
Operating foreign exchange gains (losses) - recognised in other items	**308**	387
Net foreign currency exchange gains (losses) on financing activities - recognised in foreign exchange gains (losses)	**(106)**	85
Currency translation differences - recognised in other comprehensive income	**476**	765
Hedging of net investment in foreign operations - recognised in other comprehensive income	**(199)**	(142)
Total	**453**	1 104

Currency exposure
The amounts in the tables below are translated to NOK using exchange-rates against NOK per 31 December.

Exchange rates against NOK per 31 December

	2023	2022
USD	**10.1655**	9.8714
EUR	**11.2380**	10.5130
CNY	**1.4308**	1.4309
CAD	**7.6706**	7.2879

Currency exposure affecting statement of profit or loss
The tables show carrying amount of assets and liabilities denominated in foreign currencies different from the entities functional currency, where changes in currency rates will affect profit and loss. The tables include notional amount of currency exchange contracts (note 25 Financial assets and liabilities). Amounts are presented in NOK based on currency rates as at 31 December.

31 December 2023

Amounts in NOK million	USD	EUR	CNY	CAD	NOK	Other	**Total**
Other non-current assets	-	-	-	-	-	-	**-**
Trade receivables	544	27	-	-	-	113	**685**
Other assets	-	-	-	-	-	-	**-**
Restricted deposits	-	-	-	-	-	-	**-**
Cash and cash equivalents	913	3 380	329	(331)	0	673	**4 964**
Total monetary assets	1 457	3 408	329	(331)	0	786	**5 649**
Interest-bearing liabilities	-	8 560	-	-	-	-	**8 560**
Other liabilities	-	-	-	-	-	-	**-**
Trade payables	650	219	-	-	0	89	**959**
Bills payable	-	-	-	-	-	-	**-**
Total monetary liabilities	650	8 778	-	-	0	89	**9 518**
Derivatives, notional value	167	7 847	-	-	-	305	**8 318**
Net currency exposure financial position	641	(13 217)	329	(331)	0	392	**(12 187)**

31 December 2022

Amounts in NOK million	USD	EUR	CNY	CAD	NOK	Other	**Total**
Other non-current assets	-	-	-	-	-	-	**-**
Trade receivables	662	98	-	-	-	-	**759**
Other assets	-	-	-	-	-	-	**-**
Restricted deposits	-	-	-	-	-	-	**-**
Cash and cash equivalents	1 658	3 124	489	(265)	0	459	**5 466**
Total monetary assets	2 320	3 222	489	(265)	0	459	**6 225**
Interest-bearing liabilities	-	6 505	-	-	-	-	**6 505**
Other liabilities	-	-	-	-	-	-	**-**
Trade payables	592	232	-	-	-	37	**862**
Bills payable	-	-	-	-	-	-	**-**
Total monetary liabilities	592	6 738	-	-	-	37	**7 367**
Derivatives, notional value	780	6 033	-	-	-	468	**7 281**
Net currency exposure financial position	948	(9 549)	489	(265)	0	(46)	**(8 423)**

Sensitivity on profit and loss from financial assets and liabilities
The following tables demonstrate the sensitivity to a reasonable possible change in EUR and USD exchange rates by 5%, with all other variables held constant. The impact on Elkem's profit before tax is due to changes in the fair value of monetary assets and liabilities including foreign currency derivatives and embedded derivatives not designated for hedging. The impact on Elkem's pre-tax equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedges and net investment hedges. The impact on pre-tax equity would be booked against OCI and recycled through profit before tax, when the hedged items are realised. In addition the profit and loss will be affected by translation differences on intra group balances, mainly in EUR, USD and CNY.

Currency		**31.12.2023**		**31.12.2022**	
Amounts in NOK million	Change in FX rate	Effect on profit before tax	Effect on pre-tax equity	Effect on profit before tax	Effect on pre-tax equity
EUR	5%	(113)	(548)	(46)	(431)
EUR	-5%	113	548	46	431
USD	5%	40	(8)	79	(31)
USD	-5%	(40)	8	(79)	31

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 2023

Amounts in NOK million	USD	EUR	CNY	CAD	NOK	Other	Total
Other non-current assets	61	319	36	28	69	43	**556**
Trade receivables	879	243	1 366	13	101	607	**3 209**
Other assets	36	293	460	14	1 018	241	**2 062**
Restricted deposits	0	0	383	-	4	1	**388**
Cash and cash equivalents	1 265	3 672	1 536	(14)	(1 155)	1 063	**6 367**
Total monetary assets	2 242	4 526	3 781	41	37	1 955	**12 583**
Asset non-monetary items	2 562	6 687	13 685	1 075	12 033	1 876	**37 917**
Total assets	4 803	11 213	17 466	1 116	12 070	3 831	**50 500**
Interest-bearing liabilities	20	8 664	2 334	-	3 647	74	**14 741**
Other liabilities	67	222	198	9	595	290	**1 381**
Trade payables	756	1 172	2 418	92	576	268	**5 281**
Bills payable	-	-	1 466	-	-	-	**1 466**
Total monetary liabilities	843	10 058	6 416	101	4 818	632	**22 868**
Liabilities non-monetary items	118	708	264	210	1 646	228	**3 174**
Total liabilities	960	10 766	6 680	311	6 464	860	**26 042**

31 December 2022

Amounts in NOK million	USD	EUR	CNY	CAD	NOK	Other	Total
Other non-current assets	64	399	113	40	67	34	**716**
Trade receivables	1 451	452	1 644	29	3	668	**4 248**
Other assets	64	215	236	32	938	213	**1 698**
Restricted deposits	7	0	400	-	-	1	**408**
Cash and cash equivalents	2 017	3 363	2 083	(60)	998	854	**9 255**
Total monetary assets	3 603	4 429	4 476	41	2 006	1 771	**16 325**
Asset non-monetary items	2 828	5 917	12 311	1 278	12 264	1 858	**36 455**
Total assets	6 431	10 345	16 787	1 319	14 270	3 628	**52 781**
Interest-bearing liabilities	31	6 620	1 066	-	2 753	66	**10 535**
Other liabilities	25	193	334	36	605	351	**1 545**
Trade payables	778	1 277	2 341	96	630	212	**5 335**
Bills payable	-	-	1 742	-	-	-	**1 742**
Total monetary liabilities	834	8 090	5 485	132	3 988	628	**19 158**
Liabilities non-monetary items	169	694	310	391	3 080	204	**4 849**
Total liabilities	1 004	8 785	5 794	524	7 069	832	**24 007**

(iii) Interest rate risk
Elkem's interest rate risk arises from interest-bearing liabilities granted by external financial institutions, factoring agreements (Note 21 Trade receivables), liabilities related to factoring agreements and advances on export exchange contracts (Note 24 Provisions and other liabilities). In addition Elkem has supplier finance agreements of NOK 143 million (NOK 94 million) classified as trade payables. Elkem's liabilities are mainly drawn in Euro, Chinese yuan and Norwegian krone.

Elkem has a floating interest rate policy and is hence exposed to fluctuating interest rates. Prices and sales volumes for Elkem's core products tend to correlate with general economic conditions. A floating interest rate policy is therefore seen as appropriate from a financial risk perspective. Interest rates have stayed low for a number of years due to a low-rate economic environment. During 2022 and 2023 the interest rate has increased as many central banks have inflation targets and have adjusted interest rates to control a higher rise in the price level than targeted. 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 items exposed to interest rate risk
31 December 2023

Amounts in NOK million	Floating	Fixed	Total
Interest-bearing liabilities (Note 23)	16 038	169	**16 206**
Derecognised trade receivables under factoring agreements (note 21)	1 806	-	**1 806**
Advances on export exchange contracts (note 24)	106	-	**106**
Recourse liability factoring agreement (note 24)	94	-	**94**
Settlement liability factoring agreements (Note 24)	71	-	**71**
Supplier finance agreements	143	-	**143**
Interest-bearing assets (note 23)	(6 816)	-	**(6 816)**
Bills payables (note 23)	(1 466)	-	**(1 466)**
Restricted deposit bills payable (note 23)	351	-	**(351)**
Net exposure	10 327	169	**9 793**

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 100 basis points higher for a full year, based on net debt as at 31 December 2023, with all other variables held constant, the profit (loss) for the year would have been NOK 81 million (NOK 25 million) lower. The expense that Elkem is charged for the issued bills relates to the fact that Elkem does not receive interest on the deposit that is paid into a restricted bank account when a bill is issued (note 23 Interest-bearing assets and liabilities).

(b) Counterparty credit risk
Credit risk is the risk of financial losses to the group if a customer or counterparty fails to meet contractual obligations. For Elkem this arises mainly to trade receivable and financial trading counterparties.

Trade receivables are generally secured by credit insurance from a reputable credit insurance company. For customers where credit insurance cannot be obtained, other methods are generally used to secure the sales proceeds, such as prepayment, letter of credit, documentary credit or guarantees. In particular, when sales are made in countries with a high political risk, or to remote customers, trade finance products are used to reduce the credit risk. Of Elkem's revenue outside China 85% - 95% is covered by credit insurance or other trade finance tools.

Elkem realised credit losses of NOK 0 million (NOK 5 million) on trade receivables.

The maximum exposure to credit risk for trade receivables for the group is NOK 3,218 per 31 December 2023 (NOK 4,257 million). See 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 2023 or 2022 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 2023 Elkem has unrestricted cash and cash equivalents of NOK 6,367 million (NOK 9,255 million). In addition, revolving credit facilities amount to NOK 6,293 million (NOK 6,356 million), of which NOK 6,293 million is undrawn (NOK 6,342 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 2023 and also complied with the covenants as of 31 December 2022, see note 23 Interest-bearing assets and liabilities.

The policy is to have cash equivalents 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 2023 for Elkem is shown in the table below.

Year / maturity

Amounts in NOK million	2024	2027	**Total**
Total amount of credit facilities	674	5 619	**6 293**

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 2023

Amounts in NOK million	2024	2025	2026	2027	2028	2029 and later	**Total**	Carrying amount
Trade receivables	3 209	-	-	-	-	-	**3 209**	3 209
Derivative assets	384	292	241	240	239	124	**1 520**	1 388
Total assets	3 593	292	241	240	239	124	**4 729**	4 597
Trade payables	5 281	-	-	-	-	-	**5 281**	5 281
Derivative liabilities	67	54	51	42	20	117	**352**	301
Lease liabilities	125	105	84	65	58	264	**701**	589
Loans from external parties, other than bank	1 416	1 333	2 596	611	1 475	-	**7 431**	6 339
Bank financing	383	448	909	6 114	236	1 326	**9 416**	7 830
Bills payable	1 466	-	-	-	-	-	**1 466**	1 466
Total liabilities	8 737	1 940	3 640	6 833	1 789	1 708	**24 646**	21 805

31 December 2022

Amounts in NOK million	2023	2024	2025	2026	2027	2028 and later	**Total**	Carrying amount
Trade receivables	4 248	-	-	-	-	-	**4 248**	4 248
Derivative assets	698	434	346	306	287	482	**2 554**	2 273
Total assets	4 946	434	346	306	287	482	**6 802**	6 521
Trade payables	5 335	-	-	-	-	-	**5 335**	5 335
Derivative liabilities	109	8	-	-	-	-	**117**	109
Lease liabilities	103	101	79	65	55	291	**695**	578
Loans from external parties, other than bank	103	1 009	1 299	979	518	105	**4 014**	3 706
Bank financing	140	73	102	125	5 395	827	**6 661**	6 276
Bills payable	1 742	-	-	-	-	-	**1 742**	1 742
Total liabilities	7 532	1 191	1 480	1 169	5 968	1 223	**18 564**	17 747

(d) Climate risk
Governance
In Elkem the responsibility for climate-related issues sits with the board, and the management of risks and opportunities related to climate is integrated into Elkem's overall business strategy. The Audit committee has board level responsibility related to managing sustainability, non-financial reporting, internal control, and sustainability-related risk. The CEO, supported by the CFO and SVP Technology, ensures daily operational responsibility for climate-related issues. Regular reporting to the board and proactive engagement with stakeholders, including investors and banks, are integral to Elkem's governance structure.

Strategy
Elkem's climate strategy spans short-, medium-, and long-term horizons, evaluating transition risks and opportunities. Recognising its role in the full silicon value chain, Elkem addresses specific climate risks tied to its carbon-intensive production process. Elkem has established its climate roadmap, which is the company's transition plan that outlines the initiatives and actions to be taken to meet the goal of the Paris Agreement of well below 2°C temperature increase. Elkem proactively identifies climate impacts and pursues a dual-play growth strategy focused on reducing fossil CO_2 emissions and promoting circular economies. The climate roadmap integrates with Elkem's corporate strategy, emphasising its commitment to a sustainable future.

Risk Management
Climate-related considerations are a key part of Elkem's risk management process, with a comprehensive assessment presented annually to the board. The evaluation identifies potential financial impacts on Elkem's EBIT and equity within a 5 year timeframe. The risk mapping process categorises risks into strategic, financial, raw material, production and process, and market and product risks. Climate related risks can be split into transitional and physical climate risks. The key transitional risks include regulatory risks, such as changes in the framework for CO_2 quotas and CO_2 compensation. Elkem monitors physical climate risks through site-specific analyses, recognising the potential impact of climate change on its operations. Central physical climate risks for Elkem are drought and extreme weather events, but the effects differ from site to site. Elkem has not identified any immediate need for action related to the buildings and assets identified.

In addressing emission abatement project profitability, Elkem employs an internal carbon price aligned with market trends. Risks are categorised by financial impact (high, medium, low) and frequency (low, medium, high). As Elkem navigates climate-related challenges and opportunities, the company remains committed to responsible governance, sustainable strategies, and effective risk management practices.

Key risks and opportunities
Elkem's key transitional climate risk is changes to existing regulations and carbon pricing mechanisms, and the emergence of new regulations. Use of a carbon material is necessary when producing silicon and ferrosilicon, hence emissions of CO_2 is inevitable, resulting in significant scope 1 emissions. Elkem falls under the ambit of EU's emission trading system (ETS), and changes to number of free allowances and pricing of quotas influence Elkem's cost of raw materials and energy for production. In addition, Elkem is eligible for CO_2 compensation in Norway for the implicit CO_2 quota costs in Norwegian electricity prices. In 2022, the government decided to compensate companies for the CO_2 quota price above NOK 200 per quota. In 2023, this floor was increased to NOK 375 per quota. Prior to 2022 there was no floor and hence compared to previous years Elkem's share of CO_2 cost in the power prices that are compensated is reduced. Elkem is not covered by Carbon Border Adjustment Mechanism (CBAM) currently, but if Norway choses to adopt

CBAM this would also affect Elkem, and there is significant concern that the scheme has shortcomings that would be unfavourable for Elkem when competing in global markets. To mitigate this risk Elkem is working to reduce its CO_2 emissions through the use of biocarbon as a reductant, and research and testing of carbon capture technology.

Elkem's production sites face different levels of physical climate risk. Changes to severity and frequency of extreme weather could pose risk to many of the sites, but the location and infrastructure mitigates this risk. Elkem has not identified any immediate need for action related to buildings and assets identified. Elkem is however, monitoring temperature increases, increased dry spells, ocean rise, and extreme weather events to secure assets and avoid business interruptions.

Elkem's opportunities related to climate change are significant. Elkem's products are a key component to the green transition, examples of this being silicones used in electric vehicles (EVs), silicones, silicon and foundry products used in renewable and nuclear energy production, and silicones and microsilica in construction. There is also a potential in recycling and reuse related to silicone production.

Another key component in the green transition is batteries, and a vital component of batteries are anodes. Elkem developed a new technology for production of synthetic anode graphite to batteries based on 100+ years of experience in large-scale manufacturing of carbon materials in high temperature processes. The process has a 90% lower CO_2 footprint compared to existing materials. This technology resulted in the establishment of Vianode AS, a company where Elkem owns 40%, that is set to capitalise on the increased demand for batteries with a lower footprint.

28. Capital managment

Elkem focuses on having a balanced capital structure, which seeks to reflect the return requirements for the shareholders and the need for a strong financial position to facilitate the group's strategy for growth and specialisation. The target is to have a leverage between 1.0x and 2.0x over a cycle. The leverage ratio is defined as net interest-bearing assets, less non-current interest-bearing assets (see note 23 Interest-bearing assets and liabilities), divided by EBITDA, as defined in the APM section.

Elkem is managing its financing and liquidity position to reduce liquidity risk and to ensure that the company can meet its financial obligations at all times. Elkem has centralised the responsibility for group financing and liquidity handling. The policy is to raise financing at parent company level, however, country specific exceptions may be made due to local legislation or currency restrictions. Loan maturities are subject to liquidity and refinancing risk and the company aims to have a long-term and smooth maturity profile on its loan portfolio.

Cash pooling is used to secure availability and access to cash across the group. Due to local legislation, not all subsidiaries are able to participate in international cash pooling arrangements. In these cases, repatriation of excess cash is mainly executed through dividend payments and inter-company deposits, while liquidity needs are covered through capital injections and inter-company loans. Liquidity forecasts are prepared and updated on a regular basis. The short-term forecasts are updated weekly. Elkem'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 Elkem's management reports. Elkem initiated a waiver process during first quarter of 2024, and requested the lenders' consent for a temporary waiver of the current Interest Cover Ratio to ensure that Elkem has sufficient headroom to operate through these uncertain times.

Elkem 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, Elkem'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 2022 Elkem distributed NOK 6.00 per share in dividends and for the year 2023 the board has proposed to not pay dividends.

As at 31 December 2023, Elkem's equity was NOK 24,458 million, including non-controlling interests of NOK 133 million. The equity ratio was 48%.

29. Number of shares

The development in share capital and other paid-in equity is set out in the consolidated statement of changes in equity. The largest shareholders are listed in note 21 Shareholders to the financial statement of Elkem ASA.

Number of shares in million shares

	2023			2022		
	Shares outstanding	**Treasury shares**	**Total issued shares**	Shares outstanding	Treasury shares	Total issued shares
Beginning of the year	**634 476 985**	**4 964 393**	**639 441 378**	633 037 606	6 403 772	639 441 378
Capital increase	**-**	**-**	**-**	-	-	-
Increase in treasury shares	**(2 000 000)**	**2 000 000**	**-**	(5 000 000)	5 000 000	-
Sale of treasury shares	**1 413 303**	**(1 413 303)**	**-**	6 439 379	(6 439 379)	-
End of the year	**633 890 288**	**5 551 090**	**639 441 378**	634 476 985	4 964 393	639 441 378

The share capital of Elkem ASA is NOK 3,197,206,890 divided on 639,441,378 shares of NOK 5 nominal value. Of this amount Elkem ASA held 5,551,090 treasury shares, 0.9% of total issued shares. Elkem has in 2023 acquired 2,000,000 own shares that will be used as settlement in Elkem's share option scheme. Total transaction value was NOK 45 million. Elkem has in 2023 sold 1,413,303 shares in connection with Elkem's share option scheme. Total consideration was NOK 36 million.

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

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

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

30. Earnings per share

Principle application and judgements

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

	2023	2022
Weighted average number of shares outstanding	**634 991 082**	633 563 574
Effects of dilution	**798 645**	2 025 138
Weighted average number of shares outstanding - diluted	**635 789 727**	635 588 712
Owners of the parent's share of profit (loss) (NOK million)	**72**	9 561
Earnings per share (NOK)	**0.11**	15.09
Diluted earnings per share (NOK)	**0.11**	15.04

31. Supplemental information to the consolidated statement of cash flows

The following table gives a detailed overview of changes in working capital in the statement of cash flows. Working capital is defined as accounts receivables, inventories, other current assets, accounts payables, current employee benefit obligations and other current liabilities. Accounts receivables are defined as trade receivables less bills receivables. Other current assets are defined as other current assets less current receivables to related parties, current interest-bearing receivables, tax receivables, grants receivable, assets at fair value through profit or loss and accrued interest income. Accounts payables are defined as trade payables less trade payables related to purchase of non-current assets. Other current liabilities are defined as provisions and other current liabilities less current provisions, contingent considerations, contract obligations and liabilities to related parties.

Changes in working capital

Amounts in NOK million	2023	2022
Changes in accounts receivable	**924**	324
Changes in inventories	**1 660**	(2 258)
Changes in other current assets	**(375)**	99
Changes in accounts payable	**(349)**	134
Changes in other current liabilities including employee benefit obligations	**(275)**	118
Total	**1 584**	(1 583)

Liquidity effects of contingent considerations

Amounts in NOK million	2023	2022
Settlement of contingent consideration	**39**	160
Discounting element on settlement of contingent consideration	**4**	12
Fair value adjustment on settlement of contingent consideration	**(3)**	(0)
Foreign exchange gains (losses) from date of control	**(2)**	4
Total payment of contingent consideration related to acquisitions (IFRS 3)	**38**	176

32. Related parties

Related parties' relationships are defined to be entities outside Elkem group that are under control (either directly or indirectly), joint control or significant influence by the owners of Elkem.

Elkem ASA is owned 52.9% by Bluestar Elkem International Co. Ltd S.A., Luxembourg, which is under control of Sinochem Holdings Co., Ltd (Sinochem), a company registered and domiciled in China. All companies under control by Sinochem are considered to be related parties, including among others China Blue Chemicals Ltd and Jiangxi Xinghuo spaceflight New Material Co., Ltd.. On 1 February 2022 Elkem purchased the remaining shares in Salten Energigjenvinning AS and transactions from that date are eliminated.

Elkem also consider equity accounted companies as related parties. On 14 September 2022 Elkem lost control of Vianode AS and transactions are from that date considered to be related party transactions.

The structure of Elkem group is disclosed in note 4 Composition of the group and note 5 Equity accounted investments and joint operations.

Transactions with related parties 2023

Amounts in NOK million	Sale of goods	Purchase of goods	Sale of services [1]	Purchase of services	Interest income	Financial expenses
Bluestar Elkem International Co. Ltd S.A.	-	-	-	-	-	-
Joint ventures and associates	-	(282)	77	(223)	0	-
Related parties within Sinochem	206	(636)	2	(102)	-	-
Other related parties	-	(17)	-	(23)	-	-
Total	**206**	**(935)**	**79**	**(348)**	**0**	**-**

Transactions with related parties 2022

Amounts in NOK million	Sale of goods	Purchase of goods	Sale of services [1]	Purchase of services	Interest income	Financial expenses
Bluestar Elkem International Co. Ltd S.A.	-	-	-	-	-	-
Joint ventures and associates	-	(280)	15	(191)	0	-
Related parties within Sinochem	336	(434)	14	(126)	-	-
Other related parties	-	(21)	-	(18)	-	-
Total	336	(735)	30	(335)	0	-

1) Including sub-lese

Balances with related parties

Amounts in NOK million	Non-current 31.12.2023	Non-current 31.12.2022	Current 31.12.2023	Current 31.12.2022
Receivables from joint ventures and associates, interest-bearing	**1**	1	**-**	-
Receivables from joint ventures and associates, interest free	**-**	-	**0**	-
Receivables from related parties within Sinochem, interest free	**-**	-	**8**	7
Trade receivables, joint ventures and associates	**-**	-	**12**	15
Trade receivables, related parties within Sinochem	**-**	-	**16**	4
Prepayments to related parties within Sinochem	**-**	-	**2**	15
Liabilities to related parties within Sinochem, interest free	**-**	-	**(17)**	(30)
Trade payables, Bluestar Elkem Investment Co. Ltd. S.A	**-**	-	**(5)**	(5)
Trade payables, joint ventures and associates	**-**	-	**(94)**	(71)
Trade payables, related parties within Sinochem	**-**	-	**(54)**	(79)
Prepayments from joint ventures and associates	**-**	-	**(10)**	(17)
Prepayments from related parties within Sinochem			**(0)**	-
Net balances with related parties	**1**	1	**(141)**	(161)

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 3.8% (3.0%).

Information about main transactions with related parties:

Related parties within Sinochem

- → Sale of silicone to China Bluestar International Chemical Ltd, Jiangxi Xinghuo Spaceflight New Material Co., Ltd and other companies within Sinochem
- → Purchase of raw materials from companies within Sinochem

Equity accounted companies

Jiangxi Guoxing Intelligence Energy Co. Ltd

Elkem has committed to cover its proportion of total estimated capital injections in Jinangxi Energy of CNY 48.7 million, whereof CNY 41.0 million is paid as of 31 December 2023. In addition Elkem has committed to sell the land, buildings and equipment needed to establish the cogeneration facility and committed to supply steam. The sale is partly effected in 2023 resulting in a gain of CNY 9 million (NOK 12 million), whereof CNY 3 million (NOK 4 million) representing Elkem's share of the gain is eliminated in the consolidated financial statements. The facility is up and running and Elkem purchase power generated by the facility.

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
- → Purchase of services related to shared infrastructure such as laboratory analysis, IT and telephone, warehousing and purchase of basic chemistry products such as gas, nitrogen, compressed air from GIE Osiris

There are no other contingent liabilities or commitments related to the joint ventures and associates.

Key management personnel and board of directors
Information on transactions with key management personnel, see note 9 Employee benefits and "Report on salary and other remuneration to leading personnel in Elkem ASA for the financial year 2023".

33. Pledge of assets and guarantees

Pledges
The main part of Elkem's interest-bearing liabilities are not pledged. Details of liabilities that have pledged assets or guarantees related to them are stated below.

Pledged liabilities

Amounts in NOK million	31.12.2023	31.12.2022
Pledged liabilities	**94**	125

Book value pledged assets

Amounts in NOK million	31.12.2023	31.12.2022
Building	**10**	30
Machinery and plant	**7**	0
Accounts receivables	**102**	106
Inventories	**67**	-

Elkem makes limited use of guarantees, see specification below.

Guarantee commitments

Amounts in NOK million	31.12.2023	31.12.2022
Guarantee commitment KLIF (Climate and Pollution Agency)	**40**	40
Guarantee commitment tax cases Brazil	**47**	38

34. Events after the reporting period

Principle application and judgements

Events after the reporting period
Events after the reporting period related to Elkem'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 Elkem'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.

No events have taken place after the reporting period that would have had a material impact on the financial statements or any assessments carried out.

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Income statement - Elkem ASA

Amounts in NOK million	Note	2023	2022
1 January - 31 December			
Revenue	4	**11 034**	15 912
Other operating income	4, 5	**593**	543
Total operating income		**11 628**	16 455
Raw materials and energy for production		**(6 340)**	(6 183)
Employee benefit expenses	6,7	**(1 429)**	(1 348)
Other operating expenses	8,9	**(2 745)**	(2 684)
Other gains (losses) related to operating activities	10	**433**	1 712
Amortisation and depreciation	13,14	**(463)**	(407)
Impairment losses	13,14	**(20)**	(3)
Total operating expenses		**(10 563)**	(8 912)
Operating profit (loss)		**1 065**	7 543
Income from subsidiaries and associates	15	**203**	229
Income (loss) from joint ventures	16	**(63)**	(17)
Finance income	11	**426**	166
Foreign exchange gains (losses)	11	**(313)**	(62)
Finance expenses	11	**(851)**	(267)
Profit (loss) before income tax		**467**	7 593
Income tax (expenses) benefit	12	**(102)**	(1 603)
Profit (loss) for the year		**365**	5 990

Balance sheet - Elkem ASA

Amounts in NOK million	Note	31.12.2023	31.12.2022
Assets			
Property, plant and equipment	13	**4 578**	4 098
Goodwill	14	**12**	16
Other intangible assets	14	**88**	81
Investments in subsidiaries	15	**12 902**	12 604
Investments in joint ventures	16	**843**	639
Derivatives	24	**977**	1 559
Other assets	19	**6 295**	4 278
Total non-current assets		**25 695**	23 275
Inventories	17	**2 421**	2 753
Trade receivables	18	**1 312**	1 582
Derivatives	24	**410**	709
Other assets	19	**904**	1 786
Cash and cash equivalents	22	**3 331**	5 316
Total current assets		**8 379**	12 145
Total assets		**34 074**	35 420
Equity and liabilites			
Paid-in capital	20, 21	**3 498**	3 493
Retained earnings	20	**9 912**	10 515
Total equity		**13 410**	14 009
Interest-bearing liabilities	22	**11 103**	9 074
Deferred tax liabilities	12	**514**	741
Pension liabilities	7	**84**	80
Derivatives	24	**235**	-
Provisions and other liabilities	23	**84**	82
Total non-current liabilities		**12 019**	9 977
Trade payables		**1 261**	1 353
Income tax payables	12	**55**	1 330
Interest-bearing liabilities	22	**6 459**	3 903
Derivatives	24	**66**	108
Dividend	20	**-**	3 813
Provision and other liabilities	23	**803**	927
Total current liabilities		**8 644**	11 435
Total equity and liabilities		**34 074**	35 420

Oslo, 12 March 2024

Zhigang Hao
Chair

Dag Jakob Opedal
Vice chair

Olivier Tillette de Clermont-Tonnerre
Board member

Yougen Ge
Board member

Bo Li
Board member

Grace Tang
Board member

Marianne Elisabeth Johnsen
Board member

Nathalie Brunelle
Board member

Thomas Eggan
Board member

Terje Andre Hanssen
Board member

Marianne Færøyvik
Board member

Helge Aasen
CEO

Cash flow statement - Elkem ASA

Amounts in NOK million	Note	2023	2022
1 January - 31 December			
Operating profit (loss)		**1 065**	7 543
Changes in fair value of derivatives		**(157)**	(1 042)
Amortisation, depreciation and impairment losses	13, 14	**483**	410
Changes in working capital	28	**474**	(875)
Changes in provisions, pension obligations and other		**(90)**	(94)
Interest payments received		**147**	91
Interest payments made		**(787)**	(269)
Income taxes paid		**(1 332)**	(450)
Cash flow from operating activities		**(198)**	5 314
Investments in property, plant and equipment and intangible assets	13, 14	**(1 035)**	(619)
Received investment grants	5	**93**	42
Proceeds from sale of property, plant and equipment	13	**24**	5
Cash effect from merged companies		**-**	38
Acquisition and capital increase in subsidiaries	15	**(337)**	(913)
Acquisition of and cash contribution to joint ventures	16	**(267)**	(267)
Increase in loans to subsidiaries	22, 26	**(795)**	(1 848)
Repayment on loans to subsidiaries	22, 26	**12**	334
Dividend and group contribution	15	**203**	138
Other investments / sales		**1**	0
Cash flow from investing activities		**(2 100)**	(3 089)
Dividend paid to owners	20	**(3 815)**	(1 900)
Net sale (purchase) of treasury shares	20	**(8)**	(38)
New interest-bearing loans and borrowings	22	**2 590**	5 702
Repayment of interest-bearing loans and borrowings	22	**(167)**	(6 131)
New cash deposits to / from subsidiaries	22, 26	**2 064**	1 578
Repayment of cash deposits to / from subsidiaries	22, 26	**(351)**	(380)
Cash flow from financing activities		**312**	(1 169)
Change in cash and cash equivalents		**(1 986)**	1 056
Currency translation differences		**0**	0
Net change in cash and cash equivalents		**(1 985)**	1 056
Cash and cash equivalents opening balance	22	**5 316**	4 260
Cash and cash equivalents closing balance	22	**3 331**	5 316

Notes to the financial statements - Elkem ASA

1. General information

Elkem ASA is a limited liability company located in Norway, whose shares are publicly traded on Oslo Børs. The main activities are related to production and sale of silicon materials, ferrosilicon, specialty alloys for the foundry industry and microsilica. Elkem ASA is owned 52.9% by Bluestar Elkem International Co. Ltd S.A., Luxembourg, which is under the control of Sinochem Holdings Co., Ltd (Sinochem), a company registered and domiciled in China.

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

2. Significant accounting policies

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

Changes in accounting policies

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

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 for 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 Elkem ASA 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 are classified on 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 earned 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. Expenses are recognised in the same period as the related revenue. 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 have 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 are passed to the buyer when the goods are handed over to the carrier engaged by the buyer.

"C" terms, where Elkem ASA arranges and pays for the main carriage but without assuming the risk of the main carriage. The risk and reward are passed to the buyer when the goods are handed over to the carrier engaged by the seller.

"D" terms, where Elkem ASA 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 as revenue 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 Elkem ASA 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 are presented net as reduction of impairment losses to assets / receivables, included in other operating expenses. Interest income is recognised on accrual basis. Dividends and group contributions are recognised when Elkem ASA's 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 policy decisions. 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 decisions about the relevant activities.

Interests in subsidiaries and associates are recognised at cost less any write-down for impairment. Dividends and group contributions are recognised as an income from subsidiaries and associates when Elkem ASA's right to receive dividends is determined by the shareholders' meeting. If dividends or group contributions exceed withheld profits after the acquisition date, the excess amount represents repayment of invested capital, and the distribution will be deducted from the recorded value of the acquisition in the balance sheet.

Joint ventures
Elkem ASA's interests in jointly controlled entities, which operates within Elkem ASA's main business areas (silicon materials and foundry products), are accounted for using the gross method, meaning that the company's share of the income, expense, assets and liabilities are recognised. Elkem ASA combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the financial statements.

Elkem ASA's interests in joint controlled entities, which do not operate within Elkem ASA's main business areas, are accounted for using the equity method. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss and other comprehensive income of the investee after the date of acquisition. In cases where a joint venture's 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 presented 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 are presented at cost, less accumulated depreciation 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 are reviewed at the end of each reporting period.

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

Impairment of tangible and intangible assets

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

Leasing

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

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

Non-derivative financial assets and liabilities

A financial asset or a financial liability is recognised in the balance sheet when the entity becomes party to a contract. Assets to be acquired and liabilities to be incurred as a result of a firm commitment to purchase or sell goods or services are recognised at the time one of the parties has performed under the agreement.

Financial assets are initially recognised in the balance sheet at fair value plus any transaction costs directly attributable to the acquisition or issue of the asset. Financial assets are derecognised once the right to future cash flows has expired or when all substantial 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

Currency 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.

The part of commodity derivative contracts that do not qualify as hedging instruments and are not held for trading are booked at the lower of cost and fair value.

Embedded currency derivatives are separated from the host contract and booked at fair value, as an independent derivative.

Non-financial commodity contracts, where the relevant commodity is readily convertible to cash and where the contracts are for own use, are recognized in the balance sheet at cost and in the income statement on realisation. This applies to power purchase contracts intended for use in the plants' production processes.

Hedge accounting

Elkem ASA may designate certain derivatives as hedging instruments for fair value hedges and cash flow hedges. At the inception of the hedging relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Elkem ASA applies IFRS 9 Financial Instruments for all hedge accounting.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges, are recognised in equity and accumulated under the heading of retained earnings. Gains / losses recognised in equity are reclassified into the income statement in the same period(s) as the forcasted transaction occurs. The unrealised gains / losses relating to the ineffective portion is recognised immediately in the income statement.

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 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.

The cost of CO_2 allowances that Elkem needs to purchase in addition to allowances received from the government (note 5), are based on estimated production / emissions for the year. The cost is allocated to cost of producing semi-finished and finished goods proportionally over the year, as the number of allocated allowances will not be revised unless there is a substantial change in the production level at the plants.

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 virtually certain that the tax position will be sustained in a tax review by the Norwegian Tax Office (NTO). Provisions are made at the amount expected to be paid or according to the decision by the NTO for cases where the NTO has reached a conclusion. The provision for cases where the NTO has reached a conclusion is reversed when it is virtually certain that the decision will be overruled, which is normally when the tax position is settled in favour of Elkem ASA and can no longer be appealed.

Deferred tax

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

Deferred tax assets are recognised in the balance sheet to the extent it is more likely than not that the tax assets will be utilised. The enacted tax rate at the end of the reporting period and undiscounted amounts are used. Deferred tax assets arising from tax losses are recognised when there is convincing evidence of recoverability. Deferred tax assets and liabilities items are offset if there is a legally enforceable right to offset current tax liabilities and assets.

Employee benefits

Employee benefits consist of wages and salaries, bonuses, holiday payments, share-based payments and other considerations paid in exchange for services rendered from employees, and are expensed as incurred together with any social security tax applicable.

Employee retirement benefits

Defined contribution plans

Defined contribution plans comprise arrangements whereby Elkem ASA 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, Elkem ASA revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. Elkem ASA 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 that are not recognised because they are possible obligations that have not yet been confirmed, or they are present obligations where an outflow of resources 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 statements. Events after the reporting period that have no effect on the company's financial position at the end of the reporting period, but will have effect on future financial position, are disclosed if the future effect is material.

3. Accounting estimates

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

Taxes

When estimating uncertain tax positions, the most probable amount, including interests and penalties, is used because in most cases the outcome of the tax review is binary. See details on current uncertain tax positions in note 12 Taxes.

Provisions and other liabilities

Elkem has several types of provisions due to its operations, see note 23 Provisions and other liabilities. 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 Elkem ASA. 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.

The estimate uncertainty primarily relates to environmental measures and site restoration related to closed production sites and landfills. The potential outcome can vary within a relatively wide range depending on the final scope of the measures required and the cost of fulfilling the measures. In these cases, the estimated provision is made based on a combination of expert opinions and management's assessment of the known facts and circumstances.

Financial instruments

Elkem ASA holds financial instruments such as forward currency contracts, interest rate swap and commodity derivative 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. Fair value for the contracts is based on observable prices and assumptions derived from observable prices for comparable instruments. For assumptions applied in fair value measurement of the contracts see note 25 Financial assets and liabilities in the consolidated financial statement. Non-financial commodity contracts, where the relevant commodity is readily convertible to cash and where the contracts are for own use, are booked at the lower of cost and the estimated obligation if it is a onerous contact.

Net book value of contracts booked at fair value as at 31 December 2023 is in total positive NOK 1,087 million (positive NOK 2,160 million), see note 24 Financial instruments.

Impairment of investments in subsidiaries, associates, jointly controlled entities and tangible and intangible assets

The value-in-use calculations are based on estimated future cash flows. The uncertainty in the cash flows relates to future prices for both key input factors in the production and market prices for the sale of Elkem's products. There is uncertainty regarding these factors both for the next 12 months and for the rest of the forecast period. There is also uncertainty in estimating replacement investments and the growth rate in the terminal value. The estimated future pre-tax cash flows are discounted using a discount rate before tax. The estimation uncertainty in the discount rate relates to the determination of the risk-free rate, the market risk premium and the beta. Elkem uses a beta per business segment and the beta is found using observable betas of comparable companies for each business segment.

4. Operating income

Operating income by type

Amounts in NOK million	**2023**	2022
Revenue from sale of goods, Silicon Products	**8 553**	12 227
Revenue from sale of goods to related parties	**1 749**	2 985
Other operating revenue	**161**	134
Other operating revenue to related parties	**571**	565
Total revenue	**11 034**	15 912
Grants (note 5)	**558**	530
Insurance settlement	**0**	12
Other	**35**	1
Total other operating income	**593**	543
Total operating income	**11 628**	16 455

Operating income by geographic market

Amounts in NOK million	**2023**	2022
Nordic countries	**2 291**	2 569
United Kingdom	**487**	795
Germany	**2 245**	3 408
France	**1 107**	2 166
Italy	**661**	677
Poland	**235**	224
Spain	**422**	445
Netherlands	**64**	85
Other European countries	**1 408**	1 759
Europe	**8 921**	12 129
Africa	**37**	29
North America	**521**	1 458
South America	**120**	51
America	**640**	1 509
China	**101**	397
Japan	**482**	1 040
South Korea	**137**	126
Other Asian countries	**1 294**	1 207
Asia	**2 013**	2 770
The rest of the world	**16**	18
Total operating income	**11 628**	16 455

5. Grants

	2023		2022	
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	**9**	**-**	28	-
CO_2 Compensation from the Norwegian Environment Agency	**549**	**-**	497	-
Other government grants	**-**	**1**	2	-
Total government grants	**558**	**1**	527	-
Norwegian NO_x fund for reduced emission of NO_x	**-**	**28**	1	64
Other grants	**-**	**-**	1	-
Total other grants	**-**	**28**	3	64
Total grants	**558**	**29**	530	64
Grants receivables related to fixed and intangible assets (note 19)		**-**		64
Grants receivables related to income (note 19)		**583**		489
Grants, deferred income (note 23)		**(1)**		(7)

CO_2 allowances
CO_2 emission allowances allocated from the government are classified as grants, measured at nominal value (zero). If actual emissions exceed the number of allocated allowances, additional allowances must be purchased. The allocation of free allowances for the period 2021-2025 has been decided by the Norwegian government.

CO_2 compensation
The Norwegian government has since 2013 had a CO_2 compensation scheme to partially compensate for CO_2 costs included in the power price for certain industries. The compensation scheme is based on a corresponding scheme for EU and is approved by the EFTA surveillance authority ESA. The current scheme ends 31 December 2025. The CO_2 compensation scheme applies for Elkem's Norwegian Silicon and Ferrosilicon plants. The compensation is based on the market price of CO_2 allowances and will as such vary with the price development. For compensation granted for 2023, the Norwegian government has introduced a deduction of 375 NOK/tonne CO_2 (up from deduction of 200 NOK/tonne for 2022). As the grant partially 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.

NO_x Fund
The industry in Norway pays a fee for its emission of NO_x 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 reduce NO_x emissions from the industry in Norway.

Other
The remaining grants are mainly related to R&D and energy recovery projects.

6. Employee benefit expenses

Amounts in NOK million	**2023**	2022
Salaries, holiday pay and variable compensation	**(1 152)**	(1 090)
Employer's national insurance contributions / social security tax	**(154)**	(141)
Pension expenses (note 7)	**(89)**	(78)
Share-based payments	**(6)**	(24)
Other payments / benefits	**(28)**	(15)
Total employee benefit expenses	**(1 429)**	(1 348)
Average number of full time equivalents	**1 348**	1 308

For information concerning remuneration to management and share-based payments, see "Report on salary and other remuneration to leading personnel in Elkem ASA for the financial year 2023", note 9 Employee benefits and note 10 Share-based payments in the consolidated financial statements.

7. Employee retirement benefits

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

Elkem ASA's contributions to the employees' individual pension plan assets constitute 5% of base salary up to 7.1 G and 15% between 7.1 G and 12 G. G refers to the national insurance scheme's basic amount in Norway, amounting to NOK 118,620 as at 1 May 2023. Pension on salary above 12 G 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 2023 is 2.6% of the employee's salary between 1 and 7.1 G, covering this year's pension payments and contribution to a security fund for future pension obligations. The premium in per cent of salary for 2024 will be 2.7%. At 31 December 2023 there is 1,652 (1,544) participants below the age of 61 years in the scheme.

Defined benefit plans
The defined benefit pension plans are unfunded and comprise pension on salaries above 12 G, for which the expense is 15% of annual base salary that exceeds 12 G plus interest on the individual calculated pension obligation, and some individual retirement schemes. The individual retirement schemes are closed.

Net interest is calculated based on pension liability at the start of the period multiplied by the discount rate and is presented as a part of finance expenses.
Remeasurements of the defined benefit plans are recognised directly in equity.

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

Breakdown of pension expenses

Amounts in NOK million	**2023**	2022
Defined benefit plans	**(4)**	(4)
Defined contribution plans	**(66)**	(57)
Early retirement scheme (AFP)	**(19)**	(18)
Total pension expenses	**(89)**	(78)

Amounts in NOK million	**31.12.2023**	31.12.2022
Present value of pension obligations	**(84)**	(80)
Net value pension liabilities	**(84)**	(80)
Active participants in pension scheme for salary above 12G	**47**	49
Retired participants	**42**	45
Changes in actuarial gains / (losses) recognised in equity / deferred tax	**(1)**	6

Principal assumptions used for the actuarial valuation

	2023	2022
Discount rate [1]	4.8%	4.2%
Annual regulation of pensions paid	2.3%	1.9%

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

8. Other operating expenses

Amounts in NOK million	2023	2022
Distribution expenses	(623)	(707)
Commission expense sales	(126)	(138)
Machinery, tools, fixtures and fittings	(459)	(381)
Repair, maintenance and other operating expenses	(301)	(246)
Other expenses (fees, transport, IT services, etc.)	(554)	(600)
Energy and fuel expenses	(99)	(70)
Leasing expenses (note 9)	(58)	(51)
Travel expenses	(37)	(26)
Loss on trade receivables	(2)	(1)
Miscellaneous manufacturing, administration and selling expenses	(486)	(463)
Total other operating expenses	**(2 745)**	(2 684)

Miscellaneous manufacturing, administration and selling expenses include:		
Capitalisation of salary on fixed assets (employee benefit expenses are presented gross in note 6)	17	10
Changes in inventories of finished and semi-finished goods	57	74

During 2023, Elkem ASA expensed NOK 163 million (NOK 193 million) related to research and innovation activities, which includes product and business development, technical customer support and improvement projects.

Grants received related to research and development amount to NOK 9 million (NOK 28 million) and are included in other operating income.

Audit and other services

Amounts in NOK million	2023	2022
Audit fee	(8)	(6)
Other assurance services	(1)	(1)
Total fees to auditor	**(8)**	(7)

9. Operating lease

Amounts in NOK million	2023	2022
Leasing expenses, current year (note 8)	(58)	(51)
Minimum future lease payments due in accordance with non-cancellable operating lease contracts:		
Within one year	(25)	(27)
Within two years	(27)	(25)
Within three years	(26)	(25)
Over three years	(255)	(227)

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 145 million.

10. Other gains (losses) related to operating activites

Amounts in NOK million	2023	2022
Changes in fair value commodity contracts (note 24)	(1)	(2)
Embedded EUR derivatives power contracts, interest element (note 24)	(73)	218
Ineffectiveness on cash flow hedges (note 24)	357	1 466
Net foreign exchange gains (losses) - forward currency contracts (note 24)	(156)	(103)
Operating foreign exchange gains (losses)	306	134
Total other gains (losses) related to operating activities	**433**	1 712

11. Finance income and expenses

Amounts in NOK million	2023	2022
Interest income	106	29
Interest income from related parties (note 26)	319	130
Other financial income	2	7
Total finance income	426	166
Net foreign exchange gains (losses)	(313)	(62)
Interest expenses	(646)	(215)
Interest expenses to related parties (note 26)	(200)	(48)
Interest on net pension liabilities	(3)	(3)
Other financial expenses	(2)	(2)
Total finance expenses	(851	(267)
Net finance income (expenses)	**(738)**	(163)

Foreign exchange gains (losses) in 2023 and 2022 are mainly related to the bank loans in EUR and loans to related parties in EUR, USD and CNY.

12. Taxes

Income tax recognised in income statement

Amounts in NOK million	2023	2022
Current tax expenses	(64)	(1 330)
Deferred tax	(44)	(270)
Other taxes	6	(3)
Total income tax (expenses) benefit	**(102)**	(1 603)

Reconciliation of income tax (expense) benefit

Amounts in NOK million	2023	2022
Profit before tax	467	7 593
Applicable tax rate Norway	22%	22%
Tax expense at applicable tax rate	(103)	(1 670)
Permanent differences		
Tax effects of income from Norwegian controlled foreign companies (NOKUS)	(22)	(16)
Tax effects share of profit (loss) from joint ventures	(14)	(4)
Dividend within the Tax exemption method	45	31
Gain on realised shares	-	20
Tax effects other permanent differences	(3)	19
Other effects		
Previous year tax adjustment	(11)	20
Other current taxes	6	(3)
Total income tax (expenses) benefit	**(102)**	(1 603)
Effective tax rate	22%	21%

Pending tax issues with tax authorities

Elkem ASA has four debt waiver agreements with Elkem Silicones France SAS. The gross taxable value of these agreements as of 31 December 2023 is NOK 595 million (NOK 595 million), book value NOK 0. Elkem Silicones France SAS has not repaid anything under this agreement in 2023 or 2022. Elkem has previously assessed that the effect of repayment is tax exempted.

The Norwegian Tax Office (NTO) decided in February 2021 to increase Elkem ASA's taxable income for the fiscal years 2016-2019 by NOK 781 million, which increased the income tax expenses by NOK 181 million in 2020. The amount was paid in the first quarter of 2021. The reassessments relate to the debt waiver agreements acquired by Elkem ASA in 2016 through the cross-border parent-subsidiary merger with Bluestar Silicones International Sarl. Elkem is of the opinion that the reassessment is unfounded and has appealed. Based on legal advice, Elkem's assessment is that the defence against the action will be successful. Elkem needs to be virtually certain that the decision by the NTO will be overruled by the Tax Appeal Board, in order for the decision not to be reflected in the financial statements. Due to the complexity of the case, Elkem is not currently able to reach a conclusion with that high level of certainty and the paid amount concerning this case is not reflected in the balance sheet.

Deferred tax assets and deferred tax liabilities

Amounts in NOK million	31.12.2023	31.12.2022
Derivatives	(239)	(475)
Property, plant, equipment and intangible assets	(291)	(244)
Pension liabilities	18	17
Trade receivable	3	2
Inventory	(8)	(42)
Provisions and other liabilities	3	1
Other differences	0	(1)
Net deferred tax assets (liabilities)	**(514)**	(741)

Movement in net deferred tax assets (liabilities)

Amounts in NOK million	2023	2022
Opening balance	(741)	(306)
Charged to profit (loss)	(44)	(270)
Changes in deferred tax hedges charged to equity	271	(146)
Change in actuarial gains (losses) charged to equity	0	(1)
Effect of merger	-	(19)
Closing balance	**(514)**	(741)

13. Property, plant, and equipment

2023

Amounts in NOK million	Land	Buildings and other property	Plant, machinery, equipment and motor vehicles	Office and other equipment	Construction in progress	Total
Opening balance	10	805	2 683	25	575	**4 098**
Additions	-	0	4	0	929	**934**
Transferred from CiP	-	125	499	19	(643)	**-**
Reclassifications	(1)	1	(1)	-	-	**-**
Impairment losses	-	(0)	(20)	-	(0)	**(20)**
Depreciation	-	(73)	(352)	(8)	-	**(433)**
Closing balance	9	857	2 814	36	861	**4 578**
Historical cost	10	2 013	6 588	114	861	**9 586**
Accumulated depreciation	-	(1 151)	(3 688)	(78)	-	**(4 917)**
Accumulated impairment losses	(0)	(5)	(86)	(0)	-	**(92)**
Closing balance	9	857	2 814	36	861	**4 578**
Estimated useful life	Indefinite	5-40 years	3-30 years	3-20 years		
Depreciation plan		Straight-line	Straight-line	Straight-line		

Impairment losses in 2023 are primarily related to impairment as a result of fire at Salten NOK 17 million.

2022

Amounts in NOK million	Land	Buildings and other property	Plant, machinery, equipment and motor vehicles	Office and other equipment	Construction in progress	Total
Opening balance	9	599	1 840	27	528	**3 003**
Additions	1	8	4	0	539	**552**
Disposals	-	(0)	(0)	-	(5)	**(5)**
Transferred from CiP	0	79	401	6	(486)	**-**
Reclassifications	-	-	1	-	(7)	**(6)**
Merger	-	183	748	-	7	**938**
Impairment losses	-	-	(2)	-	(1)	**(3)**
Depreciation	-	(64)	(309)	(8)	-	**(381)**
Closing balance	10	805	2 683	25	575	**4 098**
Historical cost	10	1 894	6 136	101	575	**8 716**
Accumulated depreciation	-	(1 084)	(3 385)	(75)	-	**(4 544)**
Accumulated impairment losses	(0)	(5)	(68)	(0)	-	**(73)**
Closing balance	10	805	2 683	25	575	**4 098**
Estimated useful life	Indefinite	5-40 years	3-30 years	3-20 years		
Depreciation plan		Straight-line	Straight-line	Straight-line		

14. Intangable assets and goodwill

2023

Amounts in NOK million	Goodwill	Software	Other intangible assets	Intangible assets under construction	**Total intangible assets**
Opening balance	16	40	11	30	**81**
Additions	-	1	-	32	**33**
Transferred from CiP	-	25	4	(29)	**-**
Amortisation	(4)	(23)	(3)	-	**(25)**
Closing balance	12	43	12	33	**88**
Historical cost	40	234	31	33	**298**
Accumulated amortisation	(28)	(191)	(19)	-	**(210)**
Closing balance	12	43	12	33	**88**
Estimated useful life	10 years	3-10 years	3-10 years		
Amortisation plan	Straight-line	Straight-line	Straight-line		

2022

Amounts in NOK million	Goodwill	Software	Other intangible assets	Intangible assets under construction	**Total intangible assets**
Opening balance	20	50	13	48	**111**
Additions	-	0	-	0	**1**
Disposals	-	-	-	(16)	**(16)**
Transferred from CiP	-	3	-	(3)	**-**
Reclassifications	-	6	0	-	**6**
Amortisation	(4)	(19)	(3)	-	**(22)**
Closing balance	16	40	11	30	**81**
Historical cost	40	216	28	30	**274**
Accumulated amortisation	(24)	(177)	(17)	-	**(193)**
Closing balance	16	40	11	30	**81**
Estimated useful life	10 years	3-10 years	3-10 years		
Amortisation plan	Straight-line	Straight-line	Straight-line		

15. Investments in subsidiaries

Investment in subsidiaries of Elkem ASA	Owner share Vote rights (%)	Country	Carrying amount 31.12.2023	Carrying amount 31.12.2022
Elkem Carbon AS	100%	Norway	**122**	125
Elkem Chartering Holding AS	80%	Norway	**1**	1
Elkem Digital Office AS	100%	Norway	**8**	8
Elkem Distribution Center B.V.	100%	Netherlands	**0**	0
Elkem Foundry (China) Co., Ltd.	100%	China	**66**	66
Elkem GmbH	100%	Germany	**1**	1
Elkem Iberia S.L.U	100%	Spain	**0**	0
Elkem International AS	100%	Norway	**5**	5
Elkem International Trade (Shanghai) Co. Ltd. [1]	11%	China	**1**	1
Elkem Ísland ehf.	100%	Iceland	**785**	785
Elkem Japan K.K	100%	Japan	**0**	0
Elkem Korea Co. Ltd.	100%	Republic of Korea	**19**	19
Elkem Madencilik Metalurji Sanayi Ve Ticaret Ltd. STI [1]	1%	Turkey	**0**	0
Elkem Materials Processing (Tianjin) Co., Ltd.	100%	China	**1**	1
Elkem Materials Processing Services BV	100%	Netherlands	**1**	1
Elkem Metal Canada Inc.	100%	Canada	**7**	7
Elkem Milling Services GmbH	100%	Germany	**12**	12
Elkem Nordic A.S.	100%	Denmark	**5**	5
Elkem Oilfield Chemicals FZCO Ltd.	51%	UAE	**13**	13
Elkem Paraguay S.A. [1]	79%	Paraguay	**498**	498
Elkem Processing Services S.A.	100%	Belgium	**34**	34
Elkem S.a.r.l.	100%	France	**-**	-
Elkem S.r.l.	100%	Italy	**6**	6
Elkem Silicon Materials (Lanzhou) Co., Ltd.	100%	China	**1 033**	1 033
Elkem Silicon Product Development AS	100%	Norway	**8**	8
Elkem Siliconas España S.A.U	100%	Spain	**125**	125
Elkem Silicones Brasil Ltda.	100%	Brazil	**214**	214
Elkem Silicones Canada Corp.	100%	Canada	**6**	6
Elkem Silicones Czech Republic, s.r.o.	100%	Czech Republic	**2**	2
Elkem Silicones Finland OY	100%	Finland	**5**	5
Elkem Silicones France SAS	100%	France	**2 165**	2 163
Elkem Silicones Germany GmbH	100%	Germany	**130**	130
Elkem Silicones Guangdong Co., Ltd.	100%	China	**1 543**	1 543
Elkem Silicones Hong Kong Co., Ltd.	100%	Hong Kong	**102**	102
Elkem Silicones Korea Co., Ltd.	100%	Republic of Korea	**219**	219
Elkem Silicones México S. De R.L. De C.V.	100%	Mexico	**5**	5
Elkem Silicones Poland sp. z o.o.	100%	Poland	**4**	4
Elkem Silicones Scandinavia AS	100%	Norway	**15**	15
Elkem Silicones Services S.à.r.l	100%	France	**4**	5
Elkem Silicones Shanghai Co., Ltd.	100%	China	**109**	109
Elkem Silicones USA Corp.	100%	USA	**261**	261
Elkem Siliconi Italia S.r.l.	100%	Italy	**24**	24
Elkem Singapore Materials Pte. Ltd.	100%	Singapore	**0**	0
Elkem South Asia Private Limited	100%	India	**34**	34
Elkem (Thailand) Co., Ltd.	100%	Thailand	**3**	3
Elkem UK Holdings Ltd.	100%	United Kingdom	**78**	78
Elkem Uruguay S.A.	100%	Uruguay	**33**	33
Explotación de Rocas Industriales y Minerales S.A. (ERIMSA)	100%	Spain	**80**	80
Jiangxi Bluestar Xinghuo Silicones Co., Ltd.	100%	China	**5 015**	4 716
NEH LLC	100%	USA	**98**	98
Total			**12 902**	12 604

[1] Elkem ASA and a subsidiary own 100% of Elkem International Trade (Shanghai) Co. Ltd., Elkem Madencilik Metalurji Sanayi Ve Ticaret Ltd and Elkem Paraguay S.A.

Impairment
For details see note 19 Impairment assessments in the consolidated financial statement.

Income from investments in subsidiaries

Amounts in NOK million	2023	2022
Dividends and group contributions from subsidiaries	**181**	138
Net income on disposal of subsidiary	**-**	92
Dividends from associates (note 19)	**22**	-
Total income from subsidiaries and associated companies	**203**	229

16. Investments in joint ventures

	Company address	Country	Owner share Voting rights 2023	Owner share Voting rights 2022	Accounting method
Elkania DA	Hauge i Dalane	Norway	50%	50%	Gross method
Vianode AS [1]	Oslo	Norway	40%	40%	Equity
Salten Energigjenvinning AS [2]	Oslo	Norway	-	-	Equity

[1] The share of ownership is equal to Elkem ASA's voting rights, with the exception of Elkem ASA's investment in Vianode AS where the parties have 33.33% ownership influence. Elkem ASA sold 60% of the shares in Vianode AS in September 2022, reducing its ownership from 100% to 40%

[2] The remaining shares was purchased on 31 January 2022 and the company was followingly merged with Elkem ASA.

Main figures for the investments accounted for by equity method. The figures show Elkem ASA's portion.

Total interests in joint ventures

Amounts in NOK million	2023	2022
Opening balance	**639**	46
Acquisition of shares and capital contribution	**267**	267
Change in equity interest, to subsidiary	**-**	(47)
Change in equity interest	**-**	383
Share of profit / (loss)	**(63)**	(17)
Share of other comprehensive income	**(0)**	7
Closing balance	**843**	639

Main figures for Elkania DA accounted for using the gross method, showing Elkem ASA's portion.

Amounts in NOK million	31.12.2023	31.12.2022
Current assets	**48**	47
Non-current assets	**28**	24
Current liabilities	**4**	18
Non-current liabilities	**9**	8
Net assets	**63**	45
Total revenue	**46**	53
Total expenses	**(28)**	(29)
Financial items	**(0)**	(0)
Tax	**-**	-
Total profit / (loss) for the year	**18**	24

17. Inventories

Amounts in NOK million	31.12.2023	31.12.2022
Finished goods	**1 029**	1 206
Semi-finished goods	**273**	228
Raw materials	**742**	1 012
Operating materials and spare parts	**377**	307
Total inventories	**2 421**	2 753
Provisions for write down of inventories	**81**	2

18. Trade receivables

Amounts in NOK million	31.12.2023	31.12.2022
Trade receivables	**364**	518
Trade receivables, related parties	**961**	1 075
Provision for doubtful accounts	**(13)**	(11)
Total trade receivables	**1 312**	1 582

Elkem ASA and its subsidiary Elkem Carbon AS have entered into a factoring agreement with a credit limit of EUR 100 million, NOK 1,124 million, to sell on continuing basis trade receivables that meet specific conditions. The agreement includes a recourse clause for maximum 5% of the face value of the individual receivable sold. The non-recourse amount of the receivables sold is derecognised and the recourse amount is recognised as a current liability when the title to the receivables is transferred. As at 31 December 2023, NOK 61 million (NOK 50 million) is recognised as current liability (see note 23 Provisions and other liabilities). In addition, Elkem has entered into factoring agreements without recourse for some specific customers. Receivables that are sold without recourse are derecognised in its entirety when the title is transferred, as there is no remaining credit risk after transfer. As at 31 December 2023 NOK 999 million (NOK 1,235 million) of Elkem ASA's trade receivables is derecognised under these agreements.

Analysis of gross trade receivables by age, presented based on the due date

Amounts in NOK million	31.12.2023	31.12.2022
Not due	**267**	269
1 - 30 days	**70**	204
31 - 60 days	**12**	6
61 - 90 days	**6**	23
More than 90 days	**9**	16
Total trade receivables	**364**	518

Elkem ASA 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 allowance for expected credit losses

Amounts in NOK million	2023	2022
Opening balance	**(11)**	(10)
Losses during the year	**(0)**	0
New provisions	**(4)**	(3)
Reversed provisions	**2**	1
Closing balance	**(13)**	(11)

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

Amounts in NOK million	31.12.2023	31.12.2022
Not due	**(1)**	(2)
Overdue by:		
1 - 30 days	**(0)**	(1)
31 - 60 days	**(2)**	(0)
61 - 90 days	**(2)**	(0)
More than 90 days	**(8)**	(8)
Total provisions for doubtful accounts	**(13)**	(11)

19. Other assets

	Non-current		Current	
Amounts in NOK million	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Shares in associates [1]	**9**	9	**-**	-
Other shares	**9**	8	**-**	-
Restricted deposits	**32**	31	**-**	-
Other deposits	**1**	1	**-**	-
Pension assets, defined benefits and contribution plans	**-**	-	**2**	1
Prepayments	**1**	1	**56**	30
Loans and deposits to related parties, interest-bearing (note 26)	**6 236**	4 221	**122**	1 074
Grants receivable (note 5)	**-**	-	**583**	553
Value added tax	**-**	-	**69**	75
Interest receivable from related parties (note 26)	**-**	-	**62**	26
Other receivables	**9**	8	**4**	19
Other assets	**0**	0	**6**	6
Total other assets	**6 295**	4 278	**904**	1 786

[1] Elkem ASA owns 25% of the shares in EPB Chartering AS and 20% of the shares in Future Materials AS. Elkem has received NOK 22 million in dividends during 2023, see note 15 Investment in subsidiaries.

20. Equity

2023

Amounts in NOK million	Share capital	Other paid in capital	Total paid in capital	Retained earnings	Total equity
Opening balance	3 197	296	3 493	10 515	**14 009**
Profit for the year	-	-	-	365	**365**
Cash flow hedge	-	-	-	(960)	**(960)**
Share of items booked against equity from joint ventures	-	-	-	(0)	**(0)**
Remeasurement pension obligations gains (losses)	-	-	-	(1)	**(1)**
Currency translation differences	-	-	-	0	**0**
Share-based payments	-	8	8	-	**8**
Net movement treasury shares	-	(3)	(3)	(5)	**(8)**
Dividends	-	-	-	(2)	**(2)**
Closing balance	3 197	301	3 498	9 912	**13 410**

Share capital
The share capital of Elkem ASA is NOK 3,197,206,890 divided on 639,441,378 shares of NOK 5 nominal value. Of this amount Elkem ASA held 5,551,090 treasury shares as at 31 December 2023. Each share has one vote.

Other paid-in capital
Other paid-in capital consists of par value of Elkem ASA's treasury shares negative NOK 28 million (negative NOK 25 million) and other capital contributions from owners (e.g. share-based payments).

Other retained earnings and dividends
Other retained earnings consist of all other net gains and losses not recognised elsewhere. For the year 2023 the board of directors has proposed to not pay dividends. The dividend of NOK 2 million relates to adjustment of dividends paid for 2022, in 2023.

2022

Amounts in NOK million	Share capital	Other paid in capital	Total paid in capital	Retained earnings	Total equity
Opening balance	3 197	2 981	6 178	5 104	**11 283**
Profit for the year	-	-	-	5 990	**5 990**
Cash flow hedge	-	-	-	516	**516**
Share of items booked against equity from joint ventures	-	-	-	20	**20**
Remeasurement pension obligations gains (losses)	-	-	-	5	**5**
Currency translation differences	-	-	-	0	**0**
Share-based payments	-	24	24	-	**24**
Net movement treasury shares	-	7	7	(46)	**(38)**
Merger	-	-	-	4	**4**
Dividends	-	(2 716)	(2 716)	(1 079)	**(3 795)**
Closing balance	3 197	296	3 493	10 515	**14 009**

21. Shareholders

The table shows shareholders holding 1% or more of the total 639,441,378 shares outstanding as of 31 December 2023, according to information in the Norwegian "securities registry system" (Verdipapirsentralen).

Name	Number of Shares	Ownership
Bluestar Elkem International Co., Ltd. S.A.	338 338 536	52.9%
Folketrygdfondet	27 267 701	4.3%
Must Invest AS	17 689 827	2.8%
Pareto Aksje Norge Verdipapirfond	15 315 726	2.4%
Verdipapirfondet Storebrand Norge	8 704 395	1.4%
The Bank of New York Mellon SA/NV [1]	7 393 161	1.2%
State Street Bank and Trust Comp [1]	6 928 605	1.1%
Total shareholders with ownership greater than 1%	**421 637 951**	**65.9%**

[1] *Nominee accounts*

Information on shares held by key management personnel is included in "Report on salary and other remuneration to leading personnel in Elkem ASA for the financial year 2023" and note 9 Employee benefits in the consolidated financial statement.

22. Interest-bearing assets and liabilities

	Non-current		Current	
Amounts in NOK million	**31.12.2023**	31.12.2022	**31.12.2023**	31.12.2022
Interest-bearing liabilities				
Deposits from related parties (note 26)	**251**	171	**5 382**	3 831
Loans from external parties, other than bank	**5 279**	3 688	**1 051**	1
Bank financing	**5 573**	5 214	**-**	56
Accrued interest	**-**	-	**26**	16
Total interest-bearing liabilities	**11 103**	9 074	**6 459**	3 903
Interest-bearing assets				
Cash and cash equivalents	**-**	-	**3 327**	5 316
Restricted deposits	**32**	31	**4**	-
Loans to related parties (note 26)	**6 236**	4 221	**-**	801
Deposits to related parties (note 26)	**-**	-	**122**	272
Loans to external parties	**9**	8	**-**	-
Interest receivables from related parties (note 26)	**-**	-	**62**	26
Interest receivables from external parties	**-**	-	**-**	-
Total interest-bearing assets	**6 276**	4 260	**3 515**	6 416
Net interest-bearing assets / (liabilities)	**(4 826)**	(4 814)	**(2 944)**	2 512

Interest-bearing liabilities by currency

	31.12.2023		31.12.2022	
Amounts in NOK million	Currency amount	**NOK**	Currency amount	NOK
EUR	905	**10 170**	710	7 469
USD	157	**1 597**	106	1 045
NOK	5 274	**5 274**	4 137	4 137
Other currencies	-	**520**	-	326
Total interest-bearing liabilities		**17 561**		12 977

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 2023

Amounts in NOK million	2024	2025	2026	2027	2028	2029 and later	**Total**
Deposits from related parties	5 382	251	-	-	-	-	**5 632**
Loans from external parties, other than bank	1 051	1 031	2 354	500	1 393	-	**6 329**
Bank financing	-	-	-	5 619	-	-	**5 619**
Accrued interest	26	-	-	-	-	-	**26**
Total	6 459	1 282	2 354	6 119	1 393	-	**17 607**
Prepaid loan fees							**(45)**
Total interest-bearing liabilities							**17 561**

Maturity of interest-bearing liabilities 31 December 2022

Amounts in NOK million	2023	2024	2025	2026	2027	2028 and later	**Total**
Deposits from related parties	3 831	171	-	-	-	-	**4 002**
Loans from external parties, other than bank	1	908	1 234	942	500	105	**3 689**
Bank financing	56	-	-	-	5 257	-	**5 313**
Accrued interest	16	-	-	-	-	-	**16**
Total	3 903	1 079	1 234	942	5 757	105	**13 019**
Prepaid loan fees							**(42)**
Total interest-bearing liabilities							**12 977**

Loan agreements

The main non-current loan agreements as of 31 December 2023 are a term loan of EUR 500 million (EUR 500 million), issued bond loans of a total of NOK 2,750 million (NOK 2,500 million) and a series of loans issued in the Schuldschein market of EUR 225 million (EUR 113 million). The interest rates for the non-current loan agreements are in the range of 5.65 % to 6.27% for the bond loans and 1.82% to 5.64% for the loans in the Schuldschein market. For the term loan the interest rate is 5.23%.

Elkem ASA has placed a series of unsecured floating rate loans in the Schuldschein market. Total size of the transaction amounts to EUR 200 million, of which EUR 52 million was drawn in December 2022 and EUR 148 million in January 2023. Elkem ASA has also issued green bonds of NOK 1,000 million in August 2023.

The term loan of EUR 500 million is linked to two sustainability KPIs, KPI 1 Lost Time Injury Rate and KPI 2 Product Group Carbon Footprint. The margin of the RCF and term loan shall be reduced by 0.025% if both KPIs are met, and increased by 0.025% if none of the KPIs are met. If one KPI is met there shall be no change to the margin. Based on inital testing of the KPI's there will be no change to the margin in 2024.

One of the loans issued in the Schuldschein market (EUR 15 million) is a fixed rate loan with a fixed rate of 1.82%. Given the market conditions as at 31 December 2023 the loan would have been approximately EUR 0.4 million lower, due to the difference between fixed rate and market rate. The green bond consists of one part with floating interest rate and one part with fixed interest rate. Elkem has entered into a interest swap from fixed to floating interest rate for the part of the green bond with fixed rate. As at 31.12.2023 the fair value of this swap is NOK 12 million.

The bond loans are listed on on Oslo Børs from January 2024. The fair value of the bond loans is negative NOK 12 million.

The loan facilities are unsecured, but part of the loans have financial covenants related to them, see below. Elkem initiated a waiver process during first quarter of 2024, and requested the lenders' consent for a temporary waiver of the current Interest Cover Ratio to ensure that Elkem has sufficient headroom to operate through these uncertain times.

Credit facilities

Elkem ASA is granted credit facilities of EUR 500 million (NOK 5,619 million) and NOK 250 million, a total of NOK 5,869 million in granted credit facilities. Both facilities remained undrawn at 31 December 2023 and 31 December 2022.

Covenants

The credit facilities and the bank financing in Elkem ASA contain financial covenants based on the consolidated financial statements of Elkem group. In addition parts of the loans from external part, other than bank, contain financial covenants. The financial covenants are identical towards the different parties and remain equal to previous year's covenants. In total drawn loans of NOK 8,148 million (NOK 6,501 million) have covenants as described below. Elkem ASA is compliant with its covenants at the end of 2023 and 2022.

Covenants Elkem group

Amounts in NOK million	**31.12.2023**	31.12.2022	Loan covenant
Total equity	**24 458**	28 773	
Total assets	**50 500**	52 781	
Equity ratio	**48%**	55%	> 30%
EBITDA excluding income/loss from associated entities and joint ventures	**3 726**	12 790	
Net interest payable	**597**	219	
Interest cover ratio	**6.24**	58.38	> 4.00

23. Provisions and other liabilities

	Non-current		Current	
Amounts in NOK million	**31.12.2023**	31.12.2022	**31.12.2023**	31.12.2022
Employee withholding taxes, social security tax and other public taxes	**-**	-	**94**	103
Value added tax	**-**	-	**39**	29
Prepayments from customers	**-**	-	**25**	24
Payables to related parties (note 26)	**-**	-	**44**	60
Provisions	**47**	45	**6**	3
Obligation to finance subsidiary	**37**	37	**-**	-
Contingent consideration related to purchase of subsidiary	**-**	-	**-**	42
Accrued expenses	**-**	-	**285**	358
Employee benefits	**-**	-	**214**	248
Deferred income, government grants	**-**	-	**1**	7
Recourse liability factoring agreement (note 18)	**-**	-	**61**	50
Settlement liability factoring agreements	**-**	-	**32**	-
Other liabilities	**-**	-	**2**	5
Total provisions and other liabilities	**84**	82	**803**	927

The contingent consideration related to purchase of subsidiaries relates to the acquisition of Polysil on 1 April 2020. The consideration is fully paid by the end of 2023.

Movements in provision 2023

Amounts in NOK million	Site restoration	Environmental measures	**Total provisions**
Opening balance	32	16	**48**
Additional provisions recognised	1	4	**5**
Closing balance	34	20	**53**
Hereof non-current	34	14	**47**
Hereof current	-	6	**6**
Closing balance	34	20	**53**

Site restoration

The site restoration provisions are related to the necessary site remediation work that Elkem ASA will have to undertake in respect of its quartz mines.

Environmental measures

Elkem ASA has nationwide operations representing potential exposure towards environmental consequences. Elkem ASA has established clear procedures to minimise environmental emissions, well within public emission limits. The estimated provisions relate to estimated clean-up costs in connection with closed landfills.

24. Financial instruments

Currency exchange contracts

Elkem ASA enters into forward currency contracts to mitigate Elkem group's foreign currency exposure. Hedge accounting is not applied, the contracts are classified as held for trading and booked at fair value in the income statement. Elkem ASA's Treasury department also offers internal currency hedging for major purchase / sale-contracts entered into by the subsidiaries. Such contracts cannot be designated in a hedging relationship, hence the changes in fair value are recognised in the income statement.

Elkem has embedded EUR derivatives in own use power contracts where the spot element is designated as hedging instruments in a cash flow hedge to hedge currency fluctuations in highly probable future sales, from 1 January 2016. Unrealised effects are from that date booked against equity and later reclassified to revenue when realised. Realised hedging effects from such derivatives in 2023 constitute a loss of NOK 122 million (loss of NOK 29 million).

Details of currency exchange contracts
31 December 2023

Purchase currency	Purchase ccy million	Sale currency	Sale ccy million	Type of instrument	Currency rate	Due	Fair value [1]	Notional value [2]
CAD	9	USD	7	Fwd	1,345	2023	1	68
NOK	1 897	EUR	164	Fwd	11,541	2023	43	1 848
NOK	193	JPY	1 976	Fwd	0,098	2023	48	142
NOK	234	JPY	2 266	Fwd	0,103	2024-2026	61	163
NOK	167	USD	16	Fwd	10,167	2023	0	167
NOK	807	EUR	76	Embedded [3]	10,649	2023	(54)	851
NOK	5 101	EUR	458	Embedded [3]	11,137	2024-2034	(235)	5 148
EUR	1	USD	1	Fwd [4]	0,917	2024	(0)	1
Total fair value							**(136)**	

Details of currency exchange contracts
31 December 2022

Purchase currency	Purchase ccy million	Sale currency	Sale ccy million	Type of instrument	Currency rate	Due	Fair value [1]	Notional value [2]
CAD	40	USD	31	Fwd	1,310	2023	(9)	301
NOK	1 750	EUR	170	Fwd	10,279	2023	(44)	1 790
NOK	189	JPY	2 014	Fwd	0,094	2023	36	151
NOK	426	JPY	4 242	Fwd	0,101	2024-2026	88	317
NOK	764	USD	79	Fwd	9,677	2023	(10)	780
NOK	719	EUR	69	Embedded [3]	10,452	2023	(22)	723
NOK	3 688	EUR	335	Embedded [3]	11,017	2024-2034	42	3 520
Total fair value							80	

[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.
[4] Currency exchange contract with related parties

Power contracts recognised at fair value

Elkem ASA enters into power derivative contracts to meet its need for power at the plants. These 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.

The effective part of change in fair value of contracts designated in hedging relationships is booked temporarily in equity, and recycled to the income statement when the hedged items are realised. Realised effects from the hedging of future need for power are a gain of NOK 112 million (gain of NOK 377 million), which is included in raw materials and energy for production. The ineffective part of change in fair value of contracts designated in hedging relationships is recognised as a part of other gains (losses) related to operating activities, see note 10 Other gains (losses) related to operating activities.

In addition, Elkem ASA holds power contracts, which are entered into and continue to be held for the purpose of the receipt of power. These contracts are booked at the lower of cost and fair value. As at 31 December 2023 the fair value of these contracts is higher than cost (zero).

Interest rate swap

Elkem ASA has a policy of floating interest rate on long-term financing. In 2023 Elkem issued financing with fixed interest rate and entered into an interest rate swap from fixed to floating interest rate. Hence, the effective part of changes in fair value of the financial instruments is booked against OCI, and recycled to profit or loss as a regulatory interest expense when realised.

Details of fair value of power derivative contracts and interest rate swap
31 December 2023

Amounts in NOK million	Volume GWh	Due	Fair value	Notional amount [1]
Commodity contract "30-øringen"	501	2024	303	172
Commodity contract "30-øringen"	3 006	2025-2030	907	1 105
Interest rate swap	350 000	2024-2028	12	94
Total fair value			**1 223**	

Details of fair value of power derivative contracts
31 December 2022

Amounts in NOK million	Volume GWh	Due	Fair value	Notional amount [1]
Forward contracts financial institutions	44	2023	43	15
Commodity contract "30-øringen"	501	2023	608	158
Commodity contract "30-øringen"	3 510	2024-2030	1 430	1 199
Total fair value			2 080	

[1] Notional amount based on currency rates at 31 December.

25. Financial risk

Financial risk management in Elkem ASA is described in note 27 Financial risk, and capital management policies are described in note 28 Capital management, in the consolidated financial statement. Elkem ASA's use of derivative instruments are described in note 24 Financial instruments. See note 22 Interest-bearing assets and liabilities for details of credit facilities and maturity profile of interest-bearing liabilities. The exposure to credit risk is represented by the carrying amount of each class of financial assets, including derivative financial instruments, recorded in the balance sheet.

26. Related parties

Elkem ASA is owned 52.9% by Bluestar Elkem International Co. Ltd S.A., Luxembourg, which is under control of Sinochem Holdings Co., Ltd (Sinochem), a company registered and domiciled in China. The structure of the Elkem group is disclosed in notes to the consolidated financial statement; in note 4 Composition of the group and note 5 Equity accounted investments and joint operations. Details of transactions between Elkem ASA and the parent company, subsidiaries, joint ventures and associates, and related parties within Sinochem are disclosed below.

2023

Amounts in NOK million	Sale of goods	Purchase of goods	Sale of services	Purchase of services	Interest income	Interest expenses
Bluestar Elkem International Co., Ltd. S.A.	-	-	-	-	-	-
Related parties within Sinochem	-	-	-	(0)	-	-
Subsidiaries	1 749	(1 325)	519	(571)	319	(200)
Joint ventures and associates	-	-	52	(145)	-	-
Total related parties transactions	1 749	(1 325)	571	(716)	319	(200)

2022

Amounts in NOK million	Sale of goods	Purchase of goods	Sale of services	Purchase of services	Interest income	Interest expenses
Bluestar Elkem International Co., Ltd. S.A.	-	-	-	-	-	-
Related parties within Sinochem	-	-	-	-	-	-
Subsidiaries	2 985	(1 148)	554	(540)	130	(48)
Joint ventures and associates	-	-	12	(145)	-	-
Total related parties transactions	2 985	(1 148)	565	(685)	130	(48)

Balances with related parties

Amounts in NOK million	Non-current 31.12.2023	Non-current 31.12.2022	Current 31.12.2023	Current 31.12.2022
Trade receivables, subsidiaries	**-**	-	**957**	1 068
Trade receivables, joint ventures and associates	**-**	-	**4**	6
Loans to subsidiaries, interest-bearing	**6 236**	4 221	**-**	801
Deposits from subsidiaries, interest-bearing	**-**	-	**122**	272
Interest receivable from subsidiaries	**-**	-	**62**	26
Deposits from subsidiaries, interest-bearing	**(251)**	(171)	**(5 382)**	(3 831)
Other payables to subsidiaries, interest free	**-**	-	**(44)**	(60)
Trade payables, Bluestar Elkem Investment Co. Ltd. S.A	**-**	-	**(5)**	(5)
Trade payables, related parties within Sinochem	**-**	-	**(0)**	-
Trade payables, subsidiaries	**-**	-	**(422)**	(412)
Trade payables, joint ventures and associates	**-**	-	**(12)**	(30)

Transactions with key management personnel

Information on transactions with key management personnel is included in "Report on salary and other remuneration to leading personnel in Elkem ASA for the financial year 2023" and note 9 Employee benefits in the consolidated financial statement.

Commitment with related parties

Elkem has no commitments to related parties.

Information about transactions between related parties

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

The majority of the transactions between related parties relate to products involving:

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

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 intra-group loans are normally interest-bearing and interest is calculated based on interbank rates (for example NIBOR) and a margin.

27. Pledge of assets and guarantees

Guarantee commitments

Amounts in NOK million	**31.12.2023**	31.12.2022
Guarantees given on behalf of the operating plants regarding environmental obligations	**40**	40
Guarantees given on behalf of subsidiaries regarding financing	**738**	681

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 liabilities is NOK 61 million (NOK 50 million).

28. Supplemental information to the cash flow statement

The following table gives a detailed overview of changes in working capital in the cash flow statement. Working capital is defined as trade receivables, inventories, other current assets, accounts payable, current employee benefit obligations and other current liabilities. 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 trade payables related to purchase of non-current assets. Other current liabilities are defined as provisions and other current liabilities less current provisions, contingent considerations, contract obligations and liabilities to related parties.

Changes in working capital

Amounts in NOK million	**2023**	2022
Changes in trade receivables	**269**	166
Changes in inventories	**331**	(1 074)
Changes in other current assets	**(4)**	127
Changes in accounts payable	**(53)**	(183)
Changes in other current liabilities including employee benefit obligations	**(69)**	90
Total	**474**	(875)

29. Events after the reporting period

No events have taken place after the reporting period that would have had a material impact on the financial statements or any assessments carried out.

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 2023 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, 12 March 2024

Zhigang Hao
Chair of the Board

Dag Jakob Opedal
Vice chair

Olivier Tillette de Clermont-Tonnerre
Board member

Yougen Ge
Board member

Bo Li
Board member

Grace Tang
Board member

Nathalie Brunelle
Board member

Marianne Elisabeth Johnsen
Board member

Terje Andre Hanssen
Board member

Marianne Færøyvik
Board member

Thomas Eggan
Board member

Helge Aasen,
CEO, Elkem ASA

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To the General Meeting of Elkem ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Elkem ASA, which comprise:

- the financial statements of the parent company Elkem ASA (the Company), which comprise the balance sheet as at 31 December 2023, 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 consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including

International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 8 years from the election by the general meeting of the shareholders on 20 April 2016 for the accounting year 2016.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of the carrying amount of Goodwill and Property, plant and equipment

Refer to Note 3 *Accounting estimates* and Note 19 *Impairment assessments*

The key audit matter	*How the matter was addressed in our audit*
Starting in late 2022 and throughout 2023 the Silicones division has experienced a deteriorating market situation that has resulted in a weak financial performance. Management has identified impairment indicators for Goodwill allocated to Silicones, as well as the carrying amount for the following CGU's within the Silicones division; - Elkem Silicones Xinghuo/Yongdeng with a total carrying amount of NOK 9 849 million, - Elkem Silicones excluding Xinghuo/Yongdeng, Elkem Guangdong, and Elkem Silicones Korea, with a total carrying amount of NOK 6 177 million, - Elkem Silicones Guangdong with a total carrying amount of NOK 627 million. The Group's carrying amount of Goodwill as of 31 December 2023 is NOK 1 015 million, where NOK 710 million is allocated to the Silicones segment. The annual impairment test of Goodwill for the Silicones division and the impairment test for the three CGU's of Property, plant and equipment mentioned above, was significant to our audit because of the size of the balances, the challenging market conditions experienced during 2023, as well as the significant estimation uncertainty in developing the estimates to determine the recoverable amounts. In addition, management's assessment process is complex and highly judgmental and is based on significant assumptions, mainly sales prices, sales volumes, raw material prices and discount rates.	Our audit procedures in this area included: • Assessing management's process and results for identification and classification of CGUs to assess whether they were appropriate and in accordance with relevant accounting standards, • Evaluating management's assessment of impairment indicators, • Performing retrospective reviews of the accuracy of management's estimates in terms of timing of cash-flows and other assumptions where historical data is available, • Testing the sensitivity of movements in key assumptions, • 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, sales volumes and raw material prices with reference to external sources and other relevant benchmarks, • Assessing, with the assistance of our valuation specialists, the mathematical accuracy and methodological integrity of management's impairment models and the reasonableness of discount rates applied with reference to external sources; and

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Based on management's assessment of the recoverable amounts, no impairment has been recognised for the year ended 31 December 2023.	• Evaluating the adequacy and appropriateness of the disclosures in the financial statements related to impairment of Goodwill and Property, plant and equipment.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion the Board of Directors' report

- is consistent with the financial statements,
- contains the information required by applicable statutory requirements.

Our opinion on the Board of Director's report applies correspondingly to the Board of directors' report on Corporate Governance and the reporting on Corporate Social Responsibility as included in the ESG report.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation of the consolidated financial statements of the Group that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU. Management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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- 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 and 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's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on Compliance with Requirement on European Single Electronic Format (ESEF)

Opinion

As part of the audit of the financial statements of Elkem ASA, we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name 549300CVBE06T0SH6T76-2023-12-31-en, have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant

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to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format, and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF regulation.

Management's Responsibilities

Management is responsible for the preparation of the annual report in compliance with the ESEF regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

Auditor's Responsibilities

Our responsibility, based on audit evidence obtained, is to express an opinion on whether, in all material respects, the financial statements included in the annual report have been prepared in compliance with ESEF. We conduct our work in compliance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance about whether the financial statements included in the annual report have been prepared in compliance with the ESEF Regulation.

As part of our work, we have performed procedures to obtain an understanding of the Company's processes for preparing the financial statements in compliance with the ESEF Regulation. We examine whether the financial statements are presented in XHTML-format. We evaluate the completeness and accuracy of the iXBRL tagging of the consolidated financial statements and assess management's use of judgement. Our procedures include reconciliation of the iXBRL tagged data with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Oslo, 14 March 2024

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Stian Tørrestad
State Authorised Public Accountant

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Appendix - Alternative Performance Measures (APMs)

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

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

Elkem's financial APMs, EBITDA and EBIT

→ EBITDA is defined as Elkem's profit (loss) for the period, less income tax (expense) benefit, finance expenses, foreign exchange gains (losses), finance income, share of profit from equity accounted financial investments, other items (except realised gains and losses from hedge ineffectiveness and discontinuation of hedging), impairment losses and amortisation and depreciation.

→ EBITDA margin is defined as EBITDA divided by total operating income.

→ EBIT 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 (except realised gains and losses from hedge ineffectiveness and discontinuation of hedging).

Below is a reconciliation of EBIT and EBITDA.

2023

Amounts in NOK million	Silicones	Silicon Products	Carbon Solutions	Other	Eliminations	Total
Profit (loss) for the year						**170**
Income tax (expense) benefit						**781**
Finance expenses						**743**
Foreign exchange gains (losses)						**106**
Finance income						**(182)**
Share of profit from equity accounted financial investments						**63**
Other items						**(516)**
Realised effects from hedge ineffectiveness and discontinuation of hedging						**199**
EBIT	(2 142)	2 610	1 164	(585)	318	**1 365**
Impairment losses						**94**
Amortisation and depreciation						**2 312**
EBITDA	(605)	3 304	1 286	(532)	318	**3 771**

2022

Amounts in NOK million	Silicones	Silicon Products	Carbon Solutions	Other	Eliminations	Total
Profit (loss) for the year						**9 642**
Income tax (expense) benefit						**2 594**
Finance expenses						**313**
Foreign exchange gains (losses)						**(85)**
Finance income						**(67)**
Share of profit from equity accounted financial investments						**17**
Other items						**(2 151)**
Realised effects from hedge ineffectiveness and discontinuation of hedging						**635**
EBIT	743	9 632	1 063	(283)	(257)	**10 898**
Impairment losses						**28**
Amortisation and depreciation						**1 999**
EBITDA	2 022	10 226	1 166	(283)	(257)	**12 925**

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, (gains) losses on disposal of subsidiaries, changes in provisions, bills receivables and other, changes in fair value of derivatives, other items (from the statement of profit or loss), realised effects from hedge ineffectiveness and discontinuation of hedging 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	2023	2022
Reinvestments	**(2 351)**	(1 682)
Strategic investments	**(2 866)**	(2 797)
Periodisations [1]	**361**	421
Investments in property, plant and equipment and intangible assets	**(4 856)**	(4 058)

[1] *Periodisations reflects the difference between payment date and accounting date of the investment.*

Amounts in NOK million	2023	2022
Cash flow from operating activities	**3 006**	9 314
Income taxes paid	**2 281**	1 345
Interest payments made	**716**	319
Interest payments received	**(179)**	(66)
(Gains) losses on disposal of subsidiaries	**-**	159
Changes in provisions, bills receivables and other	**(190)**	539
Changes fair value of derivatives	**59**	1 139
Other items	**(516)**	(2 151)
Realised effects from hedge ineffectiveness and discontinuation of hedging	**199**	635
Reinvestments	**(2 351)**	(1 682)
Cash flow from operations	**3 027**	9 551

Elkem's financial APMs, ROCE

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

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

Capital employed and working capital

Amounts in NOK million	31.12.2023	31.12.2022
Inventories	**9 018**	10 325
Trade receivables	**3 209**	4 248
Bills receivable	**(823)**	(1 086)
Accounts receivable	**2 386**	3 162
Other assets, current	**2 062**	1 698
Other receivables to related parties, interest free	**(8)**	(7)
Grants receivables	**(671)**	(620)
Tax receivables	**(261)**	(338)
Accrued interest	**(0)**	(0)
Other current assets included in working capital	**1 122**	733
Trade payables	**5 281**	5 335
Trade payables related to purchase of non-current assets	**(1 313)**	(1 117)
Accounts payables included in working capital	**3 968**	4 219
Employee benefit obligations	**912**	994
Provisions and other liabilities, current	**1 381**	1 545
Provisions, contingent considerations and contract obligations	**(101)**	(144)
Liabilities to related parties	**(17)**	(30)
Other current liabilities included in working capital	**1 263**	1 371
Working capital	**6 383**	7 637
Property, plant and equipment	**22 754**	19 520
Right-of-use assets	**854**	779
Other intangible assets	**1 458**	1 385
Goodwill	**1 015**	984
Equity accounted investments	**1 296**	1 039
Grants payable	**(17)**	(16)
Trade payables- and prepayments related to purchase of non-current assets	**(1 295)**	(1 018)
Capital employed	**32 449**	30 310

Elkem's financial APMs, Leverage ratio

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

Leverage ratio

Amounts in NOK million	**31.12.2023**	31.12.2022
Net interest-bearing assets / (liabilities)	**(9 390)**	(2 559)
Other restricted deposits, non-current	**(51)**	(46)
Receivables from related parties	**(1)**	(1)
Loans to external parties	**(9)**	(8)
Accrued interest income	**-**	(0)
Net interest-bearing assets / (liabilities) less non-current interest-bearing assets (NIBD)	**(9 450)**	(2 615)
EBITDA	**3 771**	12 925
Leverage ratio	**2.5**	0.2

Elkem

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