

Best financial result in Elkem's 117-year history

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

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

Elkem concluded 2021 with the best financial result in its 117-year long history. The financial results were positively impacted by increased sales volumes, attractive sales prices and strong business performance. Sales volume increased year-on-year (YoY) for the second year in a row due to good production volume and strong demand. Sales prices increased to historic high levels in the second half of 2021 due to supply and demand imbalance and higher raw material costs. Silicon supply from China was negatively impacted by power curtailment limiting silicon production. In addition, energy prices increased significantly in China and Europe, resulting in higher raw material costs. The solid business performance was supported by dedicated efforts from employees worldwide, ensuring operational improvements, increased specialisation and attractive investments, further strengthening Elkem's competitiveness. The

board of directors is satisfied with Elkem's business performance supported by a professional organisation, efficient value chains and strong market positions. The board of directors believes that the long-term underlying growth prospects remain solid for Elkem and is of the opinion that Elkem has a solid asset base and financial capability to support further growth, creating value for all of the group's stakeholders.

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

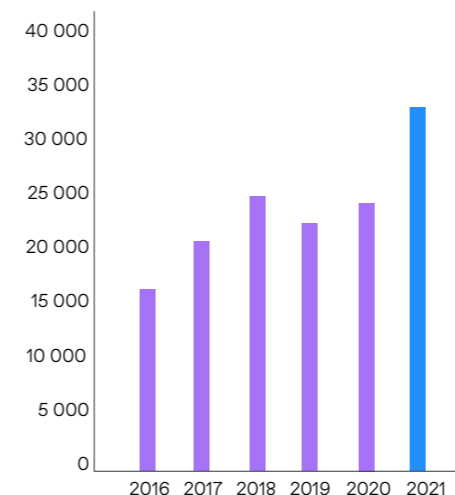
Elkem's policy is to pay a 30-50% dividend of profit for the year. The board of directors has proposed to the annual general meeting a dividend payment of NOK 3.00 per share for 2021, which would represent 41 % of profit for the year. The board of directors' view is that the proposed dividend is appropriate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

¹ EBITDA commented under APM section

² Leverage ratio commented under APM section



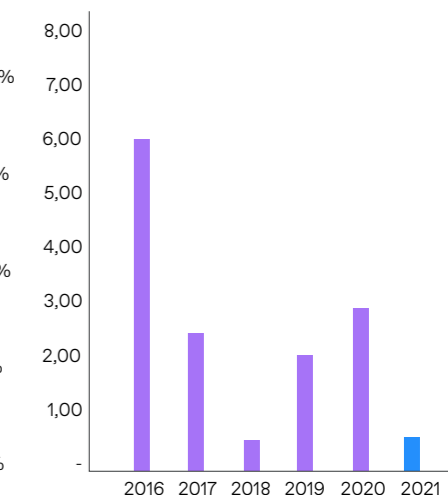
Operating income
NOK million



EBITDA¹
Nok million



Leverage² ratio



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

Key business developments 2021

Revenue growth and specialisation supported by step change investments

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

- In February 2021, Elkem signed an agreement to acquire a brand-new plant near Lyon in France, custom-designed for producing highly specialised organo-functional silicones (OFS). The acquisition underpins Elkem's growth and specialisation strategy.
- In April 2021, Elkem successfully commissioned its industrial pilot for battery materials in Kristiansand, Norway, starting industrial-scale pilot production. In May 2021, as the next step towards large-scale battery materials production, Elkem established Vianode as a new company and brand dedicated to developing and producing sustainable and high-quality active anode materials to meet the demand from the high growth in electric vehicles (EV). A possible investment decision for a fast-track plant construction is expected in the first half of 2022.
- In April 2021, the board of directors approved a NOK 3.8 billion strategic expansion of the Xinghuo Silicones plant in China to strengthen Elkem's position in the fastest-growing silicones market and support further downstream specialisation. In addition, the project will significantly improve Elkem's overall cost position and environmental profile based on state-of-the-art technology. The project will increase the plant's production capacity by more than 50% for high-quality upstream

products, reduce the energy consumption by 57%, reduce the use of raw materials by 11% and give a 30% reduction of solid waste. Improved environmental performance was one of the key decision parameters for Elkem.

- In July 2021, Elkem Silicones announced the opening of its new Research and Innovation Centre in Saint-Fons in Lyon's "Chemical Valley", doubling its space dedicated to research and innovation, with particular attention given to collaborative work and employee safety. Laboratories, offices and collaborative spaces branch out from a central atrium, the heart of the facility housing more than 120 dedicated R&D professionals.
- In October 2021, the board approved an investment in Elkem's silicones plant in Roussillon, France, amounting to NOK 350 million. This project will expand capacity upstream and further enable and strengthen growth in Elkem's speciality business in the EMEA & the Americas. The project will be finalised in the third quarter of 2023. This will also improve Elkem's cost position and environmental performance through debottlenecking, better energy efficiency and upgraded wastewater treatment.
- In November 2021, Prime Minister Jonas Gahr Støre opened the new energy recovery plant at Elkem Salten in northern Norway. The new energy recovery plant will recover approximately 30% of the electrical energy used at Elkem Salten, equal to the power consumption of about 15,000 Norwegian households. The installation positions Elkem Salten as one of the most energy-effective silicon plants in the world, in line with the ambitions of Elkem's climate roadmap towards net-zero by 2050, further strengthening its competitiveness.
- In addition to the above milestones, several other value-creating activities have been accomplished:
 - increasing the capacity for high purity silicone elastomers, including a new site in the US
 - increased speciality silicones capacity in China
 - upgrading of a silicon furnace at the Rana plant in Norway giving more capacity and reduced NOx emissions
 - installation of gas cleaning system at the Carbon Solutions' plant in South Africa, and
 - Biocarbon's industrial verification of renewable biocarbon supports Elkem's long-term strategy of contributing to climate-neutral metal production.

Strategic initiatives to speed up value creation

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

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

ESG and climate roadmap is essential in Elkem

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

- In October 2021, Elkem launched a climate roadmap detailing how the company plans to develop its business in line with the aim of the Paris agreement.

The company aims to reduce its total fossil CO2 emissions by 28% from 2020-31 and grow the supply of products to green transition, resulting in a 39% improvement of its product carbon footprint in the same period. Elkem's long-term goal is net-zero emissions by 2050.

- In December 2021, Elkem launched its first TCFD report (Task Force on Climate-related Financial Disclosures) as an initiative to address the potential financial impact of climate risks and opportunities. The climate risk implementation was a key input to the climate roadmap towards 2031 and 2050.
- Elkem received an A- score on climate change and a B- score on water security from CDP, demonstrating Elkem's work on climate and sustainability.

About Elkem

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

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

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

The market for Silicones' products is large and growing. Demand is driven by a number of megatrends, such as

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

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

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

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

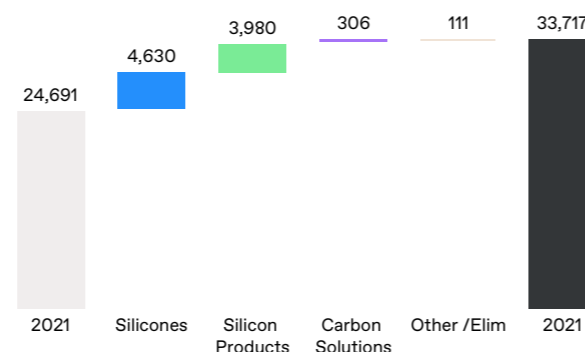
Financial performance

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

Consolidated profit and loss statement

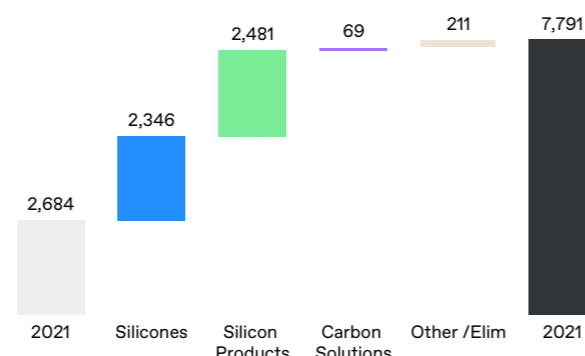
Consolidated operating income for the Elkem group amounted to NOK 33,717 million compared to NOK 24,691million in 2020. The 37% increase was supported by increased sales volumes, positive impact from price increases. The Silicones division saw a 36% increase in operating income supported by an approximately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

**Operating income
NOK million**



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

**EBITDA
NOK million**





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

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

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

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

The main items recognised in the consolidated statement of other comprehensive income related to cash flow hedges (foreign currency hedges and power price hedges) and currency translation differences. These items had a net income of NOK 1,078 million for 2021,

compared to a net expense of NOK 246 million in 2020. The share of consolidated profit attributable to shareholders of Elkem ASA was NOK 4,628 million, resulting in basic earnings per share NOK 7.49 per share in 2021 compared to NOK 0.41 per share in 2020.

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

Divisions business performance

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

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

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

Cash flow and statement of financial position

Cash flow from operating activities was NOK 4,913

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

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

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

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

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

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

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

Net interest-bearing debt³ amounted to NOK 4,827 million as of 31 December 2021. Cash and cash equivalents amounted to NOK 7,040 million in addition to NOK 3,144 million in undrawn credit facilities. Total interest-bearing liabilities was NOK 12,476 million as of 31 December 2021, of which NOK 4,506 million matures in 2022. Debt maturities in 2022 mainly consist of short-term loans in China for local working capital financing, in addition to group bank financing. The board views the group's cash and financial position to be strong.

Going concern

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

Strategic priorities

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

framework conditions. Elkem's main strategic priorities are to improve the underlying profitability through operational excellence and specialisation and to focus on growth, particularly within silicones in Asia.

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

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

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

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

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

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

³ See APM section



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

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

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

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

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

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

Elkem's R&D facilities, within chemistry and new chemicals, new materials and supporting laboratories, play a crucial role in our customers' successes. Elkem's R&D efforts contribute to the development of new products with tailored properties for high-end markets, new additives for process aids, or reinforced materials and support with critical analysis information needed

for troubleshooting. Elkem's R&D focus will remain imperative to reach the group's ambition related to specialisation and growth based on global megatrends.

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

Open innovation and collaborative mindset

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

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

Highlights include

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

wastes reducing CO2 emissions by 65% and waste by 75%.

- Three projects on the valorisation of side stream silicon production including slag valorisation.

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

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

R&D initiatives and expansion

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

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

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

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

Sustainability: Environmental, social and governance (ESG)

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

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

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

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



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

Environment, health and safety

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

The safety of our employees is the most critical pillar of our philosophy. The group strongly believes and has demonstrated that Elkem’s operations can be done without harming employees and people. Elkem uses considerable resources to identify hazards and implement appropriate measures to reduce risk to an acceptable level so that all employees and contractors performing work at Elkem can leave work just as healthy as they were when they arrived.

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

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

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

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

Diversity, inclusion, and equality

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

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

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

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

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

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

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

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

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

Governance

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

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

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

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

Risk management

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

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

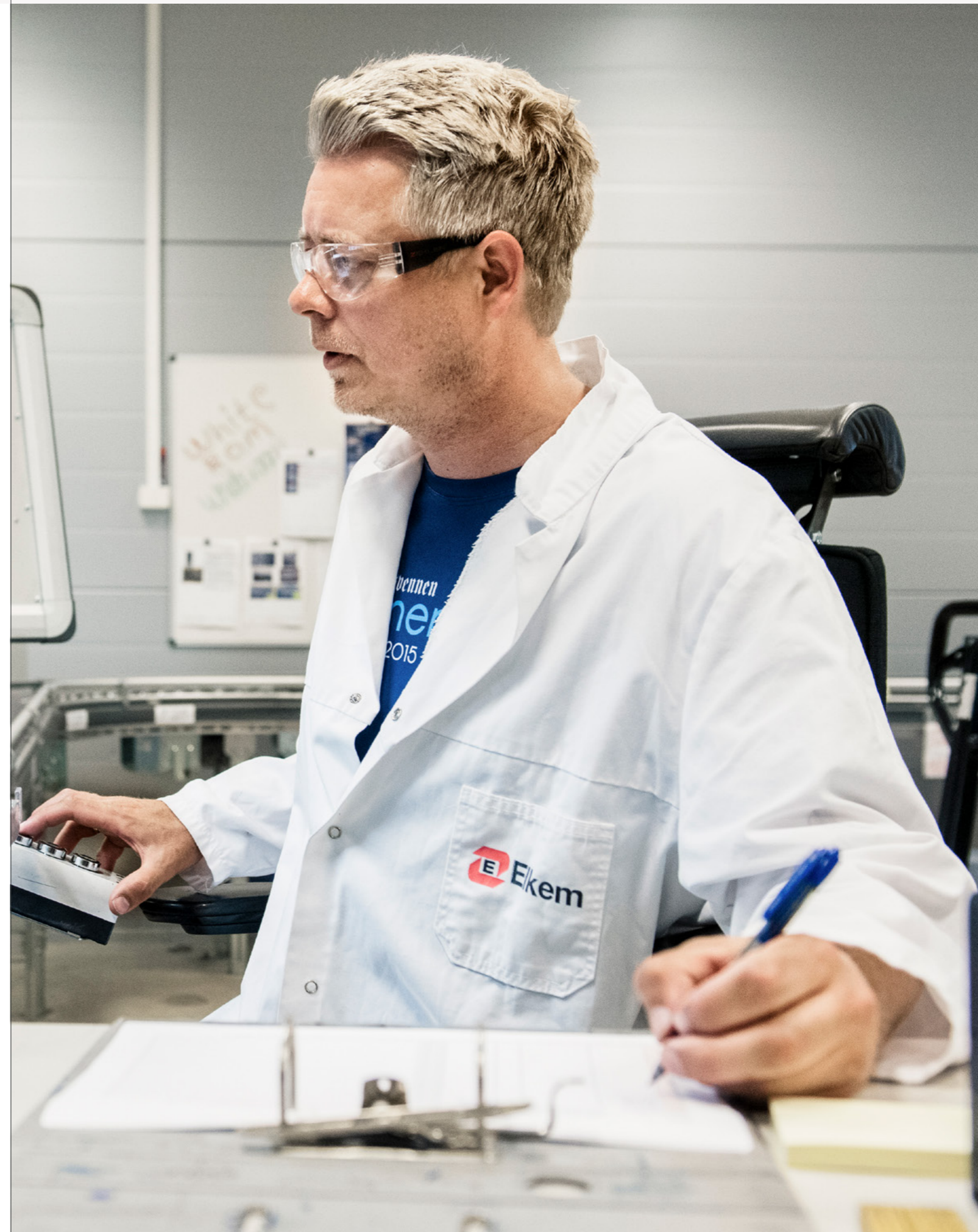
Evaluation of ESG and climate-related risks and opportunities have become an increasingly important part of Elkem's overall risk management processes, impacting strategy, financial conditions and all aspects of Elkem's value chain from raw materials to finished products. In 2021, Elkem reported on climate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

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

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

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

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



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

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

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

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

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

Financial reporting process

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

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

Future prospects

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

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

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

As part of subsequent events, Elkem secured 100% ownership of the Elkem Salten energy recovery plant after acquiring the remaining 50% share in Salten Energigjennvinning AS from Kvitebjørn Energi AS on 31 January 2022. The investment in the energy recovery plant further strengthens Elkem's efforts to

ensure environmentally friendly silicon and ferrosilicon production with the lowest possible emissions and lowest possible use of resources.

Elkem ASA

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

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

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

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

Allocation of 2021 net profit:

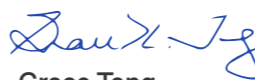
The profit for the year was NOK 1,773 million. The board of directors proposes to distribute NOK 3,00 per share corresponding to NOK 1,918 million as dividend distributed from other paid-in capital. In total the board of directors proposes the following allocation (in NOK million):


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

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


Zhigang Hao
Chair of the Board


Dag Jakob Opedal
Vice chair


Grace Tang
Board member


Anja-Isabel Dotzenrath
Board member


Yougen Ge
Board member



Terje Andre Hanssen
Board member


Olivier Tillette de Clermont-Tonnerre
Board member


Marianne Færøyvik
Board member


Marianne Elisabeth Johnsen
Board member


Knut Sande
Board member


Helge Aasen,
CEO, Elkem ASA