

Financial Statements 2021



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Financial statements

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Consolidated statement of profit or loss

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







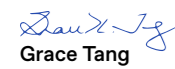




Consolidated statement of comprehensive income

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

Consolidated statement of financial position

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

Oslo, 8 March 2022

 Zhigang Hao Chairman of the Board	 Dag Jakob Opedal	 Olivier Tillette de Clermont-Tonnerre	 Yougen Ge	 Anja-Isabel Dotzenrath	 Helge Aasen CEO
 Grace Tang	 Marianne Færøyvik	 Terje Andre Hanssen	 Marianne Elisabeth Johnsen	 Knut Sande	

Consolidated statement of cash flows

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

¹ See note 6 Operating segments for definition of working capital

Consolidated statement of changes in equity

2021

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

2020

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

Consolidated statement of financial position

1. General information

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

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

7,000 people has a joint commitment to stakeholders: Delivering your potential. In 2021, Elkem achieved an operating income of NOK 33,717 million.

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

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

2. Basis for preparing the consolidated financial statements

Compliance

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

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

Preparation of consolidated financial statements

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

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

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

Foreign currency translation

Separate financial statements

Each entity in the group determines its functional currency based on the economic environment in which it operates, and items included in the financial statements of each entity are measured using that functional currency. When preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency are recognised in the functional currency, using the transaction date's currency rate.

Monetary items denominated in foreign currencies are translated using the closing rate at the end of the reporting period, and any gains (losses) are reported in the statement of profit or loss. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was measured. Currency gains (losses) related to operating activities, i.e. receivables, payables, bank accounts for operating purposes including current intragroup balances, are recognised as a part of other

items. Currency effects recognised in finance income and expenses are only related to financing activities such as loans, lease liabilities, long-term placements and dividends.

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

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

Consolidated financial statements

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

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

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

Any goodwill arising on acquisition of a foreign operation and any fair value adjustment to the carrying amount of assets and liabilities arising on the acquisition, are treated as assets and liabilities of the foreign operations. On disposal of a foreign entity, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation, is recognised in the statement of profit or loss.

Statement of cash flows

The statement of cash flows is prepared under the indirect method. Cash inflows and outflows are shown separately for investing and financing activities, while operating activities include both cash and non-cash effect items. Interest received and paid and other financial expenses, such as bank guarantee expenses,

are reported as a part of operating activities. Net currency gains or losses related to financing activities are reported as part of financing activities. Dividends received from joint ventures and associates that do not operate within Elkem's main business areas are included in investing activities.

Dividend to shareholders

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

Changes in accounting policies and correction of material errors

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

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

New and revised standard- adopted

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

New standards, interpretations and amendments - not yet effective

The consolidated financial statements will be affected by future changes in IFRS. No standards, interpretations or amendments published at the balance sheet date are expected to have significant effect on the group.

3. Accounting estimates

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

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

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

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

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

4. Composition of the group

Principle

Consolidation

The consolidated financial statements include the financial statements of Elkem ASA and entities controlled directly or indirectly by Elkem ASA. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which the group obtains control, and are deconsolidated from the date that control ceases.

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

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

Business combinations

Business combinations are accounted for using the acquisition method in accordance with IFRS 3. The consideration transferred in a business combination is measured at fair value, and goodwill is measured as the excess of the sum of consideration transferred, and net identifiable fair value of transferred assets and liabilities. Elkem's contingent consideration is classified as a financial liability and measured at fair value at the acquisition date. The liability is subsequently measured at fair value at each reporting date, with changes recognised in other items in the statement of profit or loss. Acquisition-related costs are expensed as incurred.

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

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

Business combinations under common control

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

- Assets and liabilities of the combining entities are reflected at their carrying amounts.
- No new goodwill is recognised as a result of the combination.
- The statement of profit or loss reflects the result of the combining entities for the full year, irrespective of when the combination took place.
- Comparative figures are restated.
- The purchase price is booked against equity at the acquisition date.

Judgements and estimates

Business combinations

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

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

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

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

Company	Functional currency	Country of incorporation	31.12.2021 Equity interest	31.12.2020 Equity interest	Owner
Elkania DA	NOK	Norway	50%	50%	Elkem ASA
Elkem (Thailand) Co., Ltd.	THB	Thailand	100%	100%	Elkem ASA
Elkem Carbon (China) Co., Ltd.	CNY	China	100%	100%	Elkem Carbon Singapore Pte. Ltd.
Elkem Carbon AS	NOK	Norway	100%	100%	Elkem ASA
Elkem Carbon Malaysia Sdn. Bhd.	MYR	Malaysia	100%	100%	Elkem Carbon AS
Elkem Carbon Singapore Pte. Ltd.	SGD	Singapore	100%	100%	Elkem Carbon AS
Elkem Chartering Holding AS	NOK	Norway	80%	80%	Elkem ASA
Elkem Digital Office AS	NOK	Norway	100%	100%	Elkem ASA
Elkem Distribution Center B.V.	EUR	Netherlands	100%	100%	Elkem ASA
Elkem Dronfield Ltd.	GBP	United Kingdom	100%	100%	Elkem UK Holdings Ltd.
Elkem Egypt for Industry, Contracting & Trading S.A.E.	USD	Egypt	100%	100%	Elkem International AS
Elkem Ferroveld JV	ZAR	South Africa	50%	50%	Elkem Carbon AS
Elkem Foundry (China) Co., Ltd.	CNY	China	100%	100%	Elkem ASA
Elkem GmbH	EUR	Germany	100%	100%	Elkem ASA
Elkem Iberia S.L.U	EUR	Spain	100%	100%	Elkem ASA
Elkem International AS	NOK	Norway	100%	100%	Elkem ASA
Elkem International Trade (Shanghai) Co., Ltd.	CNY	China	100%	100%	Elkem International AS
Elkem Ísland ehf.	NOK	Iceland	100%	100%	Elkem ASA
Elkem Japan K.K.	JPY	Japan	100%	100%	Elkem ASA
Elkem Korea Co., Ltd.	KRW	Republic of Korea	100%	100%	Elkem ASA
Elkem Ltd.	GBP	United Kingdom	100%	100%	Elkem UK Holdings Ltd.
Elkem Madencilik Metalurji Sanayi Ve Ticaret Ltd. STI	EUR	Turkey	100%	100%	Elkem International AS
Elkem Materials, Inc.	USD	USA	100%	100%	NEH LLC
Elkem Materials Delaware, Inc.	USD	USA	100%	100%	Elkem Materials, Inc.
Elkem Materials Processing (Tianjin) Co., Ltd.	CNY	China	100%	100%	Elkem ASA
Elkem Materials Processing Services BV	EUR	Netherlands	100%	100%	Elkem ASA
Elkem Materials South America Ltda.	BRL	Brazil	100%	100%	Elkem Materials, Inc.
Elkem Metal Canada Inc.	CAD	Canada	100%	100%	Elkem ASA
Elkem Milling Services GmbH	EUR	Germany	100%	100%	Elkem ASA
Elkem Nordic A.S.	DKK	Denmark	100%	100%	Elkem ASA
Elkem Oilfield Chemicals FZCO Ltd.	AED	UAE	51%	51%	Elkem ASA
Elkem Paraguay S.A.	USD	Paraguay	100%	100%	Elkem ASA ⁵⁾
Elkem Participações Indústria e Comércio Limitada	BRL	Brazil	100%	100%	Elkem Carbon AS
Elkem S.a.r.l.	EUR	France	100%	100%	Elkem ASA
Elkem S.r.l.	EUR	Italy	100%	100%	Elkem ASA

Company	Functional currency	Country of incorporation	31.12.2021 Equity interest	31.12.2020 Equity interest	Owner
Elkem Silicon Materials (Lanzhou) Co., Ltd. ¹⁾	CNY	China	100%	100%	Elkem ASA
Elkem Silicon Product Development AS	NOK	Norway	100%	100%	Elkem ASA
Elkem Siliconas España S.A.U	EUR	Spain	100%	100%	Elkem ASA
Elkem Silicones (UK) Ltd.	GBP	United Kingdom	100%	100%	Elkem UK Holdings Ltd.
Elkem Silicones Brasil Ltda.	BRL	Brazil	100%	100%	Elkem ASA
Elkem Silicones Canada Corp	CAD	Canada	100%	100%	Elkem ASA
Elkem Silicones Czech Republic, s.r.o.	CZK	Czech Republic	100%	100%	Elkem ASA
Elkem Silicones Finland OY	EUR	Finland	100%	100%	Elkem ASA
Elkem Silicones France SAS	EUR	France	100%	100%	Elkem ASA
Elkem Silicones Germany GmbH	EUR	Germany	100%	100%	Elkem ASA
Elkem Silicones Guangdong Co., Ltd. ²⁾	CNY	China	100%	100%	Elkem ASA
Elkem Silicones Hong Kong Co., Ltd.	HKD	Hong Kong	100%	100%	Elkem ASA
Elkem Silicones Korea Co., Ltd.	KRW	Republic of Korea	100%	100%	Elkem ASA
Elkem Silicones Material Zhongshan Co., Ltd. ³⁾	CNY	China	100%	100%	Elkem Silicones Guangdong Co., Ltd.
Elkem Silicones México S. De R.L. De C.V.	MXN	Mexico	100%	100%	Elkem ASA
Elkem Silicones Poland sp. z o.o.	PLN	Poland	100%	100%	Elkem ASA
Elkem Silicones Scandinavia AS	NOK	Norway	100%	100%	Elkem ASA
Elkem Silicones Services S.à.r.l.	EUR	France	100%	100%	Elkem ASA
Elkem Silicones Shanghai Co., Ltd.	CNY	China	100%	100%	Elkem ASA
Elkem Silicones USA Corp.	USD	USA	100%	100%	Elkem ASA
Elkem Siliconi Italia S.r.l.	EUR	Italy	100%	100%	Elkem ASA
Elkem Singapore Materials Pte. Ltd.	SGD	Singapore	100%	100%	Elkem ASA
Elkem South Asia Private Limited	INR	India	100%	100%	Elkem ASA
Elkem UK Holdings Ltd.	GBP	United Kingdom	100%	100%	Elkem ASA
Elkem Uruguay S.A.	USD	Uruguay	100%	100%	Elkem ASA
Euro Nordic Logistics BV	EUR	Netherlands	80%	80%	Elkem Chartering Holding AS
Euro Nordic Netherlands BV	EUR	Netherlands	80%	80%	Euro Nordic Logistics BV
Explotación de Rocas Industriales y Minerales S.A. (ERIMSA)	EUR	Spain	100%	100%	Elkem ASA
Iniconce, S.L	EUR	Spain	100%	100%	Explotación de Rocas Industriales y Minerales S.A.
Jiangxi Bluestar Xinghuo Silicones Co., Ltd.	CNY	China	100%	100%	Elkem ASA
NEH LLC	USD	USA	100%	100%	Elkem ASA
NorenoComercial Importada e Exportadora Limitada	BRL	Brazil	100%	100%	Elkem 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.
Vianode AS ⁴⁾	NOK	Norway	100%	100%	Elkem ASA

¹⁾ Previously Bluestar Silicon Material Co., Ltd.

²⁾ Previously Guangdong Polysil Technology Co. Ltd.

³⁾ Previously Zhongshan Jucheng Chemical Material Co., Ltd.

⁴⁾ Previously Elkem Advanced Battery Materials AS

⁵⁾ Ownership changed in 2021 through debt conversion; Elkem ASA owns 79% and Elkem Uruguay S.A owns 21%

Changes in composition of the group in 2021, business combination

No business combinations have taken place in 2021.

Changes in composition of the group in 2020, business combination

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

In December 2019 Elkem entered into an agreement to acquire all of the shares in Guangdong Polysil Technology Co. Ltd. (new name 2021) and its subsidiary (hereafter Polysil). Polysil is a leading Chinese silicone elastomer & resins material manufacturer with strong positions in baby care and food grade silicones, as well as silicone products for the electronics and medical

markets. Polysil and Elkem's complementary product and market positions provide a solid platform for further specialisation and growth in China and globally. The parties have agreed an enterprise value for Polysil of up to CNY 941 million, including potential earn-out depending on pre-agreed criteria. The transaction was completed 1 April 2020.

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

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

Assets acquired and liabilities assumed

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

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

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

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

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

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

5. Investments in equity accounted companies

Principle

Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor.

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

The group's interest in joint operations is recognised in relation to its interests in the joint operation:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Expenses, including its share of any expenses incurred jointly

Investments in associates

Associates are those entities in which the group has significant influence, but no control over the financial and operating policies. Significant influence is presumed to exist when the group holds between 20% and 50% of the voting power of another entity. Investments in associates are accounted for using the equity method. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss and other comprehensive income of the investee after the date of acquisition. In cases where an associates' loss or other comprehensive income exceed the initially recognised cost the carrying amount is presented to

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

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

Share of profit from investments in associates and joint ventures

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

Elkem has interests in the following joint arrangements and associates

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

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

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

Energigjenvinning AS. See note 34 Events after the reporting period.

There is no quoted market price for the investments.

Elkem has on 31 January 2022 entered into agreement to purchase the remaining 50% of the shares in Salten

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

Movements in equity accounted investments

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

Share of profit and carrying amount for equity accounted companies

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

Summary of financial information for joint ventures

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

Summary of financial information for associates

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

6. Operating segments

Principle

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

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

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

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

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

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

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

Elkem's operating segments

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

The Silicones division produces and sells a range of silicone-based products across various sub-sectors including release coatings, engineering elastomers, healthcare products, specialty fluids, emulsions and resins.

The Silicon Products division produces various grades of metallurgical silicon, ferrosilicon, foundry alloys and microsilica for use in a wide range of end applications.

The Carbon Solutions division produces carbon electrode materials, lining materials and specialty carbon products for metallurgical processes for the production of a range of metals.

Other comprise Elkem group management and centralised functions within finance, logistics, power purchase, technology, digital office and strategic projects such as biocarbon and battery projects.

Eliminations comprise intersegment sales and profit. Elkem follows internationally accepted principles for transactions between related parties within the group. In general, Elkem seeks to use transaction-based methods (comparable uncontrolled price, transactional net margin method, cost plus and resale price method) in order to set the price for the transaction.

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

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

Major customers

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

**Main items by operating segment
2021**

Amounts in NOK million	Silicones	Silicon Products	Carbon Solutions	Other	Eliminations	Total
Revenue from sale of goods (note 7)	17 206	13 557	1 917	64	-	32 743
Other revenue (note 7)	43	96	21	179	-	340
Other operating income (note 7)	117	422	5	41	-	586
Share of profit from equity accounted companies (note 5)	0	(1)	-	51	-	49
Total operating income from external customers	17 366	14 074	1 943	335	-	33 717
Operating income from other segments	63	710	234	398	(1 404)	-
Total operating income	17 429	14 783	2 176	733	(1 404)	33 717
Operating expenses	(13 758)	(11 081)	(1 669)	(777)	1 358	(25 926)
EBITDA	3 672	3 702	508	(44)	(46)	7 791
Operating profit (loss) before other items (EBIT)	2 528	3 154	360	(97)	(46)	5 899
Cash flow from operations	1 448	2 273	376	3	-	4 100
Working capital	2 517	3 487	276	(518)	(90)	5 673
Capital employed	12 960	7 932	945	308	(90)	22 055
Reinvestments						(1 657)
Strategic investments						(1 717)
Movement CAPEX payables						245
Cash flow from investments in property, plant and equipment and intangible assets, including received investment grants						(3 128)

**Main items by operating segment
2020**

Amounts in NOK million	Silicones (restated)	Silicon Products (restated)	Carbon Solutions	Other	Eliminations (restated)	Total
Revenue from sale of goods (note 7)	12 558	9 699	1 917	(217)	-	23 665
Other revenue (note 7)	37	146	21	161	-	360
Other operating income (note 7)	162	380	5	83	-	631
Share of profit from equity accounted companies (note 5)	-	(1)	-	36	-	35
Total operating income from external customers	12 757	10 224	1 943	64	-	24 691
Operating income from other segments	43	580	234	412	(1 258)	-
Total operating income	12 800	10 804	2 176	476	(1 258)	24 691
Operating expenses	(11 474)	(9 582)	(1 669)	(743)	1 224	(22 007)
EBITDA	1 326	1 221	508	(267)	(34)	2 684
Operating profit (loss) before other items (EBIT)	269	685	360	(312)	(34)	957
Cash flow from operations	499	889	376	(208)	0	1 522
Working capital	1 229	2 557	276	(439)	(44)	3 536
Capital employed	10 414	6 806	945	255	(44)	18 329
Reinvestments						(1 387)
Strategic investments						(835)
Movement CAPEX payables						22
Cash flow from investments in property, plant and equipment and intangible assets, including received investment grants						(2 201)

**Realised effects from hedging programs
by operating segment 2021**

Amounts in NOK million	Silicones	Silicon Products	Carbon Solutions	Other	Eliminations	Total
Revenue from sale of goods, Currency (note 26)	-	27	-	65	-	92
Operating expenses, Power (note 26)	-	295	2	17	-	315
Total realised effects hedge accounting	-	322	2	82	-	407

**Realised effects from hedging programs
by operating segment 2021**

Amounts in NOK million	Silicones	Silicon Products	Carbon Solutions	Other	Eliminations	Total
Revenue from sale of goods, Currency (note 26)	-	(4)	-	(216)	-	(220)
Operating expenses, Power (note 26)	-	(397)	-	(53)	-	(450)
Total realised effects hedge accounting	-	(401)	-	(269)	-	(670)

Definitions

EBITDA is defined as Elkem's profit (loss) for the period, less income tax (expense) benefit, finance expenses, foreign exchange gains (losses), finance income, share of profit from equity accounted financial investments, other items, impairment losses and amortisation and depreciation.

EBIT, also referred to as operating profit (loss) before other items is defined as Elkem's profit (loss) for the period, less income tax (expense) benefit, finance expenses, foreign exchange gains (losses), finance income, share of profit from equity accounted financial investments and other items.

Cash flow from operations is EBITDA including reinvestments, changes in working capital and equity accounted companies.

Reinvestments generally consist of capital expenditure to maintain existing activities or that involve investments designed to improve health, safety or the environment.

Strategic investments generally consist of investments which result in capacity increases at Elkem's existing plants or that involve an investment made to meet demand in a new geographic or product area.

Working capital is defined as accounts receivable, inventory, other current assets, accounts payable, employee benefit obligations (current) and other current liabilities. Accounts receivables are defined as trade receivables less bills receivable. Other current assets are defined as other current assets less current receivables to related parties, current interest-bearing receivables, tax receivables, grants receivable, assets at fair value through profit or loss and accrued interest income. Accounts payable are defined as trade payables less CAPEX payables. Other current liabilities are defined as provisions and other current liabilities less current provisions, contingent considerations, contract obligations and liabilities to related parties.

Capital employed consists of working capital as defined above, property, plant and equipment, investments in equity accounted companies, grants payable, accounts payable and prepayments related to purchase of non-current assets.

Elkem's definitions may be different from other companies.

Total revenue by geographic market based on customer location

Amounts in NOK million	2021	2020
Norway	814	843
Other Nordic countries	1 637	779
United Kingdom	1 094	791
Germany	2 903	2 347
France	791	531
Italy	1 274	888
Poland	511	457
Spain	765	531
Other European countries	2 791	2 106
Europe	12 579	9 273
Africa	217	154
USA	3 451	2 755
Canada	368	244
Brazil	1 046	871
Other South American countries	326	214
America	5 191	4 084
China	10 534	7 301
Japan	1 197	998
South Korea	549	400
Other Asian countries	2 624	1 938
Asia	14 904	10 637
Rest of the world	99	97
Total revenue before hedging effects	32 991	24 245
Realised effects from hedging programs (note 26)	92	(220)
Total revenue	33 083	24 025

Non-current assets by geographical areas based on entity location

Amounts in NOK million	2021	2020
Norway	4 606	4 122
Other Nordic countries	528	503
United Kingdom	37	31
Germany	49	93
France	3 535	3 248
Italy	126	131
Poland	1	0
Spain	281	270
Other European countries	70	74
Europe	9 232	8 471
Africa	89	69
USA	710	567
Canada	523	425
Brazil	255	153
Other South American countries	436	444
America	1 924	1 590
China	8 411	7 287
Japan	3	4
Other Asian countries	343	438
Asia	8 757	7 730
Total non-current assets	20 001	17 859

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

7. Operating income

Principle

Operating income consists of:

- a. Revenue
- b. Other operating income
- c. Share of profit (loss) from equity accounted companies (note 5)

(a) Revenue

Revenue is measured based on the consideration specified in a contract with a customer. Elkem recognises revenue when Elkem transfers control over a goods or service to a customer.

A five-step process is applied before revenue can be recognised:

- identify contracts with customers
- identify the separate performance obligation
- determine the transaction price of the contract
- allocate the transaction price to each of the separate performance obligations, and
- recognise the revenue as each performance obligation is satisfied.

Sale of goods

Elkem's main performance obligation is related to sale of goods where the obligation is to deliver agreed volume of products within the agreed specification. Elkem has both short-term and long-term contracts. Short-term

contracts, normally within one month, cover delivery of an agreed volume at market price at the date the order is placed. These types of contracts are most common for commodity products, such as sales of ferrosilicon and silicones and sales to customers in China. The long-term contracts cover a period of a few months and up to one year, where the prices normally are fixed within a volume range. Elkem has for sale of metallurgical silicon some contracts that cover a period longer than one year. In these contracts the prices are normally negotiated on an annual basis. Some of Elkem's sales contracts include an element of freight services, see separate section below for accounting policies.

Revenue is recognised when control of the goods is transferred to the customer, at an amount that reflects the consideration to which Elkem expects to be entitled in exchange for those goods. Control is transferred to the buyer, according to the agreed delivery term for each sale. Delivery terms are based on Incoterms 2021 issued by International Chamber of Commerce, and the main terms are

"F" terms, where the buyer arranges and pays for the main carriage. The risk is transferred to the buyer when the goods are handed to the carrier engaged by the buyer.

"C" terms, where the group arranges and pays for the main carriage but without assuming the risk of the main carriage. The risk is transferred to the buyer when the goods are handed over to the carrier engaged by the seller.

"D" terms, where the group arranges and pays for the carriage and retains the risk of the goods until delivery at the agreed destination. The ownership is transferred to the buyer upon arrival at the agreed destination, usually the purchaser's warehouse.

The goods are normally sold with standard warranties that the goods comply with the agreed-upon specifications. These standard warranties are accounted for using IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Elkem does not have any other significant obligations for returns or refunds.

Freight services included in sale of goods

Freight components included in sale of goods on incoterms "C" terms are considered as a separate performance obligation and recognised over the period the service is performed. Shipping and handling services that occur before the customer takes control of the goods for sales on "D" terms are considered to be part of fulfilling the sale of the goods.

Sale of power and revenue connected to energy recovery

Sale of electric power and revenue connected to energy recovery, mainly heat supply in the form of steam and hot water, el-certificates and el-tax, are recognised in income based on volume and price agreed with the customer. Revenue connected to energy recovery is mainly based on long-term contracts where the prices are regulated yearly based on changes in CPI or government regulated prices, except for the el-certificates where the price is based on the observable market price at date of delivery.

Revenue from sale of services

Revenue from sale of services is recognised when the services have been provided. Sale of services are mainly related to management agreements with related parties based on a cost plus a margin and sale of shipping and handling related services.

(b) Other operating income

Insurance settlements

Income from insurance settlements are recognised as other operating income when it is virtually certain that the group will receive the compensation. Expected cash flows from credit insurance contracts where such contracts are deemed to be an integral part of the sale transactions is presented net against impairment losses assets / receivables, included in other operating expenses. See note 21 Trade receivables.

Grants

See note 8 Grants

Details of revenue from contracts with customers 2021

Amounts in NOK million	Silicones	Silicon Products	Carbon Solutions	Other	Total
Sale of goods, Silicones	17 111	-	-	-	17 111
Sale of goods, Silicon Products	94	13 529	-	-	13 623
Sale of goods, Carbon Solutions	-	-	1 917	-	1 917
Revenue from energy recovery and other energy related income	19	32	1	57	108
Service agreements with related parties (note 32)	2	8	12	50	73
Other revenue from contracts with customers	21	55	7	71	155
Total revenue from contracts with customers	17 247	13 624	1 937	178	32 987
Rental income	2	1	-	1	4
Realised currency hedging effects (note 26)	-	27	-	65	92
Total revenue	17 249	13 652	1 937	244	33 083

Details of revenue from contracts with customers 2020

Amounts in NOK million	Silicones (restated)	Silicon Products (restated)	Carbon Solutions	Other	Total
Sale of goods, Silicones	12 479	-	-	-	12 479
Sale of goods, Silicon Products	79	9 703	-	-	9 782
Sale of goods, Carbon Solutions	-	-	1 625	-	1 625
Revenue from energy recovery and other energy related income	-	28	2	32	62
Service agreements with related parties (note 32)	6	4	12	106	128
Other revenue from contracts with customers	30	111	2	23	166
Total revenue from contracts with customers	12 594	9 846	1 640	160	24 241
Rental income	1	2	0	1	5
Realised currency hedging effects (note 26)	-	(4)	-	(216)	(220)
Total revenue	12 595	9 845	1 640	(55)	24 025

Details of other operating income

Amounts in NOK million	2021	2020
Gain on disposal of fixed assets	0	1
Insurance settlements	27	46
Grants (note 8)	554	560
Other	5	25
Total other operating income	586	631

8. Grants

Principle

Grants are recognised when it is reasonably assured that Elkem will comply with the conditions attached to them and the grants will be received. Tax credits related to R&D projects are classified as government grants if they ultimately are settled with cash, tax credits settled only via taxes are classified as tax allowances.

Grants are recognised in the statement of profit or loss as other operating income, over the periods necessary to match them with the cost they are intended to compensate. Grants relating to cost of production

of goods are recognised in profit or loss when the produced goods are sold. Grants relating to property, plant and equipment (fixed assets) and intangible assets are deducted from the carrying amount of the asset and recognised in profit or loss as a reduction of the depreciation charge over the lifetime of the asset. A forgivable loan from government is treated as a government grant when it is reasonable assured that the entity will meet the terms for forgiveness. The benefit of government loan at a below-market rate of interest is treated as government grant.

Details of grants

Amounts in NOK million	Other operating income	2021 Deduction of carrying amount FA/IA	Other operating income	2020 Deduction of carrying amount FA
R&D grants from the Norwegian government	59	15	63	5
R&D grants from the French government	59	-	60	-
Other R&D grants	14	-	8	-
CO2 compensation from the Norwegian Environment Agency	367	-	340	-
Energy recovery related grants	-	14	-	18
Other government grants	53	43	67	17
Covid-19 grants	2	-	19	-
Total government grants	553	72	556	40
Norwegian NOx fund for reduced emission of NOx	-	31	-	134
Other grants	1	-	4	-
Total grants from other than governments	1	31	4	134
Total grants	554	103	560	173

Grants receivable related to fixed (FA) and intangible assets (IA) (note 22)	63	97
Grants receivable related to income (note 22)	633	585
Grants payable (note 24)	(15)	(15)
Grants, deferred income (note 24)	(18)	(21)

CO₂ allowances

CO₂ emission allowances allocated from the government are classified as grants, measured at nominal value (zero). The CO₂ allowance scheme pertains to the group's plants in Europe. If actual emissions exceed the number of allocated allowances, additional allowances must be purchased. The cost of purchased CO₂ allowances are recognised as part of raw materials and energy for production and is distributed linearly over the year as the number of allocated allowances will not be revised unless there is a substantial change in the production level at the plants. Any gain on sale of CO₂ allowances is classified as revenue. The previous scheme for allocation of free CO₂ allowances from the authorities lasted until 2020. The allocation of free allowances for the period 2021-2025 is approved by the EFTA surveillance authority, with no major changes to the structure, but is yet to be finally decided by the national authorities. Elkem expect the allocation of allowances to continue in accordance previous periods with an increased reduction in the allocation of 2.2% annually. As of 31 December 2021, Elkem group had a surplus of approximately 400,000 allowances measured at nominal value zero. The estimated fair value of these allowances is NOK 320 million. For Elkem ASA the surplus is zero. Cost of additional allowances needed to settle the quota obligation for 2021 is accrued for, based on the market prices as at 31 December 2021.

The final decision on the allowance allocation for 2021-2025 is expected before the settlement deadline for 2021, 30 April 2022.

CO₂ compensation

The Norwegian government has since 2013 had a CO₂ compensation scheme to compensate for CO₂ costs included in the power price for the manufacturing industry. The compensation scheme is based on a corresponding scheme for EU and is approved by the EFTA surveillance authority ESA. The previous CO₂

compensation scheme ended 31 December 2020 and a new scheme for 2021-2025 is approved for EU but has yet to be implemented into Norwegian regulation. However, a continuation of the CO₂ compensation is included in a proposed Norwegian regulation and provisions are included in the Norwegian national budget for 2021. The CO₂ compensation scheme applies for Elkem's Norwegian Silicon and Ferrosilicon plants and the percentage of the costs compensated was approximately 75% in 2020. The compensation is based on the market price of CO₂ allowances and will as such vary with the price development. Elkem has recognised CO₂ compensation for 2021, at the same level as for 2020. The estimated compensation is based on the terms and conditions in the proposed regulation and supported by the provision in the National budget. As the grant compensates power costs, which are costs recognised as part of the cost price of inventory during the production process, the compensation is recognised in the statement of profit or loss when the produced goods are sold.

Covid-19

Due to the Covid-19 outbreak, several government bodies implemented temporary measures in 2021 to help businesses affected by the outbreak. Elkem has received NOK 2 million (NOK 19 million) in Covid-19 related grants recognised as other operating income in the statement of profit or loss.

NOx Fund

The industry in Norway pays a fee for their emission of NOx to a public foundation run by 15 industry and commerce associations. The foundation is self-financed by the fees and the purpose is to support projects that reduces NOx emissions from the industry in Norway.

Other

The remaining grants are mainly related to R&D and energy recovery projects.

9. Employee benefits

Principle

Employee benefits

Employee benefits are all forms of considerations given by an entity in exchange for service rendered by employees or for termination of employment.

Employee benefits include both current and non-current benefits, and are expensed as incurred, together with any social security taxes applicable.

Current benefits consist of wages and salaries, bonuses, holiday payments and other short-term benefits that are expected to be settled within 12 months after the balance sheet date. Non-current benefits consist mainly of jubilee and long-service benefits, post-employment benefits and post-retirement benefits, not expected to be wholly settled within the next twelve months.

Defined contribution plans

Defined contribution plans comprise of arrangements whereby the company makes monthly contributions to the employees' pension plans, and where the future pensions are determined by the amount of the contributions and the return on the individual pension plan asset. The contributions are expensed as incurred and there is no further obligation related to the contribution plans. Prepaid contributions are recognised as an asset.

Defined benefit plans

Defined benefit plans are recognised at present value of future liabilities considered retained at the end of the reporting period, calculated separately for each plan. Plan assets are measured at fair value and deducted in calculating the net pension obligation. Actuarial assumptions are used to measure both the

obligation and the expense and effects of changes in estimates due to financial and actuarial assumptions are recognised as other comprehensive income. Service costs are recognised as part of employee benefit expenses and net interest on pension liabilities / assets are recognised as a part of finance expenses. Past service costs arising due to amendments in benefit plans are expensed as incurred.

Multi-employer defined benefit plans where available information is insufficient to be able to calculate each participant's obligation, are accounted for as contribution plans.

Judgements and estimates

Estimation uncertainty is mainly related to defined benefit pension plans, where the calculation of pension obligations is based on financial and actuarial assumptions, such as discount rates, future salary and pension adjustments, expected turnover and mortality. Deviations between applied assumptions and actual results in future periods will have effects on the calculated obligation. See information about sensitivity on pension obligations based on changes in main actuarial assumptions below.

Employee benefit expenses

Amounts in NOK million	2021	2020
Salaries, holiday pay and variable compensation	(3 459)	(3 122)
Employer's national insurance contributions / social security tax	(727)	(654)
Pension expenses	(137)	(121)
Share-based payments (note 10)	(28)	(29)
Other payments / benefits	(179)	(102)
Total employee benefit expenses	(4 530)	(4 028)
Average number of full-time equivalents	7 178	6 931

Remuneration to management

Amounts in NOK million	2021	2020
Fixed compensation	(31)	(30)
Variable compensation - STI	(29)	(14)
Variable compensation - LTI	(9)	(10)
Other benefits	(1)	(2)
Pension benefits	(5)	(5)
Total management remuneration	(76)	(61)
Remuneration provided to the board of directors	(5)	(4)
Remuneration provided to the committee remuneration	(0)	(0)

For more details on the remuneration to management see "Report on salary and other remuneration to leading personnel in Elkem ASA for the financial year 2021".

Employee benefit assets and obligations

Amounts in NOK million	Non-current		Current	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Pension contribution fund (note 22)	1	3	2	3
Employee prepayments etc.	-	-	8	10
Total employee benefit assets	1	3	10	13
Salaries, holiday pay and variable compensation	-	-	761	547
Social security tax / contributions	-	-	203	177
Pension plan obligations, net	492	554	-	-
Other benefit plans	119	125	12	16
Total employee benefit obligations	611	679	976	740

(a) Salaries, holiday pay and variable compensation

The obligations are related to incurred employee benefits, not paid.

(b) Pension plans

The group has both defined contribution and defined benefit plans. For defined contribution plans the cost is equal to the group's contribution to the employee's pension savings during the period. For defined benefit plans the cost is calculated based on actuarial valuation methods, taking assumptions related to the employee's salary, turnover, mortality, discount rate, etc. into consideration.

Defined contribution plans

Defined contribution plans are the main pension plan for Elkem's Norwegian entities, where the contribution to each individual pension plan is 5% of annual salary up to 7.1G and 15% of annual salary between 7.1-12G. 1G refers to the Norwegian national insurance scheme's basic amount, which is NOK 106 399 as at 1 May 2021. Pension on salary above 12G is not supported by external service providers and is therefore handled as a separate plan and included under defined benefit plans.

In addition, a Norwegian multi-employer early retirement scheme called AFP, where sufficient information to calculate each participant's pension obligation is not available, is accounted for as it is a defined contribution plan in accordance with the Ministry of Finance's conclusion. The participants in the pension plan are jointly responsible for 2/3 of the plan's pension obligation, the government is responsible for the

remaining part. The pension premium in 2021 is 2.5% of the employees' salary between 1 and 7.1G, covering this year's pension payments and contribution to a security fund for future pension obligations. The yearly premium for 2022 is set to 2.6%.

Defined benefit plans

Defined benefit plans are pension plans where the group is responsible for paying pensions at a certain level, based on employees' salaries when retiring. The group has funded and unfunded benefit plans in Norway, France, Germany, UK, Canada, Japan and South Africa, distributed as follows: Norway 19%, France 44%, other Europe 17%, Canada 18%, other countries 2%, based on net pension obligation per 31 December 2021. In Canada provisions are also made for medical insurance as well as pension benefit plans.

The Norwegian pension plans are unfunded and comprise pension on salaries above 12G, where the expense is 15% of annual base salary that exceeds 12G plus interest on the individual calculated pension obligation, and some individual retirement schemes that are closed.

Net interest is calculated based on net pension obligations at the start of the period, multiplied by the discount rate. Any difference between actual return on pension assets and the interest income calculated as a part of the net interest, will be recognised directly in OCI. Interest on net pension obligations are presented as a part of finance expenses.

Breakdown of net pension expenses

Amounts in NOK million	2021	2020
Current service expenses	(40)	(34)
Administration expenses	(1)	(1)
Net pension expenses, defined benefit plans	(40)	(35)
Defined contribution plans	(78)	(69)
Early retirement scheme AFP (Norway)	(18)	(17)
Total pension expenses	(137)	(121)

In addition, interest expenses on net pension liabilities are recognised as a part of finance expenses

Net defined benefit obligations

Amounts in NOK million	2021	2020
Present value of funded pension obligations	(509)	(510)
Fair value of plan assets	487	460
Net funded pension obligations	(22)	(50)
Present value of unfunded pension obligations	(470)	(504)
Net value of funded and unfunded obligations	(492)	(554)

Movements in the defined benefit obligations and plan assets

Amounts in NOK million	2021			2020		
	Defined benefit obligations	Defined benefit plan assets	Net pension plan obligations	Defined benefit obligations	Defined benefit plan assets	Net pension plan obligations
Opening balance	(1 014)	460	(554)	(908)	434	(474)
Current service expenses incl. social contribution tax	(40)	-	(40)	(34)	-	(34)
Interest (expenses) income	(18)	10	(8)	(20)	12	(7)
Administration expenses	-	(1)	(1)	-	(1)	(1)
Remeasurement gains (losses)	59	9	69	(77)	23	(55)
Contributions from employer	-	15	15	-	14	14
Benefits paid	40	(23)	17	38	(19)	19
Other changes	-	-	-	2	(0)	2
Currency translation differences	(5)	16	10	(15)	(3)	(18)
Closing balance	(978)	487	(492)	(1 014)	460	(554)

Breakdown of pension plan assets

Amounts in NOK million	31.12.2021		31.12.2020	
	Distribution%	Fair value of plan assets	Distribution%	Fair value of plan assets
Cash, cash equivalents and money market investments	11 %	55	13 %	58
Bonds	19 %	95	13 %	60
Shares	38 %	185	31 %	142
Property	30 %	148	1 %	5
Other plan assets ¹⁾	1 %	4	42 %	195
Total pension plan assets	100 %	487	100 %	460

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

Actual return on plan assets	4.3 %	19 878	8.1%	34 987
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In addition, some Norwegian entities have pension contribution funds, mainly based on excess pension assets from settlement of the defined benefit plans in 2010. The pension contribution funds are classified as

non-current pension funds, except next year's expected contributions which are classified as current (see note 22 Other assets)

Pension assets, defined benefits and contribution plans

Amounts in NOK million	31.12.2021	31.12.2020
Current part of contribution fund	2	3
Non-current part of contribution fund	1	3
Total pension funds	3	6

Pension assets, defined benefits and contribution plans

	Norway	France	Canada	Germany	UK
Discount rate	2.0% (1.4%)	0.9% (0.5%)	3.0% (2.5%)	1.0% (0.8%)	1.6% (1.3%)
Expected rate of salary increase	na (na)	2.1% (2.1%)	3.5% (3.5%)	3.0% (3.0%)	na (na)
Annual regulation of pensions paid	1.5% (1.3%)	na (na)	na (na)	2.0% (2.0%)	na (na)

Assumptions regarding future mortality are based on actuarial advice in accordance with published statistics and experience in each country.

The sensitivity analysis below shows estimated effects in the defined pension liabilities based on reasonable changes in the main assumptions.

Sensitivity on pension obligations based on changes in main actuarial assumptions

The defined benefit pension schemes expose the group to actuarial risk such as investment risk, interest rate risk, salary growth risk, mortality risk and longevity risk. A decrease in corporate bond yields, a rise in inflation or an increase in life expectancy would result in an increase to plan liabilities.

The 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		Life expectancy		Salary growth	
	0.5% increase	0.5% decrease	1 year increase	1 year decrease	0.5% increase	0.5% decrease
2021: Effect on the pension liability in NOK million	(63)	71	25	(25)	24	(22)
2020: Effect on the pension liability in NOK million	(62)	76	27	(27)	28	(20)

As the group's main pension plans are defined contribution plans, there are no group policies for funding

of the defined benefit plans. This is managed locally, based on the terms and status for the individual plan.

Expected contribution for the pension plans next year and average duration for the main defined benefit plans

Amounts in NOK million	Norway	France	Canada	Germany	UK
Contribution to be paid to defined pension plans next year	5	35	18	3	5
Weighted average duration of the defined benefit obligations	13 years	11 years	17 years	14 years	14 years

(c) Other benefit plans

Other employee benefits consist of provisions related to jubilee and long-service benefits, and post-employment benefits to be paid until ordinary retirement age for former employees in Elkem's Chinese entities.

the Silicones segment, are calculated to NOK 30 million (NOK 36 million), mainly consisting of post-employment benefits. The benefits are related to employees laid off due to reorganisation, no further obligations are expected to incur and the estimated remaining duration is 17 years.

Of total non-current provisions, NOK 74 million (NOK 74 million) relate to jubilee and long-service benefits in the Silicones segment, mainly in France. Estimated duration of the obligation is 12 years. Non-current provisions for other employee benefits for Elkem's Chinese entities, in

A profit-sharing plan is applicable for French entities with more than 50 employees, where the bonus liability must be calculated based on profit after tax, using a specific formula given by the authorities. There are no incurred benefits related to such plans at the reporting date.

10. Share-based payment

Principle

The fair value of options granted under the share-based payment programme is recognised as an employee benefit expense with a corresponding increase in equity for equity settled awards. The total amount to be expensed is determined by reference to the fair value of the options granted. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in the statement of profit or loss, with a corresponding adjustment to equity.

volatility is based on historical volatility for a selection of comparable listed companies adjusted with a premium taking into account the maturity of the peers compared to the Group. The risk-free interest rate is based on Norwegian government bonds with same maturity as the option.

Elkem's share option scheme

The Group has granted share options to management and selected key employees. Each option gives the right to acquire one share in Elkem ASA on exercise.

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.

The share options vest annually in equal tranches over a three-year period following the date of grant, with one-third vesting each year. The options will expire two years after vesting, in total 5 years after the date of grant. No option holder may in any calendar year realise a total gain on exercise of options which is in excess of the two times the option holder's base salary in the same calendar year, provided however that the maximum gain for Elkem's CEO shall be four times the CEO's base salary. See "Report on salary and other remuneration to leading personnel in Elkem ASA for the financial year 2021" for description of the option programme and options granted to Elkem's corporate management.

Judgements and estimates

Estimating fair value for share based payment transactions requires determination of the most appropriate valuation model and assumptions to the valuation model. The fair value at the grant date is determined using the Black-Scholes option pricing model, which takes into account the exercise price, the life of the option, the current price of the underlying shares, the expected volatility of the share price, any dividends expected on the shares and risk-free interest rate for the life of the option. The expected share price

When the options are exercised, the corresponding number of shares are transferred to the employee. The proceeds received from the exercise of the options (net of any directly attributable transaction costs) are credited directly to equity.

Components of share-based payments employee benefit expenses

Amounts in NOK million	2021	2020
Share-based payment	(28)	(29)
Social security contribution	(16)	(7)
Total expenses related to share-based payments	(44)	(36)

Components of share-based payments employee benefit expenses

Amounts in NOK million	2021	2020	2019	2018
Quantity granted	7 451 000	8 000 000	8 000 000	7 850 000
Date of Grant	29 Jul 2021	29 Jul 2020	29 Jul 2019	18 Sep 2018
Exercise price (NOK)	31.20	19.10	23.53	38.52
Share price (NOK)	32.90	17.19	24.66	38.16
Expected lifetime*	3.34	3.12	3.12	3.01
Volatility*	34.4 %	46.0 %	35.8 %	31.4 %
Interest rate*	0.9 %	0.2 %	1.3 %	1.3 %
Dividend*	6.5 %	6.5 %	6.5 %	6.5 %
FV per instrument*	5.19	2.95	4.08	4.85
Vesting conditions	Service	Service	Service	Service

*Weighted average parameters of instruments

Outstanding instruments

Amounts in NOK million	Exercise price	31. Desember 2021		31. Desember 2020	
		Number of instruments outstanding	Remaining contractual life	Number of instruments outstanding	Remaining contractual life
2018 programme	38.52	4 650 000	1.21	7 267 000	1.69
2019 programme	23.53	2 967 500	2.37	7 500 000	2.58
2020 programme	19.10	5 411 272	2.94	8 000 000	3.58
2021 programme	31.20	7 451 000	3.58	-	-
Total outstanding		20 479 772	2.70	22 767 000	2.64

Quantity and weighted average prices

Amounts in NOK million	31. Desember 2021		31. Desember 2020	
	Number of instruments	Weighted average exercise price	Number of instruments	Weighted average exercise price
Outstanding options 1 January	22 767 000	26.76	14 767 000	30.91
Granted during the year	7 451 000	31.20	8 000 000	23.53
Exercised during the year ²⁾	(6 271 228)	22.16	-	-
Forfeited during the year	(900 000)	21.16	-	-
Expired during the year	(2 567 000)	38.52	-	-
Outstanding options 31 December	20 479 772	28.55	22 767 000	26.76
Of which exercisable (vested)	5 728 772	35.30	7 417 000	33.47

Average share price at exercise date (NOK per share)	34.00	-
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*Weighted average parameters of instruments

11. Other operating expenses

Details of operating expenses

Amounts in NOK million	2021	2020
Loss on disposal of fixed assets	(5)	(15)
Freight and commission expenses	(1 661)	(1 413)
Leasing short-term and low value contracts (note 16)	(56)	(42)
Machinery, equipment, spare parts and operating materials	(1 336)	(1 285)
External services ¹⁾	(2 051)	(1 949)
Insurance expenses	(106)	(97)
Impairment losses trade and other receivables	9	(16)
Other operating expenses ^{2) 3)}	(330)	(304)
Total other operating expenses	(5 536)	(5 121)

¹⁾ Including services from auditor, see specification below

²⁾ Including changes in inventories of finished goods and work in progress of positive NOK 1 million (positive NOK 26 million)

³⁾ Including capitalised salary on fixed asset projects of positive NOK 114 million (positive NOK 99 million)

Research and development

During 2021, Elkem expensed NOK 716 million (NOK 548 million) as research and development related to process, product and business development, including technical customer support and improvement projects. In addition, Elkem capitalised development expenses of NOK 300 million (NOK 162 million).

Grants relating to research and development amount to NOK 132 million (NOK 130 million) and are recognised in other operating income. In addition NOK 15 million (NOK 5 million) is recognised as a reduction of intangible assets.

Audit fees

KPMG is the group auditor of Elkem.

Fees to KPMG and other audit firms

Amounts in NOK million	2021	2020
KPMG		
Audit fee	(19)	(18)
Other assurance services	(1)	(2)
Tax services	(0)	(0)
Other services	-	(1)
Other audit firms		
Audit fee	(2)	(2)
Other assurance services	(0)	(0)
Tax services	(1)	(2)
Other services	(1)	(2)
Total fees to KPMG and other audit firms	(24)	(27)

Fees to auditors are reported exclusive of VAT.

12. Other items

Principle

Other gains (losses)

Other gains (losses) consists of changes in fair value of financial instruments that are not designated as a part of a hedging relationship, any ineffective part of hedging relationships and foreign exchange gains (losses) related to operating activities such as trade receivables, trade payables, bank accounts / overdrafts. Foreign exchange gains (losses) related to financing activities, mainly interest-bearing liabilities and group loans, are classified as a part of financial income and expenses.

Other income (expenses)

Other income and (expenses) consists of transactions and events that are related to acquisition of business, gains / (losses) on disposal of businesses, restructuring programme and profit and loss effects from other shares. In addition, performance incentives for Elkem employees related to such items. Cost related to liquidated / wound-

up businesses, costs of public requirements or updated regulations related to events / periods before purchase of the business, e.g., environmental measures, are included in other income and expenses.

Acquisition related costs may include both costs related to acquisitions done, not completed and cancelled projects. Investments in equity instruments with an ownership below 20% are normally classified as other shares. Dividends from such shares are recognised when shareholders' right to receive dividends is determined by the shareholder's meeting. Fair value changes in other shares related to listed companies are recognised as other income (expenses). When the options are exercised, the corresponding number of shares are transferred to the employee. The proceeds received from the exercise of the options (net of any directly attributable transaction costs) are credited directly to equity.

Details of other items

Amounts in NOK million	2021	2020
Changes in fair value commodity contracts (note 25) ¹⁾	(1)	(144)
Embedded EUR derivatives power contracts, interest element (note 25)	3	234
Ineffectiveness on cash flow hedges (note 26)	3	(12)
Net foreign exchange gains (losses) - forward currency contracts	14	49
Operating foreign exchange gains (losses)	20	(83)
Total other gains (losses)	39	44
Dividends from other shares	3	1
Change in fair value from other shares measured at fair value through profit or loss	2	0
Gains (losses) on disposal of subsidiaries	-	-
Restructuring expenses (note 24) ²⁾	41	(158)
Dismantling and environmental expenses (note 24) ³⁾	(181)	-
Other ⁴⁾	(17)	(18)
Total other income (expenses)	(153)	(174)
Total other items	(114)	(130)

¹⁾ Mainly fair value changes of the 30-øringen power contract, see note 25 Financial assets and liabilities. Due to changes in the price structure of the "30-øringen" contract from 2021, the contract is designated as a hedging instrument from 1 January 2021. This means that fair value changes from 1 January 2021 is recognised as raw materials and energy for production in statement of profit or loss in the same period(s) as the hedged objects affects the profit or loss.

²⁾ Elkem launched a group wide productivity improvement programme in first quarter of 2020. The amount includes restructuring and direct related expenses.

³⁾ Includes NOK 171 million related to expenses in connection with relocation of workers buildings located in proximity to the Silicones Xinghuo plant, as required by the authorities.

⁴⁾ Mainly related to business projects / acquisitions

13. Finance income and expenses

Principle

Interest income is recognised on an accrual basis and is classified as finance income.

Foreign exchange gains (losses) related to financing activities including group loans are classified as a part of financial income and expenses, and foreign exchange gains (losses) related to operations are classified as a part of other items.

Interest expenses are recognised on an accrual basis using the effective interest method and are classified as financial expenses. Interest is capitalised as a part

of the carrying amount of a self-constructed item of property, plant and equipment when the construction period takes a substantial period of time, meaning more than 9-12 months, depending on the total amount, and borrowing costs are being incurred.

Financial expenses also include interest on net pension liabilities, unwinding of discounted provisions and contingent liabilities, and interest on lease liabilities.

Details of net finance income (expenses)

Amounts in NOK million	2021	2020
Interest income on loans and receivables	34	27
Other financial income	6	4
Total finance income	40	31
Net foreign exchange gains (losses) ¹⁾	241	17
Interest expenses on interest-bearing liabilities measured at amortised cost	(206)	(221)
Interest expenses from other items measured at amortised cost ²⁾	(23)	(22)
Capitalised interest expenses	5	4
Interest expenses on lease liabilities	(26)	(17)
Unwinding of discounted liabilities	(8)	(10)
Interest expenses on net pension liabilities	(8)	(7)
Other financial expenses	(10)	(4)
Total finance expenses	(276)	(278)
Net finance income (expenses)	6	(229)

¹⁾ Some / part of loans are designated as a hedging instrument, hence the unrealised part of net foreign exchange gains (losses) are recognised against OCI, see note 26 Hedging.

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

14. Taxes

Principle

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. Current tax payables includes any adjustment to tax payable in respect of previous years. Income tax is recognised in the statement of profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income. The group includes deductions for uncertain tax positions when it is probable that the tax position will be sustained in a tax review. The group records provisions relating to uncertain or disputed tax positions at the amount expected to be paid. The provision is reversed if the disputed tax position is settled in favour of the group and can no longer be appealed.

Penalties and interest related to income taxes are recognised as income tax expense in the statement of profit or loss. Accrued penalties and interest are recognised in the statement of financial position in income tax payable and provisions for the current and non-current portions respectively.

Deferred tax

Deferred tax assets and liabilities are calculated using the liability method with full allocation of all temporary differences between the tax base and the carrying amount of assets and liabilities in the financial statements, including tax losses carried forward. Deferred tax relating to items outside statement of profit or loss are recognised in correlation with the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill. Deferred tax assets are recognised in the statement of financial position to the extent that it is more likely than not that the tax assets will be utilised against deferred tax liabilities or future taxable income. Deferred tax assets arising from tax losses are recognised when there is convincing evidence of recoverability. The tax rates substantively enacted at the end of the reporting period and undiscounted amounts are used. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and Elkem intends to settle current tax liabilities and assets on a net basis, or to realise the tax assets and settle the liabilities simultaneously.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Judgements and estimates

Part of the basis for recognising deferred tax assets is based on applying the loss carried forward against future taxable income in the group, which requires use of estimates for calculating future taxable income. Deferred

tax assets are not recognised for start-up projects and entities with longer periods of losses unless there is convincing evidence of recoverability. Elkem recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred asset to be recovered. For example, when start up projects becomes profitable or the market condition has changed so the entity has longer periods with historic taxable profits and future forecasted taxable profits.

Income tax recognised in profit or loss

Amounts in NOK million	2021	2020
Profit (loss) before income tax	5 827	584
Current taxes	(1 145)	(234)
Deferred taxes	(18)	(72)
Total income tax (expense) benefit	(1 163)	(306)

Income taxes recognised in other comprehensive income (OCI)

Amounts in NOK million	2021	2020
Remeasurement of defined benefit pension plans	(10)	13
Hedging of net investment in foreign operations	(29)	37
Cash flow hedges	(153)	33
Total tax charged to OCI	(192)	82

Reconciliation of income tax (expense) benefit

Amounts in NOK million	2021	2020
Profit (loss) before income tax	5 827	584
Expected income taxes, 22% of profit before tax (22%)	(1 282)	(128)
Tax effects of:		
Difference in tax rates for each individual jurisdiction	(94)	(8)
Preferential tax rates	12	41
Permanent differences		
Tax effects of income from Norwegian controlled foreign companies (NOKUS)	(8)	(7)
Tax effects share of profit (loss) from equity accounted companies	19	5
Tax effects non-deductible expenses	(24)	(18)
Tax relief based on value of equity	18	-
Tax effects non-taxable income	76	44
Other effects		
Tax effects of changes in unrecognised deferred tax assets	157	(186)
Tax credits utilised	-	11
Other current taxes paid	(35)	(46)
Previous year tax adjustment	15	(12)
Total income tax (expense) benefit	(1 163)	(306)
Effective tax rate	20 %	52 %

Three companies in China are taxed under the regulations for "High and new technology company" which mean that the tax rate is 15% compared to the regular 25%. The companies have to confirm to the authorities every other year that they fulfil the conditions for "High and new technology company" in order to apply the preferential tax rate.

Tax effects of non-taxable income is mainly due to additional R&D deduction and non-taxable R&D grants that are settled through the taxable profit.

Other current taxes paid relates mainly to taxes that are indirectly calculated based on profit (loss) before income tax and withholding taxes on dividends.

Deferred tax assets and deferred tax liabilities

Amounts in NOK million	31.12.2021		31.12.2020	
	Deductible temporary difference	Deferred tax	Deductible temporary difference	Deferred tax
Derivatives including cash flow hedges	17	4	378	83
Property, plant and equipment and Intangible assets	795	198	1 015	155
Pension liabilities	465	121	525	148
Trade receivables	89	16	130	22
Inventories	639	157	164	39
Provisions	208	53	257	56
Other differences	302	68	377	83
Debt waiver	595	161	595	169
Tax losses carried forward	2 353	582	2 986	821
Gross deferred tax assets	5 463	1 359	6 426	1 576
Unrecognised deferred tax assets for tax loss carried forward	(1 960)	(486)	(2 623)	(699)
Unrecognised debt waiver	(595)	(161)	(595)	(169)
Unrecognised deferred tax assets other items	(1 361)	(340)	(1 198)	(197)
Recognised deferred tax assets	1 548	372	2 010	511
Netting		(324)		(414)
Net deferred tax assets		48		96
Derivatives including cash flow hedges	560	123	220	48
Property, plant and equipment and intangible assets	2 734	610	2 685	644
Inventories	210	46	166	37
Other differences	243	50	96	21
Gross deferred tax liabilities	3 748	828	3 168	751
Netting		(324)		(414)
Net deferred tax liabilities		505		336
Net deferred tax (liabilities) assets recognised		(457)		(240)

Unrecognised deferred tax assets other items, are mainly related to Property, plant and equipment.

Movements in net deferred tax assets and deferred tax liabilities

Amounts in NOK million	2021	2020
Opening balance	(240)	(178)
Recognised in profit or loss for the year	(18)	(72)
Effect of business combination	0	(81)
Recognised in other comprehensive income	(192)	82
Currency translation differences	(7)	10
Closing balance	(457)	(240)

Tax losses carried forward 31 December 2021

Amounts in NOK million	Gross tax losses carried forward	Net tax losses carried forward	Unrecognised tax losses	Recognised deferred tax losses carried forward
France	1 602	431	(347)	84
China	183	39	(28)	11
Brazil	170	58	(58)	-
Malaysia	96	23	(23)	-
Paraguay	298	29	(29)	-
Canada	3	1	(1)	-
Mexico	1	0	(0)	-
Total tax losses to carried forward	2 353	582	(486)	95

Tax losses carried forward 31 December 2020

Amounts in NOK million	Gross tax losses carried forward	Net tax losses carried forward	Unrecognised tax losses	Recognised deferred tax losses carried forward
France	1 702	552	(462)	90
China	637	138	(138)	-
Brazil	181	61	(61)	-
USA	33	7	-	7
United Kingdom	10	2	-	2
Norway	9	2	-	2
Malaysia	41	10	(10)	-
Paraguay	259	26	(26)	-
India	7	2	(2)	-
Mexico	2	1	-	-
Iceland	105	21	-	21
Total tax losses to carried forward	2 986	821	(699)	122

Tax losses carried forward by expiry date

Amounts in NOK million	31.12.2021		31.12.2020	
	Total unrecognised losses	Total recognised losses	Total unrecognised losses	Total recognised losses
2020	-	-	0	-
2021	-	-	(39)	-
2022	-	-	-	-
2023	(29)	-	(40)	-
2024	-	-	-	-
> 2024	-	11	-	-
Without maturity	(458)	84	(620)	122
Total tax losses carried forward	(486)	95	(699)	122

Pending tax issues with tax authorities

The Norwegian Tax Office decided in February 2021 to increase Elkem ASA's taxable income for the fiscal years 2016-2019 by in total NOK 781 million, which lead to an increase in the income tax (expense) benefit by NOK 181 million. The reassessments relate to loan arrangements / debt waiver agreements acquired by Elkem ASA in 2016 through the cross-border parent-subsiary merger with Bluestar Silicones International Sarl. Elkem is of the opinion that the reassessment is unfounded and will appeal. Based on legal advice, Elkem's assessment is that the defence against the action will be successful, and the increase in taxable income is therefore not recognised in profit or loss. The amount was paid in first quarter of 2021 and a corresponding receivable for the paid income tax is recognised in 2021, see note 22 Other assets.

Debt waiver

Elkem Silicones France SAS has four Elkem internal debt waiver agreements where internal loans were converted to equity and the converted amounts were treated as taxable income. Elkem Silicones France SAS can only utilise the agreements to the extent that the company has an accounting profit according to IFRS. All debt that is repaid under the agreements can be deducted against taxable income. Nominal value of the agreements as of 31 December 2021 are NOK 595 million (NOK 595 million) corresponding to EUR 64 million (EUR 64 million). The amount is included in tax effect of changes in unrecognised deferred tax assets in the reconciliation of income tax (expense) benefit above and as illustrated below. Elkem Silicones France SAS has repaid NOK 0 million (NOK 0 million) that gives a tax credit of NOK 0 million (NOK 0 million).

Debt waiver 31 December 2021

Amounts in NOK million	2010	2012	2013	2014	Total
Gross value of debt waiver	54	186	149	207	595
Utilised 2021	-	-	-	-	-
Total debt that can be reversed	54	186	149	207	595
Deferred tax asset unrecognised ¹⁾	15	50	40	56	161

The respective agreements expire in 4 years 6 years 7 years 8 years

Debt waiver 31 December 2020

Amounts in NOK million	2010	2012	2013	2014	Total
Gross value of debt waiver	54	186	149	207	595
Utilised 2020	-	-	-	-	-
Total debt that can be reversed	54	186	149	207	595
Deferred tax asset unrecognised ¹⁾	15	53	42	59	169

The respective agreements expire in 5 years 7 years 8 years 9 years

¹⁾ Based on tax rate 27.0% (28.4%), which is applicable in France.

15. Property, plant and equipment

Principle

Property, plant and equipment (PPE) are stated in the consolidated statement of financial position at cost less accumulated depreciation and accumulated impairment losses. PPE acquired in business combinations are recognised at fair value at the acquisition date. PPE acquired in a business combination under common control are reflected at their carrying amounts. Assets in the course of construction are carried at cost less any recognised impairment loss. Such assets are classified to the appropriate categories of PPE when completed and ready for the intended use. When significant parts of an item of PPE have different useful lives, they are accounted for as separate items.

Initial cost includes expenditures that are directly attributable to the acquisition of the asset, cost of materials, direct labour, any other costs directly attributable to bringing the assets to working condition for their intended use and estimated dismantling or removal charges.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, when future benefits are probable and the cost can be measured reliably. The carrying amount of the replaced part is derecognised. Major periodic maintenance that is carried out less frequently than every year, is capitalised and depreciated over the

period until the next periodic maintenance is performed. All other repairs and maintenance are charged to the statement of profit or loss when incurred.

Depreciations are calculated based on estimated useful life and expected residual value for each item of PPE and are recognised in the statement of profit or loss using the straight-line method. The estimated useful lives, residual values (if any) and depreciation method are reviewed, and if necessary adjusted, at least annually. Depreciation commences when the assets are ready for their intended use.

An item of PPE is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of PPE, determined as the difference between the sales proceeds and the carrying amount of the asset, is recognised under other operating income or other operating expenses in the statement of profit or loss.

Accounting principle for impairment of assets, see Note 19 Impairment assessment.

Judgements and estimates

Estimated useful lives, residual values (if any) included in calculation of depreciation of PPE are reviewed and, if necessary, adjusted at least annually.

Details of property, plant and equipment 2021

Amounts in NOK million	Land	Buildings and other property	Plant, machinery, equipment and motor vehicles	Office and other equipment	Construction in progress	Total
Cost						
Opening balance	184	7 474	21 720	582	1 799	31 759
Additions	17	55	67	132	2 762	3 033
Transferred from CiP	21	344	1 122	186	(1 674)	-
Reclassification	-	7	1	(14)	(105)	(110)
Disposals	(0)	(21)	(290)	(12)	(6)	(328)
Currency translation differences	(5)	205	423	(8)	42	656
Closing balance	217	8 064	23 043	866	2 819	35 009
Accumulated depreciation						
Opening balance		(2 738)	(11 929)	(377)		(15 043)
Additions		(236)	(1 211)	(76)		(1 523)
Reclassification		(6)	(2)	9		1
Disposals		17	228	10		255
Currency translation differences		(37)	(171)	4		(203)
Closing balance		(2 999)	(13 085)	(430)		(16 514)
Impairment losses						
Opening balance	(11)	(384)	(2 162)	(0)	(26)	(2 584)
Additions	-	(9)	(54)	(1)	(3)	(67)
Reclassification	-	-	(0)	0	-	-
Disposals	-	0	35	0	2	38
Currency translation differences	0	(25)	(134)	(0)	(2)	(160)
Closing balance	(11)	(419)	(2 315)	(1)	(28)	(2 774)
Carrying amount						
Closing balance	206	4 646	7 644	435	2 790	15 722
Original cost of assets fully depreciated but still in use	0	1 368	6 455	126	-	7 950
Estimated useful life	Indefinite	5-50 years	3-50 years	3-20 years		
Depreciation plan		Straight-line	Straight-line	Straight-line		

Capitalised interest is NOK 5 million in 2021. The weighted average cost of capital for capitalisation of loan interest in 2021 is in the range of 2.5% and 3.1% per annum.

Elkem has decided to transfer the production at Elkem Carbon Malaysia to other Elkem Carbon Solutions production sites. An impairment loss of NOK 60 million

is recognised in 2021 due to the transfer, of which NOK 55 million is related to impairment of property, plant and equipment and NOK 5 million to right-of-use assets. The impairment loss of PPE is mainly related to plant, machinery, equipment and motor vehicles and buildings and other property.

**Details of property, plant and equipment
2020**

Amounts in NOK million	Land	Buildings and other property	Plant, machinery, equipment and motor vehicles	Office and other equipment	Construction in progress	Total
Cost						
Opening balance	178	6 908	20 245	523	1 583	29 437
Additions	0	16	28	4	1 963	2 011
Transferred from CiP	-	335	1 297	41	(1 673)	-
Reclassification	(0)	3	(35)	33	(21)	(21)
Business combinations (note 4)	-	114	49	0	-	163
Disposals	-	(15)	(270)	(24)	(55)	(364)
Currency translation differences	6	113	406	3	3	532
Closing balance	184	7 474	21 720	582	1 799	31 759
Accumulated depreciation						
Opening balance		(2 494)	(10 837)	(338)		(13 668)
Additions		(238)	(1 140)	(43)		(1 421)
Reclassification		(0)	16	(16)		-
Disposals		13	225	23		261
Currency translation differences		(18)	(192)	(5)		(215)
Closing balance		(2 738)	(11 929)	(377)		(15 043)
Impairment losses						
Opening balance	(11)	(378)	(2 103)	(0)	(75)	(2 567)
Additions	-	(1)	(16)	-	(0)	(17)
Disposals	-	1	26	0	52	79
Currency translation differences	(1)	(7)	(69)	(0)	(3)	(80)
Closing balance	(11)	(384)	(2 162)	(0)	(26)	(2 584)
Carrying amount						
Closing balance	172	4 352	7 629	205	1 773	14 131
Original cost of assets fully depreciated but still in use	-	890	4 633	62	-	5 585
Estimated useful life	Indefinite	5–50 years	3–50 years	3–20 years		
Depreciation plan		Straight-line	Straight-line	Straight-line		

Capitalised interest is NOK 4 million in 2020. The weighted average cost of capital for capitalisation of loan interest in 2020 is 1.9% per annum.

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

16. Leases

Principle

Right-of-use assets are presented separately in the statement of financial position, whereas lease liabilities are recognised in interest-bearing liabilities.

Right-of-use-assets

Elkem's policy in general is to own critical assets related to the production cycle, including production buildings and land where this is not controlled by the local government or other parties. The group's main lease contracts comprise office buildings and machinery / storage assets to be used at production sites. The less significant lease contracts comprise employee cars, machinery and equipment.

Elkem assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Elkem applies single recognition and measurement approach for all leases, except for:

- Lease contracts for which the lease term ends within 12 months as of the date of initial application are not capitalised (short-term leases). Elkem's short-term lease commitments are mainly related to rental of equipment in connection with maintenance or installation of new equipment.
- Lease contracts for which the underlying asset is of low value, mainly office equipment, are not capitalised.
- Lease of intangible assets are not capitalised.
- Lease payments on contracts that are not capitalised are recognised as other operating expenses on a straight-line basis over the lease term.

Elkem recognise right-of-use assets at the commencement date of the lease (i.e., the date the underlying assets is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis from the

commencement date to the earlier of the lease term and the remaining useful life of the right-of-use asset for assets where Elkem does not obtain ownership of the leased asset at the end of the lease term. Depreciation expense on the right-of-use asset is presented as depreciation in the statement of profit or loss. Right-of-use assets are subject to impairment assessments as described in note 19 Impairment assessment.

Lease liabilities

At the commencement date of a lease, Elkem recognise lease liabilities measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Non-lease components like insurance, electricity and other property-related expenses to be paid to landlord are excluded from the lease commitment for offices. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by Elkem and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs. Elkem uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease cannot be readily determined. The incremental borrowing rate is based on the respective country's risk-free rate for the term corresponding to the lease term, adjusted for own credit risk. Updated incremental borrowing rates are applied to new lease contracts recognised on a quarterly basis.

Lease liability is remeasured upon the occurrence of certain events like change in the lease term, lease payments or reassessment of options which in general implies a change in the carrying amount of the right-of-use asset. If any changes to the contractual terms and conditions; like increase of scope Elkem needs to assess whether the change implies a separate lease if the change has a standalone price. The existing right-of-use asset is adjusted if the increase of scope does not indicate a standalone price or for any other modifications.

Judgements and estimates

The lease term is determined as the non-cancellable period of a lease, together with any periods covered by an option to extend the lease if Elkem is reasonably certain to exercise that option and any periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. Elkem's main renewal options relate to lease of buildings for

office and production purpose, included in Plant, buildings and other property, and lease of land and it is reasonably certain that the renewal option will be used. Elkem reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise, or not to exercise, the option to renew.

Details of right-of-use assets 2021

Amounts in NOK million	Land	Buildings and other property	Plant, machinery, equipment and motor vehicles	Office and other equipment	Total
Cost					
Opening balance	415	529	134	10	1 087
Additions/lease modifications	0	239	18	2	260
Reclassification	(0)	0	0	(1)	-
Partial or full termination of agreements	-	(41)	(10)	-	(51)
Currency translation differences	17	2	(5)	(0)	14
Closing balance	432	730	138	11	1 310

Accumulated depreciation

Opening balance	(51)	(105)	(53)	(3)	(212)
Additions/lease modifications	(4)	(77)	(34)	(2)	(116)
Reclassification	(7)	(0)	0	0	(7)
Partial or full termination of agreements	-	40	9	-	49
Currency translation differences	(3)	(1)	2	0	(2)
Closing balance	(66)	(143)	(75)	(5)	(288)

Impairment losses

Opening balance	-	-	-	-	-
Additions	-	(1)	-	(4)	(5)
Currency translation differences	-	(0)	-	(0)	(0)
Closing balance	-	(1)	-	(4)	(5)

Carrying amount

Closing balance	366	586	62	2	1 017
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Estimated useful life	1-99 years	1-25 years	2-5 years	3-6 years
Depreciation plan	Straight-line	Straight-line	Straight-line	Straight-line

Details of right-of-use assets

2020

Amounts in NOK million	Land	Buildings and other property	Plant, machinery, equipment and motor vehicles	Office and other equipment	Total
Cost					
Opening balance	239	357	99	8	702
Additions/lease modifications	123	197	47	2	369
Reclassification	-	-	-	-	-
Business combinations (note 4)	52	-	-	-	52
Partial or full termination of agreements	(1)	(25)	(17)	-	(43)
Currency translation differences	2	(0)	5	(0)	7
Closing balance	415	529	134	10	1 087

Accumulated depreciation

Opening balance	(42)	(52)	(27)	(1)	(123)
Additions/lease modifications	(8)	(70)	(36)	(2)	(115)
Reclassification	(1)	-	-	-	(1)
Partial or full termination of agreements	1	13	10	-	24
Currency translation differences	(1)	4	0	0	3
Closing balance	(51)	(105)	(53)	(3)	(212)

Carrying amount

Closing balance	363	424	82	6	875
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Estimated useful life	1-99 years	1-25 years	1-10 years	1-5 years
Depreciation plan	Straight-line	Straight-line	Straight-line	Straight-line

Carrying amounts of lease liabilities and the movements during the period

Amounts in NOK million	2021	2020
Opening balance	663	407
Additions / lease modifications ¹⁾	258	350
Payments	(144)	(120)
Interest expenses on lease liabilities	26	17
Currency translation differences	(2)	9
Closing balance (note 23)	801	663

¹⁾ Elkem has a limited number of lease contracts with extension and termination options, where the options are not expected to be exercised and hence where no liability is recognised.

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

Amounts recognised in consolidated statement of profit or loss

Amounts in NOK million	2021	2020
Depreciation of right-of-use assets	(116)	(115)
Interest expenses on lease liabilities (note 13)	(26)	(17)
Leasing expenses, short-term leases (note 11)	(44)	(30)
Leasing expenses, low value assets (note 11)	(11)	(9)
Leasing expenses, variable lease payments (note 11)	(2)	(4)
Total amount recognised in consolidated statement of profit or loss	(199)	(174)

17. Intangible assets

Principle

Intangible assets are stated in the consolidated financial statements at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired in business combinations are recognised at fair value at the acquisition date. Intangible assets with a finite useful life are amortised, using the straight-line method, commencing when the asset is available for use. Assets that are an integral part of a group of assets are amortised from the date the related asset group as a whole is ready for its intended use. Such assets are impairment tested annually.

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

An intangible asset is derecognised on disposal, or when the group expects no future economic benefits to be derived from its use. Gain or loss arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in other operating income or other operating expenses in the statement of profit or loss.

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An intangible asset arising from an internal development project is recognised in the statement of financial position if the group can demonstrate technical feasibility of completing the intangible asset, has the intention to complete it, ability to use it, can demonstrate that it will generate probable future economic benefits and the cost can be reliably measured. Expenditures related to research and development activities, see note 11 Other operating expenses.

Accounting principle for impairment of assets, see Note 19 Impairment assessment.

Judgements and estimates

Estimated useful lives are used in calculation of amortisation of intangible assets, these are reviewed, and if necessary adjusted, at least annually.

Details of intangible assets

2021

Amounts in NOK million	Land use rights	Technology and licences	Software	Development	Other intangible ¹⁾	Intangible assets under construction	Total other intangible assets
Cost							
Opening balance	108	836	469	714	322	305	2 753
Additions ²⁾	-	1	16	-	-	324	342
Transferred from CiP	-	2	6	80	-	(87)	-
Reclassification	-	8	81	-	-	29	118
Disposals	-	-	(9)	-	(0)	-	(9)
Currency translation differences	(5)	(19)	4	(19)	12	(2)	(28)
Closing balance	103	828	567	775	335	568	3 175

Accumulated amortisation

Opening balance	(56)	(487)	(349)	(486)	(55)		(1 433)
Additions	(1)	(41)	(50)	(53)	(31)		(177)
Reclassification	-	-	(1)	-	-		(1)
Disposals	-	-	5	-	0		5
Currency translation differences	3	15	(3)	21	(1)		35
Closing balance	(55)	(513)	(398)	(519)	(87)		(1 572)

Impairment losses

Opening balance	(1)	-	-	-	-	-	(1)
Additions	-	-	(4)	-	-	-	(4)
Disposals	-	-	4	-	-	-	4
Currency translation differences	0	-	-	-	-	-	0
Closing balance	(1)	-	-	-	-	-	(1)

Carrying amount

Closing balance	47	315	169	256	248	568	1 602
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Estimated useful life	3–10 years	3–15 years	3–10 years	3–16 years	3–10 years
Amortisation plan	Straight-line	Straight-line	Straight-line	Straight-line	Straight-line

¹⁾ Other intangible assets consists mainly of customer relationships.

²⁾ Additions in 2021 consists mainly of capitalisation of development projects of NOK 300 million of which NOK 228 million is related to Elkem's biocarbon initiative and battery projects.

**Details of intangible assets
2020**

Amounts in NOK million	Land use rights	Technology and licences	Software	Development	Other intangible ¹⁾	Intangible assets under construction	Total other intangible assets
Cost							
Opening balance	101	557	421	663	92	152	1 987
Additions ¹⁾	-	2	17	-	0	188	207
Transferred from CiP	-	-	6	29	0	(35)	-
Reclassification	-	0	22	0	0	(0)	22
Business combinations (note 4)	-	257	0	-	253	-	510
Disposals	-	-	(2)	(4)	-	(1)	(7)
Currency translation differences	6	20	5	25	(23)	0	33
Closing balance	108	836	469	714	322	305	2 753
Accumulated amortisation							
Opening balance	(50)	(419)	(304)	(407)	(29)	-	(1 209)
Additions	(3)	(44)	(42)	(60)	(26)	-	(174)
Reclassification	-	-	-	-	-	-	-
Disposals	-	-	2	2	-	-	4
Currency translation differences	(3)	(24)	(6)	(21)	0	-	(54)
Closing balance	(56)	(487)	(349)	(486)	(55)	-	(1 433)
Impairment losses							
Opening balance	(1)	-	-	-	-	-	(1)
Currency translation differences	(0)	-	-	-	-	-	(0)
Closing balance	(1)	-	-	-	-	-	(1)
Carrying amount							
Closing balance	51	349	120	227	268	305	1 319
Estimated useful life	3–10 years	3–15 years	3–10 years	3–16 years	3–10 years		
Amortisation plan	Straight-line	Straight-line	Straight-line	Straight-line	Straight-line		

1) Other intangible assets consists mainly of customer relationships

2) Additions in 2020 consists mainly of capitalisation of development projects of NOK 162 million.

18. Goodwill

Principle

Goodwill is initially measured as the excess of the cost of an acquisition over the group's share of the fair values of the acquired entity's net identifiable assets at the acquisition date. If the fair value of the group's interest in the net assets of the acquired subsidiary exceeds the cost of the acquisition (negative goodwill), the differences are recognised directly in the statement of profit or loss as other items. Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment annually, or more frequently when there is an indication of impairment. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Accounting principle for impairment of assets, see Note 19 Impairment assessment.

Judgements and estimates

The fair value of an acquired entity's net identifiable assets used to initially measure goodwill are dependent on assumptions such as future cash flows and discount rate.

Judgments and estimates for impairment of assets, see Note 19 Impairment assessment.

Details of goodwill

Amounts in NOK million	2021	2020
Opening balance	919	466
Business combinations (note 4)	-	506
Currency translation differences	22	(53)
Closing balance	941	919

**Origin of goodwill per CGU
31 December 2021**

Amounts in NOK million	Silicones	Silicon Products	Carbon Solutions	Total
Elkem Silicones Guangdong Co., Ltd.	485	-	-	485
Elkem Silicones Korea Co., Ltd	119	-	-	119
Elkem Silicones	76	-	-	76
Elkem Rana AS	-	40	-	40
Elkem Oilfield Chemical FZCO	-	21	-	21
Elkem Materials Process Services BV	-	0	-	0
Elkem Nagpur	-	37	-	37
Elkem Dronfield Ltd.	-	16	-	16
Ferroveld JV	-	-	41	41
Elkem Participações Indústria e Comércio Limitada	-	-	7	7
Elkem Carbon (China) Co., Ltd.	-	-	1	1
NEH LLC	-	83	15	98
Total goodwill	680	197	64	941

**Origin of goodwill per CGU
31 December 2020**

Amounts in NOK million	Silicones	Silicon Products	Carbon Solutions	Total
Elkem Silicones Guangdong Co., Ltd.	455	-	-	455
Elkem Silicones Korea Co., Ltd	126	-	-	126
Elkem Silicones	80	-	-	80
Elkem Rana AS	-	40	-	40
Elkem Oilfield Chemical FZCO	-	20	-	20
Elkem Materials Process Services BV	-	0	-	0
Elkem Nagpur	-	37	-	37
Elkem Dronfield Ltd.	-	16	-	16
Ferroveld JV	-	-	43	43
Elkem Participações Indústria e Comércio Limitada	-	-	7	7
Elkem Carbon (China) Co., Ltd.	-	-	1	1
NEH LLC	-	80	15	95
Total goodwill	661	192	66	919

19. Impairment assessments

Principle

Impairment exists when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less cost of disposal calculation is based on data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs of disposing the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that Elkem is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

A CGU is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

Indicators of impairment will typically be changes in technological development, changes in market conditions and changes in the competitive situation.

Impairment loss and reversal of previous impairment losses are recognised as impairment losses in the statement of profit or loss.

Goodwill

Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination. Goodwill is tested for impairment annually, or more frequently when there is an indication of impairment. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Intangible assets, property plant and equipment and right-of-use assets

Intangible assets with indefinite useful lives are tested for impairment annually, or more frequently when there is an indication of impairment. For the other non-financial assets Elkem assess, at each reporting date, whether there is an indication that an asset may be impaired. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Judgements and estimates

The recoverable amounts of assets of CGUs subject to impairment testing are determined based on value-in-use calculations, which are to a large extent based on estimated future cash flows. These calculations require the use of estimates for cash flows, the choice of discount rate before tax for discounting the cash flows, and to determine the CGU.

(a) Impairment test of goodwill

Discounted cash flow models are applied to determine the value in use for the cash-generating unit. Key assumptions used in the calculation of value in use are growth rate, EBITDA levels, capital expenditure and discount rates.

Growth rates

The expected growth rates for a cash-generating unit converge from its current level experienced over the last few years, to the long-term growth level in the market in which the entity operates. The growth rates used to extrapolate cash flow projections beyond the explicit forecast period are based on management's past experience, assumptions in terms of market share and expectations for the market development in which the entity operates. Growth rate used in Elkem's DCF models is 2.0% (1.5%).

EBITDA levels

EBITDA level represents the operating profit (loss) before depreciation and amortisation. The key assumptions used in reaching the forecast figures are sales prices, volume mix, operating costs and productivity targets.

Sales prices, volume and product mix: The 2022 budget is used as a basis for the forecast the next four years. Elkem has seen an increase in sales prices for most of Elkem's products in 2021 and prices are currently very favourable for Elkem. For Elkem's Silicones business the sales prices in China have been very volatile in 2021. In the impairment assessment Elkem has assumed sales prices will normalise and the price assumptions are below the current market situation. There are no observable long-term market prices for Elkem's products, but there are external independent sources such as CRU for the Silicon Products market that are used as a basis for the budget. Elkem works continuously to improve the specialty ratio and this is reflected in the impairment models. Sales volumes are adjusted for necessary maintenance stops.

Raw materials and energy for smelting: Most of Elkem's plants have long term energy contracts that covers their future need of power. For Elkem's spot exposure observable market prices are used adjusted for CPI. Raw material prices are based on 2022 budget and are adjusted to reflect expected volume / mix changes.

Other operating costs: These are estimated based on the current level and adjusted for committed operational efficiency programs. Changes to the outcome of these initiatives may affect future estimated EBITDA levels.

Capital expenditure ("Capex")

A normalised capex is assumed in the long run and are based on today's maintenance level and technology. Estimated capital expenditures do not include capital expenditures that significantly enhance the current performance, as such effects generally are not included in the cash flow projections.

Currency rates and inflation

The value-in-use calculation is performed in the functional currency for the CGU. The currency rates are based on official forward rates from Reuters. The long-term inflation (CPI) are based on external predictions and reflect the CPI which each CGU is located.

Discount rates

The required rate of return is calculated by the WACC method. The cost of a company's equity and liabilities, weighted to reflect its capital structure of 50:50, respectively, derive from its weighted average cost of capital. The WACC rates used in discounting the future cash flows are based on Norwegian 10-year risk-free interest rate. The rates are adjusted for inflation differential and country risk premium. The discount rates also take into account the debt premium, market risk premium, corporate tax rate and asset beta.

Goodwill acquired through business combination are allocated to Silicones, Silicon Products and Carbon Solutions, which are also operating and reportable segments. The following give an overview of carrying amount of goodwill allocated to each of the CGUs including pre-tax discount. The pre-tax discount rates in the table are converted to a NOK cash flow rates for comparison purposes.

Cash Generating Units

Amounts in NOK million	Carrying amount		WACC	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Silicones	680	661	9.2%	9.1%
Silicon Products	197	192	8.5%	8.9%
Carbon Solutions	64	66	9.6%	11.1%
Goodwill	941	919		

Sensitivity for test of goodwill

- An increase of 4% points in WACC, for each CGU's WACC, will not result in impairment for the CGUs.
- A growth rate equal to zero, for the cash-flows for each CGU will not result in impairment for the CGUs.
- A decrease in the forecasted EBITDA levels of 30% for the cash-flows for each CGU will not result in impairment for the CGUs.

(b) Impairment test for Intangible assets, property plant and equipment and right-of-use assets

For the assets with impairment indicators the recoverable amount was determined estimating the value in use of the assets, see the goodwill section above for assumption used. In 2021 Elkem has identified impairment indicators for one of its CGUs, below. The CGU was not assessed to be impaired, as the recoverable amount exceed the carrying amount for the CGUs.

In 2020 Elkem identified impairment indicators for Silicones, Elkem Rana (within Elkem ASA), Elkem Island and Bluestar Silicon Material (Yongdeng) combined with Jiangxi Bluestar Xinghuo Silicones. With the exception of Silicones, the three other CGU's have performed better in 2021 than the forecasts applied in last year's models, and no new impairment indicators are identified.

20. Inventories

Principle

Inventories are measured at the lower of cost and net realisable value. Inventory consists of raw materials, semi-finished goods and finished goods, in addition to operating materials and spare parts that do not meet the definition of property, plant and equipment. Raw materials, and operating materials and spare parts, are recognised at cost of purchase including transport and handling to their present location. Finished and

Silicones

Elkem has identified impairment indicators within the Silicones segment, Silicones excluding Jiangxi Bluestar Xinghuo Silicones, Elkem Silicon Materials (Lanzhou), Elkem Silicones Korea and Polysil, which are tested separately. The total carrying amount of the CGU is NOK 5,356 million. The impairment indicators are largely due to increasing raw material prices and a significant portion of the sales on annual contracts with fixed prices. A price increase was communicated to the market in Q2 and efforts on price increase show result in Q4 with improved results.

The assumptions applied follow the assumptions as applied for the goodwill, see section above. It is assumed sales prices based on the cost level expected for 2022 and stable production. Pre-tax discount rate used in the DCF calculation for the CGU is 9.2%. An increase of 4% points in WACC or a growth rate used to extrapolate the cash-flows after five years equal to zero or a decrease in forecasted EBITDA of 30% points, will not result in an impairment for the CGU.

semi-finished goods are measured at cost of raw materials, energy for production and cost of conversion up to the actual completion stage. Cost of conversion comprise operating expenses directly related to production of the products and an allocation of direct fixed operating expenses. Net realisable value represents the estimated selling price for inventories less estimated costs of completion and variable selling expenses.

Cost of goods sold is recognised in different lines in the statement of profit or loss based on nature; raw materials and energy for production, employee benefits and other operating expenses. Cost of conversion related to goods sold is reported net of cost of conversion for goods produced as 'Changes in inventories of finished goods and work in progress', included in other operating expenses.

Entities within the group sell goods to other group entities, consequently finished goods from one entity

become raw materials or semi-finished goods for another group entity. The classification of goods in the group's statement of financial position is based on the separate entity's classification.

Judgement and estimates

The assessment of net realisable value for the inventory is based on estimated market prices in the period the inventory is expected to be sold. The actual market price will differ from the estimates used.

Details of inventory

Amounts in NOK million	31.12.2021			31.12.2020		
	Cost price	Provision	Net total	Cost price	Provision	Net total
Raw materials	2 767	(74)	2 693	1 202	(10)	1 192
Semi-finished goods	343	(41)	302	417	(11)	406
Finished goods	4 198	(63)	4 135	3 159	(71)	3 088
Operating materials and spare parts	610	(23)	586	578	(23)	555
Total inventories	7 918	(202)	7 716	5 356	(115)	5 241

This year's change in provision for impairment of inventory, a loss of NOK 87 million (gain of NOK 3

million), is recognised as a part of raw materials and energy for production.

21. Trade receivables

Principle

Trade and bills receivables are initially recognised at transaction price, which in most cases corresponds to their nominal amount. The carrying amount is subsequently measured at amortised cost using the effective interest rate method, less any provision for expected credit losses. Current receivables with no stated interest rate are recognised at their nominal amount.

A bill receivable is a document where the customer formally agrees to pay for delivered goods or services at maturity date and are normally guaranteed by a financial institution. A bill receivable is transferable and can be used to pay trade payables (endorsed) or settled in cash with a finance institution (discounted). The bills receivables-document effectively replaces, for the specified amount, the open debt exchanged for the bill. Bills receivables are mainly used by Elkem's Chinese

entities, towards financial institutions, and the duration is normally below six months.

Trade receivables are derecognised when settled or when transferred to a third party and the group has no further risk related to the receivables. Bills receivables are derecognised when they are settled on due date or when the risk and reward are transferred to a third party. Transferral to a third party can be done by discounting a bill receivable before due date or by endorsing the bill receivable, meaning that it is accepted by the supplier as payment for goods or services received.

Elkem calculates the expected credit losses (ECL) for trade receivables in accordance with the simplified approach. All expected cash flows, including cash flows from credit insurance contracts where such contracts are deemed to be an integral part of the transactions, into consideration. The assessment is based on

historical experienced losses adjusted for forward-looking estimates on changes in risk / probability that credit losses will occur for the different customer groups / segments where applicable.

Judgements and estimates

Judgement is applied when determining expected credit loss on trade receivables. The judgement is based on experienced losses in the past and expectations about

future economic conditions for the different customer groups / business areas. Calculation of expected credit losses takes into account cash flows from credit insurance contracts when such contracts are deemed to be an integral part of the transaction. Elkem generally secures its trade receivables by credit insurance from a reputable credit insurance company, see note 27 Financial risk.

Details of trade receivables

Amounts in NOK million	31.12.2021	31.12.2020
Trade receivables	3 343	1 931
Trade receivables, related parties (note 32)	33	36
Allowance for expected credit losses	(69)	(92)
Bills receivable	990	920
Total trade receivables	4 297	2 796

Elkem has entered into factoring agreements of a total of EUR 126.5 million, NOK 1,265 million, whereof EUR 25 million is extended in 2021 compared to 2020. The agreements include a recourse clause for maximum 5% of the face value of the individual receivables sold under the agreement. 95% of the receivables under the agreement are derecognised and the recourse amount is recognised as a current liability. As at 31 December 2021 NOK 1,039 million (NOK 962 million) is derecognised and NOK 57 million (NOK 51 million) is recognised as current liability (see note 24 Provisions and other liabilities) under the agreement. In addition Elkem has entered into a factoring agreement for a limited number

of its customers. The factoring agreement is without recourse and as at 31 December 2021 NOK 42 million (NOK 17 million) is derecognised under the agreement.

Bills receivable consist of NOK 989 million (NOK 917 million) bank acceptance bills and NOK 2 million (NOK 4 million) commercial acceptance bills.

A total of NOK 4,253 million (NOK 4,104 million) in unmatured bills receivables are discounted or endorsed. These bills are derecognised as there are no remaining credit risk related to discounted bills, and the credit risk for endorsed bills are assessed to be insignificant.

Analysis of gross trade receivables by age, presented based on the due date

Amounts in NOK million	31.12.2021	31.12.2020
Not due	2 883	1 552
Overdue by:		
1-30 days	352	295
31-60 days	48	28
61-90 days	27	16
More than 90 days	66	77
Total trade receivables¹⁾	3 376	1 967

¹⁾ Bills receivable is not included in the ageing table

Movements in allowance for expected credit losses

Amounts in NOK million	2021	2020
Opening balance	(92)	(76)
Business combinations (note 4)	-	(8)
Realised losses during the year / Received on earlier losses	12	5
Provision for expected credit losses	(10)	(33)
Reversal of earlier provisions	24	20
Currency translation differences	(4)	1
Closing balance	(69)	(92)

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

Amounts in NOK million	31.12.2021	31.12.2020
Not due	(14)	(7)
Overdue by:		
1-30 days	(1)	(2)
31-60 days	(0)	(0)
61-90 days	(4)	(9)
More than 90 days	(50)	(73)
Total allowance for expected credit losses	(69)	(92)

22. Other assets

Principle

Other shares

Investments in equity instruments with an ownership below 20% are normally classified as other shares and recognised in other non-current assets in the statement of financial position. Other shares consist of equity investments in both listed and unlisted companies. Shares in listed companies are measured at fair value through profit or loss. Investments in equity instruments that do not have a quoted market price in an active market are classified as financial assets measured at fair value through other comprehensive income (OCI). Changes in fair values recognised in OCI cannot be subsequently recycled to statement of profit or loss. Dividends from such investments are recognised as other items in the statement of profit or loss.

Financial assets

A financial asset is recognised in the statement of financial position when Elkem becomes party to a contract. Assets to be acquired as a result of a firm commitment to sell goods or services are recognised at the time Elkem has performed under the agreement.

At initial recognition, the financial assets are carried in the statement of financial position at fair value plus any transaction costs directly attributable to the acquisition or issue of the asset. Financial assets are derecognised once the right to future cash flows have expired or been transferred to a third party, once Elkem has transferred substantially all the risk and rewards of control of these assets. Any rights or obligations retained in any transferred assets are booked separately as assets or liabilities.

Financial assets with a maturity exceeding one year are classified as non-current financial assets. Short-term investments that do not meet the definitions of a cash equivalent, and financial assets with a maturity of less than one year, are classified as current financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in a regulated market. After initial recognition, they are recognised at amortised cost using the effective interest method. Gains and losses are

recognised in the statement of profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

If there is objective evidence of impairment, or if there is a risk that the group may not recover the contractual amounts at the contractual maturity dates, an impairment loss is recognised in the statement of profit or loss. The provision is equal to the difference between the carrying amount and the estimated future recoverable cash flows.

Current assets

Current receivables are initially recognised at fair value, which in most cases corresponds to their nominal amount. The carrying amount is subsequently measured

at amortised cost using the effective interest rate method, less any provision for expected credit losses. Current receivables with no stated interest rate are recognised at their nominal amount.

Judgements and estimates

Judgement is applied when assessing the value of shares in unlisted companies. For estimates related to valuation of financial assets, see note 25 Financial assets and liabilities.

Judgement is applied when determining the estimated expected credit loss on other receivables and prepayments. The judgement is based on experienced losses in the past and expectations about future economic conditions for the different counterparties.

Details of other assets

Amounts in NOK million	Non-current		Current	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Other shares	32	27	-	-
Restricted deposits	41	39	-	-
Other deposits	34	14	-	-
Pension assets, defined benefits and contribution plans (note 9)	1	3	2	3
Prepayments for construction of fixed assets	24	67	-	-
Prepayments for goods and equipment	-	-	169	78
Prepayments for other expenses	72	44	87	81
Prepayments to related parties (note 32)	-	-	18	5
Receivables from related parties, interest-bearing (note 32)	1	1	-	-
Receivables from related parties, interest free (note 32)	-	-	1	0
Grants receivable (note 8)	202	157	493	525
Value added tax	47	36	361	367
Corporate income tax	-	-	237	105
Interest receivables	-	-	1	1
Other receivables	8	8	155	43
Assets at fair value through profit or loss	-	-	14	-
Other assets	15	36	14	3
Total other assets	478	432	1 551	1 212

Provision for impairment included in total other assets (69) (59)

Restricted deposits mainly consist of restricted deposits related to the ongoing tax litigation in Elkem's business in Brazil of NOK 14 million (NOK 15 million), see note 24 Provisions and other liabilities, and deposit for pension guarantee, related to unfunded pension liabilities for salaries above 12G, of NOK 27 million (NOK 24 million). Other receivables includes NOK 87 million (NOK 0 million) related to settlement of power derivatives.

Corporate income tax receivable partly consists of Elkem ASA's pending tax issues with tax authorities (see note 14 Taxes). Elkem's assessment is that the defence against the action will be successful, but that the case consideration might take up to 3 years. Parts of Elkem's income tax receivables is correspondingly expected to be settled later than one year.

23. Interest-bearing assets and liabilities

Principle

Interest-bearing liabilities

The liabilities are initially recognised at fair value of the amount required to settle the associated obligation, net of prepaid costs directly attributable to the liability. Subsequently and insofar, as they are not designated as liabilities at fair value through profit or loss, such liabilities are recognised at amortised cost using the effective interest rate method.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred to a third party. Financial liabilities are derecognised when they are extinguished.

Bills payable

A bill payable is a document where the buyer formally agrees to pay for purchased goods or services at maturity date and are normally guaranteed by a financial institution. The bills payable are initially recognised when the supplier accepts the bill of exchange and is recognised at the amount equal to the trade payables

it replaces. Bills payable are used by Elkem's Chinese entities, and the duration is normally below six months. When the bill payable is guaranteed by a financial institution it is normally required to deposit a certain percentage of the nominal value of the bill payable into a restricted bank account. All bills payable in Elkem are bank acceptance bills.

Cash and cash equivalents

Cash and cash equivalents are held for the purpose of meeting short-term fluctuations in liquidity. Deposits with a term of 3 months or less on acquisition are included. Bank overdrafts are presented within interest-bearing current liabilities in the statement of financial position. Restricted deposits are presented separately in the statement of financial position and excluded from cash and cash equivalents presented in the statement of cash flows.

Lease liabilities

See note 16 Leases for accounting policies for right-of-use assets and lease liabilities.

Details of interest-bearing assets (liabilities)

Amounts in NOK million	Non-current		Current	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Interest-bearing liabilities				
Lease liabilities (note 16)	685	566	116	97
Loans from external parties, other than bank	3 125	1 996	1 264	2 407
Bank financing	4 599	4 627	572	762
Accrued interest	-	-	20	27
Total interest-bearing liabilities	8 409	7 189	1 972	3 292
Total bills payable	-	-	2 096	1 053
Total interest-bearing liabilities including bills payable	8 409	7 189	4 067	4 345
Interest-bearing assets				
Cash and cash equivalents	-	-	7 040	3 154
Restricted deposits bills payable	-	-	601	315
Other restricted deposits	41	39	8	6
Receivables from related parties	1	1	-	-
Loans to external parties	8	8	-	-
Accrued interest income	-	-	1	1
Total interest-bearing assets	50	48	7 650	3 477
Net interest-bearing assets / (liabilities)	(8 359)	(7 140)	3 583	(869)

Interest-bearing liabilities by currency

Amounts in NOK million	31.12.2021		31.12.2020	
	Currency amount	NOK	Currency amount	NOK
EUR	608	6 083	677	7 094
USD	4	38	9	77
NOK	3 038	3 038	2 122	2 122
CNY	2 333	3 240	1 663	2 169
Other currencies	-	77	-	73
Total interest-bearing liabilities		12 476		11 534

Maturity of interest-bearing liabilities

31 December 2021

Amounts in NOK million							2027	Total
	2022	2023	2024	2025	2026	and later		
Lease liabilities	116	101	80	64	53	387	801	
Loans from external parties, other than bank	1 264	7	1 118	1 000	500	500	4 389	
Bank financing	572	4 398	206	3	3	4	5 186	
Bills payable	2 096						2 096	
Accrued interest	20						20	
Total interest-bearing liabilities excluding prepaid loan fees	4 067	4 506	1 404	1 067	557	891	12 492	
Prepaid loan fees							(16)	
Total interest-bearing liabilities							12 476	

Maturity of interest-bearing liabilities

31 December 2020

Amounts in NOK million							2026	Total
	2021	2022	2023	2024	2025	and later		
Lease liabilities	97	82	56	48	39	340	663	
Loans from external parties, other than bank	2 407	1 327	15	392	262	-	4 403	
Bank financing	762	70	4 566	4	4	8	5 414	
Bills payable	1 053						1 053	
Accrued interest	27						27	
Total interest-bearing liabilities excluding prepaid loan fees	4 345	1 479	4 638	444	304	348	11 559	
Prepaid loan fees							(25)	
Total interest-bearing liabilities							11 534	

Loan agreements

The main non-current loan agreements as of 31 December 2021 are a term loan of EUR 400 million (EUR 400 million), a term loan of EUR 5 million (EUR 11 million), issued bond loans of a total of NOK 2,500 million (NOK 0 million) and a series of loans issued in the Sculdschein market of EUR 61 million (NOK 135 million). The main loan agreements are granted to Elkem ASA.

One of the loans issued in the Schuldchein market (EUR 15 million) is a fixed rate loan with a fixed rate of 1.8160%. Given the market conditions as at 31 December 2021 the loan would have been approximately EUR 0.2 million higher, due to the difference between fixed and market rate.

The bond loans are listed on Oslo Børs. There are no covenants related to the bond loan. There are no material differences between fair value of the bond loan and book values.

The loan facilities are unsecured, but part of the loans has financial covenants related to them, see below.

Credit facilities

As of 31 December 2021 the group is granted credit facilities of NOK 3,144 million. The credit facilities are undrawn at 31 December 2021.

As of 31 December 2020 the group is granted credit facilities of NOK 3,250 million where of NOK 16 million are drawn at 31 December 2020.

The main revolving credit facilities are granted to Elkem ASA, but the facilities can be utilised by Elkem ASA and its subsidiaries. The main facilities amount to EUR 250 million (NOK 2,465 million) and NOK 250 million respectively. See note 27 Financial risk, section (c) liquidity risk for more information.

Hedging

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

Loan covenant

Elkem has financial covenants related to its main bank financing and parts of loans from external parties, other than bank (Schuldchein), in Norway. The interest-bearing loans in China have no connected financial covenants. In addition to the covenants on these loan facilities in Norway there are loan covenants related to the credit facilities in Elkem Metal Canada Inc of CAD 2 million. Elkem and Elkem Metal Canada Inc. are compliant with their covenants at the end of 2021 and 2020.

The covenants for the interest-bearing loan facilities in Norway relate to the financial performance of Elkem and are as specified in the table below.

Covenant Elkem related to drawn loan of NOK 5,971 million (NOK 6,607 million) in Elkem ASA

Amounts in NOK million		31.12.2021	31.12.2020	Loan covenant
Total Equity	NOK	19 874	12 635	
Total Assets	NOK	41 850	30 888	
Equity ratio		47 %	41 %	> 30%
EBITDA	NOK	7 791	2 684	
Net interest payable	NOK	209	234	
Interest cover ratio		37.33	11.47	> 4.00

Movements in interest-bearing liabilities

Amounts in NOK million	31.12.2020	Cash flows		Non-cash changes		31.12.2021
		Receipts/ Payments	Additions and lease modification	Reclassification	Currency translation differences	
Lease liabilities	566	-	258	(138)	(1)	685
Loans from external parties, other than bank	1 996	2 464	-	(1 266)	(69)	3 125
Bank financing	4 652	132	-	(5)	(164)	4 615
Total movements non-current	7 214	2 596	258	(1 409)	(233)	8 425
Lease liabilities	97	(118)	-	138	(1)	116
Loans from external parties, other than bank	2 407	(2 373)	-	1 266	(36)	1 264
Bank financing	762	(226)	-	5	31	571
Total movements current	3 266	(2 717)	-	1 409	(6)	1 952
Total movements	10 479	(122)	258	-	(239)	10 376

Movements in interest-bearing liabilities

Amounts in NOK million	31.12.2019	Cash flows		Non-cash changes		31.12.2020
		Receipts/ Payments	Additions and lease modification	Reclassification	Currency translation differences	
Lease liabilities	323	-	350	(114)	6	566
Loans from external parties, other than bank	3 928	-	-	(2 066)	133	1 996
Bank financing	4 089	356	-	(71)	278	4 652
Total movements non-current	8 340	356	350	(2 251)	418	7 214
Lease liabilities	85	(104)	-	114	3	97
Loans from external parties, other than bank	266	44	-	2 066	31	2 407
Bank financing	887	(197)	-	71	1	762
Total movements current	1 237	(257)	-	2 251	35	3 266
Total movements	9 577	99	350	-	453	10 479

24. Provisions and other liabilities

Principle

Provisions

A provision is recognised when the group has a present obligation (legal or constructive) and it is probable that an outflow of resources is required to settle the obligation. The amount recognised is the best estimate of the consideration required to settle the obligation, taking into account the risks and uncertainties surrounding the obligation, known at the end of the reporting period. Provisions are measured at present value, unless the time value is assessed to be immaterial.

Contract obligations

Contract obligations are liabilities assumed in business combinations, liabilities related to cancellation of contracts and contracts that includes guarantees for losses.

Other liabilities

The liabilities are initially recognised at fair value of the amount required to settle the associated obligation, net of prepaid costs directly attributable to the liability.

Contingent liabilities

Contingent liabilities are liabilities which are not recognised because they are possible obligations that have not yet been confirmed, or they are present obligations where an outflow of resources is not probable. Any significant contingent liabilities are disclosed in the notes.

Contingent assets

Contingent assets are not recognised but disclosed in the notes if probable.

Judgements and estimates

Elkem has several types of provisions due to its operations. Such liabilities are normally uncertain in timing and amount, and recognised amounts are estimates based on available information at the end of the reporting period. The estimated liability is based on expected cash flows necessary to settle the obligation, adjusted for any related risk and discounted by using the pre-tax interest applicable for the specific entity. The estimates are updated when new or updated information is available, or at a minimum at each reporting date. The actual outcome will differ from the estimate.

Details of provision and other liabilities

Amounts in NOK million	Non-current		Current	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Employee withholding taxes and other public taxes	-	-	133	95
Value added tax	-	-	223	111
Prepayments	-	-	375	223
Prepayments from related parties (note 32)	-	-	10	27
Liabilities to related parties (note 32)	-	-	32	64
Provisions	127	127	287	205
Contract obligations power	-	-	4	3
Contract obligations equity accounted financial investments (note 5)	-	-	-	3
Contingent consideration acquisition of subsidiaries (note 4)	40	184	163	77
Accrued expenses	-	-	320	139
Grants, deferred income (note 8)	-	-	18	21
Grants payable (note 8)	15	15	-	-
Recourse liability factoring agreement (note 21)	-	-	57	51
Other liabilities	-	-	35	44
Total provisions and other liabilities	182	326	1 657	1 064

The contingent consideration acquisition of subsidiaries relates to the acquisition of Polysil on 1 April 2020, see note 4 Composition of the group.

Movements in contingent consideration

Amounts in NOK million	2021	2020
Opening balance	261	-
Initial fair value of contingent consideration (note 4)	-	549
Fair value adjustment of contingent consideration upon payment	1	-
Unwinding	6	9
Payments	(78)	(239)
Currency translation differences	13	(58)
Closing balance	203	261

Movements in provision 2021

Amounts in NOK million	Restructuring	Site restoration	Environmental measures	Litigations	Customers	Other provisions	Total provisions
Opening balance	127	31	94	60	9	12	332
Additional provisions recognised	-	2	16	10	0	171	199
Used during the year	(17)	(0)	-	(1)	(5)	(47)	(72)
Reversal of provisions recognised	(41)	-	-	-	-	-	(41)
Currency translation differences	1	(0)	(0)	(3)	(0)	(2)	(4)
Closing balance	70	32	109	66	4	134	415
Hereof non-current	-	32	55	40	-	0	127
Hereof current	70	0	54	26	4	134	287
Closing balance	70	32	109	66	4	134	415

Movements in provision 2020

Amounts in NOK million	Restructuring	Site restoration	Environmental measures	Litigations	Customers	Other provisions	Total provisions
Opening balance	-	29	97	69	10	12	217
Additional provisions recognised	199	1	1	7	4	3	215
Used during the year	(25)	-	(2)	(4)	(3)	(3)	(37)
Reversal of provisions recognised	(40)	-	(5)	-	(2)	-	(47)
Currency translation differences	(6)	0	2	(13)	0	1	(16)
Closing balance	127	31	94	59	9	12	332
Hereof non-current	-	31	50	39	-	8	127
Hereof current	127	-	44	21	9	4	205
Closing balance	127	31	94	60	9	12	332

Restructuring

The provision is related to Elkem's group wide productivity improvement programme launched in first quarter of 2020. See note 12 Other items

Site restoration

The site restoration provisions are related to the necessary site remediation work that Elkem will have to undertake in respect of its quartz mines.

Environmental measures

Elkem has worldwide operations representing potential exposure towards environmental consequences. Elkem has established clear procedures to minimise environmental emissions, well within public emission limits. The provisions relate to clean up costs for a closed down production site and landfills, mainly in Canada and Norway, and also estimated cost for clean-up cost of polluted soil and fjord in relation to production sites in Norway and France.

Litigations

The provisions due to litigations are mainly related to tax cases in the Carbon division in Brazil.

Tax cases in Brazil can take a substantial amount of time before resolution by the tax authorities, hence the

time of settlement is uncertain. Provisions are made for each case based on the estimated amount expected to be paid, including interest and penalties. In accordance with Brazilian regulations, agreed amounts have been transferred to restricted bank accounts and are adjusted for interest. The restricted cash is recognised in other non-current assets, see note 22 Other assets.

Customers

The provisions are related to customer complaints, mainly in the Silicones division.

Other provisions

Consist mainly of a provision related to relocation of workers buildings located in proximity to the Silicones Xinghuo plant, required by the authorities.

Contingent liabilities

Due to its operations Elkem could be included in criminal or civil proceedings related to, among others, product liability, environment, health and safety, anti-competitive, anti-corruption, trade sanctions or other similar laws or regulations or other forms of commercial disputes which could have a material adverse effect on Elkem. See section litigation above for ongoing cases and see note 14 Taxes for ongoing tax audits by authorities.

25. Financial assets and liabilities

Principle

Financial assets

A financial asset or a financial liability is recognised in the statement of financial position when Elkem becomes party to a contract. Assets to be acquired and liabilities to be incurred as a result of a firm commitment to purchase or sell goods or services are recognised at the time one of the parties has performed under the agreement.

At initial recognition, the financial assets are carried in the statement of financial position at fair value plus any transaction costs directly attributable to the acquisition or issue of the asset. Financial assets are derecognised when the right to future cash flows have expired or been transferred to a third party, once the group has transferred substantially all the risk and rewards of control of these assets. Any rights or obligations retained in any transferred assets are booked separately as assets or liabilities.

Financial assets with a maturity exceeding one year are classified as non-current financial assets. Short-term investments that do not meet the definitions of a cash equivalent, and financial assets with a maturity of less than one year, are classified as current financial assets.

Financial liabilities

Non-derivative financial liabilities include interest-bearing liabilities, bills payable and trade payables. The liabilities are initially recognised at fair value of the amount required to settle the associated obligation, net of prepaid costs directly attributable to the liability. Subsequently and insofar, as they are not designated as liabilities at fair value through profit or loss, such liabilities are recognised at amortised cost using the effective interest rate method.

Financial liabilities are derecognised when they are extinguished.

Derivatives

Derivative financial assets and liabilities include financial instruments or contracts where the value changes in response to the change of a specified rate, price or index and commodity contracts within the scope of IFRS 9.

Derivatives are initially recognised at fair value at the date when the derivative contracts are entered into. Transaction costs that are directly attributable to the acquisition of financial assets or liabilities at fair value through profit or loss, are recognised immediately in the statement of profit or loss. Subsequently the derivatives are remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in the statement of profit or loss immediately, unless the derivative is designated and is effective as a hedging instrument, in which case the change in fair value is recognised in statement of profit or loss in the same period(s) as the hedged objects affects the profit or loss.

Derivatives are presented as current assets or liabilities, unless they are expected to be realised more than 12 months after the reporting period. In that case, they are classified as non-current assets or liabilities.

Embedded derivatives

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. Derivatives embedded in financial liability of a non-financial host are separated from the host and accounted for as separate derivatives if; the economic characteristics and risks are not closely related to the host, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the hybrid contract

is not measured at fair value through profit and loss. Elkem has long-term power contracts settled in other currencies than the entity's functional currency. The currency portion of these contracts is an embedded derivative and is recognised and presented as an independent derivative, see section derivatives above.

Commodity contracts within the scope of IFRS 9

Non-financial commodity contracts where the relevant commodity is readily convertible to cash and where the contracts are not for own use, fall within the scope of IFRS 9 Financial instruments - recognition and measurement. The group currently has energy contracts in Norway that do not meet the own use criteria, since the power under the contracts is delivered in another grid area to where the plants are located. Transfer between different grid areas is assessed to be net settlement and considered to be two different transactions. Such contracts are therefore measured at fair value through profit or loss and classified as derivatives, unless they are designated as hedging instruments.

Judgements and estimates

Estimates are used for financial assets and liabilities where there are no listed prices or direct observable prices. Calculation of fair value is in such cases based on observable prices for similar contracts, as far as possible. For contracts with a duration beyond the period of observable prices, the assumptions are derived based on the latest observable data.

See assumptions used at the balance sheet date in chapter (a) Fair value measurement below, and sensitivity of the main power contracts in note 27 Financial risk.

Assets by category

31 December 2021

Amounts in NOK million	Note	Assets at fair value					Total
		Assets at fair value through profit or loss	Assets at fair value - hedging instruments	through other comprehensive income	Loans and receivables at amortised cost	Non-financial assets	
Derivatives, non-current	22	6	308	-	-	-	314
Other assets, non-current	21	6	-	27	84	362	478
Trade receivables		-	-	-	4 297	-	4 297
Derivatives, current	22	(12)	286	-	-	-	274
Other assets, current	23	14	-	-	157	1 381	1 551
Restricted deposits	23	-	-	-	609	-	609
Cash and cash equivalents		-	-	-	7 040	-	7 040
Total		14	593	27	12 187	1 743	

Liabilities by category

31 December 2021

Amounts in NOK million	Note	Liabilities				Total
		at fair value through profit or loss	Liabilities at fair value - hedging instruments	Liabilities at amortised cost	Non-financial liabilities	
Interest-bearing liabilities, non-current ¹⁾	23	-	3	8 406	-	8 409
Derivatives, non-current ²⁾		(71)	88	-	-	18
Provisions and other liabilities, non-current	24	40	-	-	142	182
Trade payables		-	-	4 614	-	4 614
Interest-bearing liabilities, current ¹⁾	23	-	8	1 964	-	1 972
Bills payable	23	-	-	2 096	-	2 096
Derivatives, current ²⁾		(16)	40	-	-	23
Provisions and other liabilities, current	24	163	-	448	1 047	1 657
Total		116	138	17 527	1 189	

Assets by category

31 December 2020

Amounts in NOK million	Note	Assets at fair value					Total
		Assets at fair value through profit or loss	Assets at fair value - hedging instruments	through other comprehensive income	Loans and receivables at amortised cost	Non-financial assets	
Derivatives, non-current		18	41	-	-	-	59
Other assets, non-current	22	4	-	23	62	343	432
Trade receivables	21	-	-	-	2 796	-	2 796
Derivatives, current		28	120	-	-	-	148
Other assets, current	22	-	-	-	44	1 168	1 212
Restricted deposits	23	-	-	-	322	-	322
Cash and cash equivalents	23	-	-	-	3 154	-	3 154
Total		51	161	23	6 378	1 511	

Liabilities by category

31 December 2020

Amounts in NOK million	Note	Liabilities				Total
		at fair value through profit or loss	Liabilities at fair value - hedging instruments	Liabilities at amortised cost	Non-financial liabilities	
Interest-bearing liabilities, non-current ¹⁾	23	-	15	7 173	-	7 189
Derivatives, non-current ²⁾		(61)	313	-	-	252
Provisions and other liabilities, non-current	24	184	-	-	142	326
Trade payables		-	-	3 157	-	3 157
Interest-bearing liabilities, current ¹⁾	23	-	8	3 285	-	3 292
Bills payable	23	-	-	1 053	-	1 053
Derivatives, current ²⁾		34	67	-	-	101
Provisions and other liabilities, current	24	77	-	301	685	1 064
Total		234	403	14 969	827	

¹⁾ In addition to the hedging instruments specified below, currency effect of EUR loan is designated as a hedging instrument in a cash flow hedge of highly probable future sales. See note 26 Hedging.

²⁾ The group applies hedge accounting for certain contracts and certain parts of power contracts. The negative value reported as assets and liabilities at fair value is representing the value of parts of power contracts where hedge accounting is not applied.

There are no material differences between fair value and the carrying amount for financial liabilities and financial assets at amortised cost.

(a) Fair value measurement

Elkem's financial instruments measured to fair value are categorised into three levels based on the inputs to the valuation techniques used to measure fair value.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

Assets and liabilities measured at fair value 31.12

Amounts in NOK million				Total			Total		
	Level 1	Level 2	Level 3	2021	Level 1	Level 2	Level 3	2020	
Financial assets at fair value through profit or loss	6	39	(31)	14	4	46	-	51	
Derivatives designated in a hedging relationship	-	175	418	593	-	161	-	161	
Assets at fair value through other comprehensive income	-	-	27	27	-	-	23	23	
Total assets	6	214	414	634	4	207	23	235	
Financial liabilities at fair value through profit or loss	-	(87)	203	116	-	(105)	339	234	
Derivatives designated in a hedging relationship	-	138	-	138	-	371	31	403	
Total liabilities	-	51	203	254	-	266	371	637	

Level 1:

Financial assets measured at level 1 apply to external quoted shares, which are measured based on the quoted prices. Dividends from the external shares are classified as other items.

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.

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.

Overview of contracts and the assumptions used for assessment of fair value for the level 3 contracts

Contracts with Statkraft

Power contracts with Statkraft consist of one contract bought from Norske Skog in 2010, that lasts until 31 December 2020, and swap contracts that lasts until 31 December 2021. The usage of power from the contract bought from Norske Skog is restricted to industrial purposes. Elkem pays fixed power prices to Statkraft, specified for each contract / year. There are no effects from this contract in 2021.

Level 3:

The financial assets and liabilities at fair value through profit or loss measured at level 3 consist of power contracts and shares in unlisted companies. The power contracts are assessed to be settled net in cash and are therefore within the scope of IFRS 9 and recognised as financial instruments.

As of 1 January 2013, the Statkraft contract bought from Norske Skog has been designated as a hedging instrument in a cash flow hedge of highly probable future purchases, hence changes in fair value for the power contract are from the same date booked against

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

OCI. Changes in fair value up to 31 December 2012 were booked in the statement of profit or loss, classified as other items. Reversal of unrealised effects from the contract will be offset by realised effects, only the interest element will affect the statement of profit or loss. Swap contracts with Statkraft are booked according to hedge accounting principles from 1 January 2016.

information below relates to the 50% of the contract that is against the external part. The contract has been designated as a hedging instrument in a cash flow hedge of highly probable future need for power. Changes in fair value of the power contract are from the same date booked against OCI. Elkem has on 31 January 2022 entered into agreement to purchase the remaining 50% of the shares in Salten Energigjenvinning AS. See note 34 Events after the reporting period.

Power contract "30-øringen"

"30-øringen" power contract lasts until 31 December 2030 and the power from the contract is restricted to be used at Elkem ASA plants. For the years 2019 - 2020 the price under the contract is fixed except if the spot price at the relevant grid points exceeds a certain threshold, in which case the price equals the spot price. For the last 10 years of the contract, starting 1 January 2021, the price is fixed based on the average spot price the preceding five years, adjusted for inflation. The fixed price and the threshold price are based on a start date and thereafter adjusted with inflation annually. Changes in fair value for the "30-øringen" contract are classified as other items. Due to the change in the contract's price structure of the instrument from 2021, the contract is designated as a hedging instrument from 1 January 2021. This means that fair value changes from 1 January 2021 is recognised as raw materials and energy for production in statement of profit or loss in the same period(s) as the hedged objects affects the profit or loss.

Assumptions for valuation of the contracts

- Discount rate: 3,5% (2.8%) p.a. for contract with Salten Energigjenvinning AS and for the "30-øringen" power contract, and 1.68% (1.68%) for contracts with Statkraft. The assumptions are based on the estimated risk of the contract, including credit risk.
- Inflation: 2% (1.5%) p.a.
- Power prices: Market prices per 31 December 2021 until 2031.
- CfDs: 4-year average historic CfD prices based on Nord Pool prices.
- Exchange rate EUR: Observable rates for the next 5 years, thereafter calculated rates based on long-term interest rates.
- Volume for the contract with Salten Energigjenvinning AS: estimated production volume based on concept study and similar production facilities.

For external shares measured at level 3, book value of equity adjusted for excess values at purchase date is used as an approximation of fair value. See note 24 Provision and other liabilities for value of contingent liabilities.

Power contract with Salten Energigjenvinning AS

Elkem ASA has agreed to purchase all power produced from Salten Energigjenvinning AS at a fixed price per year, for 15 years from start-up date, 1 July 2021. Elkem owns 50% of Salten Energigjenvinning AS, hence the

Movements in fair value measurement level 3

Amounts in NOK million	2021	2020
Opening balance	(348)	90
Acquisition / business combinations	-	(549)
Transfer to investment in equity accounted companies	-	(46)
Change in fair value recognised in OCI, cash flow hedges	737	(453)
Settlement / realised effects	(157)	721
Other changes in fair value through profit or loss, unrealised	(9)	(113)
Currency translation differences	(13)	2
Closing balance	212	(348)

(b) Details of financial instruments

**Details of currency exchange contracts
31 December 2021**

Purchase currency	Purchase ccy million	Sale currency	Sale ccy million	Type of instrument	Currency deal rate	Due	Fair value NOK	Notional amount ¹⁾ NOK
CAD	40	USD	32	Fwd	1,2549	2022	(4)	284
NOK	1 231	EUR	120	Fwd	10,2303	2022	20	1 203
NOK	2	GBP	0	Fwd	11,6549	2022	(0)	2
NOK	169	JPY	1 844	Fwd	0,0916	2022	27	141
NOK	615	JPY	6 256	Fwd	0,0984	2023-2026	112	479
NOK	392	USD	45	Fwd	8,6557	2022	(9)	399
USD	1	JPY	102	Fwd	0,0088	2022	0	8
NOK	709	EUR	69	Embedded ²⁾	10,3355	2022	1	686
NOK	4 039	EUR	371	Embedded ²⁾	10,8877	2023-2034	(18)	3 709
Total fair value ³⁾							129	

**Details of currency exchange contracts
31 December 2020**

Purchase currency	Purchase ccy million	Sale currency	Sale ccy million	Type of instrument	Currency deal rate	Due	Fair value NOK	Notional amount ¹⁾ NOK
NOK	5	CAD	1	Fwd	6,8522	2021	(0)	5
CAD	3	EUR	2	Fwd	1,5291	2021	(1)	23
CAD	14	USD	10	Fwd	1,3259	2021	4	89
NOK	1 523	EUR	141	Fwd	10,8328	2021	44	1 472
NOK	92	GBP	8	Fwd	12,1595	2021	4	88
NOK	377	JPY	4 014	Fwd	0,0940	2021	44	332
NOK	578	JPY	6 093	Fwd	0,0949	2022-2025	59	504
NOK	314	USD	33	Fwd	9,4234	2021	30	284
USD	0	JPY	43	Fwd	0,0095	2021	(0)	4
NOK	621	EUR	61	Embedded ²⁾	10,2001	2021	(36)	638
NOK	4 007	EUR	372	Embedded ²⁾	10,7675	2022-2034	(190)	3 896
Total fair value ³⁾							(42)	

1) Notional value of the contracts, based on currency rates 31 December.

2) Embedded EUR derivatives in own use power contracts.

3) The spot element of forward currency contracts with duration more than 3 months are designated as hedging instruments in a cash flow hedge of highly probable future sales, hence this part is classified as 'Derivatives used for hedging' in the table 'Assets and liabilities classified by category' above. The interest element of these contracts and contracts of duration < 3 months are classified as 'Assets/liabilities at fair value through profit or loss'.

**Details of power contracts and other commodity contracts
within the scope of IFRS 9
31 December 2021**

Amounts in NOK million	Volume GWh / Oz	Due	Fair value	Notional amount ¹⁾
Forward power contracts financial institutions	98	2022	23	52
Forward power contracts financial institutions	44	2023	4	15
Power contract "30-øringen"	501	2022	167	157
Power contract "30-øringen"	4 011	2023-2030	163	1 378
Power contract with Salten Energigjenvinning AS (note 32) ³⁾	124	2022	35	32
Power contract with Salten Energigjenvinning AS (note 32) ³⁾	1 733	2023-2036	22	555
Equity warrants Platinum		2022	3	3
Commodity contracts Platinum	8 954	2022	0	7
Total fair value contracts within scope of IFRS 9 ²⁾			417	

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

Amounts in NOK million	Volume GWh / Oz	Due	Fair value	Notional amount ¹⁾
Forward power contracts financial institutions	91	2021	(3)	28
Forward power contracts financial institutions	44	2022	(3)	15
Power contract "30-øringen"	501	2021	(29)	150
Power contract "30-øringen"	4 512	2022-2030	(32)	1 454
Power contracts Statkraft, swap	201	2021	(20)	69
Power contract with Salten Energigjenvinning AS (note 32)	124	2021	(2)	30
Power contract with Salten Energigjenvinning AS (note 32)	1 733	2022-2035	(27)	568
Commodity contracts Platinum	7 874	2021	12	36
Total fair value contracts within scope of IFRS 9 ²⁾			(103)	

1) Notional value of underlying asset at the end of reporting period, calculated as volume * price * currency rate as 31 December (if other currencies than NOK).

2) Certain power contracts and part of power contract Statkraft are designated as hedging instruments, the remaining contracts / parts of contracts are classified as 'Assets/liabilities at fair value through profit and loss'.

3) Volume is not changed from last year due to delayed contract commencement date.

(c) Offsetting

**Financial assets
31 December 2021**

Amounts in NOK million	Gross amount of financial assets	Gross amount of financial liabilities set off in the statement of financial position	Net amounts of financial assets recognised / presented	Financial instruments not set off in the statement of financial position	Cash collateral pledged	Net amount
Power contracts including embedded derivatives	414	-	414	-	-	414
Forward currency contracts	170	-	170	16	-	186
Total	585	-	585	16	-	601

**Financial liabilities
31 December 2021**

Amounts in NOK million	Gross amount of recognised financial liabilities	Gross amount of financial assets set off in the statement of financial position	Net amounts of financial liabilities presented	Financial instruments not set off in the statement of financial position	Cash collateral pledged	Net amount
Power contracts including embedded derivatives	17	-	17	-	-	17
Forward currency contracts	24	-	24	16	-	40
Total	41	-	41	16	-	57

**Financial assets
31 December 2020**

Amounts in NOK million	Gross amount of financial assets	Gross amount of financial liabilities set off in the statement of financial position	Net amounts of financial assets recognised / presented	Financial instruments not set off in the statement of financial position	Cash collateral pledged	Net amount
Forward currency contracts	195	-	195	(10)	-	185
Total	195	-	195	(10)	-	185

**Financial liabilities
31 December 2020**

Amounts in NOK million	Gross amount of recognised financial liabilities	Gross amount of financial assets set off in the statement of financial position	Net amounts of financial liabilities presented	Financial instruments not set off in the statement of financial position	Cash collateral pledged	Net amount
Power contracts including embedded derivatives	342	-	342	-	-	342
Forward currency contracts	11	-	11	(10)	-	0
Total	353	-	353	(10)	-	343

26. Hedging

Principle

Hedge accounting

Elkem has previously applied IAS 39 for its hedging relationships, based on a policy choice in IFRS 9. From 1 April 2020, IFRS 9 is applied also for hedge accounting. The change in policy has not resulted in any accounting effects. According to the group's policy derivatives can be designated as hedging instruments for fair value hedges and cash flow hedges. At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions.

i) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as hedging instruments in fair value hedges, are recognised in the statement of profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

ii) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges, are recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss. Realised effects are recognised through statement of profit or loss, in the same line item as the hedged objects.

iii) Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and included in foreign currency translation reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss within other items. Gains and losses accumulated in equity are reclassified to the statement of profit or loss when the foreign operation is partially disposed of or sold.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in comprehensive income at that time remains in equity and is recognised in the statement of profit or loss when the forecast transaction is ultimately recognised in the statement of profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss reported in equity is immediately transferred to the statement of profit or loss.

Elkem's hedging instruments

Cash flow hedge

Elkem has forward currency contracts, embedded EUR derivatives in power contracts and a EUR loan amounting to EUR 11 million (EUR 16 million) where the spot element is designated as hedging instruments and Elkem's highly probable future revenue in corresponding currencies is designated as the hedging objects in this hedging relationship, defined as a cash flow hedge. In

In addition certain power commodity contracts, defined as financial instruments, are designated as hedging instruments in a cash flow hedge of price fluctuations for highly probable future purchases. Hence, the effective part of changes in fair value of the financial instruments is booked against OCI, and recycled to profit or loss as an adjustment of revenue and power cost (included in raw materials and energy for production) when realised.

Net investment hedge

Elkem entered in 2017 into a bank loan amounting to EUR 275 million. In 2018 the bank loan of EUR 275 million was re-financed and increased to EUR 400 million. The spot rate of the initial loan amount, EUR

275 million, has been designated as a hedge of the net investment in the group's subsidiaries with EUR as functional currency. The fair value and carrying amount of the borrowing at 31 December 2021 was NOK 2,749 million (NOK 2,880 million). The foreign exchange gain of NOK 130 million (a loss of NOK 168 million) on translation of the borrowing from EUR to NOK at the end of the reporting period is recognised in other comprehensive income and accumulated in the foreign currency translation reserve in the statement of changes in equity. There was no ineffectiveness to be recorded from net investment hedges.

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

Cash flow hedging instruments, by type

Amounts in NOK million	31.12.2021	31.12.2021	31.12.2020	31.12.2020
	Assets fair value	Liabilities fair value	Assets fair value	Liabilities fair value
Forward currency contracts	146	18	161	10
Power contracts financial institutions	27	-	-	6
Power contract "30-øringen"	364	-	-	-
Power contracts Statkraft swap	-	-	-	3
Power contract Salten Energigjenvining AS	58	-	-	29
Power contracts embedded derivatives	-	110	-	332
Currency effect loan EUR	-	10	-	23
Total hedging instruments	593	138	161	403

Less non-current portion:

Forward currency contracts	102	-	41	-
Power contracts financial institutions	4	-	-	3
Power contract "30-øringen"	180	-	-	-
Power contracts Statkraft swap	-	-	-	-
Power contract Salten Energigjenvining AS	22	-	-	27
Power contracts embedded derivatives	-	88	-	283
Currency effect loan EUR	-	5	-	15
Current portion of hedging instruments	285	45	120	75

As at 31 December 2021 financial power contracts designated in a hedging relationship comprise 24% of expected consumption in 2022 and about 20% in the period 2023 - 2030.

Elkem has hedged approximately 15% of the expected revenues in EUR and approximately 8% of expected revenues in USD for 2022. For the years 2023-2034 EUR is hedged at 31 December 2021, at a range of 3 - 6%.

Financial instruments

31 December 2021

Amounts in NOK million	Net fair value	Hereof recognised in OCI	Effects to be recycled from OCI			
			Within 1 year	Within 2 years	Within 3 years	Within 4 years or more
Forward currency contracts	146	127	25	24	29	49
Embedded EUR derivatives	(17)	(110)	(21)	(21)	(19)	(48)
Power contracts	414	448	242	57	32	117
Warrants ²⁾	3	-	-	-	-	-
Commodity contracts Platinum	0	0	0	-	-	-
Total ¹⁾	547	465	245	60	42	118
EUR loan designed as cash flow hedging instrument	(107)	(10)	(5)	(5)	-	-
Total		455	240	54	42	118

Financial instruments

31 December 2020

Amounts in NOK million	Net fair value	Hereof recognised in OCI	Effects to be recycled from OCI			
			Within 1 year	Within 2 years	Within 3 years	Within 4 years or more
Forward currency contracts	184	150	109	6	7	28
Embedded EUR derivatives	(227)	(332)	(49)	(50)	(50)	(183)
Power contracts	(116)	(37)	(7)	(5)	(4)	(21)
Commodity contracts Platinum	12	-	-	-	-	-
Total ¹⁾	(146)	(219)	53	(49)	(47)	(176)
EUR loan designed as cash flow hedging instrument	(168)	(23)	(8)	(8)	(8)	0
Total		(242)	45	(57)	(55)	(176)

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

2) Subscription SAFE (Simple Agreement for Future Equity)

Of total changes in fair value of power contracts designated as hedging instruments NOK 0 million (negative NOK 9 million) is recognised in profit or loss, and classified as other items (see note 12 Other items), due to ineffectiveness in the hedging relationship. Effects from recognition of ineffectiveness from forward currency contracts are negative NOK 3 million (negative NOK 3 million).

Realised effects hedge accounting, recycled from OCI

Amounts in NOK million	31.12.2021	31.12.2020
Realised effects from forward currency contracts, recognised in revenue	127	(164)
Realised effects from embedded derivatives EUR, recognised in revenue	(31)	(45)
Realised effects from EUR loans, recognised in revenue	(4)	(11)
Realised effects from power contracts, recognised in raw materials and energy for production	315	(450)
Total realised effects hedge accounting	407	(670)

In addition, Elkem applies hedge accounting principles related to currency risk from a net investment in foreign operation, see note 23 Interest-bearing assets and liabilities.

Movements in OCI related to hedging instruments 2021

Amounts in NOK million	Opening balance	Net change in fair value	Reclassified to P&L	Closing balance
Hedging of future sales, forward currency contracts	150	104	(127)	127
Hedging of future need for power, contracts with financial institutions	(6)	65	(33)	27
Hedging of future need for power, contract "30-øringen" ³⁾	-	625	(262)	364
Hedging of future need for power, contracts with Statkraft (swap) ²⁾	(3)	15	(12)	0
Hedging of future need for power, contract with Salten Energigjenvinning	(29)	94	(8)	58
Hedging of future sales, embedded EUR derivatives in own use power contracts ²⁾	(332)	191	31	(110)
Hedging of future sales, currency effects EUR loan	(23)	8	4	(10)
Hedging of future sales, platinum contracts ³⁾	-	0	-	0
Total (before tax)	(242)	1103	(407)	455

Movements in OCI related to hedging instruments 2020

Amounts in NOK million	Opening balance	Net change in fair value	Reclassified to P&L	Closing balance
Hedging of future sales, forward currency contracts	22	(35)	164	150
Hedging of future need for power, contracts with financial institutions	(4)	(24)	23	(6)
Hedging of future need for power, contract with Statkraft ¹⁾	(72)	(322)	394	(0)
Hedging of future need for power, contracts with Statkraft (swap) ²⁾	28	(64)	33	(3)
Hedging of future need for power, contract with Salten Energigjenvinning	45	(74)	-	(29)
Hedging of future sales, embedded EUR derivatives in own use power contracts ²⁾	(95)	(282)	45	(332)
Hedging of future sales, currency effects EUR loan	(18)	(17)	11	(23)
Total (before tax)	(94)	(818)	670	(242)

1) Hedge accounting from 2013.
2) Hedge accounting from 2016.
3) Hedge accounting from 2021.

27. Financial risks

Elkem is exposed to financial risks from fluctuations in markets prices for finished goods, raw materials, currency exchange rates and interest rates ((a) Market risk). In addition, Elkem is exposed to financial risks related to (b) Counterparty credit risk and (c) Liquidity risk. This may have considerable impact on Elkem's financial performance.

Elkem's principle is to organise resources close to the value chain. Risk management is an integrated part of Elkem's business activities, included in the line management's responsibility. Financial risks, including financing, liquidity, currency, interest rates, and counterparty risks are generally managed centrally by Group Finance and Treasury. Elkem has financial risk policies in place, approved by the board of directors.

Elkem's financial risk exposure and business performance are evaluated regularly, and the main risks are analysed in terms of impact, likelihood and correlation. Based on the overall risk evaluation Elkem may accept or seek to further reduce the risks arising from operational activities.

(a) Market risk

(i) Price risk

Commodity prices

Elkem is exposed to fluctuations in market prices for finished goods and raw materials. The market risk assessment is based on a holistic approach as prices for Elkem's products tend to fluctuate with underlying macroeconomic conditions. The same dynamics tend to apply to prices for the main raw materials, giving Elkem a certain degree of natural hedging.

For the main upstream products and raw materials Elkem seeks to reduce the risk exposure by entering sales and purchase contracts for corresponding time periods and volumes. The goal is to partly offset changes in sales prices through changes in raw material costs.

A significant part of Elkem's sales consist of specialised products. These products have generally more stable pricing. Elkem's integrated value chain mitigates the supply chain and pricing risks and also give flexibility to realise value at various levels through the value chain. Elkem aims to ensure sales volumes and raw material supply by entering into long-term customer relationships.

Power

Electric power is a key input factor and Elkem enters into long-term power contracts to reduce the future exposure to changes in power prices, particularly in Norway where electricity prices based on hydro power tend to have different pricing dynamics than for Elkem's products and other raw materials.

Normally all plants have covered their future need for power by entering into power contracts, classified as own use contracts according to IFRS 9, hence such contracts are off-balance. For plants located in Norway, Elkem's policy is that minimum 80% of the expected power consumption shall be covered by fixed price contracts for current and next year. For the following periods, the ratio extends until 4 years ahead, declining with 10%-point per year ending at 50%. Elkem currently fulfils this minimum hedge policy, and also

has a substantial amount of contracts at fixed price for the later years. Optimisation of 24-hour-, seasonal- and capacity utilisation variations are solved through utilising financial and physical contracts that are traded bilaterally. The purpose of the hedging activities is to reduce volatility in the power cost and to increase the predictability of the cost base. Fair value of commodity contracts is especially sensitive for future changes in energy prices.

Changes in fair value of commodity contracts, classified as financial instruments, reflect unrealised gains or losses, and are calculated as the difference between market price and contract price, discounted to present value. Valuations are based on market information where this is available, if not, valuations are based on estimated market price for non-observable parameters.

Valuation of the power contracts

The assumptions for the fair value measurement of power contracts is described in note 25 Financial assets and liabilities.

Sensitivity analysis - power contracts

Sensitivity on the "30-øringen" contract is as follows (figures in NOK million)

"30-øringen" contract

Amounts in NOK million		Fair value 31.12.2021	Adjusted NPV
Discount rate (used 3.5%)	change to 0%	330	360
Discount rate (used 3.5%)	change to 5%	330	319
CPI (used 2.0%)	change to 1%	330	379
CPI (used 2.0%)	change to 3%	330	279
Power price	decrease -10%	330	166
Power price	increase + 10%	330	494

(ii) Currency risk

Elkem has revenues and operating costs in various currencies. The prices of finished goods are to a large extent determined in international markets, primarily denominated in US dollar, Chinese yuan and Euro. This is partly offset by purchases of raw materials denominated in the same currencies. Elkem aims to establish natural hedging positions if this is possible and economically viable. Financial derivatives are then used to hedge the remaining net currency risk exposures. Elkem has net positive operating cash flows in mainly Euro, US dollar, Chinese yuan and Brazilian real. Due to the location of its plants, Elkem has net cost positions in certain other currencies, mainly Norwegian krone, but also Canadian dollars and Icelandic krona.

Elkem's policy is to hedge the net positive cash flows in foreign currencies against the functional currency NOK to even out fluctuations in result and cash flow. The target is to hedge expected net cash flow for 0–3 months on a 90% hedging ratio. Expected net cash flow for 4–12 months should be hedged on a rolling

basis targeting a 45% hedging ratio. The hedging ratio for 4–12 months may vary subject to internal approval. Chinese yuan (CNY) is not included in the hedging programme. Elkem has hedged Japanese yen until 2026, related to a long-term customer contract. Elkem uses hedge accounting for all cash flow hedges over 3 months. Embedded EUR derivatives in power contracts are included in the foreign exchange hedging programme. To ensure an effective hedge, according to the hedge accounting principles, the spot element of the forward currency contracts is designated as hedging instruments and highly probable future revenue as hedging object in a hedging relationship, covering the exposure beyond 3 months.

Elkem realised a gain of NOK 92 million from hedging programme (loss of NOK 220 million).

Elkem aims to mitigate the balance sheet risk by keeping interest-bearing debt in the same currencies as the group's assets. Elkem has mainly interest-bearing debt in Euro, Chinese yuan and Norwegian krone.

Currency effects recognised in financial statement, excluding effects from cash flow hedging

Amounts in NOK million	2021	2020
Net foreign exchange gains (losses) - forward currency contracts - recognised in other items	14	49
Operating foreign exchange gains (losses) - recognised in other items	20	(83)
Net foreign currency exchange gains (losses) on financing activities - recognised in foreign exchange gains (losses)	241	17
Currency translation differences - recognised in other comprehensive income	358	46
Hedging of net investment in foreign operations - recognised in other comprehensive income	130	(168)

Currency exposure

The amounts in the tables below are based on exchange-rates against NOK per 31 December.

Exchange rates against NOK per 31 December

Amounts in NOK million	2021	2020
USD	8,8242	8,5285
EUR	9,9978	10,4713
CNY	1,3891	1,3045
CAD	6,9449	6,6937

Currency exposure affecting statement of profit or loss
The tables show carrying amount of assets and liabilities denominated in foreign currencies different from the entities functional currency, where changes in currency rates will affect profit and loss. The

tables include notional amount of currency exchange contracts (note 25 Financial assets and liabilities). Amounts are presented in NOK based on currency rates as at 31 December.

31 December 2021

Amounts in NOK million	USD	EUR	CNY	CAD	NOK	Other	Total
Other non-current assets	-	-	-	-	-	-	-
Trade receivables	927	457	-	-	0	98	1 483
Other assets	-	-	-	-	-	-	-
Restricted deposits	-	-	-	-	-	-	-
Cash and cash equivalents	1 172	25	80	(95)	0	387	1 570
Total monetary assets	2 100	482	80	(95)	0	485	3 052
Interest-bearing liabilities	-	4 023	-	-	-	-	4 023
Other liabilities	-	-	-	-	-	-	-
Trade payables	442	117	3	0	2	56	620
Bills payable	-	-	-	-	-	-	-
Total monetary liabilities	442	4 141	3	0	2	56	4 644
Derivatives, notional value	399	5 598	-	-	-	631	6 629
Net currency exposure financial position	1 258	(9 257)	77	(95)	(1)	(202)	(8 220)

31 December 2020

Amounts in NOK million	USD	EUR	CNY	CAD	NOK	Other	Total
Other non-current assets	-	-	-	-	-	-	-
Trade receivables	399	22	-	0	-	62	483
Other assets	-	-	-	-	-	-	-
Restricted deposits	-	-	-	-	-	-	-
Cash and cash equivalents	161	929	0	(17)	(0)	146	1 220
Total monetary assets	560	952	0	(17)	(0)	208	1 702
Interest-bearing liabilities	-	4 214	-	-	-	-	4 214
Other liabilities	-	-	-	-	-	-	-
Trade payables	115	113	9	0	20	33	289
Bills payable	-	-	-	-	-	-	-
Total monetary liabilities	115	4 327	9	0	20	33	4 503
Derivatives, notional value	284	6 006	-	5	-	924	7 220
Net currency exposure financial position	161	(9 381)	(9)	(22)	(20)	(750)	(10 020)

Sensitivity on profit and loss from financial assets and liabilities

The sensitivity related to financial instruments on Elkem's profit or loss, is based on a strengthening / weakening of all currencies by 10% against the Norwegian krone, which is the presentation currency for Elkem. If the Norwegian krone is strengthened by 10% against all other currencies, the isolated effect on financial assets and liabilities would have been an effect on profit before tax of approximately

NOK 821 million (NOK 1,000 million), whereof NOK 424 million (NOK 389 million) will be booked against

OCI. Effects booked against OCI are recycled through profit before tax when the hedged items are realised, offsetting an opposite effect from the hedged objects.

Currency exposure affecting currency translation differences / equity

The table shows Elkem's total assets and liabilities denominated in the group's main currencies translated to NOK at the currency rates at 31 December and gives an overview of the group's total currency exposure that will affect currency translation differences both in the consolidated statement of comprehensive income and / or profit and loss.

31 December 2021

Amounts in NOK million	USD	EUR	CNY	CAD	NOK	Other	Total
Other non-current assets	47	285	43	-	72	31	478
Trade receivables	1 387	660	1 549	21	184	497	4 297
Other assets	20	185	262	12	939	134	1 551
Restricted deposits	2	-	604	-	3	-	609
Cash and cash equivalents	1 438	219	1 448	221	3 066	647	7 040
Total monetary assets	2 894	1 349	3 906	254	4 264	1 308	13 976
Asset non-monetary items	1 864	4 878	11 162	837	7 710	1 423	27 874
Total assets	4 758	6 227	15 068	1 092	11 974	2 731	41 850
Interest-bearing liabilities	38	6 083	1 144	-	3 038	77	10 380
Other liabilities	39	225	469	25	664	235	1 657
Trade payables	567	1 049	1 705	95	1 011	186	4 614
Bills payable	-	-	2 096	-	-	-	2 096
Total monetary liabilities	644	7 357	5 414	121	4 714	498	18 747
Liabilities non-monetary items	139	709	606	188	1 403	184	3 228
Total liabilities	782	8 065	6 020	308	6 117	683	21 976

31 December 2020

Amounts in NOK million	USD	EUR	CNY	CAD	NOK	Other	Total
Other non-current assets	36	231	65	-	69	31	432
Trade receivables	679	185	1 414	9	111	397	2 796
Other assets	27	190	189	9	695	102	1 212
Restricted deposits	2	-	317	-	3	-	322
Cash and cash equivalents	660	1 186	740	12	18	538	3 154
Total monetary assets	1 404	1 793	2 724	30	896	1 067	7 916
Asset non-monetary items	1 541	4 462	8 374	650	6 700	1 245	22 972
Total assets	2 946	6 255	11 098	680	7 597	2 312	30 888
Interest-bearing liabilities	77	7 094	1 116	-	2 122	72	10 481
Other liabilities	47	182	319	28	369	119	1 064
Trade payables	201	947	1 035	60	786	128	3 157
Bills payable	-	-	1 053	-	-	-	1 053
Total monetary liabilities	324	8 223	3 523	88	3 277	319	15 754
Liabilities non-monetary items	90	659	302	160	1 124	164	2 498
Total liabilities	414	8 882	3 825	248	4 401	482	18 253

Sensitivity on statement of financial position from financial assets and liabilities

The sensitivity related to financial instruments on Elkem's statement of financial position, is based on a weakening / strengthening of all currencies by 10% against the Norwegian krone, which is the presentation currency for Elkem. If the Norwegian krone is strengthened by 10% against all other currencies, the isolated effect on financial assets and liabilities would have given a reduced equity of NOK 432 million (NOK 546 million). This effect comes in addition to the effects from the sensitivity on profit or loss as calculated above.

(iii) Interest rate risk

Elkem's interest rate risk arises from interest-bearing liabilities granted by external financial institutions. Elkem's liabilities are mainly drawn in Euro, Chinese yuan and Norwegian krone.

Elkem has a floating interest rate policy and is hence exposed to fluctuating interest rates. Prices and sales volumes for Elkem's core products tend to correlate with general economic conditions. A floating interest rate policy is therefore seen as appropriate from a financial risk perspective. Interest rates have stayed low for a number of years due to a low-rate economic environment. However, many central banks have inflation targets and intend to adjust interest rates to control a general rise in the price level. With floating interest rates the group will normally be in a position to benefit from lower interest rates in an economic downturn, but a floating rate policy will also leave the group exposed to future interest rate hikes.

Elkem has the following interest-bearing assets and liabilities

31 December 2021

Amounts in NOK million	Floating	Fixed	Total
Interest-bearing liabilities	12 326	150	12 476
Interest-bearing assets	7 700	-	7 700
Net exposure	4 626	150	4 776

Sensitivity

The interest rate sensitivity is based on a parallel shift in the interest rates that Elkem is exposed to. If interest rates had been 50 basis points higher for a full year, based on net debt as at 31 December 2021, with all other variables held constant, the profit (loss) for the year would have been NOK 33 million (NOK 31 million) lower. An overview of Elkem's debt portfolio is presented in note 23 Interest-bearing assets and liabilities.

(b) Counterparty credit risk

Credit risk is the risk of financial losses to the group if a customer or counterparty fails to meet contractual obligations. For Elkem this arises mainly to trade receivable and financial trading counterparties.

Trade receivables are generally secured by credit insurance from a reputable credit insurance company. For customers where credit insurance cannot be obtained, other methods are generally used to secure the sales proceeds, such as prepayment, letter of credit, documentary credit or guarantees. In particular, when sales are made in countries with a high political risk, or to remote customers, trade finance products are used to reduce the credit risk. Of Elkem's revenue outside China 85% - 95% is covered by credit insurance or other trade finance tools.

Elkem realised credit losses of NOK 12 million (NOK 5 million) trade receivables. The maximum exposure to credit risk for trade receivables for the group is NOK 4,306 million per 31 December 2021 (NOK 2,804 million). Please also refer to note 21 Trade receivables.

Evaluation of financial counterparties is based on external credit ratings from Moody's and / or Standard and Poor's. The general policy is that financial counterparties should have a rating equal to, or higher than, A- (or the equivalent) from the rating agencies, but exceptions may be made on a case-by-case basis, mainly for local banks in emerging markets. Elkem has not had any losses in 2021 or 2020 related to financial counterparties.

Year / maturity

Amounts in NOK million	2022	2023	Total
Total amount of credit facilities	645	2 499	3 144

(c) Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting the obligations associated with its financial liabilities. Elkem is exposed to liquidity risk related to its operations and financing.

Elkem's cash flow will fluctuate due to economic conditions and financial performance. In order to assess its future operational liquidity risk, short-term and long-term cash flow forecasts are provided. The short-term forecast is updated each week, and the long-term cash flow projection is updated each quarter.

In order to mitigate the operational liquidity risk, Elkem has cash and revolving credit facilities with banks. As at 31 December 2021 Elkem has unrestricted cash of NOK 7,040 million (NOK 3,154 million). In addition, revolving credit facilities amount to NOK 3,144 million (NOK 3,250 million), of which NOK 3,144 million is undrawn (NOK 3,234 million).

The external loan agreements contain two financial covenants. The ratio of EBITDA to consolidated Net interest payable, as defined herein, for each measurement period, where the period is calculated as the 12 months ending on the last day of a financial quarter, must exceed 4. Additionally, the ratio of total equity to total assets must be more than 30% at all times. Elkem complies with these covenants as of 31 December 2021 and also complied with the covenants as of 31 December 2020, see note 23 Interest-bearing assets and liabilities.

The policy is to have cash and available credit facilities to cover known capital needs and generally not less than 10% of annual total operating income. In addition, the policy is to ensure that the main credit facilities have a remaining maturity of at least 12 months. The maturity profile of the credit facilities per 31 December 2021 for Elkem is shown in the table below.

The table below analyses the group's financial liabilities and assets into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date.

The amounts disclosed in the table are the contractual undiscounted cash flows, and the amounts are including interest payments.

31 December 2021

Amounts in NOK million	2022	2023	2024	2025	2026	2027 and later	Total	Carrying amount
Trade receivables	4 297	-	-	-	-	-	4 297	4 297
Derivative assets	269	62	37	54	18	154	594	588
Trade payables	4 614	-	-	-	-	-	4 614	4 614
Derivative liabilities	23	2	(1)	4	7	8	43	41
Lease liabilities	116	123	99	80	68	427	912	801
Loans from external parties, other than bank	1 334	64	1 174	1 037	519	509	4 637	4 389
Bank financing	671	4 477	214	4	4	4	5 374	5 186
Bills payable	2 096	-	-	-	-	-	2 096	2 096

31 December 2020

Amounts in NOK million	2021	2022	2023	2024	2025	2026 and later	Total	Carrying amount
Trade receivables	2 796	-	-	-	-	-	2 796	2 796
Derivative assets	148	11	14	15	19	-	207	207
Trade payables	3 157	-	-	-	-	-	3 157	3 157
Derivative liabilities	102	55	54	46	47	69	372	353
Lease liabilities	97	103	75	65	53	385	779	663
Loans from external parties, other than bank	2 466	1 351	23	400	265	-	4 506	4 403
Bank financing	863	146	4 641	4	4	8	5 665	7 918
Bills payable	1 053	-	-	-	-	-	1 053	1 053

28. Capital management

Elkem focuses on having a balanced capital structure, which seeks to reflect the return requirements for the shareholders and the need for a strong financial position to facilitate the group's strategy for growth and specialisation. The target is to have a leverage between 1.0x and 2.0x over a cycle. The leverage ratio is defined as net interest-bearing assets, less non-current interest-bearing assets (see note 23 Interest-bearing assets and liabilities), divided by EBITDA, as defined in the APM section.

Elkem is managing its financing and liquidity position to reduce liquidity risk and to ensure that the company can meet its financial obligations at all times. Elkem has centralised the responsibility for group financing and liquidity handling. The policy is to raise financing at parent company level however, country specific exceptions may be made due to local legislation or currency restrictions. Loan maturities are subject to liquidity and refinancing risk and the company aims to have a long-term and smooth maturity profile on its loan portfolio.

Cash pooling is used to secure availability and access to cash across the group. Due to local legislation, not all subsidiaries are able to participate in international cash pooling arrangements. In these cases, repatriation of excess cash is mainly executed through dividend payments and inter-company deposits, while liquidity needs are covered through capital injections and inter-company loans. Liquidity forecasts are prepared

and updated on a regular basis. The short-term forecasts are updated weekly. The group's cash position is reported on a daily basis and tracked against respective forecasts. The policy is that available liquidity reserves, defined as cash and cash equivalents and available long-term credit facilities, should exceed 10% of total operating income.

Financial covenants are applicable in some of Elkem's loan agreements. Financial covenants, if required, are standardised across all loan agreements. Financial covenants and other financial policy targets are monitored monthly and included in the company's management reports.

The company intends to pay dividends reflecting the underlying earnings and cash flow. Elkem envisages a dividend pay-out ratio of 30 - 50% based on profit for the year. When deciding the annual dividend level, the group's leverage, capital expenditure plans and financing requirements will be taken into consideration. Focus will also be on maintaining appropriate strategic flexibility. For the year 2020 Elkem distributed NOK 0.15 per share in dividends and for the year 2021 the proposed dividend is NOK 3.00 per share.

As at 31 December 2021, Elkem's equity was NOK 19.874 billion, including minority interests of NOK 86 million. The equity ratio was 47%.

29. Number of shares

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

changes in equity. The largest shareholders are listed in note 21 to the financial statement of Elkem ASA.

Number of shares in million shares

	2021			2020		
	Shares outstanding	Treasury shares	Total issued shares	Shares outstanding	Treasury shares	Total issued shares
Beginning of the year	581 310 344	-	581 310 344	581 310 344	-	581 310 344
Capital increase	58 131 034	-	58 131 034	-	-	-
Increase in treasury shares	(6 403 772)	6 403 772	-	-	-	-
End of the year	633 037 606	6 403 772	639 441 378	581 310 344	-	581 310 344

In the annual general meeting held on 27 April 2021, the board of directors was granted an authorisation to repurchase the company's own shares within a total nominal value of up to NOK 291,492,672. The maximum amount that can be paid for each share is NOK 150 and the minimum is NOK 1. The authorisation is valid until the annual general meeting in 2022, but not later than 30 June 2022. The authorisation can be used to acquire shares as the board of directors deems appropriate, provided however, that acquisition of shares shall not be by subscription.

In the annual general meeting held on 27 April 2021, the board of directors was granted an authorisation to increase the company's share capital with an amount up to NOK 291,492,672 - corresponding to 10 per cent of the current share capital. The authorisation is valid until the annual general meeting in 2022, but not later than 30 June 2022. The authorisation can be used to cover share capital increases against contribution in kind and in connection with mergers.

In the annual general meeting held on 27 April 2021, the board of directors was granted an authorisation to increase the share capital by up to NOK 40,000,000 to be used in connection with the issuance of new shares under share incentive scheme. The authorisation is valid until the annual general meeting in 2022, but not later than 30 June 2022. The authorisation does not cover capital increases against contribution in kind or capital increases in connection with mergers.

The share capital was increased with the issuance of 1 675 000 new shares on 15 February 2021 with proceeds of NOK 39 million. On 30 April 2021 the share capital was increased by issuing 56 456 034 new shares raising proceeds of NOK 1,891 million. At 31 December 2021, Elkem share capital are NOK 3 197 206 890, comprising in total 639 441 378 shares, each with a nominal value of NOK 5. Net expenses after tax related to the capital increases amount to NOK 30,260,816 resulting in total share capital increase of NOK 1,900,429,073.

30. Earnings per share

Principle

The calculation of basic earnings per share (EPS) has been based on profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding. The calculation of diluted EPS has

been based profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

	2021	2020
Weighted average number of shares outstanding	618 160 299	581 310 344
Effects of dilution	3 876 305	94 282
Weighted average number of shares outstanding - diluted	622 036 604	581 404 626
Owners of the parent's share of profit (loss) (NOK million)	4 628	239
Earnings per share (NOK)	7.49	0.41
Diluted earnings per share (NOK)	7.44	0.41

31. Supplemental information to the consolidated statement of cash flows

Liquidity effects of acquisitions

Amounts in NOK million	2021	2020
Cash transferred on acquisition	-	792
Preliminary net debt and working capital adjustment	-	161
Adjustment amount for final net debt and working capital adjustment	-	18
Settlement of deferred and contingent consideration	-	267
Discounting element on settlement of deferred and contingent consideration	-	2
Foreign exchange gains (losses) from date of control	-	(30)
Cash and cash equivalents of the acquiree	-	(178)
Total acquisition of subsidiaries net of cash acquired	-	1 032

Liquidity effects of contingent considerations

Amounts in NOK million	2021	2020
Settlement of deferred and contingent consideration	83	-
Discounting element on settlement of deferred and contingent consideration	3	-
Fair value adjustment on settlement of contingent consideration	1	-
Foreign exchange gains (losses) from date of control	(9)	-
Total payment of contingent consideration related to acquisitions (IFRS 3)	78	-

32. Related parties

Related parties' relationships are defined to be entities outside Elkem group that are under control (either directly or indirectly), joint control or significant influence by the owners of Elkem.

Elkem ASA is owned 52.9% by Bluestar Elkem International Co. Ltd S.A., Luxembourg, which is under control of Sinochem Holdings Co., Ltd (Sinochem), a company registered and domiciled in China. All companies under control by Sinochem are considered to be related parties, including among others REC

Solar Norway AS and China Blue Chemicals Ltd. On 30 November 2021 Sinochem sold REC Solar Norway AS and transactions are from that date not considered to be related party transactions.

The Group also consider equity accounted companies as related parties.

The structure of Elkem group is disclosed in note 4 Composition of the group and note 5 Investments in equity accounted companies.

Transactions with related parties

2021

Amounts in NOK million	Sale of goods	Purchase of goods	Sale of services ¹⁾	Purchase of services	Interest income	Financial expenses
Bluestar Elkem International Co. Ltd S.A.	-	-	-	-	-	-
Joint ventures and associates	-	(158)	32	(184)	0	-
Related parties within Sinochem	581	(414)	41	(153)	-	-
Other related parties	0	(18)	-	(16)	-	-
Total	581	(591)	73	(354)	0	-

¹⁾ Including sub-lease

Transactions with related parties

2020

Amounts in NOK million	Sale of goods	Purchase of goods	Sale of services ²⁾	Purchase of services	Interest income	Financial expenses ¹⁾
Bluestar Elkem International Co. Ltd S.A.	-	-	-	-	-	-
Joint ventures and associates	-	-	82	(159)	-	-
Related parties within Sinochem	454	(486)	46	(54)	-	(1)
Other related parties	4	(5)	-	(13)	-	-
Total	458	(491)	128	(226)	-	(1)

¹⁾ See note 33 Pledge of assets and guarantees

²⁾ Including sub-lease

Balances with related parties

Amounts in NOK million	Non-current		Current	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Receivables from joint ventures and associates, interest-bearing	1	1	-	-
Receivables from related parties within Sinochem, interest free	-	-	1	0
Liabilities to related parties within Sinochem, interest free	-	-	(32)	(64)
Trade receivables, related parties within Sinochem	-	-	17	27
Trade receivables, joint ventures and associates	-	-	16	9
Trade payables, Bluestar Elkem Investment Co. Ltd. S.A	-	-	(5)	(5)
Trade payables, related parties within Sinochem	-	-	(56)	(85)
Trade payables, joint ventures and associates	-	-	(43)	(25)
Trade payables, other related parties	-	-	-	-
Prepayments to related parties within Sinochem	-	-	18	5
Prepayments from related parties within Sinochem	-	-	-	(17)
Prepayments from joint ventures and associates	-	-	(10)	(11)
Financial power contract with joint ventures and associates	22	(27)	35	(2)
Net balances with related parties	23	(26)	(60)	(166)

Outstanding balances at year-end are unsecured, and the current receivables and payables are interest-free, with an exception of the non-current receivables. The interest rate for the non-current receivables to the joint ventures and associates are currently 2.5%.

Information about main transactions with related parties:

Related parties within Sinochem

- Sale of management and technology services to REC Solar Norway AS
- Sale of raw materials to REC Solar Norway AS
- Sub-lease of business premises to REC Solar Norway AS (note 16)
- Sale of silicone to China Bluestar International Chemical Ltd and other companies within Sinochem
- Purchase of raw materials from companies within Sinochem

Equity accounted companies

[Salten Energigjenvinning AS](#)

The group has entered into a cash settled financial agreement to purchase all the power produced from Salten Energigjenvinning AS to a fixed price for the first 15 years of operations. See note 25 Financial assets and liabilities.

33. Pledge of assets and guarantees

Pledges

The main part of Elkem's interest-bearing liabilities are not pledged. Details of liabilities that have pledged assets or guarantees related to them are stated below.

Guaranteed liabilities

Amounts in NOK million	31.12.2021	31.12.2020
Guaranteed liabilities	-	-

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

[Other equity accounted companies](#)

- Purchase of short and deep sea transport from North Sea Containerline AS and EPB Chartering AS
- Purchase of warehousing for Combined Cargo Warehousing BV

There are no other contingent liabilities or commitments related to the joint ventures and associates.

Key management personnel and board of directors

Information on transactions with key management personnel, see note 9 Employee benefits and "Report on salary and other remuneration to leading personnel in Elkem ASA for the financial year 2021".

Pledged liabilities

Amounts in NOK million	31.12.2021	31.12.2020
Pledged liabilities	79	416

Book value pledged assets

Amounts in NOK million	31.12.2021	31.12.2020
Building	28	30
Machinery and plant	0	0
Other assets	57	51

Elkem makes limited use of guarantees, see specification below.

Guarantee commitments

Amounts in NOK million	31.12.2021	31.12.2020
Guarantee commitment KLIF (Climate and Pollution Agency)	40	40
Guarantee commitment tax cases Brazil	15	15

34. Events after the reporting period

Principle

Events after the reporting period related to the group's financial position at the end of the reporting period, are considered in the financial statements. Events after the reporting period that have no effect on the group's financial position at the end of the reporting period, but will have effect on future financial position, are disclosed if the future effect is material.

Elkem secured 100% ownership of the Elkem Salten energy recovery plant after acquiring the remaining 50% share in Salten Energigjenvinning AS from Kvitebjørn Energi AS on 31 January 2022.

The investment in the energy recovery plant further strengthens Elkem's efforts to ensure environmentally friendly silicon and ferrosilicon production with the lowest possible emissions and lowest possible use of resources.

The energy recovery plant has been built in partnership between Elkem and Kvitebjørn Energi. The total investment in the energy recovery plant has amounted to around NOK 1,163 million, financed through a NOK 350 million grant from Enova, significant external debt and some equity. The book value of Elkem's 50% share was NOK 46 million at 31 December 2021. Salten Energigjenvinning AS sells the recovered energy from Elkem Silicon Products Salten plant to Elkem and has estimated operating expenses including amortisation and depreciations of NOK 29 million in 2021. The purchase price allocation for the business combination is not finalised at the date Elkem's financial statement is authorised for issue. Further information about the business combination will be provided at a later stage.