

# Elkem ASA

Fourth quarter results 2020

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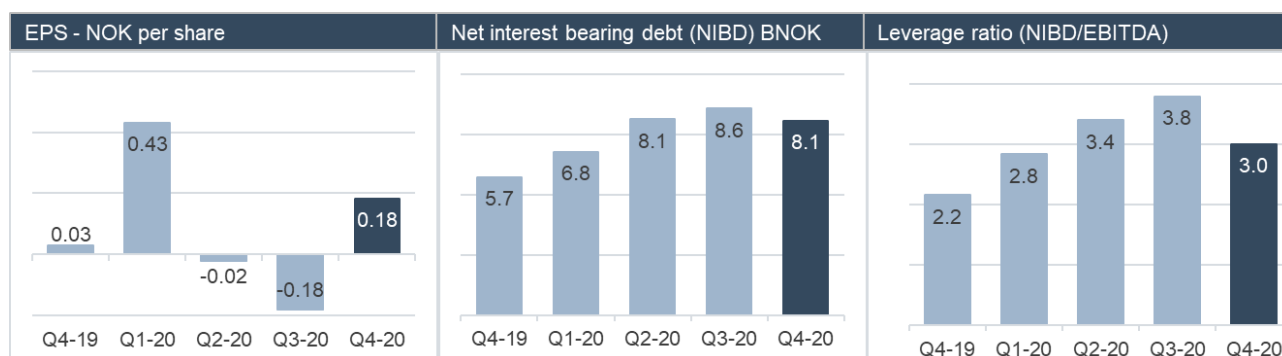
## Highlights 4<sup>th</sup> quarter 2020

- Elkem's EBITDA for the fourth quarter reached the highest level since 2018.
- The business model shows improved results in terms of specialisation, operational performance, good cost management and record sales volumes.
- Elkem has received an A rating in corporate sustainability by CDP, recognising the company among the world's leading companies for tackling climate change.
- The board has proposed a dividend of NOK 0.15 per share representing a dividend pay-out ratio of 36% of profit for the period.
- The market outlook is good, but macroeconomic uncertainty still persists.

## Key figures

<i>(NOK million, except where specified)</i>	4Q 2020	4Q 2019	YTD 2020	YTD 2019	FY 2019
Total operating income	7,129	5,559	24,691	22,668	22,668
EBITDA	938	517	2,684	2,656	2,656
EBITDA margin (%)	13 %	9 %	11 %	12 %	12 %
EBIT	449	92	957	1,189	1,189
Profit (loss) for the period <sup>(1)</sup>	106	17	239	855	855
Earning per share (EPS) <i>(NOK per share)</i>	0.18	0.03	0.41	1.47	1.47
Equity ratio (%)	41 %	45 %	41 %	45 %	45 %
Net interest-bearing debt (NIBD)	8,058	5,722	8,058	5,722	5,722
Cash flow from operations	1,064	464	1,522	2,140	2,140
ROCE - annualised (%)	10 %	2 %	5 %	7 %	7 %

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



## Good result driven by a robust business model and improved markets

**The result for the fourth quarter 2020 was Elkem's best since 2018. The result reflects Elkem's robust business model with strong market positions and favourable cost positions. This has enabled Elkem to keep close to full production through the Covid-19 pandemic so far and now capitalise on the improved market conditions during the quarter to reach all-time high sales.**

Elkem's total operating income for the fourth quarter 2020 was NOK 7,129 million, which was all-time high and up 28% from the corresponding quarter last year. Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to NOK 938 million in the quarter, up 81% compared to NOK 517 million in the fourth quarter of 2019. Earnings per share (EPS) was NOK 0.18 in the quarter and NOK 0.41 YTD. The board of directors has proposed a dividend of NOK 0.15 per share for 2020, representing a dividend pay-out ratio of 36%.

Elkem's business model shows good results in terms of specialisation, operational improvements and good cost management, and delivered all-time high sales in the fourth quarter. The sales were particularly strong in China but is also improving in the other regions. Strong demand has also resulted in higher reference prices for Elkem's standard products. Elkem is progressing its productivity improvement programme with the target to realise annual cost improvements of more than NOK 350 million. By the end of fourth quarter, the annual run rate was NOK 201 million, which was ahead of plan.

Elkem's silicones business has shown a good development in 2020, delivering on its specialisation strategy. In addition to other recent acquisitions and initiatives, Elkem has now decided to make investments in organo-functional silicones (OFS) and low viscosity (LV) silicones fluids. Both projects will contribute to complementing Elkem's specialised product offering. Elkem will acquire a custom-designed, purpose-built plant for manufacturing of OFS. The plant is located in France, close to Elkem Silicones' existing operations in Lyon. The purchase price is in the low double-digit millions of euros. The investment in LV fluids will be at Elkem Xinghuo Silicones, the largest silicones manufacturing site in China. The investment will be CNY 100 million and is scheduled to open in January 2022.

In order to continuously improve and streamline operations, Elkem has decided to integrate Yongdeng Silicon Products into the Silicones division from 1 January 2021. Yongdeng Silicon has captive production of silicon covering approximately 50% Elkem's Xinghuo Silicones' annual consumption.

The battery materials project proceeds according to plan and represents a significant green value creation opportunity. Elkem's pilot plant in Kristiansand has started initial testing to prepare for production start-up in March 2021. The purpose of the pilot is to qualify products and verify the business case for a large-scale industrial plant at Herøya, Norway. Elkem has received NOK 10 million from Enova to fund the initial planning and has also applied for support from the EU. Elkem will in the near future formally invite industrial and financial partners to participate in the project.

Elkem is continuously working to improve its performance within Environment, Social and Governance (ESG) and has proudly received A rating in corporate sustainability by CDP, recognising the company among the world's leading companies for tackling climate change.

The group's equity as at 31 December 2020 amounted to NOK 12,635 million, which gave a ratio of equity to total assets of 41%. Net interest-bearing debt was NOK 8,058 million, which gave a ratio of net interest-bearing debt to EBITDA of 3.0 times. The leverage ratio was improved from 3.8 times in the preceding quarter. Elkem had cash and cash equivalents of NOK 3,154 million as at 31 December 2020 and undrawn credit lines of close to NOK 5,000 million.

Elkem is entering 2021 from a robust position, continuing to improve specialisation and operational excellence as a basis for further growth. The market sentiment is positive, but macroeconomic uncertainty still persists. Silicones prices in China are at attractive levels early 2021 and Silicones demand in Europe and North America is picking up. Chinese New Year will, however, negatively impact the first quarter results.

Prices for silicon and ferrosilicon have continued to rise early first quarter, with full impact being gradually reflected in contract prices. Demand is currently strong. The underlying market conditions for carbon product is expected to improve in line with improved steel and ferroalloys markets.



# Financial review

## Group results

KEY FIGURES	4Q 2020	4Q 2019	YTD 2020	YTD 2019	FY 2019
<i>MNOK except where indicated otherwise</i>					
Total operating income	7,129	5,559	24,691	22,668	22,668
EBITDA	938	517	2,684	2,656	2,656
EBIT	449	92	957	1,189	1,189
Other items	-134	-16	-130	195	195
Net financial items	-49	-79	-229	-239	-239
Profit (loss) before income tax	279	2	584	1,134	1,134
Tax	-165	26	-306	-237	-237
Profit (loss) for the period	113	28	278	897	897

### Quarter

Elkem group had total operating income of NOK 7,129 million in 4Q-2020, which was up 28% from NOK 5,559 million in 4Q-2019. Increased operating income was driven by the Silicones and Silicon Products divisions and mainly explained by higher sales volumes. These two divisions reported all-time high sales volumes in 4Q-2020, reflecting Elkem's strong market positions and capitalising on stronger demand.

The group's EBITDA for 4Q-2020 was NOK 938 million, which was up 81% from NOK 517 million in the corresponding quarter last year. All divisions reported stronger EBITDA compared to 4Q-2019 due to a combination of higher sales volumes, good operational improvements, and higher realised sales prices. Other, which comprises group management, centralised functions and strategic projects, reported an EBITDA of NOK -72 million, which included negative currency hedge effects of NOK -40 million.

EBIT for 4Q-2020 was NOK 449 million, up from NOK 92 million in 4Q-2019.

Other items include fair value changes commodity contracts, gains (losses) on embedded derivatives, currency forward contracts and other income and expenses. Other items amounted to NOK -134 million in 4Q-2020 which mainly consisted of net currency losses of NOK -128 million and change in fair value commodity contracts NOK -41 million, partly offset by a reversal of restructuring expenses NOK 40 million.

Net financial items were NOK -49 million in 4Q-2020, compared to NOK -79 million in 4Q-2019. Net interest expenses amounted to NOK -59 million, which was up from NOK -53 million in the corresponding quarter last year. Gains on foreign exchange amounted to NOK 12 million, compared to losses of NOK -9 million in 4Q-2019. The foreign exchange gain in 4Q-2020 was mainly explained by positive translation effects on external loans in EUR, which was partly offset by negative effects on inter-company receivables in CNY. Other financial expenses amounted to NOK -2 million.

Profit before income tax was NOK 279 million in 4Q-2020 compared to NOK 2 million in 4Q-2019.

Tax expenses in the quarter was NOK -165 million. The tax expenses were mainly related to countries with taxable profit, while tax losses carried forward were not capitalised.

Profit for the period was NOK 113 million, compared to NOK 28 million in 4Q-2019. Owners of the parent's share of profit was NOK 106 million, which gave earnings per share of NOK 0.18 in 4Q-2020.

### Year to date

The group's total operating income was NOK 24,691 million YTD 2020, which was up 9% compared to YTD 2019. EBITDA YTD 2020 amounted to NOK 2,684 million, which was in line with NOK 2,656 million YTD 2019. Silicon Products and Carbon Solutions reported improved EBITDA YTD 2020 compared to YTD 2019, while the Silicones division reported lower EBITDA, mainly explained by lower sales prices. Segment Other contained negative currency hedge effects of NOK -216 YTD 2020. Earnings per share (EPS) was NOK 0.41 YTD 2020.

## Cash flow

CASH FLOW FROM OPERATIONS	4Q 2020	4Q 2019	YTD 2020	YTD 2019	FY 2019
<i>NOK million</i>					
Operating profit (loss) before other items	449	92	957	1,189	1,189
Amortisation, depreciation and impairment	489	425	1,727	1,467	1,467
Changes in working capital	688	463	232	649	649
Reinvestments	-558	-522	-1,387	-1,162	-1,162
Equity accounted investments	-3	6	-7	-4	-4
<b>Cash flow from operations</b>	<b>1,064</b>	<b>464</b>	<b>1,522</b>	<b>2,140</b>	<b>2,140</b>
Other cash flow items	-968	-1,023	-2,839	-4,773	-4,773
<b>Change in cash and cash equivalents</b>	<b>96</b>	<b>-559</b>	<b>-1,317</b>	<b>-2,633</b>	<b>-2,633</b>

<sup>1)</sup> Elkem's internal cash flow measure is defined and described in the APM appendix to the report.

### Quarter

Cash flow from operations was NOK 1,064 million in 4Q-2020, compared to NOK 464 million in 4Q-2019. The increase was explained by higher operating profit and all-time low working capital levels in 4Q-2020.

Reinvestments were NOK 558 million in 4Q-2020, which amounted to 117% of depreciation and amortisation (D&A). Strategic investments were included in other cash flow items and amounted to NOK 259 million, down from NOK 398 million in 4Q-2019. The strategic investments were primarily related to Silicones R&D centre and other specialisation projects.

The positive net cash flow of NOK 96 million was more than offset by currency exchange differences of NOK -139 million, resulting in a decrease in cash and cash equivalents of NOK 43 million in 4Q-2020. Total cash and cash equivalents amounted to NOK 3,154 million as at 31 December 2020.

### Year to date

Cash flow from operations amounted to NOK 1,522 million YTD 2020, down from NOK 2,140 million YTD 2019, mainly explained by lower operating profit and higher reinvestments. Elkem's reinvestment target is 80-90% of depreciation and amortisation (D&A). Reinvestments YTD 2020 were NOK 1,387 million, which amounted to 81% of D&A. Strategic investments ex. M&A amounted to NOK 835 million YTD 2020. In addition, M&A amounted to NOK 1,032 million YTD 2020 in connection with the acquisition of Polysil.

## Financial position

FINANCIAL POSITION	4Q 2020	4Q 2019	FY 2019
Total equity (NOK million)	12,635	12,952	12,952
Equity ratio (%)	41 %	45 %	45 %
EPS (NOK per share)	0.18	0.03	1.47
Net interest bearing debt (NOK million) <sup>(1)</sup>	8,058	5,722	5,722
Leverage ratio based on LTM EBITDA (ratio)	3.0	2.2	2.2

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

### Quarter and year to date

Elkem's equity as at 31 December 2020 was NOK 12,635 million, down NOK 317 million from 31 December 2019. Profit YTD 2020 was NOK 278 million, which was offset by negative effects recognised in other comprehensive income of NOK -245 million and Elkem ASA dividend of NOK 349 million for 2019.

The equity ratio as at 31 December 2020 was 41%. Compared to year-end 2019, the equity ratio has been negatively impacted by translation effects from weaker NOK, which has increased the value of total assets.

Net-interest bearing debt as at 31 December 2020 was NOK 8,058 million, which was up NOK 2,336 million from 31 December 2019. The increase was mainly explained by translation effects from weaker NOK, settlements for the Polysil acquisition and dividend payment for 2019. The leverage ratio was 3.0 times as at 31 December 2020.

## Segments

### Silicones

KEY FIGURES	4Q 2020	4Q 2019	YTD 2020	YTD 2019	FY 2019
<i>MNOK except where indicated otherwise</i>					
Total operating income	<b>3,891</b>	2,824	<b>12,680</b>	11,274	11,274
EBITDA	<b>577</b>	313	<b>1,357</b>	1,523	1,523
EBITDA margin	<b>15 %</b>	11 %	<b>11 %</b>	14 %	14 %
Sales volume (thousand mt)	<b>109</b>	86	<b>372</b>	336	336

#### Quarter

The Silicones division had total operating income of NOK 3,891 million in 4Q-2020, up 38% from NOK 2,824 million in 4Q-2019. Increased operating income was explained by higher sales volumes and price recovery in China.

EBITDA for 4Q-2020 was NOK 577 million, up 84% from 4Q-2019. The significant EBITDA improvement was explained by strong sales volumes, higher sales prices and good operational performance.

Sales volumes in 4Q-2020 were all-time high, reflecting attractive market positions and stronger demand in all major regions.

#### Year to date

The Silicones division reported total operating income of NOK 12,680 million YTD 2020, which was 12% higher than YTD 2019. The EBITDA was NOK 1,357 million YTD 2020, down 11% from NOK 1,523 million YTD 2019. The sales volume YTD 2020 was clearly up compared to YTD 2019, but the result was hampered by lower sales prices.

### Silicon Products

KEY FIGURES	4Q 2020	4Q 2019	YTD 2020	YTD 2019	FY 2019
<i>MNOK except where indicated otherwise</i>					
Total operating income	<b>3,084</b>	2,596	<b>11,578</b>	10,933	10,933
EBITDA	<b>318</b>	181	<b>1,189</b>	958	958
EBITDA margin	<b>10 %</b>	7 %	<b>10 %</b>	9 %	9 %
Sales volume (thousand mt) <sup>1)</sup>	<b>147</b>	118	<b>526</b>	499	499

*1) Excluding Microsilica and quartz*

#### Quarter

The Silicon Products division had total operating income of NOK 3,084 million in 4Q-2020, which was up 19% from 4Q-2019. Higher operating income was mainly explained by higher sales volumes.

The EBITDA for Silicon Products was NOK 318 million in 4Q-2020, up 76% from NOK 181 million in 4Q-2019. Higher EBITDA was explained by strong sales volumes and good operational performance. In addition, the EBITDA was positively impacted by higher realised sales prices.

The sales volume in 4Q-2020 was all-time high, reflecting strong positions in standard and specialised product grades.

#### Year to date

The Silicon Products division reported total operating income of NOK 11,578 million YTD 2020, which was 6% higher than YTD 2019. The division reported an EBITDA of NOK 1,189 million, which up 24% from YTD 2019. EBITDA YTD 2020 included a one-off gain of NOK 61 million in the second quarter.

## Carbon Solutions

KEY FIGURES	4Q 2020	4Q 2019	YTD 2020	YTD 2019	FY 2019
<i>MNOK except where indicated otherwise</i>					
Total operating income	461	461	1,870	1,838	1,838
EBITDA	106	72	438	312	312
EBITDA margin	23 %	16 %	23 %	17 %	17 %
Sales volume (thousand mt)	63	63	256	257	257

### Quarter

The Carbon Solutions division reported total operating income of NOK 461 million in 4Q-2020, which was in line with 4Q-2019. Sales volumes and sales prices were stable.

EBITDA for 4Q-2020 was NOK 106 million, up 46% from NOK 72 million in the corresponding quarter last year. Improved EBITDA was mainly explained by better product mix with higher sales of specialty products and good cost management.

The sales volume in 4Q-2020 was in line with the corresponding quarter last year. The crude and stainless-steel markets continue to recover.

### Year to date

Carbon Solutions reported total operating income of NOK 1,870 million YTD 2020, which was 2% higher than YTD 2019. EBITDA YTD 2020 was NOK 438 million, up 40% from NOK 312 million YTD 2019, and represented the best result ever. The improvement was mainly explained by better sales mix, positive currency effects and lower operating costs. Sales volumes YTD 2020 were in line with YTD 2019.

## Outlook for the first quarter

Elkem is entering 2021 from a robust position, continuing to improve specialisation and operational excellence as a basis for further growth. The market sentiment is positive, but macroeconomic uncertainty still persists.

Silicones prices in China are at attractive levels early 2021 and Silicones demand in Europe and North America picking up. Chinese New Year will negatively impact the first quarter results.

Market reference prices for silicon and ferrosilicon have continued to rise early first quarter. Full impact gradually reflected in contract prices. Demand is currently strong.

Steel and ferroalloys markets continue to improve, positively impacting the underlying market conditions for carbon products.

Elkem ASA

Oslo, 9 February 2021





## Condensed consolidated interim statement of profit or loss

Amounts in NOK million	Note	Fourth quarter		Year to date	
		2020	2019	2020	2019
Revenue	2	6,933	5,406	24,025	22,246
Other operating income	2	184	144	631	392
Share of profit (loss) from equity accounted companies	2	11	9	35	31
<b>Total operating income</b>		<b>7,129</b>	<b>5,559</b>	<b>24,691</b>	<b>22,668</b>
Raw materials and energy for production		(3,691)	(2,829)	(12,858)	(11,512)
Employee benefit expenses		(1,093)	(954)	(4,028)	(3,696)
Other operating expenses		(1,407)	(1,258)	(5,121)	(4,804)
Amortisation and depreciation	4, 5, 6	(479)	(418)	(1,710)	(1,456)
Impairment losses	4, 5, 6	(10)	(7)	(17)	(11)
<b>Operating profit (loss) before other items</b>		<b>449</b>	<b>92</b>	<b>957</b>	<b>1,189</b>
Other items	8	(134)	(16)	(130)	195
<b>Operating profit (loss)</b>		<b>315</b>	<b>76</b>	<b>827</b>	<b>1,384</b>
Share of profit (loss) from equity accounted financial investments		13	4	(15)	(12)
Finance income	9	2	10	31	41
Foreign exchange gains (losses)	9	12	(9)	17	16
Finance expenses	9	(62)	(79)	(278)	(295)
<b>Profit (loss) before income tax</b>		<b>279</b>	<b>2</b>	<b>584</b>	<b>1,134</b>
Income tax (expenses) benefits		(165)	26	(306)	(237)
<b>Profit (loss) for the period</b>		<b>113</b>	<b>28</b>	<b>278</b>	<b>897</b>
<b>Attributable to:</b>					
Non-controlling interests' share of profit (loss)		8	11	39	42
Owners of the parent's share of profit (loss)		106	17	239	855
<b>Earnings per share</b>					
Basic earnings per share in NOK		0.18	0.03	0.41	1.47
Diluted earnings per share in NOK		0.18	0.03	0.41	1.47
Weighted average number of outstanding shares (million)	12	581	581	581	581
Weighted average number of outstanding shares diluted (million)	12	582	581	581	581

## Condensed consolidated interim statement of comprehensive income

Amounts in NOK million	Fourth quarter		Year to date	
	2020	2019	2020	2019
Profit (loss) for the period	113	28	278	897
<b>Items that will not be reclassified to profit or loss</b>				
Remeasurement of defined benefit pension plans	(55)	(26)	(55)	(26)
Tax effects on remeasurements of defined benefit pension plans	13	2	13	3
Change in fair value of equity instruments	7	(0)	7	10
Share of other comprehensive income (loss) from equity accounted companies	-	-	-	0
	<b>(35)</b>	<b>(24)</b>	<b>(35)</b>	<b>(13)</b>
<b>Items that may be reclassified to profit or loss</b>				
Currency translation differences	(749)	(105)	47	33
Hedging of net investment in foreign operations	171	11	(168)	24
Tax effects hedging of net investment in foreign operations	(38)	(2)	37	(5)
Cash flow hedges	578	2	(148)	(203)
Tax effects on cash flow hedges	(127)	(0)	33	45
Share of other comprehensive income (loss) from equity accounted companies	1	7	(11)	(14)
	<b>(163)</b>	<b>(88)</b>	<b>(211)</b>	<b>(120)</b>
<b>Other comprehensive income, net of tax</b>	<b>(198)</b>	<b>(112)</b>	<b>(245)</b>	<b>(133)</b>
<b>Total comprehensive income</b>	<b>(84)</b>	<b>(83)</b>	<b>32</b>	<b>764</b>
<b>Attributable to:</b>				
Non-controlling interests' share of comprehensive income	1	10	40	45
Owners of the parent's share of comprehensive income	(85)	(93)	(8)	720
<b>Total comprehensive income</b>	<b>(84)</b>	<b>(83)</b>	<b>32</b>	<b>764</b>

## Condensed consolidated interim statement of financial position

Amounts in NOK million	Note	31 December 2020	31 December 2019
<b>ASSETS</b>			
Property, plant and equipment	4	14,131	13,202
Right-of-use assets	5	875	580
Goodwill	6	919	466
Other intangible assets	6	1,319	777
Deferred tax assets		96	66
Investments in equity accounted companies		183	129
Derivatives	11	59	66
Other assets		432	407
<b>Total non-current assets</b>		<b>18,015</b>	<b>15,692</b>
Inventories		5,241	5,224
Trade receivables		2,796	2,269
Derivatives	11	148	38
Other assets		1,212	1,013
Restricted deposits	10	322	271
Cash and cash equivalents	10	3,154	4,496
<b>Total current assets</b>		<b>12,873</b>	<b>13,311</b>
<b>TOTAL ASSETS</b>		<b>30,888</b>	<b>29,004</b>
<b>EQUITY AND LIABILITIES</b>			
Paid-in capital	12	6,296	6,616
Retained earnings		6,232	6,240
Non-controlling interests		108	96
<b>Total equity</b>		<b>12,635</b>	<b>12,952</b>
Interest-bearing liabilities	10	7,189	8,340
Deferred tax liabilities		336	243
Employee benefit obligations		679	584
Derivatives	11	252	210
Provisions and other liabilities		326	158
<b>Total non-current liabilities</b>		<b>8,782</b>	<b>9,536</b>
Trade payables		3,157	2,767
Income tax payables		65	51
Interest-bearing liabilities	10	3,292	1,262
Bills payable	10	1,053	887
Employee benefit obligations		740	640
Derivatives	11	101	37
Provisions and other liabilities		1,064	871
<b>Total current liabilities</b>		<b>9,471</b>	<b>6,516</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>30,888</b>	<b>29,004</b>

## Condensed consolidated interim statement of cash flows

Amounts in NOK million	Note	Fourth quarter		Year to date	
		2020	2019	2020	2019
Operating profit (loss)		315	76	827	1,384
Amortisation, depreciation and impairment	4, 5, 6	489	425	1,727	1,467
Changes in working capital		688	463	232	649
Equity accounted companies		(3)	6	(7)	(4)
Changes fair value of derivatives		27	(19)	(196)	(218)
Changes in provisions, bills receivables and other		(397)	(42)	(69)	(671)
Interest payments received		(1)	9	28	38
Interest payments made		(58)	(65)	(239)	(248)
Income taxes paid		(66)	(137)	(192)	(559)
<b>Cash flow from operating activities</b>		<b>993</b>	<b>716</b>	<b>2,111</b>	<b>1,839</b>
Investments in property, plant and equipment and intangible assets		(666)	(823)	(2,201)	(2,107)
Acquisition of subsidiaries, net of cash acquired		(17)	9	(1,032)	(206)
Acquisition/capital contribution of/to joint ventures		(40)	-	(40)	-
Other investments / sales		10	8	10	28
<b>Cash flow from investing activities</b>		<b>(713)</b>	<b>(807)</b>	<b>(3,262)</b>	<b>(2,285)</b>
Dividends paid to non-controlling interests		(12)	(15)	(29)	(49)
Dividends paid to owners		-	-	(349)	(1,511)
Net changes in bills payable and restricted deposits		(87)	(211)	113	(556)
Payment of lease liabilities		(26)	(25)	(104)	(78)
New interest-bearing loans and borrowings		17	251	1,636	2,082
Payment of interest-bearing loans and borrowings		(75)	(469)	(1,433)	(2,074)
<b>Cash flow from financing activities</b>		<b>(183)</b>	<b>(468)</b>	<b>(166)</b>	<b>(2,187)</b>
<b>Change in cash and cash equivalents</b>		<b>96</b>	<b>(559)</b>	<b>(1,317)</b>	<b>(2,633)</b>
Currency exchange differences		(139)	(16)	(24)	47
<b>Cash and cash equivalents opening balance</b>		<b>3,197</b>	<b>5,071</b>	<b>4,496</b>	<b>7,082</b>
<b>Cash and cash equivalents closing balance</b>		<b>3,154</b>	<b>4,496</b>	<b>3,154</b>	<b>4,496</b>

## Condensed consolidated interim statement of changes in equity

Amounts in NOK million	Total paid in capital	Total retained earnings	Total owners share	Non-controlling interests	Total
<b>Opening balance 1 January 2020</b>	<b>6,616</b>	<b>6,240</b>	<b>12,855</b>	<b>96</b>	<b>12,952</b>
Profit (loss) for the period	-	239	<b>239</b>	39	<b>278</b>
Other comprehensive income	-	(247)	<b>(247)</b>	2	<b>(245)</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>(8)</b>	<b>(8)</b>	<b>40</b>	<b>32</b>
Share-based payment	29	-	<b>29</b>	-	<b>29</b>
Dividends to equity holders	(349)	-	<b>(349)</b>	(29)	<b>(378)</b>
<b>Closing balance 31 December 2020</b>	<b>6,296</b>	<b>6,232</b>	<b>12,527</b>	<b>108</b>	<b>12,635</b>

Amounts in NOK million	Total paid in capital	Total retained earnings	Total owners share	Non-controlling interests	Total
<b>Opening balance 1 January 2019</b>	<b>8,102</b>	<b>5,520</b>	<b>13,622</b>	<b>101</b>	<b>13,722</b>
Profit (loss) for the period	-	855	<b>855</b>	42	<b>897</b>
Other comprehensive income	-	(135)	<b>(135)</b>	2	<b>(133)</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>720</b>	<b>720</b>	<b>45</b>	<b>764</b>
Share-based payment	25	-	<b>25</b>	-	<b>25</b>
Dividends to equity holders	(1,511)	-	<b>(1,511)</b>	(49)	<b>(1,560)</b>
<b>Closing balance 31 December 2019</b>	<b>6,616</b>	<b>6,240</b>	<b>12,855</b>	<b>96</b>	<b>12,952</b>

## Notes to the condensed consolidated interim financial statements

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

Elkem ASA is a limited liability company located in Norway and whose shares are publicly traded at Oslo Stock Exchange. Elkem ASA's condensed consolidated financial statements for the fourth quarter of 2020 were approved at the meeting of the board of directors on 9 February 2021.

Following changes in Elkem's internal reporting to management the composition of Elkem's operating and reporting segments has changed as of the third quarter of 2020. Segment information for prior periods has been restated to align with the new segment presentation. For further information see Note 2 Operating segments to these Condensed interim financial statements.

#### Basis for preparation

The condensed consolidated interim financial statements comprise Elkem ASA and its subsidiaries (Elkem/the Group) and the Group's investments in associates and interests in joint arrangements. Elkem's interim financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union. The condensed interim statements are prepared in compliance with the International Accounting Standard (IAS) 34 Interim Financial Reporting and should be read in conjunction with the consolidated financial statements in Elkem's Annual Report for 2019. The accounting policies applied are consistent with those applied in the annual consolidated financial statements 2019, except for the policy for 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.

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

#### Judgements, estimates and assumptions

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

The main judgements, estimates and assumptions are described in the annual consolidated financial statements for 2019 (note 3).

As a result of the Covid-19 outbreak all significant estimates and underlying assumptions have been reviewed. For more details about impact for Elkem group results please refer to section about Financial review.

In addition to the judgements, estimates and assumptions mentioned in the annual consolidated financial statement for 2019, Elkem has an increased focus on estimates related to credit losses and other provisions/obligations.

### Note 2 Operating segments

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

- The **Silicones division** produces and sells a range of silicone-based products across various sub-sectors including release coatings, engineering elastomers, healthcare products, specialty fluids, emulsions and resins.
- The **Silicon Products division** produces various grades of metallurgical silicon, ferrosilicon, foundry alloys and microsilica for use in a wide range of end applications.
- The **Carbon Solutions division** produces carbon electrode materials, lining materials and specialty carbon products for metallurgical processes for the production of a range of metals.
- **Other** comprise Elkem group management and centralised functions within finance, logistics, power purchase, technology, digital office and strategic projects such as biocarbon and battery projects.

- **Eliminations** comprise intersegment sales and profit. Transactions between operating segments are conducted on an arm's length basis in a manner similar to transactions with third parties.

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 have merged and will now be reported combined to management. 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 respectively.

Elkem identifies its segments according to the organisation and reporting structure used by group management. Segments performance are evaluated based on EBITDA and operating profit (loss) before other items (EBIT). EBITDA is defined as Elkem's profit (loss) for the period, less income tax (expenses) benefits, finance expenses, foreign exchange gains (losses), finance income, share of profit from equity accounted financial investments, other items, impairment loss and amortisation and depreciation. Elkem's definition of EBITDA may be different from other companies.

Elkem's financing and taxes are managed on a group basis and are not allocated to operating segments.

<b>Fourth quarter 2020</b>	<b>Silicones</b>	<b>Silicon Products</b>	<b>Carbon Solutions</b>	<b>Other</b>	<b>Eliminations</b>	<b>Total</b>
Revenue from sale of goods	3,810	2,680	404	(44)	-	6,850
Other revenue	18	23	5	37	-	83
Other operating income	59	109	2	14	-	184
Share of profit from equity accounted companies	-	(1)	-	13	-	11
<b>Total operating income from external customers</b>	<b>3,887</b>	<b>2,811</b>	<b>411</b>	<b>20</b>		<b>7,129</b>
Operating income from other segments	4	273	50	113	(441)	-
<b>Total operating income</b>	<b>3,891</b>	<b>3,084</b>	<b>461</b>	<b>133</b>	<b>(441)</b>	<b>7,129</b>
Operating expenses	(3,315)	(2,767)	(356)	(205)	452	(6,190)
<b>EBITDA</b>	<b>577</b>	<b>318</b>	<b>106</b>	<b>(72)</b>	<b>11</b>	<b>938</b>
<b>Operating profit (loss) before other items (EBIT)</b>	<b>282</b>	<b>163</b>	<b>80</b>	<b>(87)</b>	<b>11</b>	<b>449</b>

<b>Fourth quarter 2019 *)</b>	<b>Silicones</b>	<b>Silicon Products</b>	<b>Carbon Solutions</b>	<b>Other</b>	<b>Eliminations</b>	<b>Total</b>
Revenue from sale of goods	2,715	2,160	408	(29)		5,255
Other revenue	57	36	6	52		151
Other operating income	43	89	5	7		144
Share of profit from equity accounted companies	-	(1)	-	10		9
<b>Total operating income from external customers</b>	<b>2,815</b>	<b>2,285</b>	<b>419</b>	<b>40</b>		<b>5,559</b>
Operating income from other segments	9	312	42	96	(459)	-
<b>Total operating income</b>	<b>2,824</b>	<b>2,596</b>	<b>461</b>	<b>136</b>	<b>(459)</b>	<b>5,559</b>
Operating expenses	(2,511)	(2,415)	(389)	(191)	464	(5,042)
<b>EBITDA</b>	<b>313</b>	<b>181</b>	<b>72</b>	<b>(55)</b>	<b>6</b>	<b>517</b>
<b>Operating profit (loss) before other items (EBIT)</b>	<b>93</b>	<b>3</b>	<b>49</b>	<b>(59)</b>	<b>6</b>	<b>92</b>

\*) 2019 figures have been restated, see text above and note 1

<b>Year to date 31 December 2020</b>	<b>Silicones</b>	<b>Silicon Products</b>	<b>Carbon Solutions</b>	<b>Other</b>	<b>Eliminations</b>	<b>Total</b>
Revenue from sale of goods	12,479	9,778	1,625	(217)		23,665
Other revenue	37	146	16	161		360
Other operating income	151	391	6	83		631
Share of profit from equity accounted companies	0	(1)	-	36		35
<b>Total operating income from external customers</b>	<b>12,667</b>	<b>10,314</b>	<b>1,647</b>	<b>64</b>		<b>24,691</b>
Operating income from other segments	13	1,264	223	412	(1,912)	-
<b>Total operating income</b>	<b>12,680</b>	<b>11,578</b>	<b>1,870</b>	<b>476</b>	<b>(1,912)</b>	<b>24,691</b>
Operating expenses	(11,323)	(10,389)	(1,432)	(743)	1,879	(22,007)
<b>EBITDA</b>	<b>1,357</b>	<b>1,189</b>	<b>438</b>	<b>(267)</b>	<b>(33)</b>	<b>2,684</b>
<b>Operating profit (loss) before other items (EBIT)</b>	<b>373</b>	<b>581</b>	<b>349</b>	<b>(312)</b>	<b>(33)</b>	<b>957</b>

Year to date 31 December 2019 *)	Silicones	Silicon Products	Carbon Solutions	Other	Eliminations	Total
Revenue from sale of goods	11,047	9,271	1,638	(66)		21,890
Other revenue	80	73	12	191		356
Other operating income	132	229	10	22		392
Share of profit from equity accounted companies	-	(1)	-	31		31
<b>Total operating income from external customers</b>	<b>11,259</b>	<b>9,572</b>	<b>1,659</b>	<b>178</b>		<b>22,668</b>
Operating income from other segments	15	1,361	179	361	(1,916)	-
<b>Total operating income</b>	<b>11,274</b>	<b>10,933</b>	<b>1,838</b>	<b>539</b>	<b>(1,916)</b>	<b>22,668</b>
Operating expenses	(9,750)	(9,976)	(1,526)	(694)	1,934	(20,012)
<b>EBITDA</b>	<b>1,523</b>	<b>958</b>	<b>312</b>	<b>(155)</b>	<b>18</b>	<b>2,656</b>
<b>Operating profit (loss) before other items (EBIT)</b>	<b>742</b>	<b>382</b>	<b>237</b>	<b>(190)</b>	<b>18</b>	<b>1,189</b>

\*) 2019 figures have been restated, see text above and note 1

### Note 3 Changes in composition of the group

In 2020 Elkem invested NOK 1,032 million to acquisition of new subsidiaries and business (business combinations). The amount comprises cash consideration transferred, reduced by cash and cash equivalents of the acquiree.

In December 2019 Elkem entered into an agreement to acquire all of the shares in Guangdong Polysil Technology Co. Ltd. (hereafter Polysil) and its subsidiary, a leading Chinese silicone elastomer & resins material manufacturer with strong positions in baby care and food grade silicones, as well as silicone products for the electronics and medical markets. The parties have agreed an enterprise value for Polysil of up to CNY 941 million, including potential earn-out depending on pre-agreed criteria. On 1 April 2020 the transaction was completed and Elkem acquired 100% of the shares in Polysil.

	Year to date 2020
<b>Net cash outflow</b>	
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 consideration	267
Discounting element on settlement of deferred consideration	2
Foreign exchange gains (losses) from date of control	(30)
Cash and cash equivalents of the acquiree	(178)
<b>Acquisition of subsidiaries, net of cash acquired</b>	<b>1,032</b>

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

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

	Carrying amount	Excess value	Fair value
Non-current assets	142	585	727
Current assets	456	-	456
Non-current liabilities	-	(88)	(88)
Current liabilities	(81)	-	(81)
Total identifiable net assets	516	498	1,014
Non-controlling interests	-	-	-
Goodwill	-	506	506
<b>Total recognised</b>	<b>516</b>	<b>1,004</b>	<b>1,520</b>



Part of the purchase price is among others contingent on Polysil's EBIDTA, similar as defined in note 2, performance in 2020 and 2021. The nominal range of outcomes are between RMB 0 million and RMB 210 million, as a maximum. Based on Polysil's performance after purchase date, the estimated value of the contingent considerations is set to maximum. Adjusted for discounting effects the fair value of the contingent consideration as at 31 December 2020 is NOK 261 million. The contingent consideration is due in instalments. As at 31 December 2020 NOK 77 million is recognised as current and NOK 184 million is recognised as non-current provisions and other liabilities.

The 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 NOK 171 million of which NOK 8 million expected to be uncollectable at the date of acquisition.

For the period of purchase 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 date of business combination was on 1 January 2020, the operating income of Elkem would have increased with NOK 148 million and the profit (loss) for the year would have increased by NOK 29 million.

Acquisition-related costs of NOK 22 million is recognised in other items in the statement of income, where of NOK 6 million in 2019 and NOK 16 million in 2020 as at 31 December.

#### Note 4 Fixed assets

31 December 2020	Land	Plant, buildings and other property	Machinery, equipment and motor vehicles	Office and other equipment	Construction in progress	Total
<b>Cost</b>						
Opening balance	178	6,908	20,245	523	1,583	29,437
Additions	0	16	28	4	1,963	2,011
Transferred to/from CiP	-	335	1,297	41	(1,673)	-
Reclassification	(0)	3	(35)	33	(21)	(21)
Business combinations	-	114	49	0	-	163
Disposals	-	(15)	(270)	(24)	(55)	(364)
Exchange differences	6	113	406	3	3	532
Closing balance	184	7,474	21,720	582	1,799	31,759
<b>Accumulated depreciation</b>						
Opening balance	-	(2,494)	(10,837)	(338)		(13,668)
Addition	-	(238)	(1,140)	(43)		(1,421)
Reclassification	-	(0)	16	(16)		-
Disposals	-	13	225	23		261
Exchange differences	-	(18)	(192)	(5)		(215)
Closing balance	-	(2,738)	(11,929)	(377)		(15,043)
<b>Impairment losses</b>						
Opening balance	(11)	(378)	(2,103)	(0)	(75)	(2,567)
Addition	-	(1)	(16)	-	(0)	(17)
Disposals	-	1	26	0	52	79
Exchange differences	(1)	(7)	(69)	(0)	(3)	(80)
Closing balance	(11)	(384)	(2,162)	(0)	(26)	(2,584)
<b>Net book value</b>	<b>172</b>	<b>4,352</b>	<b>7,629</b>	<b>205</b>	<b>1,773</b>	<b>14,131</b>

31 December 2019	Land	Plant, buildings and other property	Machinery, equipment and motor vehicles	Office and other equipment	Construction in progress	Total
<b>Cost</b>						
Opening balance	148	6,529	19,103	485	1,619	27,883
Additions	2	19	7	5	1,997	2,031
Transferred to/from CiP	0	349	1,564	61	(1,974)	-
Reclassification	-	0	19	(16)	(48)	(45)
Business combinations	30	32	8	1	-	70
Disposals	(2)	(10)	(430)	(12)	(7)	(461)
Exchange differences	(0)	(10)	(26)	(1)	(4)	(41)
Closing balance	178	6,908	20,245	523	1,583	29,437
<b>Accumulated depreciation</b>						
Opening balance		(2,310)	(10,213)	(334)		(12,856)
Addition		(193)	(1,013)	(35)		(1,241)
Reclassification		(0)	(19)	19		0
Disposals		7	396	12		415
Exchange differences		2	12	0		14
Closing balance		(2,494)	(10,837)	(338)		(13,668)
<b>Impairment losses</b>						
Opening balance	(11)	(380)	(2,116)	(0)	(75)	(2,582)
Addition	(0)	(0)	(9)	(0)	(1)	(10)
Disposals	0	1	14	0	1	16
Exchange differences	0	1	8	0	0	10
Closing balance	(11)	(378)	(2,103)	(0)	(75)	(2,567)
<b>Net book value</b>	<b>167</b>	<b>4,036</b>	<b>7,305</b>	<b>186</b>	<b>1,508</b>	<b>13,202</b>

## Note 5 Right-of-use assets

31 December 2020	Land	Plant and buildings	Machinery, equipment and motor vehicles	Office and other equipment	Total
<b>Cost</b>					
Opening balance	239	357	99	8	702
Additions/lease modifications	123	197	47	2	369
Business combinations	52	-	-	-	52
Disposals	(1)	(25)	(17)	-	(43)
Exchange differences	2	(0)	5	(0)	7
Closing balance	415	529	134	10	1,087
<b>Accumulated depreciation</b>					
Opening balance	(42)	(52)	(27)	(1)	(123)
Additions/lease modifications	(8)	(70)	(36)	(2)	(115)
Reclassification	(1)	-	-	-	(1)
Disposals	1	13	10	-	24
Exchange differences	(1)	4	0	0	3
Closing balance	(51)	(105)	(53)	(3)	(212)
<b>Net book value</b>	<b>363</b>	<b>424</b>	<b>82</b>	<b>6</b>	<b>875</b>

31 December 2019	Land	Plant and buildings	Machinery, equipment and motor vehicles	Office and other equipment	Total
<b>Cost</b>					
Opening balance	-	-	-	-	-
IFRS 16 Opening balance	14	322	68	8	412
Additions/lease modifications	1	40	33	-	74
Reclassification	223	-	0	-	223
Disposals	-	(3)	(3)	-	(6)
Exchange differences	0	(2)	(0)	0	(2)
Closing balance	239	357	99	8	702
<b>Accumulated depreciation</b>					
Opening balance	-	-	-	-	-
Additions/lease modifications	(6)	(56)	(30)	(1)	(93)
Reclassification	(37)	-	(0)	-	(37)
Disposals	-	3	3	-	6
Exchange differences	0	1	0	0	1
Closing balance	(42)	(52)	(27)	(1)	(123)
<b>Net book value</b>	<b>197</b>	<b>305</b>	<b>72</b>	<b>6</b>	<b>580</b>

## Note 6 Intangible assets

31 December 2020	Goodwill	Land use rights	Technology and licences	Software	Development	Other intangible	Intangible assets under construction	Total other intangible assets
<b>Cost</b>								
Opening balance	466	101	557	421	663	92	152	1,987
Additions	-	-	2	17	-	0	188	207
Transferred to/from CiP	-	-	-	6	29	0	(35)	-
Reclassification	-	-	0	22	0	0	(0)	22
Business combinations	506	-	-	0	257	253	-	510
Disposals	-	-	-	(2)	(4)	-	(1)	(7)
Exchange differences	(53)	6	33	5	12	(23)	0	33
Closing balance	919	108	592	469	957	322	305	2,753
<b>Accumulated depreciation</b>								
Opening balance		(50)	(419)	(304)	(407)	(29)		(1,209)
Addition		(3)	(32)	(42)	(72)	(26)		(174)
Reclassification		-	-	-	-	-		-
Disposals		-	-	2	2	-		4
Exchange differences		(3)	(24)	(6)	(21)	0		(54)
Closing balance		(56)	(475)	(349)	(499)	(55)		(1,433)
<b>Impairment losses</b>								
Opening balance	-	(1)	-	-	-	-	-	(1)
Addition	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Exchange differences	-	(0)	-	-	-	-	-	(0)
Closing balance	-	(1)	-	-	-	-	-	(1)
<b>Net book value</b>	<b>919</b>	<b>51</b>	<b>117</b>	<b>120</b>	<b>459</b>	<b>268</b>	<b>305</b>	<b>1,319</b>

31 December 2019	Goodwill	Leasehold land and land use rights	Technology and licences	Software	Development	Other intangible	Intangible assets under construction	Total other intangible assets
<b>Cost</b>								
Opening balance	342	328	540	392	591	57	154	2,062
Additions	-	0	0	10	-	-	84	94
Transferred from CiP	-	-	20	19	50	5	(95)	0
Re-classification	-	(223)	2	1	34	(1)	10	(179)
Business combinations	122	-	-	-	-	31	-	31
Disposals	-	(1)	-	(1)	(7)	-	-	(8)
Exchange differences	3	(2)	(5)	(1)	(6)	0	(1)	(14)
Closing balance	466	101	557	421	663	92	152	1,987
<b>Accumulated depreciation</b>								
Opening balance		(87)	(392)	(272)	(364)	(24)		(1,139)
Addition		(1)	(29)	(35)	(53)	(4)		(122)
Re-classification		37	(1)	2	0	(1)		37
Disposals		0	-	1	7	-		7
Exchange differences		1	3	1	3	(0)		8
Closing balance		(50)	(419)	(304)	(407)	(29)		(1,209)
<b>Impairment losses</b>								
Opening balance	-	(1)	-	-	-	-	-	(1)
Addition	-	(1)	-	-	-	-	-	(1)
Disposals	-	1	-	-	-	-	-	1
Exchange differences	-	0	-	-	-	-	-	0
Closing balance	-	(1)	-	-	-	-	-	(1)
<b>Net book value</b>	<b>466</b>	<b>51</b>	<b>138</b>	<b>117</b>	<b>256</b>	<b>63</b>	<b>152</b>	<b>777</b>

## Note 7 Inventories

	31 December 2020	31 December 2019
Raw materials	1,192	1,206
Semi-finished goods	406	346
Finished goods	3,088	3,187
Operating materials and spare parts	555	485
<b>Total inventories</b>	<b>5,241</b>	<b>5,224</b>
Provisions for write-down of inventories	(115)	(119)

## Note 8 Other items

	Fourth quarter		Year to date	
	2020	2019	2020	2019
Change in fair value commodity contracts <sup>1)</sup>	(41)	(1)	(144)	272
Embedded EUR derivatives power contracts, interest element	1	34	234	(25)
Ineffectiveness on cash flow hedges	(9)	-	(12)	(13)
Net foreign exchange gains (losses) - forward currency contracts	6	14	49	23
Operating foreign exchange gains (losses)	(134)	(52)	(83)	(45)
<b>Total other gains / (losses)</b>	<b>(177)</b>	<b>(4)</b>	<b>44</b>	<b>211</b>
Dividend from interest in other companies	0	0	1	1
Change in fair value from shares in other companies	4	0	0	1
Gains (losses) disposal of subsidiaries	-	0	-	0
Restructuring expenses <sup>2)</sup>	40	-	(158)	-
Other	(1)	(12)	(18)	(18)
<b>Total other income / (expenses)</b>	<b>43</b>	<b>(12)</b>	<b>(174)</b>	<b>(15)</b>
<b>Total other items</b>	<b>(134)</b>	<b>(16)</b>	<b>(130)</b>	<b>195</b>

<sup>1)</sup> Mainly fair value changes of the 30-øring contract, see note 26 Financial assets and liabilities to the consolidated financial statements for the year ended 31 December 2019.

<sup>2)</sup> Elkem launched a productivity improvement programme in Q1 2020. The amount includes restructuring and related productivity improvement expenses. The provision is partly reversed in Q4 2020, due to updated estimate of the provision.

## Note 9 Finance income and expenses

	Fourth quarter		Year to date	
	2020	2019	2020	2019
Interest income on loans and receivables	(1)	10	27	40
Other financial income	3	0	4	1
<b>Total finance income</b>	<b>2</b>	<b>10</b>	<b>31</b>	<b>41</b>
Foreign exchange gains (losses)	12	(9)	17	16
Interest expenses on interest-bearing liabilities measured at amortised cost	(53)	(51)	(221)	(221)
Interest expenses from other items measured at amortised cost	(5)	(5)	(22)	(25)
Interest expenses on lease liabilities	(4)	(6)	(17)	(17)
Capitalised interest expenses	4	-	4	-
Unwinding of discounted liabilities	(3)	(2)	(10)	(5)
Interest on net pension liabilities	(2)	(4)	(7)	(10)
Other financial expenses	(0)	(11)	(4)	(18)
<b>Total finance expenses</b>	<b>(62)</b>	<b>(79)</b>	<b>(278)</b>	<b>(295)</b>
<b>Net Finance income (expenses)</b>	<b>(49)</b>	<b>(79)</b>	<b>(229)</b>	<b>(239)</b>

## Note 10 Interest-bearing assets and liabilities

	31 December 2020	31 December 2019
<b>Non-current interest-bearing debt</b>		
Lease liabilities	566	323
Loans from external part, other than bank	1,996	3,928
Bank financing	4,627	4,089
<b>Total non-current interest-bearing debt</b>	<b>7,189</b>	<b>8,340</b>
<b>Current interest-bearing debt</b>		
Lease liabilities	97	85
Loans from external parties, other than banks	2,407	266
Bank financing, current	762	887
Accrued interest	27	25
<b>Total current interest-bearing debt</b>	<b>3,292</b>	<b>1,262</b>
Bills payable, current	1,053	887
Restricted deposits bills payable, current	315	267
<b>Net bills payable</b>	<b>737</b>	<b>620</b>
Cash and cash equivalents	3,154	4,496
Other restricted deposits, current	6	4
Other restricted deposits, non-current	39	42
Receivables from related parties	1	1
Loans to external parties	8	8
Accrued interest income	1	2
<b>Total other interest-bearing assets</b>	<b>3,209</b>	<b>4,553</b>
<b>Net interest-bearing assets / (liabilities)</b>	<b>(8,009)</b>	<b>(5,669)</b>

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

### Pledges and guaranteed liabilities

The main part of Elkem's interest-bearing liabilities are neither pledged nor guaranteed. The totals of liabilities that have pledged assets or guarantees related to them are stated below:

<b>Guaranteed liabilities</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Guaranteed liabilities	-	492
<b>Pledged liabilities</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Pledged liabilities	416	35
Pledged provisions	-	-

## Note 11 Cash flow hedging

### Hedge Accounting

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

## Derivatives as at 31 December 2020

Purchase contracts	Nominal value	Fair value	Hereof recognised in OCI	Effects to be recycled from OCI			Within 4 years or more
				Within 1 year	Within 2 years	Within 3 years	
Forward currency contracts	2,801	184	150	109	6	7	28
Embedded EUR derivatives	4,534	(227)	(332)	(49)	(50)	(50)	(183)
Power contracts <sup>1)</sup>	2,313	(116)	(37)	(7)	(5)	(4)	(21)
Platinum contracts	36	12	-	-	-	-	-
<b>Total derivatives</b>		<b>(146)</b>	<b>(219)</b>	<b>53</b>	<b>(49)</b>	<b>(47)</b>	<b>(176)</b>
EUR loan designed as cash flow hedging instrument		(168)	(23)	(8)	(8)	(8)	-
<b>Total</b>			<b>(242)</b>	<b>45</b>	<b>(57)</b>	<b>(55)</b>	<b>(176)</b>

<sup>1)</sup> Hedge accounting is applied for some of the contracts /part of contracts.

Realised effects hedge accounting, recycled from OCI	Fourth quarter		Year to date	
	2020	2019	2020	2019
Realised effects from forward currency contracts, Revenue	(27)	(21)	(164)	(50)
Realised effects from embedded derivatives EUR, Revenue	(8)	(5)	(45)	(11)
Realised effects from EUR loans, Revenue	(5)	(3)	(11)	(5)
Realised effects from power contracts, Raw materials and energy for production	(124)	19	(450)	87
<b>Total realised hedging effects recycled from OCI</b>	<b>(164)</b>	<b>(10)</b>	<b>(670)</b>	<b>21</b>

See note 26 Financial assets and liabilities, note 27 Hedging and note 28 Financial risk to the consolidated financial statements for the year ended 31 December 2019.

## Note 12 Number of shares

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

Numbers are in million shares	Fourth quarter		Year to date	
	2020	2019	2020	2019
Weighted average number of shares outstanding	581,310,344	581,310,344	581,310,344	581,310,344
Effects of dilution from share-based payment	1,157,417	-	-	-
<b>Weighted average number of outstanding shares diluted</b>	<b>582,467,761</b>	<b>581,310,344</b>	<b>581,310,344</b>	<b>581,310,344</b>

In the annual general meeting held on 8 May 2020, the board of directors was granted an authorisation to repurchase the company's own shares within a total nominal value of up to NOK 290,655,172. The maximum amount that can be paid for each share is NOK 150 and the minimum is NOK 1. The authorisation is valid until the annual general meeting in 2021, but not later than 30 June 2021. The authorisation can be used to acquire shares as the board of directors deems appropriate, provided however, that acquisition of shares shall not be by subscription.

In the annual general meeting held on 8 May 2020, the board of directors was granted an authorisation to increase the company's share capital with an amount up to NOK 290,655,172. The authorisation is valid until the annual general meeting in 2021, but not later than 30 June 2021. The authorisation can be used to cover share capital increases against contribution in kind and in connection with mergers.

In the annual general meeting held on 8 May 2020, the board of directors was granted an authorisation to increase the share capital by up to NOK 40,000,000 to be used in connection with the issuance of new shares under share incentive scheme. The authorisation is valid until the annual general meeting in 2021, but not later than 30 June 2021. The authorisation does not cover capital increases against contribution in kind or capital increases in connection with mergers.

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

## Note 13 Events after the reporting period

### **Dividend**

The board has proposed a dividend of NOK 0.15 per share for the financial year 2020.

### **Operating segments**

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



## Appendix - Alternative performance measures (APMs)

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

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

### Elkem's financial APMs, EBITDA and EBIT

- EBIT, also referred to as operating profit (loss) before other items is defined as Elkem's profit (loss) for the period, less income tax (expenses), finance expenses, foreign exchange gains (losses), finance income, share of profit from equity accounted financial investments and other items.
- EBITDA is defined as Elkem's profit (loss) for the period, less income tax (expenses), finance expenses, foreign exchange gains (losses), finance income, share of profit from equity accounted financial investments, other items, impairment loss and amortisation and depreciation.
- EBITDA margin is defined as EBITDA divided by total operating income.

Below is a reconciliation of EBIT and EBITDA

Fourth quarter 2020	Silicon Silicones	Carbon Products	Carbon Solutions	Other	Elimi- nations	Elkem
Profit (loss) for the period						166
Income tax (expense) benefit						180
Finance expenses						62
Foreign exchange gains (losses)						(12)
Finance income						(2)
Share of profit from equity accounted financial investments						(13)
Other items						66
<b>EBIT</b>	<b>282</b>	<b>163</b>	<b>80</b>	<b>(87)</b>	<b>11</b>	<b>449</b>
Impairment losses						10
Amortisations and depreciations						479
<b>EBITDA</b>	<b>577</b>	<b>318</b>	<b>106</b>	<b>(72)</b>	<b>11</b>	<b>938</b>

Fourth quarter 2019	Silicon Silicones	Carbon Products	Carbon Solutions	Other	Elimi- nations	Elkem
Profit (loss) for the period						28
Income tax (expense) benefit						(26)
Finance expenses						79
Foreign exchange gains (losses)						9
Finance income						(10)
Share of profit from equity accounted financial investments						(4)
Other items						16
<b>EBIT</b>	<b>93</b>	<b>3</b>	<b>49</b>	<b>(59)</b>	<b>6</b>	<b>92</b>
Impairment losses						7
Amortisations and depreciations						418
<b>EBITDA</b>	<b>313</b>	<b>181</b>	<b>72</b>	<b>(55)</b>	<b>6</b>	<b>517</b>

Year to date 31 December 2020	Silicon Silicones	Carbon Products	Carbon Solutions	Other	Elimi- nations	Elkem
Profit (loss) for the year						331
Income tax (expense) benefit						321
Finance expenses						278
Foreign exchange gains (losses)						(17)
Finance income						(31)
Share of profit from equity accounted financial investments						15
Other items						62
<b>EBIT</b>	<b>373</b>	<b>581</b>	<b>349</b>	<b>(312)</b>	<b>(33)</b>	<b>957</b>
Impairment losses						17
Amortisations and depreciations						1,710
<b>EBITDA</b>	<b>1,357</b>	<b>1,189</b>	<b>438</b>	<b>(267)</b>	<b>(33)</b>	<b>2,684</b>

Year to date 31 December 2019	Silicones	Silicon Products	Carbon Solutions	Other	Elimi- nations	Elkem
Profit (loss) for the year						897
Income tax (expense) benefit						237
Finance expenses						295
Foreign exchange gains (losses)						(16)
Finance income						(41)
Share of profit from equity accounted financial investments						12
Other items						(195)
<b>EBIT</b>	<b>742</b>	<b>382</b>	<b>237</b>	<b>(190)</b>	<b>18</b>	<b>1,189</b>
Impairment losses						11
Amortisations and depreciations						1,456
<b>EBITDA</b>	<b>1,523</b>	<b>958</b>	<b>312</b>	<b>(155)</b>	<b>18</b>	<b>2,656</b>

#### Elkem's financial APMs, Cash flow from operations

- Cash flow from operations is defined as cash flow from operating activities, less income taxes paid, interest payments made, interest payments received, changes in provision, pension obligations and other, changes in fair value commodity contracts, other items (from the statement of profit or loss) and including reinvestments.
- Reinvestments generally consist of maintenance capital expenditure to maintain existing activities or that involve investments designed to improve health, safety or the environment.
- Strategic investments generally consist of investments which result in capacity increases at Elkem's existing plants or that involve an investment made to meet demand in a new geographic or product area.

	Fourth quarter		Year to date	
	2020	2019	2020	2019
Reinvestments	(558)	(522)	(1,387)	(1,162)
Strategic investments	(259)	(398)	(835)	(963)
Periodisations <sup>1)</sup>	151	96	22	18
<b>Investments in property, plant and equipment and intangible assets</b>	<b>(666)</b>	<b>(823)</b>	<b>(2,201)</b>	<b>(2,107)</b>

<sup>1)</sup> Periodisations reflect the difference between payment date and accounting date of the investment.

	Fourth quarter		Year to date	
	2020	2019	2020	2019
Cash flow from operating activities	993	716	2,111	1,839
Income taxes paid	66	137	192	559
Interest payments made	58	65	239	248
Interest payments received	1	(9)	(28)	(38)
Changes in provisions, bills receivables and other	397	42	69	671
Changes in fair value commodity contracts	(27)	19	196	218
Other items	134	16	130	(195)
Reinvestments	(558)	(522)	(1,387)	(1,162)
<b>Cash flow from operations</b>	<b>1,064</b>	<b>464</b>	<b>1,522</b>	<b>2,140</b>

### Elkem's financial APMs, ROCE

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

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

#### Working capital bridge from statutory accounts to company definition

	31 December 2020	31 December 2019
<b>Inventories</b>	<b>5,241</b>	<b>5,224</b>
Trade receivables	2,796	2,269
Bills receivable	(920)	(675)
<b>Accounts receivable</b>	<b>1,875</b>	<b>1,594</b>
Other assets, current	1,212	1,013
Other receivables to related parties interest-free	(0)	(2)
Grants receivables	(525)	(361)
Tax receivables	(105)	(137)
Accrued interest	(1)	(2)
<b>Other current assets included in working capital</b>	<b>581</b>	<b>510</b>
Trade payables	3,157	2,767
Trade payables related to purchase of non-current assets	(448)	(389)
<b>Accounts payable included in working capital</b>	<b>2,709</b>	<b>2,378</b>
<b>Employee benefit obligations</b>	<b>740</b>	<b>640</b>
Provisions and other liabilities, current	1,064	871
Provisions, contingent considerations and contract obligations	(287)	(161)
Liabilities to related parties	(64)	(81)
<b>Other current liabilities included in working capital</b>	<b>713</b>	<b>629</b>
<b>Working capital</b>	<b>3,536</b>	<b>3,681</b>
<b>Property, plant and equipment</b>	<b>14,131</b>	<b>13,202</b>
<b>Right-of-use assets</b>	<b>875</b>	<b>580</b>
<b>Investments equity accounted companies</b>	<b>183</b>	<b>129</b>
<b>Grants payable</b>	<b>(15)</b>	<b>(15)</b>
<b>Trade payables and prepayments related to purchase of non-current assets</b>	<b>(381)</b>	<b>(323)</b>
<b>Capital employed</b>	<b>18,329</b>	<b>17,254</b>

### Elkem's financial APMs, Leverage ratio

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

	31 December 2020	31 December 2019
Net interest-bearing assets / (liabilities)	(8,009)	(5,669)
Other restricted deposits, non-current	(39)	(42)
Receivables from related parties	(1)	(1)
Loans to external parties	(8)	(8)
Accrued interest income	(1)	(2)
<b>Net interest-bearing debt</b>	<b>(8,058)</b>	<b>(5,722)</b>
<b>EBITDA (LTM)</b>	<b>2,684</b>	<b>2,656</b>
<b>Leverage ratio</b>	<b>3.0</b>	<b>2.2</b>