

Board of directors' report

The best financial result in Elkem's 118-year history

In 2022, Elkem recorded its best financial result ever, underlining Elkem's robust business model and strong cost positions. The underlying demand for Elkem's products has generally been good, with high prices for silicon and ferrosilicon products in particular.

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

Elkem concluded 2022 with the best financial result in its 118-year history. The financial results were positively impacted by strong operational performance and attractive sales prices. The strong business performance has benefitted from Elkem's global footprint with competitive value chains from raw material sourcing to attractive end-market positions worldwide. Silicon Products' sales prices were at high levels in 2022, impacted by the energy crisis in Europe and capacity curtailments among other silicon and ferrosilicon producers. The good financial results were supported by dedicated efforts from all employees worldwide, ensuring operational improvements, increased specialisation and attractive investments, further strengthening Elkem's competitiveness. Towards the end of 2022, the global economy was characterised by rapid inflation, increasing interest rates and a slowdown in economic activity. However, the board of directors believes that the long-term underlying growth prospects remain positive for Elkem and is of the opinion that Elkem has a solid asset base and financial capability to support further growth, creating value for all of the group's stakeholders.

Elkem's consolidated operating income increased by 36% Year-over-Year (YoY) to NOK 45,898 million in 2022. The EBITDA¹ margin was 28% compared to 23% in 2021.

The leverage² ratio was 0.2x as at 31 December 2022. This is below the leverage target of 1.0x to 2.0x over the cycle and is a consequence of the strong result for the year.

Elkem's policy is to pay a dividend of 30-50% of the profit for the year. The board of directors has proposed a dividend payment of NOK 6.00 per share for 2022, subject to approval at the annual general meeting, which would represent 40% of profit for the year. The board of directors believes the proposed dividend is appropriate based on the strong financial result and solid financial position, while also taking weaker market outlook and investment plans into consideration. Adjusted for the proposed dividend for 2022, leverage ratio would be 0.5x at 31 December 2022.

To remain a safe workplace is always the first priority for Elkem. A reinforced Health, Safety and Environment (HSE) system is now being rolled out globally. A comprehensive understanding of health and safety risks has the highest priority in the company, and the understanding is founded on critical process control combined with a culture of precision and continuous improvement.

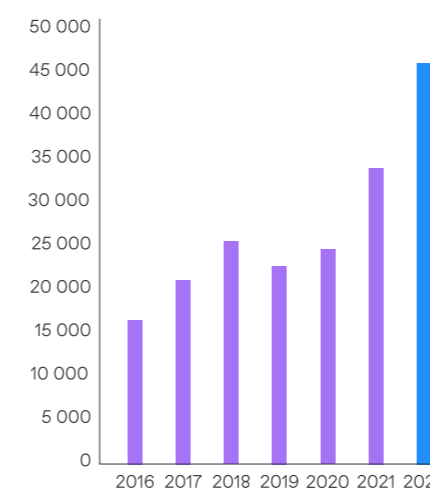
Environmental, Social and Governance (ESG) is essential for Elkem, enabling environmentally friendly and socially responsible production of advanced silicon-based materials. Elkem aims to take a green leadership and be part of the solution to combat climate change by reducing our emissions, supplying the green transition, and enabling circular economies. Elkem is continuously pursuing its global climate roadmap to reduce the average product group carbon footprint by 39% by 2031 and achieve carbon-neutral production globally by 2050.

¹ EBITDA commented under APM section

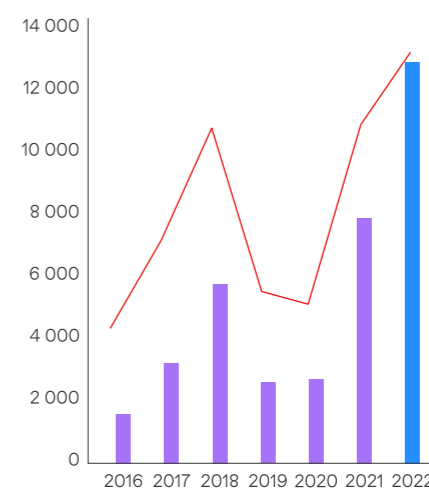
² Leverage ratio commented under APM section



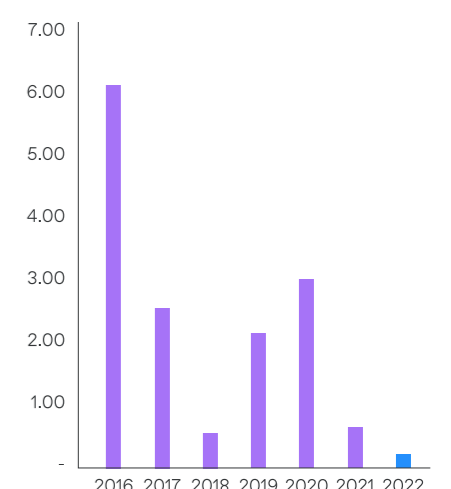
Total operating income
NOK million



EBITDA¹
NOK million



Leverage² ratio



Furthermore, social and governance principles are advocated to support a diverse workforce built on respect and inclusive work culture, and protection of human rights throughout the value chains.

Key business developments 2022

Investments supporting growth and specialisation

Elkem's ambition is to grow revenue by 5-10% per year through the cycle supported by organic growth initiatives and acquisitions. Key investment projects in 2022 include:

- Silicones capacity expansion projects in France and China. The projects are progressing according to plan, targeting upstream capacity increase of 25% in France and 50% in China. These landmark investments will strengthen Elkem's cost positions for upstream silicones, while supporting downstream expansions that meet attractive customer growth in key geographies.
- In January 2022, Elkem secured 100% ownership of the Elkem Salten energy recovery plant through acquiring the remaining 50% stake from Kvitebjørn Energi. The plant recovers 28% of the electrical energy used at Elkem Salten, equal to the

power consumption of about 15,000 Norwegian households. The transaction provides increased strategic flexibility to Elkem.

- In April 2022, Elkem made a decision to invest NOK 150 million in a flagship R&I centre in Shanghai, China. The new R&I centre will house several application centres addressing the development trends in key industries such as high-performance silicone products for EVs, medical devices, cosmetics, coating materials for textile, leather and airbags, and products for 3D printing.
- In June 2022, Elkem acquired KeyVest Belgium S.A. a specialist company in sourcing of materials and production of metal powders to the refractory industry and other segments including advanced ceramics. This will expand Elkem's product portfolio, enabling further growth within specialised silicon products, and improved service level and processing capabilities.
- In September 2022, Elkem celebrated the opening of its new specialised silicones facility in York, SC in the US. The facility will produce high purity silicone materials meeting the strict requirements in medical



implantable and pharmaceutical applications. Elkem aims to be a leading silicone supplier to the healthcare industry and the new facility opens a potential high-margin market of more than NOK 3 billion in annual revenue.

Strategic initiatives for continued value creation

Key initiatives to ensure growth and create shareholder value have been implemented during the year, providing a solid basis for value creation.

- In 2022, Elkem announced a partnership with Hydro and Altor to accelerate the growth of Vianode, a producer of sustainable battery materials. Hydro and Altor Equity Partners have each acquired 30% ownership in Vianode, while Elkem retains the remaining 40% ownership. Vianode, with the backing of its owners, has decided to invest in the first industrial-scale plant for sustainable battery materials at Herøya in Norway. The investment for this phase 1 investment amounts to around NOK 2 billion.
- In 2022, Elkem signed a new loan facilities agreement of EUR 1,000 million. The facilities agreement includes sustainability performance targets linked to health and safety and reduction of the group's product carbon footprint. In addition, Elkem successfully placed a series of floating rate loans in the Schuldchein market, amounting to EUR 200 million.
- Access to renewable power at competitive terms is a key requirement for sustainable upstream production of silicon and ferrosilicon. In the second quarter, Elkem entered into a new 7-year power contract in Norway starting from 2027 with an aggregate volume of 2.5 TWh. Elkem has hedged approximately 80% of its power consumption in Norway until 2026 at competitive rates.

ESG and climate roadmap is essential in Elkem

People and safety are at the core of Elkem, alongside sustainable operations conducted responsibly through operational excellence. Elkem shall be an attractive employer and aims to be one of the winners in the green transition, taking its part to combat climate change.

- In February 2022, Elkem was awarded the Platinum rating on sustainability transparency from EcoVadis, one of the world's largest and most trusted providers of business sustainability ratings. This positions Elkem among the top 1% of the companies evaluated worldwide.
- In June 2022, Elkem entered into long-term contracts for two climate-friendly ships for North Sea operation, enabling the use of green methanol as fuel, featuring

high safety standards and backed by a strong business case. Both vessels are expected to be in operation from the second half of 2024.

- In December 2022, Elkem was awarded double A- scores from CDP for the company's efforts on climate and forests. The company achieved a B score on water security. To earn an A score from CDP, organisations must show environmental leadership. Companies that score a B have addressed the environmental impacts of their business and ensure good environmental management.
- Elkem aims to reduce its total fossil CO₂ emissions by 28% from 2020-31 and increase the supply of products to green transition, resulting in a 39% improvement of its average product carbon footprint in the same period. Elkem's long-term goal is net-zero emissions by 2050.

About Elkem

Established in 1904, Elkem is one of the world's leading providers of advanced silicon-based materials shaping a better and more sustainable future. Elkem is a publicly listed company on the Oslo Stock Exchange (ticker code: ELK) and is headquartered in Oslo, Norway. The company has more than 7,300 employees, 30 production sites and an extensive network of sales offices worldwide. In 2022 Elkem had a total operating income of NOK 45.9 billion. To learn more, please visit www.elkem.com.

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

The Silicones division is one of the world's leading fully integrated silicone companies, with more than 4,600 employees and a global footprint. The division has R&I centres in Europe and Asia, sales offices worldwide, and plants in China, France, Germany, Italy, Spain, USA, Brazil, India, and South Korea. The Silicones division represents 42% of the Group total operating income.

The markets for the Silicones division's products are large and growing. Demand is driven by a number of megatrends, such as the green transition, digitalisation and energy demand growth. The Silicones division serves diverse markets, from electric cars to construction,

via electronics, aerospace, healthcare, personal care, packaging, airbag coating and more. Elkem has a comprehensive range of silicone products (> 5000 stock keeping units) with leading market positions in engineering elastomers for EV's, coatings for packaging, hygiene and bakery paper and airbag coatings.

The Silicon Products division is a world-leading supplier of silicon, ferrosilicon, foundry alloys, Microsilica, and other speciality products. The Silicon Products division represents 50% of the Group operating income. Silicon Products has about 1,900 employees and has plants in Norway, Iceland, Canada, India, Paraguay and China, and quartz mines in Norway and Spain.

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

The Carbon Solutions division is the world-leading supplier of electrode paste, prebaked electrodes and speciality products to the ferroalloys, silicon, and aluminium industries. The division has approximately 400 employees and plants in Norway, South Africa, Brazil, Malaysia, and China. The Carbon Solutions division accounts for approximately 8% of Elkem's operating income from external customers. The steel and aluminium industries account for a significant portion of the division's end-user applications and, as a result, drive the demand dynamics in the industry.

Financial performance

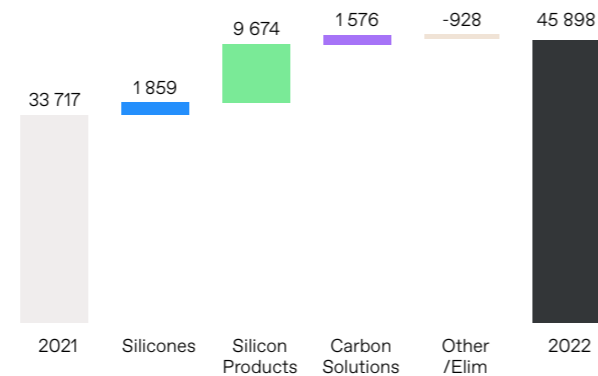
The consolidated financial statements are prepared and based on International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) and effective at 31 December 2022.

Consolidated profit and loss statement

Consolidated operating income for the Elkem group amounted to NOK 45,898 million compared to NOK 33,717 million in 2021. The 36% increase was driven by higher prices in all divisions. The Silicones division saw an 11% increase in operating income supported by increased prices for specialities, in addition to good commodity

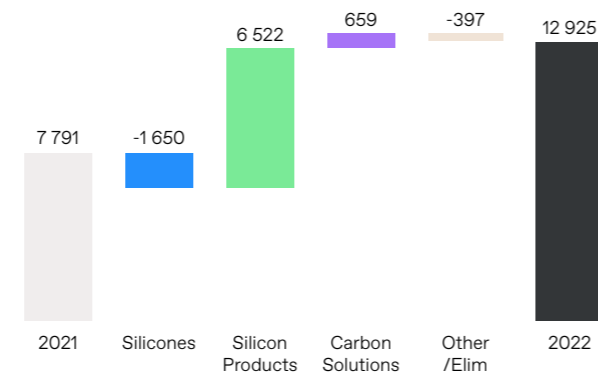
prices in the APAC region during the first half of the year. Sales volumes decreased compared to 2021 mainly due to weaker demand in Europe and the US. Operating income for the Silicon Products division increased by 65% due to favourable silicon, ferrosilicon, and foundry prices throughout the year, in addition to improved specialities sales volume. Carbon Solutions' operating income increased by 73%, driven by higher prices countering higher raw material and energy prices in addition to higher sales volumes.

Operating income NOK million



Consolidated EBITDA ended at NOK 12,925 million compared to NOK 7,791 million in 2021. The corresponding margin increased from 23% in 2021 to 28% in 2022. EBITDA improved YoY supported by strong EBITDA from Silicon Products and Carbon Solutions primarily driven by higher sales prices, increased specialities sales volumes and attractive cost positions. Silicones delivered weaker EBITDA due to higher raw material cost. We refer to "Divisions business performance" for further descriptions.

EBITDA NOK million



Consolidated operating profit was NOK 12,414 million in 2022 compared to NOK 5,785 million in 2021, an increase of NOK 6,629 million explained mainly by improved consolidated EBITDA, partially countered by increased amortisation, depreciation and impairment losses. Amortisation and depreciation were NOK 1,999 million in 2022 compared to NOK 1,816 million in 2021. The increase in amortisation and depreciation is attributed to higher investment levels from 2020 to 2022. Impairment losses were NOK 28 million in 2022 compared to NOK 76 million in 2021. Other items were positive NOK 2,151 million in 2022 compared to positive NOK 10 million in 2021. Other items are largely related to the net impact from the change in fair value of commodity contracts related to power in Norway, embedded EUR derivatives in power contracts, foreign exchange gains, and gains from the sale of shares in Vianode AS. This was partially countered by restoration expenses related to business in Canada and business projects and acquisitions expenses.

Consolidated profit before income tax ended at NOK 12,236 million for the year, compared to NOK 5,827 million in 2021.

Net financial items were NOK 178 million negative in 2022 compared to NOK 42 million positive in 2021. The share of profit from equity-accounted financial investments was negative NOK 17 million in 2022 compared to positive NOK 37 million in 2021. Finance income was NOK 67 million and foreign exchange gains were NOK 85 million in 2022 compared to NOK 40 million and NOK 241 million in 2021 respectively. Finance expenses were NOK 313 million compared to NOK 276 million in 2021.

The consolidated profit for the year was NOK 9,642 million, after NOK 2,594 million in tax expenses. The tax expenses mainly consisted of taxes on the current year's result. In addition, the tax expenses included effects on changes in both non-recognised deferred tax assets and the change in applicable tax rates from 2021 to 2022.

The main items recognised in the consolidated statement of other comprehensive income are related to cash flow hedges (foreign currency hedges and power price hedges) and currency translation differences. These items had a net income of NOK 1,234 million for 2022, compared to a net income of NOK 1,078 million in 2021.

The share of consolidated profit attributable to shareholders of Elkem ASA was NOK 9,561 million, resulting in basic earnings per share NOK 15.09 per share in 2022 compared to NOK 7.49 per share in 2021.

The total comprehensive income for the year was NOK 10,876 million in 2022 compared to NOK 5,742 million in 2021.

Divisions' business performance

The Silicones division had an operating income in 2022 of NOK 19,288 million (NOK 17,429 million in 2021). EBITDA was NOK 2,022 million in 2022 compared to NOK 3,672 million in 2021. The EBITDA decrease was caused by significantly higher raw material costs particularly for silicon in both France and China. This was only partially countered by higher realised sales prices of specialities and positive currency effects. From attractive levels in the first half of 2022, commodity sales prices in China decreased to weak levels towards the end of the year driven by oversupply and negative demand impact from the Covid-19 situation. Sales volumes decreased by 4% YoY from 409,000 metric tonnes (mt) in 2021 to 394,000 mt in 2022.

The Silicon Products division had an operating income in 2022 of NOK 24,457 million (NOK 14,783 million in 2021). EBITDA was NOK 10,224 million in 2022 compared to NOK 3,702 million in 2021. The record high EBITDA was mainly attributable to good operations and higher sales prices for all products, particularly for silicon and ferrosilicon, in addition to higher sales prices and sales volumes of foundry alloys and attractive cost positions. The energy crisis in Europe and capacity curtailments among silicon and ferrosilicon producers resulted in a tight supply situation in Europe. Sales volumes decreased from 502,000 mt in 2021 to 490,000 mt in 2022. The positive sales price impact was only partially offset by higher raw material cost of reduction materials such as coal and coke.

The Carbon Solutions division had an operating income in 2022 of NOK 3,761 million (NOK 2,176 million in 2021). EBITDA was record high at NOK 1,166 million in 2022 compared to NOK 508 million in 2021. The improved EBITDA was mainly due to higher prices that countered increased raw material cost, strong operational excellence and sales volumes increasing by 3% from 294,000 mt in 2021 to 302,000 mt in 2022.

Cash flow and statement of financial position

Cash flow from operating activities was NOK 9,314 million for the year, compared to NOK 4,913 million in 2021. Positive cash flow contribution from EBITDA (NOK 12,925 million) was countered by increased working capital (NOK 1,583 million), gains from equity accounted companies (NOK 108 million), changes in fair value of derivatives (NOK 1,139 million), changes in provisions, bills receivable and other (NOK 539 million), gains on disposal of subsidiaries (NOK 159 million), interest payments (NOK 319 million) and higher income taxes paid (NOK 1,345 million).



Amortisation, depreciation and impairment increased in 2022. The increase is attributed to higher investment levels during the past few years, particularly in Silicones in China, but also considerable investments in Europe and the Americas, underlining the dual-play growth strategy and green leadership ambition.

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

Cash flow from investing activities amounted to NOK 4,404 million for the year, compared to NOK 3,185 million in 2021. Elkem invested NOK 1,682 million in maintenance, environment, health and safety (EHS), and productivity improvement initiatives during the year. In addition, Elkem had NOK 2,797 million in strategic investments. The cash flow from investing activities in 2022 is mainly explained by investments in the Silicones division, investments in Vianode AS and a pilot for biogenic reduction materials in Canada.

Cash flow from financing activities was negative NOK 2,899 million, compared to positive NOK 2,056 million in 2021 supported by capital increase. The negative cash flow from financing activities in 2022 was mainly related to dividends paid to the owners (NOK 1,900 million). In addition, other items in cash flow from financing activities in 2022 that were net negative include changes in bills payables and restricted deposits (NOK 218 million), payment of lease liabilities (NOK 116 million) and payment of interest-bearing loans and borrowings (NOK 7,237 million) countered by new interest-bearing loans and borrowings (NOK 6,648 million).

Change in cash and cash equivalents was NOK 2,011 million for the year.

Elkem's financial position improved during 2022 due to the strong financial results. The group's equity ratio improved from 47% in 2021 to 55% at the end of the year. The leverage ratio for the group was reduced from 0.6x in 2021 to 0.2x at the end of 2022. The board of directors views the group's underlying competitive positions and the strong equity ratio as a good basis to support further growth of the group.

Total interest-bearing liabilities was NOK 12,278 million as of 31 December 2022, of which NOK 1,946 million matures in 2023. Debt maturities in 2023 mainly consist of short-term loans in China for local working capital financing. Cash and cash equivalents amounted to NOK

9,255 million in addition to NOK 6,356 million in undrawn credit facilities. Net interest-bearing debt³ amounted to NOK 2,615 million as of 31 December 2022. The board views the group's cash and financial position to be strong.

Going concern

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

Strategic priorities

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

In the near term, there is macroeconomic uncertainty, and we expect a slowdown in global economic activity. Geopolitical tensions are on the rise and increasing trade barriers create risks. Elkem is among very few companies with complete and integrated value chains in different regions, making us less vulnerable to disruptions in supply chains and trade flows.

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

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

Green leadership means that Elkem aims to be part of the solution to combat climate change by reducing our emissions, supplying the green transition, and enabling circular economies. The target is to reduce overall CO₂ emissions by 28% within 2031. Elkem aims to grow its supplies of advanced materials to green markets such as better buildings, electric vehicles and renewable energy. In addition, we continue to work closely with customers and researchers to increase recycling within our own operations, as well as developing the eco-design of innovative products.

The focus on a higher degree of product specialisation through R&I and selected acquisitions remain a key strategic measure to improve and stabilise the group's profitability through the business cycle.

To support its strategic goals, Elkem will focus on operational excellence, digitalisation, people development and ESG. In addition, Elkem's divisions will focus on developing and maintaining sustainable low-cost positions. Together, these initiatives comprise the group's strategic and operational goals to secure profitable and sustainable growth. Our experience is that Elkem's integrated value chain provides significant competitive advantage and margin protection.

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

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

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

Elkem devotes considerable effort and resources to Research and Innovation (R&I) activities with more than 2.5% of 2022 revenues dedicated to new products and new processes, including technical support to customers. With this investment, carried by more than 550 researchers around the world across 14 R&I and application centres, the R&I teams filed more than 35 new patents during the year. New products introduced less than five years old represent more than 20% of Elkem's turnover.

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

³ See APM section

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

During 2022, Elkem put in place a proactive roadmap to remain competitive and be more responsive to customer needs and demands, which was implemented around the digitalisation of our R&I from data acquisition to formulation optimisation.

Open innovation and collaborative mindset

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

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

Highlights include:

- Focus on 3D printing
 - 3Deus Dynamics, a Silicones 3D printing start-up in which Elkem has invested with a long-term perspective, has just been awarded by the European Innovation Council (EIC accelerator) funding of more than 2.5 million euros to develop the medicine of the future.

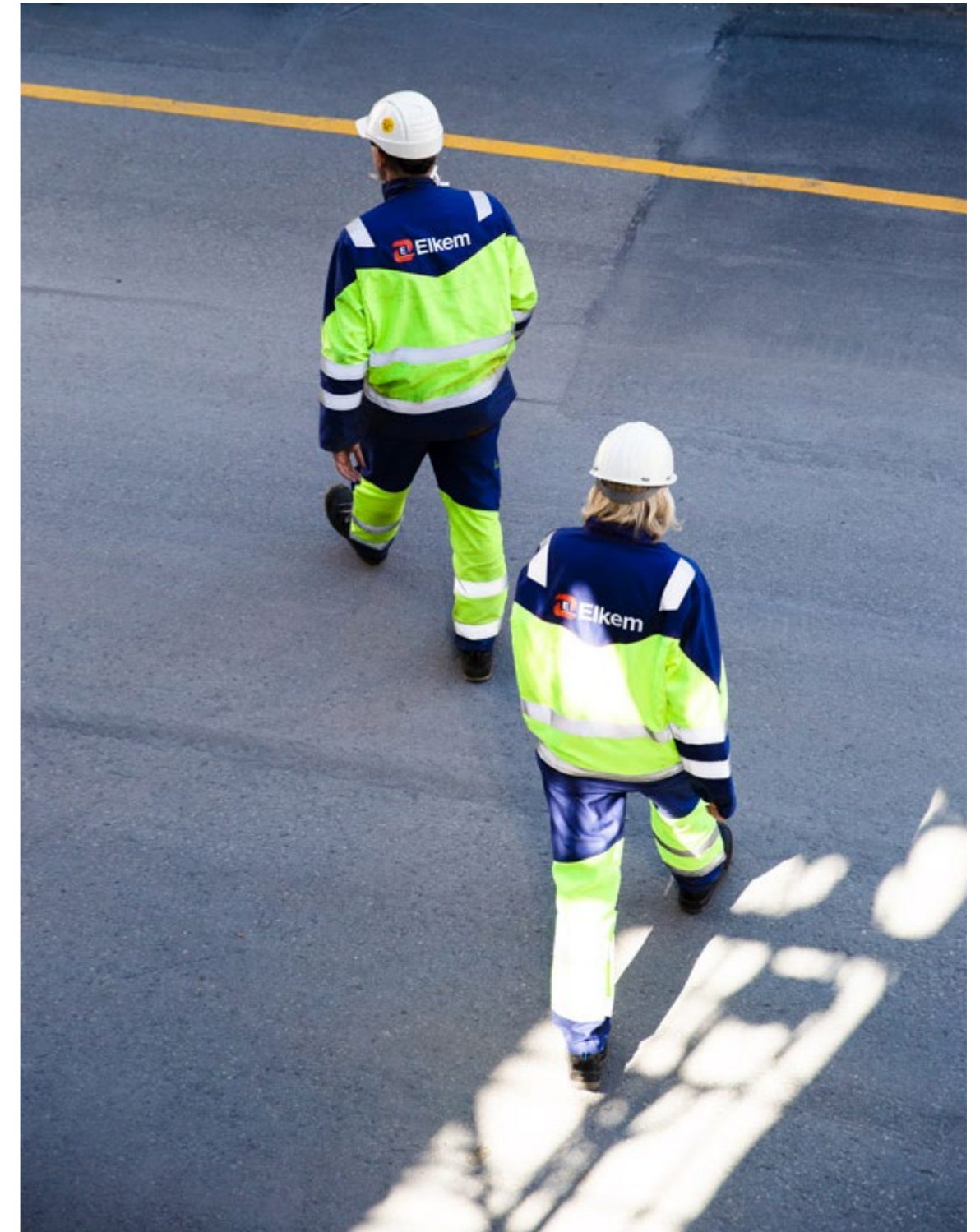
- Focus on new materials
 - Elkem Silicones was named a winner in the renowned worldwide competition of the 2022 R&I 100 awards in the Mechanical Materials category with the BLUESIL™ RT Foam Range with Silicone Solutions for Electric Vehicle Thermal Management.
 - "Cast the Future", Elkem Silicon Products received the highly coveted "Best Paper Gold Award Technology" for the superb paper outlining the performance of specialised cerium inoculants to produce high integrity ductile iron castings.
- Focus on climate strategy and circular economy
 - A global roadmap includes the carbon management including CO₂ modelling, methodology for climate reporting, the carbon capture initiatives and the development in the future of new silicon processes (SiCaLo project in collaboration with Norwegian University of Science and Technology and SINTEF).
 - Project on chemical recycling of silicones' wastes reducing CO₂ emissions by 65% and waste by 75% (project in collaboration with University of Lyon and start-ups).

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

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

R&I initiatives and expansion

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



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

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

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

Sustainability: Environmental, social and governance (ESG)

Elkem is a signatory to the UN Global Compact and is committed to develop the business in line with the UN Sustainable Development Goals and the Paris agreement.

The group believes that safe and environmentally friendly production will be even more important in the future and that together with its customers and partners, the group can create both today's and tomorrow's solutions.

Elkem works to ensure best practices within ESG to ensure socially responsible and sustainable business practices for all stakeholders. Elkem evaluates the sustainability materiality at least once a year in accordance with the widely used reporting framework Global Reporting Initiative (GRI). Prioritised targets and actions are introduced to make sure that improvements are implemented. The key topics that have been identified as material according to the updated GRI 2021 materiality assessment, the material topics for Elkem in 2022 are CO₂ and other GHG emission reductions, including energy management, local emissions, biodiversity, water management, waste management and circularity, health and safety on site, environmental and social due diligence in the supply chain, responsible economic practices, product governance and supplying the green transition.

More information about our response to the material topics is found in the ESG report, which details our commitments and activities within environmental, social and governance and is prepared according to GRI framework. The ESG report can be found on page 74. This report is an integral part of the annual report and has been independently verified by a third party. [↗](#)

Health, Safety and Environment

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

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

In 2023 we will be rolling out a new safety management system called FORUS to enhance this work. The system is aligned to global best practice related to HSE (Health, Safety and Environment) and will be used to improve our overall HSE performance.

Elkem has a strict reporting regime for injuries and requires all injuries to be reported, investigated, and mitigated independently of the severity. Unfortunately, Elkem experienced two subcontractor fatalities at our sites in 2022. In addition, there was one high-consequence work-related injury for our own employees. This shows that our health and safety work must be maintained and improved and that we can never lose focus. The total recordable injury rate went down from 3.7 in 2021, to 3.2 in 2022, and the lost workday rate (LWR) was 0.9, down from 1.5 in 2021.

More detailed information about Elkem's management system, reporting, safety numbers and how the company follows up throughout the organisation and value chain can be found in the Social chapter in the ESG report, page 120.

In addition to a safe and healthy working environment, secure labour rights and respect for internationally recognised human rights in our own operations and the value chains are key priorities for Elkem. For more information about how the company assesses and addresses human and labour rights risks, please see the Social chapter in the ESG report, page 128.

Elkem affects the environment and communities around the world. Therefore, Elkem is always looking for new and innovative ways to reduce waste and emissions and to increase the yield from raw materials. This means using highly developed production technologies and running operations with resource-efficient processes. For more information about how Elkem is reducing its environmental footprint and increasing the positive impact of its products, see the ESG report under the chapter Environmental, page 98.

In accordance with the Transparency Act section 5, Elkem reports on human rights due diligence as part of our annual ESG report. The relevant account can be found in the chapters on "Human rights" (pp. 128-131) and "Responsible value chain management" (pp. 148-149). The ESG report is made available on Elkem's website.

Diversity, inclusion, and equality

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

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

The company has well-established policies and practices related to diversity, equality, and inclusion (DEI). The policies include the code of conduct, human rights policy, people policy, and the global standard procedures cover processes such as, recruitment, working conditions, promotions, development, on- and off-boarding, and protection against harassment.

Elkem's DEI vision is to cultivate a diverse, equitable and inclusive workplace where all employees feel engaged, valued, and have a sense of belonging. Promoting diversity, inclusion, and equality are essential in attracting and retaining talent to establish and maintain profitability, competitive advantage, and sustained success at Elkem. The group's objective is to create a culture of inclusivity where all voices are heard. As a result, the company benefits from people who dare to ask questions, are not afraid to try new approaches and bring diverse perspectives to the table. By creating and sustaining a diverse, equal, and inclusive working culture, Elkem aims to increase its ability to deliver market-leading products and services to customers profitably. In 2022 Elkem conducted its first global employee engagement survey and both the high response rate and the overall high engagement score (above industry standard) provide good conditions for the company to continue its improvement work in all parts of the value chain. Please see the Activity and reporting duty report for updated 2022 information. [↗](#)

Governance

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

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

Elkem's board consist of 11 board members as of 31 December 2022, of which eight are shareholder-elected and three are employee-elected. Four of the shareholder-elected board members represent the majority shareholder, while the other four shareholder-elected members are independent. Elkem had seven board meetings in 2022. A detailed overview of the board members' attendance may be found in the board of directors' report on salary and other remuneration to leading personnel in Elkem.

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

Risk management

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

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

The evaluation of climate-related risks and opportunities has become an increasingly important part of Elkem's overall risk management processes. In 2021, Elkem implemented reporting on climate risks and opportunities according to TCFD. This framework has been further developed in 2022 and climate risks have become an integrated part of the risk mapping process.

Large crises can sometimes be triggered by events that are unexpected and unpredictable. Such events are often referred to as "black swans". Recent examples include



Covid-19, the war in Ukraine and the energy crisis in Europe. "Black swans" demonstrate the need for general risk preparedness and the need for proactive, professional and agile reaction to unforeseen and severe incidents. Elkem's robust business model and strong financial position have shown good resilience during the previous crisis scenarios.

The main business risks impacting the group's financial performance relate to sales prices and sales volumes for silicon-related materials and costs for key raw materials, energy and other consumables. The demand for silicon-based materials has increased, and the growth is expected to exceed the growth in global GDP. Demand and prices will, however, fluctuate based on economic cycles and competition, and significant price and volume changes can be observed depending on the overall business sentiment. Particularly in commodity markets, the sales prices are impacted by supply and demand developments. Elkem is seeking to mitigate and reduce the financial impact by investing in R&I and capturing specialised market positions to reduce commodity price exposure. In addition,

Elkem's integrated value chain provides flexibility to change production between product groups and between commodities and specialties. Combined with diversified end-markets and long-term customer relationships, this is expected to reduce the market risk exposure.

Sanctions and regulatory framework conditions have also become increasingly important over the past years. Elkem has operations in many countries and could be exposed to trade tensions, sanctions and other changes in regulatory framework conditions. This could impact access to raw materials sourcing, as well as access to attractive end-markets. Breach of sanctions could also have severe consequences, for example on the group's financing arrangements or business activities. Elkem maintains a tight monitoring of the prevailing sanction lists and trade related restrictions to ensure compliance. Our integrated business model also means that Elkem is among very few companies with complete and integrated value chains in different regions.

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

Liquidity risk relates to the company's ability to meet financial obligations. Elkem has a strong cash position, good access to undrawn credit facilities and satisfactory long-term financing arrangements. In 2022, Elkem raised new loan facilities of EUR 1,000 million and EUR 200 million in the bank and Schuldschein markets. The transactions have improved the group's maturity profile and liquidity position. Elkem has a credit rating from Scope and the rating of BBB/Stable was affirmed in 2022. The rating reflects Elkem's strong financial profile, solid position in the global silicone and advanced materials markets, as well as the company's solid global footprint.

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

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

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

Financial reporting process

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

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

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

Future prospects

The past two years have been characterised by unprecedented societal impact related to Covid-19 and supply chain disruptions. The recent volatility in markets related to the energy crisis, combined with inflationary pressures, adds to the uncertainty regarding economic activity. The board of directors' assessment is that the fundamentals and long-term prospects for Elkem are positive. Elkem has a dedicated and competent global organisation, cost competitive integrated business model and a solid financial position at the end of 2022, providing a solid starting point to execute on the dual-play growth strategy and green leadership.

Elkem aims to grow both in the Western and Eastern world while focusing on sustainability and the green transition. Potential geopolitical polarisation could lead to trade barriers creating opportunities for dual-play providers. Climate risk and environmental regulations will require reduced emissions and more sustainable solutions, and Elkem is well positioned based on its high proportion of renewable electricity and targeted climate ambitions. Elkem will continue to pursue its main strategic initiatives to become top 3 in silicones worldwide and number 1 in silicon products and carbon solutions in the West.

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

Elkem ASA

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

For Elkem ASA, the operating income amounted to NOK 16,455 million in 2022 compared to NOK 9,740 million in 2021. The operating profit ended at NOK 7,543 million in 2022, compared to NOK 1,799 million in 2021.

The net change in cash and cash equivalents amounted to NOK 1,056 million. Cash flow from operating activities amounted to positive NOK 5,314 million, countered by investing activities of NOK 3,089 million and negative cash flow from financing activities of NOK 1,169 million.

Elkem ASA's equity was NOK 14,009 million at the end of 2022. The equity ratio ended at 40%. Profit for the year was NOK 5,990 million. The net interest-bearing debt amounted to NOK 2,301 million per 31 December 2022. Cash and cash equivalents amounted to NOK 5,316 million. The board of directors' view is that the dividend proposal for the year is appropriate based on the group's overall financial position and the current market outlook.

Allocation of 2022 net profit:

The profit for the year was NOK 5,990 million. The board of directors proposes to distribute NOK 6,00 per share corresponding to NOK 3,813 million as dividend distributed from other paid-in capital and retained earnings. In total the board of directors proposes the following allocation (in NOK million):

Dividends from other paid-in capital	-2 716
Dividends from retained earnings	-1 097
Profit for the year to retained earnings	5 990

The board of directors of Elkem ASA
Oslo, 8 March 2023

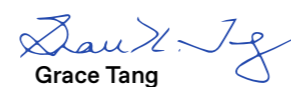

Zhigang Hao
Chair of the Board


Dag Jakob Opedal
Vice chair



Olivier Tillet de Clermont-Tonnerre
Board member


Yougen Ge
Board member


Jingwan Wu
Board member



Grace Tang
Board member


Nathalie Brunelle
Board member


Marianne Elisabeth Johnsen
Board member


Terje Andre Hanssen
Board member


Marianne Færøyvik
Board member


Thomas Eggan
Board member


Helge Aasen,
CEO, Elkem ASA

