



## ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

### Enheten

|                      |                                       |
|----------------------|---------------------------------------|
| Organisasjonsnummer: | 990 918 767                           |
| Organisasjonsform:   | Aksjeselskap                          |
| Foretaksnavn:        | REC SOLAR HOLDINGS AS                 |
| Forretningsadresse:  | Fiskåveien 100<br>4621 KRISTIANSAND S |

### Regnskapsår

|                         |                         |
|-------------------------|-------------------------|
| Årsregnskapets periode: | 01.01.2020 - 31.12.2020 |
|-------------------------|-------------------------|

### Konsern

|                           |    |
|---------------------------|----|
| Mørselskap i konsern:     | Ja |
| Konsernregnskap lagt ved: | Ja |

### Regnskapsregler

|  |                                    |
|--|------------------------------------|
| Regler for små foretak benyttet:                           | Nei                                |
| Benyttet ved utarbeidelsen av årsregnskapet til selskapet: | Regnskapslovens alminnelige regler |
| Benyttet ved utarbeidelsen av årsregnskapet til konsernet: | -                                  |

### Årsregnskapet fastsatt av kompetent organ

|  |                 |
|--|-----------------|
| Bekreftet av representant for selskapet: | Jan Enno Bicker |
| Dato for fastsettelse av årsregnskapet:  | 23.04.2021      |

### Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert  
År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

*Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.*

Brønnøysundregistrene, 13.09.2022



## Resultatregnskap

| Beløp i: USD                                 | Note | 2020               | 2019                |
|--|------|--------------------|---------------------|
| <b>RESULTATREGNSKAP</b>                      |      |                    |                     |
| <b>Inntekter</b>                             |      |                    |                     |
| Royalties                                    | 3,8  | 4 300 000          |                     |
| <b>Sum inntekter</b>                         |      | <b>4 300 000</b>   |                     |
| <b>Kostnader</b>                             |      |                    |                     |
| Annen driftskostnad                          | 4    | 278 557            | 751 626             |
| <b>Sum kostnader</b>                         |      | <b>278 557</b>     | <b>751 626</b>      |
| <b>Driftsresultat</b>                        |      | <b>4 021 443</b>   | <b>-751 626</b>     |
| <b>Finansinntekter og finanskostnader</b>    |      |                    |                     |
| Renteinntekt fra foretak i samme konsern     | 8    | 13 249             | 42 052              |
| Annen renteinntekt                           |      | 1 451              | 778 338             |
| Annen finansinntekt                          | 11   | 70 221             | 622 344             |
| Agio   |      | 4 139              | 34 356              |
| <b>Sum finansinntekter</b>                   |      | <b>89 060</b>      | <b>1 477 090</b>    |
| Nedskrivning av finansielle eiendeler        | 7    | 60 500 000         | 90 000 000          |
| Rentekostnad til foretak i samme konsern     | 8    | 4 915 998          | 4 371 277           |
| Annen rentekostnad                           |      | 4 169 840          | 3 774 065           |
| Annen finanskostnad                          | 11   | 1 725 841          | 4 877 827           |
| <b>Sum finanskostnader</b>                   |      | <b>71 311 679</b>  | <b>103 023 169</b>  |
| <b>Netto finans</b>                          |      | <b>-71 222 619</b> | <b>-101 546 079</b> |
| <b>Ordinært resultat før skattekostnad</b>   |      | <b>-67 201 176</b> | <b>-102 297 705</b> |
| Skattekostnad på ordinært resultat           | 5    | 0                  | -28 073             |
| <b>Ordinært resultat etter skattekostnad</b> |      | <b>-67 201 176</b> | <b>-102 269 632</b> |
| <b>Årsresultat</b>                           |      | <b>-67 201 176</b> | <b>-102 269 632</b> |
| <b>Overføringer og disponeringer</b>         |      |                    |                     |
| Overføringer til/fra annen egenkapital       |      | -67 201 176        | -102 269 633        |
| <b>Sum overføringer og disponeringer</b>     |      | <b>-67 201 176</b> | <b>-102 269 633</b> |



### Balanse

| Beløp i: USD                                   | Note | 2020               | 2019               |
|--|------|--------------------|--------------------|
| <b>BALANSE - EIENDELER</b>                     |      |                    |                    |
| <b>Anleggsmidler</b>                           |      |                    |                    |
| <b>Immaterielle eiendeler</b>                  |      |                    |                    |
| <b>Finansielle anleggsmidler</b>               |      |                    |                    |
| Investering i datterselskap                    | 7    | 319 942 253        | 380 442 253        |
| <b>Sum finansielle anleggsmidler</b>           |      | <b>319 942 253</b> | <b>380 442 253</b> |
| <b>Sum anleggsmidler</b>                       |      | <b>319 942 253</b> | <b>380 442 253</b> |
| <b>Omløpsmidler</b>                            |      |                    |                    |
| <b>Varer</b>                                   |      |                    |                    |
| <b>Fordringer</b>                              |      |                    |                    |
| Kundefordringer                                | 8    | 4 300 000          | 0                  |
| Andre fordringer                               | 9    | 1 047 810          | 1 648 905          |
| Konsernfordringer                              | 8    | 2 179 494          | 1 869 228          |
| <b>Sum fordringer</b>                          |      | <b>7 527 304</b>   | <b>3 518 133</b>   |
| <b>Bankinnskudd, kontanter og lignende</b>     |      |                    |                    |
| Bankinnskudd, kontanter og lignende            | 10   | 345 660            | 1 218 901          |
| <b>Sum bankinnskudd, kontanter og lignende</b> |      | <b>345 660</b>     | <b>1 218 901</b>   |
| <b>Sum omløpsmidler</b>                        |      | <b>7 872 964</b>   | <b>4 737 034</b>   |
| <b>SUM EIENDELER</b>                           |      | <b>327 815 217</b> | <b>385 179 287</b> |
| <b>BALANSE - EGENKAPITAL OG GJELD</b>          |      |                    |                    |
| <b>Egenkapital</b>                             |      |                    |                    |
| <b>Innskutt egenkapital</b>                    |      |                    |                    |
| Selskapskapital                                | 6    | 23 143             | 23 143             |
| Overkurs                                       | 6    | 197 992 143        | 197 992 143        |
| Annen innskutt egenkapital                     | 6    | 54 860 027         | 54 860 027         |
| <b>Sum innskutt egenkapital</b>                |      | <b>252 875 313</b> | <b>252 875 313</b> |



## Balanse

| <b>Beløp i: USD</b>               | <b>Note</b> | <b>2020</b>         | <b>2019</b>         |
|-----------------------------------|-------------|---------------------|---------------------|
| <b>Opptjent egenkapital</b>       |             |                     |                     |
| Udekket tap                       | 6           | 204 384 675         | 137 183 499         |
| <b>Sum opptjent egenkapital</b>   |             | <b>-204 384 675</b> | <b>-137 183 499</b> |
| <b>Sum egenkapital</b>            |             | <b>48 490 638</b>   | <b>115 691 814</b>  |
| <b>Gjeld</b>                      |             |                     |                     |
| <b>Langsiktig gjeld</b>           |             |                     |                     |
| <b>Annen langsiktig gjeld</b>     |             |                     |                     |
| Gjeld til kredittinstitusjoner    | 12          | 150 000 000         | 150 000 000         |
| <b>Sum annen langsiktig gjeld</b> |             | <b>150 000 000</b>  | <b>150 000 000</b>  |
| <b>Sum langsiktig gjeld</b>       |             | <b>150 000 000</b>  | <b>150 000 000</b>  |
| <b>Kortsiktig gjeld</b>           |             |                     |                     |
| Leverandørgjeld                   |             | 8 545               | 105 607             |
| Kortsiktig konserngjeld           | 8           | 128 670 701         | 118 145 402         |
| Annen kortsiktig gjeld            | 9           | 645 333             | 1 236 464           |
| <b>Sum kortsiktig gjeld</b>       |             | <b>129 324 579</b>  | <b>119 487 473</b>  |
| <b>Sum gjeld</b>                  |             | <b>279 324 579</b>  | <b>269 487 473</b>  |
| <b>SUM EGENKAPITAL OG GJELD</b>   |             | <b>327 815 217</b>  | <b>385 179 287</b>  |



**Skattedirektoratet**

|  |                                  |                              |
|--|----------------------------------|------------------------------|
| Saksbehandler<br>Torstein Kinden Helleland | Deres dato<br>03.06.2016         | Vår dato<br>09.06.2016       |
| Telefon<br>22078139                        | Deres referanse<br>Øistein Olsen | Vår referanse<br>2016/526200 |

ELKEM AS  
Postboks 334 Skøyen  
0213 OSLO

**Fritak for konsernregnskapsplikt for REC Solar Holdings AS,  
org.nr. 990 918 767**

Vi viser til deres brev av 3. juni 2016 hvor dere søker om fritak fra plikten til å utarbeide konsernregnskap for REC Solar Holdings AS.

REC Solar Holdings AS er eid av Bluestar Elkem Investment Co Limited som er hjemmehørende i Hong Kong. Bluestar Elkem Investment Co Limited utarbeider konsernregnskap som omfatter underkonsernet REC Solar Holdings AS etter IFRS.

Skattedirektoratet finner med hjemmel i regnskapsloven av 17. juni 1998 nr. 56 § 3-7 fjerde ledd å kunne gi tillatelse til at det gjøres unntak for konsernregnskapsplikten for REC Solar Holdings AS. Det forutsettes at Bluestar Elkem Investment Co Limited utarbeider konsernregnskap som omfatter den regnskapspliktige og dennes datterselskaper. Det legges til grunn at dette konsernregnskapet er utarbeidet i samsvar med IFRS og at kravene i regnskapsloven § 3-7 med forskrifter for øvrig følges. Bestemmelsene i regnskapsloven kapittel 8 gjelder tilsvarende for dette konsernregnskapet.

Når det gjelder hvilket språk morselskapet skal utarbeide konsernregnskapet på, vises det til forskrift av 7. september 2006 nr. 1062 til utfylling og gjennomføring mv. av regnskapsloven. Det følger av § 3-7-1 at konsernregnskapet foruten på norsk, kan være på svensk, dansk eller engelsk.

Kopi av dette brev må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet mv. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Postadresse  
Postboks 9200 Grønland  
0134 Oslo

Besøksadresse:  
Se [www.skatteetaten.no](http://www.skatteetaten.no)  
Org.nr: 996250318  
E-post: [skatteetaten.no/sendepost](mailto:skatteetaten.no/sendepost)

Sentralbord  
800 80 000  
Telefaks  
22 17 08 60



2016/526200 Side 2 av 2

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Inger Helene Iversen  
*seniorrådgiver*  
Rettsavdelingen, foretaksskatt  
Skattedirektoratet

Torstein Kinden Helleland

*Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer*



## Skattedirektoratet

|                           |                     |               |
|---------------------------|---------------------|---------------|
| Saksbehandler             | Deres dato          | Vår dato      |
| Torstein Kinden Helleland | 05.06.2015          | 09.06.2015    |
| Telefon                   | Deres referanse     | Vår referanse |
| 22078139                  | Bjørn Ståle Byrknes | 2015/538847   |

AMESTO ACCOUNTHOUSE AS  
Smeltingen 1  
0195 OSLO

## Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk

Vi viser til deres brev av 5. juni 2015 og e-post av 9. juni 2015 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for følgende selskaper;

**REC Solar Holdings AS org. nr. 990 918 767**  
**REC Systems AS org. nr. 993 549 967**

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering REC Solar Holdings AS og REC Systems AS dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

### Bakgrunn

REC Solar Holdings AS med datterselskap (deriblant REC Systems AS) ble i mai i år solgt til utenlandske eiere. Ultimat morselskap er Bluestar Elkem Investment Co. LTD basert i Hong Kong. Da de nye eierne ikke forstår norsk, er det behov for å utarbeide regnskapene på engelsk. To av fire styremedlemmer i det nye styret i REC Solar Holdings er ikke norskkyndige. REC Solar Holdings AS er morselskap til datterselskaper som har aktiviteter innen produksjon og salg av wafere, solceller og solcellepaneler samt prosjektutvikling av systemer for produksjon av solenergi. REC Systems AS er holdingsselskap for konsernets selskaper som har som formål å drive prosjektutvikling og salg av systemer for produksjon av solenergi. Foruten disse to selskapene er alle konsernets selskaper hjemmehørende i utlandet. Den operative delen av konsernet (produksjon og salg) har sitt hovedsete i Singapore. Arbeidsspråk i konsernet er engelsk. Alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk. En norsk oversettelse vil kun ha til formål å oppfylle regnskapslovens språkkrav.

### Skattedirektoratets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal "årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."

Postadresse  
Postboks 9200 Grønland  
0134 Oslo

Besøksadresse:  
Se [www.skatteetaten.no](http://www.skatteetaten.no)  
Org.nr: 996250318  
E-post: [skatteetaten.no/sendepost](mailto:skatteetaten.no/sendepost)

Sentralbord  
800 80 000  
Telefaks  
22 17 08 60



I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

*”Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.”*

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til “*informative regnskaper for ulike grupper av regnskapsbrukere*”. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt særlig vekt på at selskapene er eiet av et utenlandsk selskap. Eierkretsen er begrenset. Arbeidsspråket er engelsk. Styret har engelskspråklige medlemmer. Videre er det vektlagt at selskapet driver virksomhet er internasjonal og i en bransje der alle sentrale aktører behersker og benytter engelsk språk.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad  
seniorrådgiver  
Rettsavdelingen, foretaksskatt  
Skattedirektoratet

Torstein Kinden Helleland

*Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer*



**Financial Statements 2020**

**for**

**REC Solar Holdings AS**

Registered business number 990918767



## *REC Solar Holdings AS - 2020 Annual Accounts*

### **Nature of the business**

REC Solar Holdings AS is a holding company with subsidiaries are principally involved in the manufacturing and sale of solar panels, with integrated manufacturing from silicon to wafers, cells, high-quality solar panels. The company also holds a large portfolio of inward and outward liquidity loans within REC Solar Group (Note 8).

REC Solar Holdings AS, its subsidiaries and associated companies comprise the operative units in Bluestar REC Solar Co. Ltd. S.a.r.l, a Luxembourg company. The company is a part of the Bluestar Elkem Investment Co. group. REC Solar Holdings AS has been granted exemption from issuing consolidated financial statements under the Norwegian Accounting Act, section 3-7. Production of solar wafers, solar cells and solar panels takes place in the company's subsidiary in Singapore.

REC Solar Holdings AS has other subsidiaries that operate as independent sales arms and which buy and sell solar panels.

### **Going concern**

The Board of Directors confirms that the financial statements have been prepared under the assumptions that the Company is a going concern and that this assumption was realistic at the date of the accounts. In year 2020, REC's Alpha investment has been a major success resulting in REC regaining the market leader position and currently producing the world's most powerful solar panels. Despite a challenging pandemic situation and a highly competitive industry, REC Group achieved positive operating profits in 2020 and expects a robust performance for 2021 with significant contribution from REC Solar Norway operations. REC Solar Holdings AS is an immediate parent of REC Solar Pte Ltd and REC Solar Norway AS with a healthy consolidated liquidity position of US\$45.6m cash at 31 December 2020.

### **Review of financial statements**

The company charge royalty fee in return for granting the license to use the corporate trademarks owned by the company. Due to inter-company loans inward and outward, the accounts recognise significant interest payments and costs, and their associated currency effects.

Loss after tax are US\$67,201,176 (2019: US\$102,269,633), mainly derived from the net loss of financial items of US\$71,222,619 (2019: US\$101,546,079). AS the Company has written down its investment in REC Solar Norway AS at US\$60.5m (2019: US\$90m) in 2020 (Note 7).

Financial fixed assets are shares in subsidiaries at US\$319,942,253 (2019: US\$380,442,253) which caused by written down of investment in REC Solar Norway AS from book value of US\$352m to US\$292m. (Note 7)

The company has long-term loan facility of US\$150,000,000 as at 31 December 2020. Current liabilities mainly comprised of inter-company liabilities of US\$128,670,701 (Note 8), loan interest payable of US\$570,212 (Note 9), accrued operating expenses (Note 9) and account payables. It makes up 39% of the total assets as at 31 December 2020.



## *REC Solar Holdings AS - 2020 Annual Accounts*

### **Financial risk**

#### **General risk and strategic risk**

As at year end, REC Solar Holdings AS is most exposed to financial risk through its investments in subsidiaries, lending to and borrowing from Group member companies, and associated currency risk. The fall in market prices for subsidiaries' products may cause further decline in 2021. The company has not instituted any special measures to mitigate this financial risk.

#### **Market price risk**

The company invests in subsidiaries and is exposed to risks due to falling value. Future price trends for the subsidiaries' products are considered the greatest risk factor.

The company is exposed to changes in interest rate levels since inward and outward loans are linked to market rates.

#### **Currency risk**

The company has made investments in subsidiaries which denominate their activities in other currencies than United States Dollar. The company do not have significant lendings and borrowings in foreign currency with members of REC Solar Group and is therefore minimum exposed to changes in currency exchange rates. Such changes may not cause significant fall in value.

#### **Credit risk**

The company holds no significant external accounts receivable. There are major loans to subsidiaries which constitute a significant credit risk to the company.

#### **Liquidity risk**

Company liquidity is closely tied to lending and borrowing with companies within REC Solar Group. Current payments received as financial revenue cover the current operating expense. Financial expense associated with borrowings is accumulated on the borrowings within REC Solar Group and external bank. With leveraging on success of Alpha product, the REC has a healthy consolidated liquidity position. This allow management to arrange and manage the cash within REC Solar Group in term of borrowing/lending or dividend payout by distributable profit once available.

#### **Working environment, personnel and remuneration to manager and directors**

The company has no employees. No remuneration has been paid to the directors, and nor have they received any other consideration. All board members are male. The board sees no necessity to implement specific measures in that regard.

#### **External environment**

The directors are not aware of any circumstances in the activities of REC Solar Holdings AS that have a significant harmful effect on the external environment. Accordingly, no special measures have been taken to prevent or mitigate potential negative impacts.



## REC Solar Holdings AS - 2020 Annual Accounts

### Profit/loss for the year and allocations

The loss for the year is US\$ 67,201,176

The directors propose the following transfer and allocations:

|                            |             |                   |
|----------------------------|-------------|-------------------|
| Transfer to uncovered loss | US\$        | 67 201 176        |
| <b>Total</b>               | <b>US\$</b> | <b>67 201 176</b> |

Oslo, 23.04.2021

Jan Enno Bicker  
Board Chairman

David Juan Verdu  
Board Member

Olivier Louis Marie Gerard Tillette  
De Clermont Tonnerre  
Board Member



REC Solar Holdings AS - 2020 Annual Accounts

## Income Statement

|  | Note | 2020               | 2019                |
|--|------|--------------------|---------------------|
| <b>OPERATING INCOME AND EXPENSES</b>     |      |                    |                     |
| <b>Other income</b>                      |      |                    |                     |
| Royalties                                | 3,8  | 4 300 000          | 0                   |
| <b>Total income</b>                      |      | <b>4 300 000</b>   | <b>0</b>            |
| <b>Operating expenses</b>                |      |                    |                     |
| Other operating expenses                 | 4    | 278 557            | 751 626             |
| <b>Total operating expenses</b>          |      | <b>278 557</b>     | <b>751 626</b>      |
| <b>Operating profit</b>                  |      | <b>4 021 443</b>   | <b>-751 626</b>     |
| <b>FINANCIAL INCOME AND EXPENSES</b>     |      |                    |                     |
| <b>Financial income</b>                  |      |                    |                     |
| Interest received from group companies   | 8    | 13 249             | 42 052              |
| Other interests                          |      | 1 451              | 778 338             |
| Other financial income                   | 11   | 70 221             | 622 344             |
| Foreign exchange gain/loss               |      | 4 139              | 34 356              |
| <b>Total financial income</b>            |      | <b>89 060</b>      | <b>1 477 091</b>    |
| <b>Financial expenses</b>                |      |                    |                     |
| Write-down on financial fixed assets     | 7    | 60 500 000         | 90 000 000          |
| Interest paid to group companies         | 8    | 4 915 998          | 4 371 277           |
| Other interests                          |      | 4 169 840          | 3 774 065           |
| Other financial expense                  | 11   | 1 725 841          | 4 877 827           |
| <b>Total financial expenses</b>          |      | <b>71 311 680</b>  | <b>103 023 170</b>  |
| <b>NET FINANCIAL INCOME AND EXPENSES</b> |      | <b>-71 222 619</b> | <b>-101 546 079</b> |
| <b>ORDINARY RESULT BEFORE TAXES</b>      |      | <b>-67 201 176</b> | <b>-102 297 705</b> |
| Tax on ordinary result                   | 5    | 0                  | -28 073             |
| <b>NET PROFIT OR LOSS</b>                |      | <b>-67 201 176</b> | <b>-102 269 633</b> |
| <b>ALLOCATION</b>                        |      |                    |                     |
| To/from other equity                     | 6    | -67 201 176        | -102 269 633        |
| <b>Total allocation</b>                  |      | <b>-67 201 176</b> | <b>-102 269 633</b> |

Income Statement for REC Solar Holdings AS

Organization no. 990918767



REC Solar Holdings AS - 2020 Annual Accounts

## Balance Sheet Statement

|                                      | Note | 31.12.2020         | 31.12.2019         |
|--------------------------------------|------|--------------------|--------------------|
| <b>ASSETS</b>                        |      |                    |                    |
| <b>FIXED ASSETS</b>                  |      |                    |                    |
| <b>Financial fixed assets</b>        |      |                    |                    |
| Investments in subsidiaries          | 7    | 319 942 253        | 380 442 253        |
| <b>Total financial fixed assets</b>  |      | <b>319 942 253</b> | <b>380 442 253</b> |
| <b>TOTAL FIXED ASSETS</b>            |      | <b>319 942 253</b> | <b>380 442 253</b> |
| <br>                                 |      |                    |                    |
| <b>CURRENT ASSETS</b>                |      |                    |                    |
| <b>Receivables</b>                   |      |                    |                    |
| Trade receivables on group companies | 8    | 4 300 000          | 0                  |
| Receivables on group companies       | 8    | 2 179 494          | 1 869 228          |
| Other short-term receivables         | 9    | 1 047 810          | 1 648 905          |
| <b>Total receivables</b>             |      | <b>7 527 305</b>   | <b>3 518 133</b>   |
| Bank deposits, cash in hand, etc.    | 10   | 345 660            | 1 218 901          |
| <b>TOTAL CURRENT ASSETS</b>          |      | <b>7 872 964</b>   | <b>4 737 034</b>   |
| <b>TOTAL ASSETS</b>                  |      | <b>327 815 217</b> | <b>385 179 287</b> |



*REC Solar Holdings AS - 2020 Annual Accounts*

|                                       | Note | 31.12.2020          | 31.12.2019          |
|---------------------------------------|------|---------------------|---------------------|
| <b>EQUITY AND LIABILITIES</b>         |      |                     |                     |
| <b>EQUITY</b>                         |      |                     |                     |
| <b>Paid-in equity</b>                 |      |                     |                     |
| Share capital                         | 6    | 23 143              | 23 143              |
| Share premium reserve                 | 6    | 197 992 143         | 197 992 143         |
| Other paid-in equity                  | 6    | 54 860 027          | 54 860 027          |
| <b>Total paid-in equity</b>           |      | <b>252 875 313</b>  | <b>252 875 313</b>  |
| <b>Retained earnings</b>              |      |                     |                     |
| Uncovered loss                        | 6    | -204 384 675        | -137 183 499        |
| <b>Total retained earnings</b>        |      | <b>-204 384 675</b> | <b>-137 183 499</b> |
| <b>TOTAL EQUITY</b>                   |      | <b>48 490 638</b>   | <b>115 691 814</b>  |
| <b>LIABILITIES</b>                    |      |                     |                     |
| <b>NON-CURRENT LIABILITIES</b>        |      |                     |                     |
| <b>Other non-currents liabilities</b> |      |                     |                     |
| Liabilities to financial institutions | 12   | 150 000 000         | 150 000 000         |
| <b>TOTAL NON-CURRENT LIABILITIES</b>  |      | <b>150 000 000</b>  | <b>150 000 000</b>  |
| <b>CURRENT LIABILITIES</b>            |      |                     |                     |
| Accounts payable                      |      | 8 545               | 105 607             |
| Liabilities to group companies        | 8    | 128 670 701         | 118 145 402         |
| Other current liabilities             | 9    | 645 333             | 1 236 464           |
| <b>TOTAL CURRENT LIABILITIES</b>      |      | <b>129 324 579</b>  | <b>119 487 473</b>  |
| <b>TOTAL LIABILITIES</b>              |      | <b>279 324 579</b>  | <b>269 487 473</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>   |      | <b>327 815 217</b>  | <b>385 179 287</b>  |

Oslo, 23.04.2021

  
Jan Erno Bicker  
Board Chairman

  
David Juan Verdu  
Board Member

  
Olivier Louis Marie Gerard Tillette  
De Clermont Tonnerre  
Board Member

Balance Sheet Statement for REC Solar Holding AS

Organization no. 990918767



## REC Solar Holdings AS - 2020 Annual Accounts

### Cash flow Statment

|  | Note | 31.12.2020      | 31.12.2019         |
|--|------|-----------------|--------------------|
| <b>Cash flow from operating activities</b>         |      |                 |                    |
| Profit before tax                                  |      | -67 201 176     | -102 297 705       |
| +/- Taxes received/paid                            |      | 0               | 546 691            |
| +/- Write-down/loss financial non-current assets   |      | 60 500 000      | 90 000 000         |
| +/- Change in accounts payable                     |      | -97 061         | 102 744            |
| +/- Change in other receivables & liabilities      |      | -4 331 764      | 45 964             |
| +/- Unrealized net FX gain/loss                    |      | 1 117 576       | -299 277           |
| +/- Realized net FX gain/loss                      |      | -4 139          | -34 356            |
| +/- Gains from realization of shares               |      | -70 221         | -283 348           |
| +/- Interest income reversed                       |      | -14 700         | -820 390           |
| +/- Arrangement fee and interest cost reversed     |      | 9 694 104       | 12 898 127         |
| <b>= Net cash flow from operating activities</b>   |      | <b>-407 381</b> | <b>-141 550</b>    |
| <b>Cash flow from investing activities</b>         |      |                 |                    |
| + Changes in investment of subsidiaries            |      | 0               | 0                  |
| +/- Change in loans to Group companies, short term |      | -309 832        | -300 000           |
| +/- Gains from realization of shares               |      | 70 221          | 476 597            |
| <b>= Net cash flow from investing activities</b>   |      | <b>-239 611</b> | <b>176 597</b>     |
| <b>Cash flow from financing activities</b>         |      |                 |                    |
| +/- Proceeds from external loan                    |      | 0               | 150 000 000        |
| +/- Changes in non-current loan                    |      | 0               | -280 000 000       |
| +/- Changes in loan payables to Group companies    |      | 4 499 084       | 105 618 938        |
| Arrangement fee and interest paid                  |      | -4 743 737      | -9 514 057         |
| Interest received                                  |      | 14 265          | 778 338            |
| Realized FX gain                                   |      | 4 139           | 34 356             |
| <b>= Net cash flow from financing activities</b>   |      | <b>-226 249</b> | <b>-33 082 425</b> |
| <b>= Net change in cash and cash equivalents</b>   |      | <b>-873 241</b> | <b>-33 047 378</b> |
| '+/- Cash from business combination                |      | 0               | 1 736 401          |
| + Cash etc. at 01.01..                             |      | 1 218 901       | 32 529 877         |
| <b>= Cash etc. at 31.12.</b>                       |      | <b>345 660</b>  | <b>1 218 900</b>   |
| <b>Cash etc. appears as follows:</b>               |      |                 |                    |
| Cash and bank deposits in USD at 31.12.            |      | 300 454         | 222 744            |
| + Cash and bank deposits in currency at 31.12      |      | 45 205          | 996 157            |
| <b>= Cash etc. at 31.12.</b>                       |      | <b>345 660</b>  | <b>1 218 901</b>   |



*REC Solar Holdings AS - 2020 Annual Accounts*

## Notes 2020

### **Note 1 - Important accounting principles and general information**

REC Solar Holdings AS is a holding company. At year-end 2020, Bluestar REC Solar Co. Ltd. S.a.r.l owned 100 % of the shares.

The financial statements consist of the income statement, balance sheet, cash flow statement and notes and have been prepared in compliance with the Norwegian Accounting Act and accounting principles generally accepted in Norway per 31 December 2020. The financial statements are based on fundamental principles and classification of assets and liabilities is in accordance with the definitions in the Norwegian Accounting Act. Emphasis is put on economic realities, not just legal form, when applying accounting principles and presenting transactions or other issues. Contingent losses that are probable and quantifiable are recognised as an expense. Investments in subsidiaries are valued at the lower of cost and assumed fair value.

The company does not prepare consolidated financial statements pursuant to section 3-7 in the Norwegian Accounting Act, as it is a subsidiary itself. Bluestar Elkem Investment Co. Ltd, which has its registered offices at 88 Hing Fat Street, Causeway Bay, Hong Kong, prepares the consolidated accounts for 2020. The consolidated accounts may be obtained from the same address.

### **Recognition of income and expenditure**

Income is recognised when it is earned. Expenditure is matched and recognised at the same time as income that can be attributed to it.

### **Deferred tax liability and income tax expense**

Deferred tax liability is calculated based on temporary differences between book and tax values at year-end. Calculations are based on a nominal tax rate. Positive and negative differences are offset against each other within the same time interval. Deferred tax asset will arise on temporary differences that give rise to tax deductions in the future.

### **Foreign currencies**

As of 2020 the functional accounting and presentation currency is USD. Expenditure and income in foreign currency is recognised on the income statement at the exchange rate on the date of invoicing. Receivables and liabilities in foreign currency are recalculated at the exchange rate on the balance sheet date and gains or losses are recognised on the income statement.

### **Cash flow statement**

The cash flow statement has been prepared according to the indirect method and is presented based on the following subdivision: Operating activities, Investing activities, Finance activities. Operating activities are those activities that are part of the company's goods and services circulation together with activities that cannot naturally be attributed to investing or finance activities. Investing activities include purchase and sale of assets that are not considered cash equivalents and that are not part of the company's goods and services circulation. Finance activities comprise proceeds from and repayment of loans in addition to changes in equity.



## REC Solar Holdings AS - 2020 Annual Accounts

### Note 2 - Payroll expense

The company does not have employees. The company is not required to have a mandatory occupational pension scheme. There has not been any direct contribution from the company to the members of the Board in 2020 or 2019.

### Note 3 - Operating revenue

Operating revenue in 2020 is related to invoicing of royalty fee to group company based in the US.

### Note 4 - Other operating expense

The company has remunerated the auditor as follows, amounts including VAT:

|                                      | 2020          | 2019           |
|--------------------------------------|---------------|----------------|
| Statutory audit                      | 40 547        | 67 801         |
| Other attestation services           | 38 054        | 128 284        |
| <b>Total remuneration to auditor</b> | <b>78 601</b> | <b>196 085</b> |

Specification of other operating expenses, incl VAT:

|                                 | 2020           | 2019           |
|---------------------------------|----------------|----------------|
| Audit fees                      | 78 601         | 196 085        |
| Advisory fees                   | 19 220         | 149 056        |
| Legal fees                      | 70 771         | 287 382        |
| Accounting fees                 | 33 270         | 64 236         |
| Other operating expenses        | 76 695         | 54 867         |
| <b>Total operating expenses</b> | <b>278 557</b> | <b>751 626</b> |

### Note 5 - Income tax

Income tax payable on the income statement

|                                 | 2020        | 2019              |
|---------------------------------|-------------|-------------------|
| Profit (loss) before income tax | -67 201 176 | -102 297 705      |
| Permanent and other differences | 70 102 014  | 89 710 601        |
| Non-deductible interest         | 0           | 12 063 282        |
| Currency conversion effect      | 7 080 807   | -2 773 363        |
| Applied tax loss carryforward   | -9 981 645  | 0                 |
| <b>Tax base</b>                 | <b>0</b>    | <b>-3 297 185</b> |

Tax expense for the year

|                                       | 2020     | 2019           |
|---------------------------------------|----------|----------------|
| Tax payable                           | 0        | 0              |
| Change in deferred tax                | 0        | 0              |
| Correction of prior year tax expense  | 0        | -28 073        |
| <b>Total tax expense for the year</b> | <b>0</b> | <b>-28 073</b> |



## REC Solar Holdings AS - 2020 Annual Accounts

Temporary differences

|   | 2020              | 2019              |
|---|-------------------|-------------------|
| Taxable loss carried forward              | 8 836 351         | 19 735 178        |
| Interest cost deduction carried forward   | 26 889 206        | 25 972 023        |
| <b>Total negative taxable differences</b> | <b>35 725 557</b> | <b>45 707 202</b> |

|  |            |            |
|--|------------|------------|
| Not included in the calculation of deferred tax* | 35 725 557 | 45 707 202 |
|--|------------|------------|

\*Deferred tax assets are not recognised in the balance sheet as it is uncertain whether the company will come in a taxable position in future years.

### Note 6 - Equity and shareholder information

|                             | Share Capital | Share Premium      | Other Paid-in Equity | Other Equity        | Total Equity      |
|-----------------------------|---------------|--------------------|----------------------|---------------------|-------------------|
| Equity at 01.01.2020        | 23 143        | 197 992 143        | 54 860 027           | -137 183 499        | 115 691 814       |
| Net profit (loss)           |               |                    |                      | -67 201 176         | -67 201 176       |
| <b>Equity at 31.12.2020</b> | <b>23 143</b> | <b>197 992 143</b> | <b>54 860 027</b>    | <b>-204 384 675</b> | <b>48 490 638</b> |

### Shareholder information

The sole shareholder of REC Solar Holdings AS at 31 December 2020 is:

|                                     | Share Holding | Nominal Value | Ownership | Located    |
|-------------------------------------|---------------|---------------|-----------|------------|
| Bluestar REC Solar Co. Ltd. S.a.r.l | 1000          | NOK 201       | 100 %     | Luxembourg |

### Note 7 - Investments in subsidiaries and other shares

| Subsidiary                               | Ownership | Office Location | Profit (loss) 2020 | Equity at 31.12.20 | Book value at 31.12.20 |
|--|-----------|-----------------|--------------------|--------------------|------------------------|
| REC Solar Pte Ltd                        | 100,00 %  | Singapore       | -97 021 100        | 267 375 500        | 22 695 368             |
| REC Solar EMEA GmbH                      | 100,00 %  | Germany         | 306 900            | 10 333 900         | 5 068 998              |
| REC Solar Norway AS                      | 100,00 %  | Norway          | -37 222 300        | 246 697 700        | 291 628 023            |
| REC ScanModule Sweden                    | 100,00 %  | Sweden          | 3 968 400          | 6 252 700          | 201 278                |
| REC Solar Japan Co Ltd                   | 100,00 %  | Japan           | 309 500            | 2 766 400          | 348 586                |
| REC India Pvt Ltd.                       | 100,00 %  | India           | 62 900             | 231 400            | 0,15                   |
| <b>Total investments in subsidiaries</b> |           |                 |                    |                    | <b>319 942 253</b>     |

The company also has a 100% ownership of shares in REC US Holdings Inc, based in U.S.A. The book value of the investment is 0.

In december 2020, the company booked a write-down of USD 60 500 000 on the shares in REC Solar Norway AS. In 2019, a write-down of USD 90 000 000 was booked on the same shares.



## REC Solar Holdings AS - 2020 Annual Accounts

### Note 8 - Related party transactions

Transactions and balances with related parties are specified on the income statement and balance sheet.

#### Royalties

Royalties related to royalty fee charged in return for granting the license to use the corporate trademarks owned by REC Solar Holdings AS.

#### Loans to Group companies

Financial current assets

| Debtor  | Currency | Nominal   | Cumulative<br>write-down | Book value       |
|---|----------|-----------|--------------------------|------------------|
|   |          |           |                          | at<br>31.12.2020 |
| Bluestar REC Solar Co Ltd S.a.r.l.                  | USD      | 2 179 494 | 0                        | 2 179 494        |
| <b>Total current receivables on group companies</b> |          |           |                          | <b>2 179 494</b> |

#### Short term liabilities

Short-term borrowings from Group companies

| Creditor  | Currency | Nominal<br>Local Curr. | Book value         |
|---|----------|------------------------|--------------------|
|   |          |                        | at<br>31.12.2020   |
| ScanModule Sweden                                   | SEK      | 73 702 728             | 8 910 660          |
| REC Solar Pte Ltd                                   | USD      | 116 132 678            | 116 132 678        |
| REC Solar Norway AS                                 | NOK      | 31 351 456             | 3 627 363          |
| <b>Total current liabilities on group companies</b> |          |                        | <b>128 670 701</b> |

The group cash pooling structure ceased in July 2019

### Note 9 - Other current receivables, other short-term liabilities

Other current receivables consist of prepaid loan arrangement fees. The prepaid loan arrangement fees will be recognised as a financial expense over a 36 month loan period.

Other short-term liabilities consists of accrued cost for professional services (accounting, audit and tax agent fees) and accrued interest on non-current liabilities to financial institutions.

### Note 10 - Bank deposits and cash equivalents

Bank deposits at 31 December 2020 are mainly denominated in USD, NOK and EUR. The company has no restricted funds.



## REC Solar Holdings AS - 2020 Annual Accounts

### Note 11 - Other financial income and expenses

| Other financial income           | 2020          | 2019           |
|----------------------------------|---------------|----------------|
| Interest                         | 0             | 0              |
| Unrealized FX Gains              | 0             | 338 996        |
| Gains from realization of shares | 70 221        | 283 348        |
| <b>Total</b>                     | <b>70 221</b> | <b>622 344</b> |

| Other financial expenses                  | 2020             | 2019             |
|---|------------------|------------------|
| Unrealized FX losses                      | 1 117 576        | 0                |
| Bank fees                                 | 7 170            | 17 636           |
| Agency and arrangement fees external loan | 601 095          | 4 860 191        |
| <b>Total</b>                              | <b>1 725 841</b> | <b>4 877 827</b> |

### Note 12 – Liabilities to financial institutions

On 03 October 2019, REC Solar Holdings AS entered into a Syndicated Green Loan Facility Agreement for an amount of USD150million, with Credit Agricole Corporate and Investment Bank (as Agent), Shanghai Pudong Development Bank Co.Ltd, DnB Bank ASA and First Abu Dhabi Bank with three years tenure. As at 31 December 2020, the company was drawn down USD 150 million with interest rate at 1.75450 % (LIBOR include margin) and accrued interest payable is USD570,212

The loan contains a financial covenant stated that the consolidated tangible net worth shall at all times be more than USD300million and the aggregate amount of cash of the borrow group shall not at any time be less than USD30million.

As at 31 December 2020, the Company's consolidated tangible net worth is USD301million and cash is USD45million. Therefore, the Company was in compliance with the above financial covenants and no default is continuing.

The loan agreement also contains provision on negative pledges, information and general undertakings, and events of defaults commonly to be found in financing transaction of this nature.

### Note 13 - Financial support in subsidiary

REC Solar Holdings AS, the owner of REC Solar Norway AS has agreed to always provide an adequate financial support, either in the form of contribution, of a loan or another form of support, so as to ensure its business continuity and to meet its obligations at all times



**KPMG AS**  
Sørkedalsveien 6  
Postboks 7000 Majorstuen  
0306 Oslo

Telephone +47 45 40 40 63  
Fax  
Internet [www.kpmg.no](http://www.kpmg.no)  
Enterprise 935 174 627 MVA

To the General Meeting of REC Solar Holdings AS

## Independent auditor's report

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of REC Solar Holdings AS showing a loss of USD 67 201 176. The financial statements comprise the balance sheet as at 31 December 2020, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

#### Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

KPMG AS, a Norwegian limited liability company and member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Statsautoriserte revisorer - medlemmer av Den norske Revisorforening

#### Offices in:

|         |              |              |           |
|---------|--------------|--------------|-----------|
| Oslo    | Elverum      | Mo i Rana    | Stord     |
| Alta    | Finnøy       | Molde        | Straume   |
| Arendal | Hamar        | Skien        | Tromsø    |
| Bergen  | Haugesund    | Sandefjord   | Trondheim |
| Bodø    | Knaarvik     | Sandnessjøen | Tynset    |
| Drammen | Kristiansand | Stavanger    | Ålesund   |



## Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors (management) is responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Independent Auditor's Report - 2020  
REC Solar Holdings AS

## Report on Other Legal and Regulatory Requirements

### Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

### Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 26 April 2021  
KPMG AS

Øyvind Skorgevik  
State Authorised Public Accountant



Bluestar Elkem Investment Co.  
Limited

31 December 2020



KPMG  
8th Floor, Prince's Building  
Central, Hong Kong  
G P O Box 50, Hong Kong  
Telephone +852 2522 6022  
Fax +852 2845 2588  
Internet kpmg.com/cn

毕马威会计师事务所  
香港中环太子大厦8楼  
香港邮政总局信箱50号  
电话 +852 2522 6022  
传真 +852 2845 2588  
网址 kpmg.com/cn

## Independent auditor's report to the board of directors of Bluestar Elkem Investment Co. Limited *(Incorporated in Hong Kong with limited liability)*

### Opinion

We have audited the consolidated financial statements of Bluestar Elkem Investment Co. Limited ("the Company") and its subsidiaries ("the Group") set out on pages 4 to 99, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of income, the consolidated statement of income and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

### Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other matters-use and distribution of our report

This report is intended solely for the information of, and use by, the directors of Bluestar Elkem Investment Co. Limited and is not intended for any other purpose. This report should not be disclosed, referred to or quoted in whole or in part without our prior written consent.

### Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

KPMG, a Hong Kong partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited ("KPMG International"), a private English company limited by guarantee.



**Independent auditor's report to the board of directors of  
Bluestar Elkem Investment Co. Limited (continued)**  
*(Incorporated in Hong Kong with limited liability)*

**Responsibilities of the directors for the consolidated financial statements  
(continued)**

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



**Independent auditor's report to the board of directors of  
Bluestar Elkem Investment Co. Limited (continued)**  
*(Incorporated in Hong Kong with limited liability)*

**Auditor's responsibilities for the audit of the consolidated financial statements  
(continued)**

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Certified Public Accountants

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

**16 AUG 2021**



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

## Consolidated statement of income for the year ended 31 December 2020 (Expressed in NOK)

|   | Note       | 2020<br>NOK'000    | 2019<br>NOK'000   |
|---|------------|--------------------|-------------------|
| Revenues  |            | 27,719,332         | 26,459,508        |
| Other operating income                                    |            | 674,582            | 1,304,348         |
| Share of profit from equity accounted companies           |            | 34,625             | 30,525            |
| <b>Total operating income</b>                             | <b>4</b>   | <b>28,428,539</b>  | <b>27,794,381</b> |
| Raw materials and energy for smelting                     |            | (15,178,514)       | (14,491,052)      |
| Employee benefit expenses                                 | 5          | (4,614,465)        | (4,469,876)       |
| Other operating expenses                                  | 8          | (5,760,605)        | (5,757,833)       |
| Amortisations and depreciations                           | 12, 13, 14 | (2,566,027)        | (2,344,289)       |
| Impairment losses   | 12, 13, 14 | (17,976)           | (595,654)         |
| Other items   | 9          | (122,234)          | 214,848           |
| <b>Operating profit</b>                                   |            | <b>168,718</b>     | <b>350,525</b>    |
| Share of loss from equity accounted financial investments | 15         | (14,760)           | (12,057)          |
| Finance income  | 10         | 34,920             | 56,016            |
| Foreign exchange (losses)/gains                           | 10         | (731,115)          | 125,244           |
| Finance expenses  | 10         | (744,317)          | (818,124)         |
| <b>Loss before income tax</b>                             |            | <b>(1,286,554)</b> | <b>(298,396)</b>  |
| Tax expenses  | 11         | (364,737)          | (250,868)         |
| <b>Loss for the year</b>                                  |            | <b>(1,651,291)</b> | <b>(549,264)</b>  |
| <b>Attributable to:</b>                                   |            |                    |                   |
| Non-controlling interest's share of profit                |            | 165,600            | 435,077           |
| Owners of the parent's share of loss                      |            | (1,816,891)        | (984,341)         |

The notes on pages 12 to 99 form part of these financial statements.



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

## Consolidated statement of income and other comprehensive income for the year ended 31 December 2020 (Expressed in NOK)

|   | Note | 2020<br>NOK'000    | 2019<br>NOK'000  |
|---|------|--------------------|------------------|
| <b>Loss for the year</b>  |      | <b>(1,651,291)</b> | <b>(549,264)</b> |
| <b>Other comprehensive income:</b>  |      |                    |                  |
| <b>Items that will not be reclassified to profit or loss</b>                  |      |                    |                  |
| Remeasurements of post-employment benefit obligation                          | 6    | (54,547)           | (25,653)         |
| Tax effects on remeasurements of post-employment benefit obligation           | 11   | 12,585             | 2,825            |
| Change in fair value of equity instruments                                    |      | 7,404              | 10,317           |
| Share of other comprehensive loss from equity accounted companies             |      | -                  | 35               |
|   |      | <b>(34,558)</b>    | <b>(12,476)</b>  |
| <b>Items that may be reclassified to profit or loss in subsequent periods</b> |      |                    |                  |
| Currency translation differences  |      | 541,966            | (146,837)        |
| Hedging of net investment in foreign operations                               |      | (167,757)          | 24,067           |
| Tax effects on hedging of net investment in foreign operations                | 11   | 36,907             | (5,295)          |
| Cash flow hedges  | 26   | (818,188)          | (184,880)        |
| Tax effects on cash flow hedges   | 11   | 180,002            | 40,066           |
| Share of other comprehensive income from associates and joint ventures        | 15   | (11,166)           | (13,659)         |
|   |      | <b>(238,236)</b>   | <b>(286,538)</b> |

The notes on pages 12 to 99 form part of these financial statements.



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

Consolidated statement of income and other  
comprehensive income  
for the year ended 31 December 2020 (continued)  
(Expressed in NOK)

|  | Note | 2020<br>NOK'000    | 2019<br>NOK'000    |
|--|------|--------------------|--------------------|
| <b>Reclassification adjustments for the year</b>           |      |                    |                    |
| Cash flow hedges   | 26   | 675,218            | (40,537)           |
| Tax effects on cash flow hedges                            | 11   | (147,382)          | 4,612              |
|  |      | <u>527,836</u>     | <u>(35,925)</u>    |
| <b>Other comprehensive income for the year, net of tax</b> |      | <u>255,042</u>     | <u>(334,939)</u>   |
| <b>Total comprehensive income for the year</b>             |      | <u>(1,396,249)</u> | <u>(884,203)</u>   |
| <b>Attributable to:</b>                                    |      |                    |                    |
| Non-controlling interest's share of comprehensive income   |      | (29,751)           | 382,029            |
| Owners of the parent's share of comprehensive income       |      | <u>(1,366,498)</u> | <u>(1,266,232)</u> |
| <b>Total comprehensive income for the year</b>             |      | <u>(1,396,249)</u> | <u>(884,203)</u>   |

The notes on pages 12 to 99 form part of these financial statements.



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

## Consolidated statement of financial position at 31 December 2020 (Expressed in NOK)

|   | Note | 31 December<br>2020<br>NOK'000 | 31 December<br>2019<br>NOK'000 |
|---|------|--------------------------------|--------------------------------|
| <b>ASSETS</b>                             |      |                                |                                |
| Property, plant and equipment             | 12   | 18,570,905                     | 17,500,759                     |
| Right of use assets                       | 13   | 1,607,859                      | 1,505,264                      |
| Goodwill                                  | 14   | 2,221,426                      | 1,779,304                      |
| Other intangible assets                   | 14   | 1,732,876                      | 1,249,065                      |
| Deferred tax assets                       | 11   | 97,252                         | 66,778                         |
| Investments in equity accounted companies | 15   | 183,241                        | 128,522                        |
| Derivatives                               | 26   | 59,457                         | 65,734                         |
| Other non-current assets                  | 17   | 432,982                        | 407,341                        |
| <b>Total non-current assets</b>           |      | <b>24,905,998</b>              | <b>22,702,767</b>              |
| Assets classified as held-for-sale        |      | -                              | 37,384                         |
| Inventories                               | 18   | 6,305,250                      | 6,248,907                      |
| Accounts receivable                       | 19   | 3,300,124                      | 2,976,395                      |
| Derivatives                               | 26   | 153,961                        | 43,026                         |
| Other current assets                      | 20   | 4,453,313                      | 3,934,888                      |
| Restricted deposits                       |      | 361,229                        | 553,247                        |
| Cash and cash equivalents                 | 22   | 3,549,564                      | 5,195,880                      |
| <b>Total current assets</b>               |      | <b>18,123,441</b>              | <b>18,989,727</b>              |
| <b>TOTAL ASSETS</b>                       |      | <b>43,029,439</b>              | <b>41,692,494</b>              |

The notes on pages 12 to 99 form part of these financial statements.



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

Consolidated statement of financial position  
at 31 December 2020 (continued)  
(Expressed in NOK)

|   | Note | 31 December<br>2020<br>NOK'000 | 31 December<br>2019<br>NOK'000 |
|---|------|--------------------------------|--------------------------------|
| <b>(DEFICIT) / EQUITY AND LIABILITIES</b>       |      |                                |                                |
| Paid-in capital                                 | 21   | 2,858,106                      | 2,858,106                      |
| Accumulated losses                              |      | (9,775,171)                    | (8,778,662)                    |
| Non-controlling interests                       |      | 6,351,002                      | 6,555,304                      |
| <b>Total (deficit) / equity</b>                 |      | <u>(566,063)</u>               | <u>634,748</u>                 |
| Interest-bearing non-current liabilities        | 22   | 16,611,316                     | 18,821,052                     |
| Deferred tax liabilities                        | 11   | 410,035                        | 333,432                        |
| Employee benefit obligations                    | 6    | 682,773                        | 588,202                        |
| Derivatives                                     | 26   | 252,344                        | 210,345                        |
| Provisions and other non-current liabilities    | 24   | 459,293                        | 6,643,704                      |
| <b>Total non-current liabilities</b>            |      | <u>18,415,761</u>              | <u>26,596,735</u>              |
| Accounts payable                                |      | 3,744,837                      | 3,523,300                      |
| Income tax payables                             | 11   | 97,655                         | 52,152                         |
| Interest-bearing current liabilities            | 22   | 6,094,334                      | 2,429,300                      |
| Bills payable                                   |      | 1,052,732                      | 886,938                        |
| Employee benefit obligations                    | 6    | 811,290                        | 809,471                        |
| Derivatives                                     | 26   | 102,388                        | 43,241                         |
| Provisions and other current liabilities        | 25   | 13,276,505                     | 6,716,609                      |
| <b>Total current liabilities</b>                |      | <u>25,179,741</u>              | <u>14,461,011</u>              |
| <b>TOTAL (DEFICIT) / EQUITY AND LIABILITIES</b> |      | <u>43,029,439</u>              | <u>41,692,494</u>              |

The consolidated financial statements were approved by the board of directors on **16 AUG 2021** and were signed on its behalf by:

Director

Director

The notes on pages 12 to 99 form part of these financial statements.



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

**Consolidated statement of changes in equity  
for the year ended 31 December 2020  
(Expressed in NOK)**

|   | Paid-in capital<br>NOK'000 | Other<br>paid-in equity<br>NOK'000 | Total paid-in<br>capital<br>NOK'000 | Share base<br>payment<br>reserve<br>NOK'000 | Foreign<br>currency<br>translation<br>reserve<br>NOK'000 | Cash flow<br>hedge reserve<br>NOK'000 | Perpetual<br>Securities<br>NOK'000 | Other<br>accumulated<br>losses<br>NOK'000 | Total<br>accumulated<br>losses<br>NOK'000 | Total Owners'<br>share<br>NOK'000 | Non-<br>controlling<br>interest<br>NOK'000 | Total<br>NOK'000 |
|---|----------------------------|------------------------------------|-------------------------------------|---|--|---------------------------------------|------------------------------------|---|---|-----------------------------------|--|------------------|
| Balance 1 January 2019                      | 29,226                     | 2,828,880                          | 2,858,106                           | 6,294                                       | (4,551,939)  | 66,597                                | -                                  | (3,058,527)                               | (7,537,575)                               | (4,679,469)                       | 6,852,100                                  | 2,172,631        |
| Loss for the year                           | -                          | -                                  | -                                   | -   | -  | -                                     | -                                  | (984,341)                                 | (984,341)                                 | (984,341)                         | 435,077                                    | (549,264)        |
| Other comprehensive<br>income for the year  | -                          | -                                  | -                                   | -   | (90,228)   | (180,739)                             | -                                  | (10,824)                                  | (281,891)                                 | (281,891)                         | (63,048)                                   | (334,939)        |
| Total comprehensive<br>income for the year  | -                          | -                                  | -                                   | -   | (90,228)   | (180,739)                             | -                                  | (995,265)                                 | (1,266,232)                               | (1,266,232)                       | 382,029                                    | (884,203)        |
| Share-based payment<br>(note 7)             | -                          | -                                  | -                                   | 25,145                                      | -  | -                                     | -                                  | -   | 25,145                                    | 25,145                            | -  | 25,145           |
| Payments of dividends to<br>equity holders  | -                          | -                                  | -                                   | -   | -  | -                                     | -                                  | -   | -   | -                                 | (678,825)                                  | (678,825)        |
| <b>Balance 31 December<br/>2019</b>         | <b>29,226</b>              | <b>2,828,880</b>                   | <b>2,858,106</b>                    | <b>31,439</b>                               | <b>(4,642,167)</b>                                       | <b>(114,142)</b>                      | <b>-</b>                           | <b>(4,053,792)</b>                        | <b>(8,778,662)</b>                        | <b>(5,920,566)</b>                | <b>6,555,304</b>                           | <b>634,748</b>   |
| Balance 1 January 2020                      | 29,226                     | 2,828,880                          | 2,858,106                           | 31,439                                      | (4,642,167)  | (114,142)                             | -                                  | (4,053,792)                               | (8,778,662)                               | (5,920,566)                       | 6,555,304                                  | 634,748          |
| Loss for the year                           | -                          | -                                  | -                                   | -   | -  | -                                     | -                                  | (1,816,891)                               | (1,816,891)                               | (1,816,891)                       | 165,600                                    | (1,651,291)      |
| Other comprehensive<br>income for the year  | -                          | -                                  | -                                   | -   | 465,152  | 4,354                                 | -                                  | (19,113)                                  | 450,393                                   | 450,393                           | (195,351)                                  | 255,042          |
| Total comprehensive<br>income for the year  | -                          | -                                  | -                                   | -   | 465,152  | 4,354                                 | -                                  | (1,836,004)                               | (1,366,498)                               | (1,366,498)                       | (29,751)                                   | (1,396,249)      |
| Issue the Perpetual<br>Securities (note 22) | -                          | -                                  | -                                   | -   | -  | -                                     | 341,140                            | -   | 341,140                                   | 341,140                           | -  | 341,140          |
| Share-based payment<br>(note 7)             | -                          | -                                  | -                                   | 28,849                                      | -  | -                                     | -                                  | -   | 28,849                                    | 28,849                            | -  | 28,849           |
| Payments of dividends to<br>equity holders  | -                          | -                                  | -                                   | -   | -  | -                                     | -                                  | -   | -   | -                                 | (174,551)                                  | (174,551)        |
| <b>Balance 31 December<br/>2020</b>         | <b>29,226</b>              | <b>2,828,880</b>                   | <b>2,858,106</b>                    | <b>60,288</b>                               | <b>(4,177,015)</b>                                       | <b>(109,788)</b>                      | <b>341,140</b>                     | <b>(5,889,796)</b>                        | <b>(9,775,171)</b>                        | <b>(6,917,065)</b>                | <b>6,351,002</b>                           | <b>(566,063)</b> |

The notes on pages 12 to 99 form part of these financial statements.



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

## Consolidated statement of cash flows for the year ended 31 December 2020 (Expressed in NOK)

|  | Note     | 2020<br>NOK'000    | 2019<br>NOK'000  |
|--|----------|--------------------|------------------|
| Operating profit-continued operations                              |          | 168,718            | 350,525          |
| Changes in fair value of derivatives                               |          | (198,986)          | (222,498)        |
| Amortisation, depreciation and impairment changes                  | 12,13,14 | 2,584,003          | 2,939,943        |
| Changes in working capital   |          | (37,281)           | 1,159,358        |
| Changes in provisions, bills receivable and other                  |          | (307,071)          | (776,350)        |
| Loss/(gain) on sale of fixed assets                                |          | 23,034             | (869,366)        |
| Interest payments received   |          | 28,888             | 38,208           |
| Interest payments made   |          | (703,232)          | (734,084)        |
| Equity accounted companies   |          | (6,679)            | (3,857)          |
| Income taxes paid  |          | (227,412)          | (594,161)        |
| <b>Cash flow from operating activities</b>                         |          | <b>1,323,982</b>   | <b>1,287,718</b> |
| Investments in property, plant and equipment and intangible assets |          | (2,942,636)        | (3,010,186)      |
| Sale of property, plant and equipment                              |          | 17,243             | 3,823,941        |
| Disposal of equity accounted companies                             |          | (40,000)           | -                |
| Acquisition of subsidiaries, net of cash acquired                  | 32       | (1,031,535)        | (205,924)        |
| Increase in amounts due from fellow subsidiaries                   |          | (169,390)          | (206,820)        |
| Other investments/sales  |          | (2,480)            | 2,782            |
| <b>Cash flow from investing activities</b>                         |          | <b>(4,168,798)</b> | <b>403,793</b>   |

The notes on pages 12 to 99 form part of these financial statements.



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

## Consolidated statement of cash flows for the year ended 31 December 2020 (continued) (Expressed in NOK)

|  | Note | 2020<br>NOK'000    | 2019<br>NOK'000    |
|--|------|--------------------|--------------------|
| Net changes in bills payable and restricted deposits         |      | 371,004            | (797,578)          |
| Dividends paid to non-controlling interests                  |      | (174,551)          | (678,825)          |
| Payment of lease liabilities                                 | 22   | (428,333)          | (417,157)          |
| Net changes in interest-free borrowings from related parties |      | 310,304            | 17,128             |
| New interest-bearing loans and borrowings                    | 22   | 2,216,071          | 3,739,215          |
| Repayment of interest-bearing loans and borrowings           | 22   | (1,433,491)        | (5,861,874)        |
| <b>Cash flow from financing activities</b>                   |      | <b>861,004</b>     | <b>(3,999,091)</b> |
| <b>Change in cash and cash equivalents</b>                   |      | <b>(1,983,812)</b> | <b>(2,307,580)</b> |
| Currency exchange differences                                |      | 337,496            | (8,486)            |
| <b>Cash and cash equivalents 1 January</b>                   |      | <b>5,195,880</b>   | <b>7,511,946</b>   |
| <b>Cash and cash equivalents 31 December</b>                 | 22   | <b>3,549,564</b>   | <b>5,195,880</b>   |

The notes on pages 12 to 99 form part of these financial statements.



## Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 1 General information and basis for presentation

The consolidated financial statements for Bluestar Elkem Investment Co. Limited (hereafter BEI group/the Group), including notes, for the year ended 31 December 2020 were approved by the Board of Directors of Bluestar Elkem Investment Co. Limited on 16 August 2021. Bluestar Elkem Investment Co. Limited is a limited company registered and domiciled in Hong Kong, fully owned by China National Bluestar (Group) Co. Limited ("Bluestar").

Through the ownership of Elkem group (Elkem ASA and its subsidiaries) and Bluestar REC Solar group (Bluestar REC Solar Co. Ltd. S.a.r.l and its subsidiaries, "REC Group"), the BEI group is one of the world's leading companies in the environmentally friendly manufacture of metals and materials. The main activities are related to production and sale of silicon materials, silicones, ferrosilicon, speciality alloys for the foundry industry, carbon products, micro silica and solar panels including solar electricity solutions. BEI group serves several global industries, such as construction, transport, engineering, packaging, aluminium, chemicals, release coatings, healthcare products and electronic markets, and has organised its business to handle market presence and customer focus. BEI group has multiple production facilities located in Europe, North America, South America, Africa and Asia, and an extensive network of sales offices and agents covering most important markets. Core production processes are focused on converting high quality raw material to specialised metals and materials through high temperature melting processes and further processing. Thus, the business has a high consumption of electrical power, and is also capital intensive, due to the requirement for large and complex processing plants.

The presentation currency of BEI group is NOK (Norwegian krone). All financial information is presented in NOK thousand, unless otherwise stated. As a result of rounding adjustments, the figures in one or more columns included in the consolidated financial statements, may not add up to the total. Comparable figures in the text are presented as (NOK xx thousand), if not otherwise is stated.

#### **Basis for preparation**

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

The consolidated financial statements are prepared and based on Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). All subsidiaries are using accounting policies consistent within the Group, and all intra-group transactions, balances, income and expenses are eliminated in full on consolidation.



## 1 General information and basis for presentation (continued)

The consolidated financial information for the year ended 31 December 2020 has been prepared for the information of, and use by, the directors. Bluestar Elkem Investment Co. Limited, as a wholly owned subsidiary of China National Bluestar (Group) Co. Limited which is under control of China National Chemical Group Co. Ltd ("ChemChina"), a company registered and domiciled in China, has applied section 379(3) of the Companies Ordinance to prepare company level financial statements as the Company's statutory financial statements. Consequently, this consolidated financial information and the comparatives do not constitute the Company's statutory financial statements for either of the years ended 31 December 2020 or 2019. Information relating to the Company's statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

As the Company is a private company, it is not required to deliver its financial statements to the Registrar of Companies, and has not done so.

The Company's auditor has reported on the company level financial statements for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Companies Ordinance.

The consolidated financial statements have been prepared on the basis of the going concern assumption, see note 30 Other matters.

## 2 Significant accounting policies

The consolidated financial statements are prepared on a historical cost basis, with the exception of derivative financial instruments and certain equity investments, which are measured at fair value.

### (a) Changes in accounting policies, changes in accounting estimates and errors

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

Elkem has previously applied HKAS 39 for its hedging relationships, based on an accounting policy choice in HKFRS 9. From 1 April 2020, HKFRS 9 is applied also for hedge accounting. There are no accounting effects related to the change in policy for hedge accounting, see note 2(x).

### New and revised standard-adopted

New or revised accounting standards and interpretations implemented as of 1 January 2020 are among others Definition of a Business (Amendments to HKFRS 3) and Definition of Material (Amendments to HKAS 1 and HKAS 8). The new or revised accounting standards and interpretations do not represent a significant impact to Elkem's accounting policies.



## 2 Significant accounting policies (continued)

### (b) Revenue

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

#### *Sale of goods*

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

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

The Group's main performance obligation is related to sale of goods where the performance obligations are the delivery of an agreed volume of products within the agreed specification. The Group has both short-term and long-term contracts. Short-term contracts, normally within one month, cover delivery of an agreed volume at market price at the date the order is placed. These types of contracts are most common for the commodity products sales within Foundry Products and sales to customers in China. The long-term contracts cover a period of a few months and up to one year, where the prices normally are fixed within a volume range. The Group has within the Silicon Material segment some contracts that cover a period longer than one year. In these contracts the prices are normally negotiated on an annual basis. Some of the Group's sales contracts include an element of freight services, see separate section below for accounting policies.

Revenue is recognised when control of the goods is transferred to the customer, at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. Control is transferred to the buyer, according to the agreed delivery term for each sale. Delivery terms are based on Incoterms 2010 issued by International Chamber of Commerce, and the main terms are:

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

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

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



## 2 Significant accounting policies (continued)

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

### *Freight services included in sale of goods*

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

### *Sale of power and revenue connected to energy recovery*

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

### *Revenue from sale of services*

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

### (c) **Business combinations**

Business combinations are generally accounted for using the acquisition method in accordance with HKFRS 3. The consideration transferred in a business combination, is measured at fair value, and goodwill is measured as the excess of the sum of consideration transferred, and net identifiable value of transferred assets and liabilities. Acquisition-related costs are expensed as incurred.

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

### *Business combinations under common control*

Business combinations involving entities under common control, are accounted for according to the "merger accounting". This method involves the following:

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



## 2 Significant accounting policies (continued)

### (d) *Investment in associates*

Associates are those entities in which the Group has significant influence, but no control over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Investment in associates are accounted for using the equity method. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss and other comprehensive income of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

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

### (e) *Joint arrangements*

The Group applies HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor.

Joint ventures are accounted for using the equity method. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss, and other comprehensive income of the investee after the date of acquisition.

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

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

### (f) *Share of profit from investments in associates and joint ventures*

Share of profit from investments in associates and joint ventures are presented in the statement of income depending of the purpose of the investments. Investments that are closely related to the Group's main activities are presented on the line item share of profit from equity accounted companies and is included in operating income. Investments in associates and joint ventures that do not operate within Group's main business areas are classified on the line item share of profit from equity accounted financial investments.

### (g) *Foreign currencies*

#### (i) Separate financial statements

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



## 2 Significant accounting policies (continued)

Monetary items denominated in foreign currencies are translated using the closing rate at the end of the reporting period, and any gains/losses are reported in the statement of income. Currency gains/losses related to operating activities, i.e. receivables, payables, bank accounts for operating purposes including short-term intragroup balances, are classified as a part of other gains and losses. Currency effects included in finance income and expenses are only related to financing activities like loans, long-term placements and dividends.

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

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

### (ii) Consolidated financial statements

In consolidation of the statement of income and the statement of financial position for the separate group entities with other functional currency than the Group's presentation currency, it is translated directly into the presentation currency as follows:

- Assets and liabilities are translated using the exchange rate on the balance sheet date
- Income and expenses are translated using an average exchange rate
- Equity transactions, except net profit or loss for the period, are translated using the transaction date rates

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

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

### (h) Insurance settlements

Income from insurance settlements are recognised when it is virtually certain that the Group will receive the compensation, and is presented as other operating income.



## 2 Significant accounting policies (continued)

### (i) Grants

Grants are recognised when it is reasonably assured that the Group will comply with the conditions attached to them, and the grants will be received. Grants are recognised in the statement of income over the periods necessary to match them with the cost they are intended to compensate. Grants relating to property, plant and equipment and intangible assets are deducted from the carrying amount of the asset. The grant is recognised as income over the lifetime of a depreciable asset by reducing the depreciation charge. Grants related to expenses are classified as other operating income.

### (j) Employee retirement benefits

#### (i) Defined contribution plans

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

#### (ii) Defined benefit plans

Defined benefit plans are recognised at present value of future liabilities considered retained at the end of the reporting period, calculated separately for each plan. Plan assets are recorded at fair value, and deducted in calculating the net pension liability. Past service cost arising due to amendments in the benefit plans are expensed as incurred. Accumulated effects of changes in estimates and financial and actuarial assumptions are recognised as other comprehensive income. Service costs are classified as part of employee benefit expenses and other employee remuneration and net interest on pension liabilities/assets are presented as a part of finance expenses.

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

### (k) Share-based payment

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

Social security contributions payable in connection with an option grant are considered an integral part of the grant itself and the charges are treated as cash-settled transactions.



## 2 Significant accounting policies (continued)

### (l) Other items

Change in fair value for financial instruments are classified as part of other items if not designated as a part of a hedging relationship. Also any ineffective part of hedging relationships are reported as a part of other items.

Foreign exchange gains (losses) related to operating activities such as accounts receivables, accounts payables, bank accounts/overdrafts are classified as a part of operating profit (loss) and are included in other items.

Dividends from equity instruments are recognised when shareholders' right to receive dividends is determined by the shareholder's meeting.

Expenses related to the IPO, business combinations, acquisitions classified as asset purchase, and gains/losses on disposal of businesses are classified as other items in the consolidated statement of income. In addition, performance incentives for employees related to such projects are also classified as other items.

### (m) Financial income and expenses

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

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

Interest expenses are recognised on accrual basis and are classified as financial expenses. Interest is capitalised as a part of the carrying amount of a self-contracted item of property, plant and equipment, according to HKAS 23 *Borrowing cost*, if applicable.

Financial expenses also include interest on net pension liabilities and interest on financial lease liabilities.

### (n) Taxation

#### (i) Income taxes

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

Interest and penalties related to income taxes are classified as tax expense in the statement of income, and accrued interest and penalties are included in income tax payables in statement of financial position.



## 2 Significant accounting policies (continued)

### (ii) Deferred tax

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

### (o) Property, plant and equipment

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

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

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

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

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



## 2 Significant accounting policies (continued)

### (p) Goodwill

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

### (q) Intangible assets

Intangible assets are stated in the consolidated financial statements at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired in business combinations are recognised at fair value at the acquisition date. Intangible assets with a finite useful life are amortised, using the straight-line method. The estimated useful lives and amortisation method are reviewed at the end of each reporting period.

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

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

### (r) Impairment of tangible and intangible assets

The Group's management reviews the carrying amounts of its property, plant, equipment and other intangible assets whenever there is any indication that the carrying amount may not be recoverable. Other intangible assets that have an indefinite useful life are tested at least annually for impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of fair value less costs to sell, or its value in use. Value in use is the present value of the future cash flow expected to be derived from the asset or the cash generating unit to which it belongs, after taking into account all other relevant information.

The Group's cash generating units are reflecting the Group's business areas, which are the basis for the management review and monthly reports.

The capitalised value of tangible and intangible assets within the cash generating units is measured against the value in use of tangible assets, intangible assets and working capital within these units.



## 2 Significant accounting policies (continued)

### (s) Leasing

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

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

- Lease contracts for which the lease term ends within 12 months as of the date of initial application are not capitalised (short-term leases). The Group's short-term lease commitments are mainly related to rental of equipment in connection with maintenance and installation of new equipment.
- Lease contracts for which the underlying asset is of low value, meaning mainly office equipment are not capitalised.
- Lease of intangible assets are not capitalised.
- Right-of-use assets are presented separately in the consolidated statement of financial position, while lease liabilities are recognised in interest-bearing liabilities.
- Lease payments on contracts that are not capitalised are recognised as other operating expenses on a straight-line basis over the lease term.

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying assets is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis from the commencement date to the earlier of the lease term and the remaining useful life of the right-of-use asset for assets where the Group does not obtain ownership of the leased asset at the end of the lease term. Depreciation expense on the right-of-use asset is presented as depreciation in the consolidated statement of income. Right-of-use assets are subject to impairment assessments as described in note 2(q).



## 2 Significant accounting policies (continued)

At the commencement date of a lease, the Group recognise lease liabilities measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs. The Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease cannot be readily determined. The incremental borrowing rate is based on the respective country's risk-free rate for the term corresponding to the lease term, adjusted for own credit risk. Right-of-use assets are presented separately in the consolidated statement of financial position, whereas lease liabilities are recognised in interest-bearing liabilities.

Lessees are also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

### (t) *Financial assets*

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

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

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



## 2 Significant accounting policies (continued)

### (u) Other shares

Investments in equity instruments with an ownership below normally 20% are classified as other shares and included in other non-current assets in the statement of financial position. Other shares consist of equity investments in both listed and unlisted companies.

Shares in listed companies are classified as held for trading as the Group has acquired the assets for the purpose of selling it in near term. These shares are measured at fair value through profit or loss.

Investments in equity instruments that do not have a quoted market price in an active market are classified as financial assets measured at fair value through other comprehensive income (OCI), based on an option in HKFRS 9. Changes in fair values recognised in OCI can not be subsequently recycled to statement of income. Dividends from these investments are booked in consolidated statement of income.

### (v) Loans and receivables

This category includes trade receivables, bills receivable, loans, restricted/guarantee deposits, and cash and cash equivalents.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in a regulated market. After initial recognition, they are recognised at amortised cost using the effective interest method. Gains and losses are recognised in the statement of income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

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

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

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



## 2 Significant accounting policies (continued)

Provisions for expected credit losses is done by taking all expected cash flows, including cash flows from credit insurance contracts where such contracts are deemed to be an integral part of the transactions, into consideration. The assessment is based on historical experienced losses adjusted for forward-looking estimates on changes in risk/probability that credit losses will occur.

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

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

### (w) *Financial liabilities*

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

Financial liabilities are derecognised when they are extinguished.

### (x) *Derivatives*

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

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

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



## 2 Significant accounting policies (continued)

### *Commodity contract within the scope of HKFRS 9*

Non-financial commodity contracts where the relevant commodity is readily convertible to cash and where the contracts are not for own use, fall within the scope of HKFRS 9 *Financial instruments-recognition and measurement*. The Group has currently energy contracts in Norway that do not meet the own use criteria according to HKFRS 9 2.4, since the power under the contracts are delivered in another grid area where the plants are located. Transfer between different grid areas is assessed to be net settlement according to HKFRS and considered to be two different transactions. Such contracts are therefore measured at fair value through profit or loss and classified as derivatives, according to principles explained above. See notes 9 Other items, 26 Financial instruments, and 27 Financial risk.

### *Hedge accounting*

The Group applies the hedge accounting requirements in HKAS 39, based on an option in HKFRS 9. From 1 April 2020, HKFRS 9 is applied also for hedge accounting. The change in policy has not resulted in any accounting effects. According to the Group's policy derivatives can be designated as hedging instruments for fair value hedges and cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions.

#### (i) Fair value hedges

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

#### (ii) Cash flow hedges

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

#### (iii) Net investment hedges

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



## 2 Significant accounting policies (continued)

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

### (y) Inventories

Inventories are measured at the lower of cost and net realisable value. Inventory consists of raw materials, semi-finished goods and finished goods, in addition to operating materials and spare parts that do not meet the definition of property, plant and equipment. Raw materials and spare parts and operating materials are recognised at cost of purchase including transport and handling to their present location. The cost of finished and semi-finished goods is measured at the cost of raw materials, energy for smelting, direct labour, other direct costs, and production overhead cost based on the higher of actual and normal capacity. Net realisable value represents the estimated selling price for inventories less estimated costs of completion and variable selling expenses.

Cost of goods sold is included in different lines in the consolidated statement of income based on nature: raw materials and energy for smelting, employee benefits, other operating cost and amortisations and depreciations.

Entities within the Group sell goods to other group entities, consequently finished goods from one entity become raw materials or semi-finished goods for another group entity. The classification of goods in the Group's consolidated financial statements is based on the separate entity's classification.

### (z) Provisions

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

### (aa) Contingent liabilities

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

### (bb) Contingent assets

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



## **2 Significant accounting policies (continued)**

### **(cc) Statement of cash flows**

The statement of cash flows is prepared under the indirect method. Cash inflows and outflows are shown separately for investing and financing activities, while operating activities include both cash and non-cash effect items. Interest received and paid and other financial expenses, such as bank guarantee expenses, are reported as a part of operating activities. Net currency gains or losses related to financing activities are reported as part of financing activities. Dividend received from joint ventures and associates that do not operate within the Group's main business areas are included in investing activities.

### **(dd) Events after the reporting period**

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

### **(ee) New interpretations and changes to existing standards not yet adopted**

The consolidated financial statements will be affected by future changes in HKFRS. No standards, interpretations or amendments published at the end of reporting period are expected to have significant effect on the Group.

## **3 Accounting estimates**

The preparation of the consolidated financial statements according to HKFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions of reported estimates are recognised in the period in which the estimates are revised and in any future period affected.

The management makes estimates and assumptions concerning the future, the resulting accounting estimates will, by definition, seldom equal the actual outcome.

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



### 3 Accounting estimates (continued)

The management considers the following as the main items for use of estimates:

- Property, plant and equipment, intangible assets and goodwill
- Right of use assets
- Deferred tax assets
- Financial instruments
- Provisions

#### Property, plant and equipment, intangible assets and goodwill

The valuation of assets in connection with business combinations and testing of property, plant and equipment, intangible assets and goodwill for impairment, is to a large extent based on estimated future cash flows. These calculations require the use of estimates for cash flows and the choice of discount rate before tax for discounting the cash flows. Tangible and intangible assets including goodwill, are tested for impairment if there are indicators that an asset may be impaired. Indicators of impairment will typically be changes in technological development and changes in the competitive situation. Intangible assets that are not amortised and goodwill are, as a minimum, tested annually for impairment.

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

See note 12 Property, plant and equipment and note 14 Intangible assets and goodwill.

#### Right of use assets

The Group determines the lease term as the non-cancellable period of a lease, together with any periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option and any periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. The Group's main renewal options relate to lease of office and production buildings including lease of land and it is reasonably certain that the renewal option will be used. The Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise, or not to exercise, the option to renew. See note 13 Right of use assets.

#### Deferred tax assets

The Group performs annual tests for impairment of deferred tax assets. Part of the basis for recognising deferred tax assets is based on applying the loss carried forward against future taxable income in the Group, which requires use of estimates for calculating future taxable income. See note 11 Taxes.



### 3 Accounting estimates (continued)

#### Financial instruments

Fair value of financial instruments are mainly based on observable prices and assumptions derived from observable prices for comparable instruments. See note 26 Financial instruments and note 27 Financial risk for sensitivity.

#### Provisions

The Group has several types of provisions due to its operations. The main types of provisions are related to commitments to restore the site of operations to its original condition after use, environmental measurements and litigations. Such liabilities are normally uncertain in timing and amount, and recognised amounts are estimates based on the available information at the end of reporting period. The estimates are updated when new or updated information are available. See note 24 Provisions and other non-current liabilities and note 25 Provisions and other current liabilities.

### 4 Operating income

| By type  | 2020<br>NOK'000   | 2019<br>NOK'000   |
|--|-------------------|-------------------|
| Revenue from sale of goods-external                                  | 26,951,488        | 25,704,224        |
| Revenue from sale of goods-entities controlled by ChemChina (note a) | 433,896           | 367,832           |
| Other operating revenue-external                                     | 327,952           | 380,706           |
| Other operating revenue-entities controlled by ChemChina (note a)    | 5,996             | 6,746             |
| Total revenue from contracts with customers                          | 27,719,332        | 26,459,508        |
| Other operating income   | 674,582           | 1,304,348         |
| Share of profit from equity accounted companies                      | 34,625            | 30,525            |
| <b>Total operating income</b>  | <b>28,428,539</b> | <b>27,794,381</b> |

(a) See note 28 Related party transactions.



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

## 4 Operating income (continued)

| Total revenue from contracts with customers by geographic market (customer location) | 2020<br>NOK'000   | 2019<br>NOK'000   |
|--|-------------------|-------------------|
| <i>Nordic countries</i>  | 1,561,022         | 1,381,703         |
| <i>United Kingdom</i>  | 810,858           | 796,250           |
| <i>Germany</i>   | 2,481,328         | 2,599,695         |
| <i>France</i>  | 610,307           | 621,263           |
| <i>Italy</i>   | 934,894           | 857,011           |
| <i>Poland</i>  | 459,556           | 572,779           |
| <i>Luxembourg</i>  | 15,391            | 44,147            |
| <i>Spain</i>   | 566,333           | 580,630           |
| <i>Other European countries</i>  | 2,305,314         | 2,249,032         |
| <b>Europe</b>  | <b>9,745,003</b>  | <b>9,702,510</b>  |
| <b>Africa</b>  | <b>160,237</b>    | <b>206,910</b>    |
| North America  | 5,607,976         | 5,514,119         |
| South America  | 1,085,005         | 1,070,324         |
| <b>America</b>   | <b>6,692,981</b>  | <b>6,584,443</b>  |
| <i>China</i>   | 7,372,859         | 6,179,579         |
| <i>Japan</i>   | 1,128,847         | 978,131           |
| <i>South Korea</i>   | 400,496           | 366,690           |
| <i>Other Asian countries</i>   | 2,098,160         | 2,183,393         |
| <b>Asia</b>  | <b>11,000,362</b> | <b>9,707,793</b>  |
| <b>Rest of the world</b>   | <b>340,921</b>    | <b>323,677</b>    |
| Realised hedging effects (note 26)   | (220,172)         | (65,825)          |
| <b>Total</b>   | <b>27,719,332</b> | <b>26,459,508</b> |

The Group has several smaller and larger external customers, no single customer amounts to 10 per cent or more of the total operating income.

| Details of other operating income: | 2020<br>NOK'000 | 2019<br>NOK'000  |
|------------------------------------|-----------------|------------------|
| Gain on sale of fixed assets       | 1,244           | 869,366          |
| Insurance settlement               | 45,890          | 19,682           |
| Grants (note 29)                   | 602,620         | 380,235          |
| Other                              | 24,828          | 35,065           |
| <b>Other operating income</b>      | <b>674,582</b>  | <b>1,304,348</b> |



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

## 5 Employee benefit expenses

|   | 2020<br>NOK'000    | 2019<br>NOK'000    |
|---|--------------------|--------------------|
| Salaries, holiday pay and variable compensation                 | (3,607,489)        | (3,540,962)        |
| Employer's national insurance contributions/social security tax | (686,258)          | (639,968)          |
| Pension expenses (note 6)                                       | (164,600)          | (160,251)          |
| Share-based payment (note 7)                                    | (28,849)           | (25,145)           |
| Other payments/benefits   | (127,269)          | (103,550)          |
| <b>Total salaries and other benefits</b>                        | <b>(4,614,465)</b> | <b>(4,469,876)</b> |

There are no loans or payments to board members.

## 6 Employee benefit obligations

|                                      | <u>NON-CURRENT</u> |                 | <u>CURRENT</u>  |                 |
|--------------------------------------|--------------------|-----------------|-----------------|-----------------|
|                                      | 2020<br>NOK'000    | 2019<br>NOK'000 | 2020<br>NOK'000 | 2019<br>NOK'000 |
| Pension contribution fund            | 2,847              | 2,657           | 2,821           | 2,050           |
| Employee prepayments etc.            | -                  | -               | 10,109          | 8,816           |
| <b>Total employee benefit assets</b> | <b>2,847</b>       | <b>2,657</b>    | <b>12,930</b>   | <b>10,866</b>   |

  

|   | <u>NON-CURRENT</u> |                 | <u>CURRENT</u>  |                 |
|---|--------------------|-----------------|-----------------|-----------------|
|   | 2020<br>NOK'000    | 2019<br>NOK'000 | 2020<br>NOK'000 | 2019<br>NOK'000 |
| Salaries, holiday pay and variable compensation | -                  | -               | 590,274         | 617,350         |
| Social security tax/contributions               | -                  | -               | 187,846         | 164,969         |
| Pension plans                                   | 557,827            | 478,076         | -               | -               |
| Other benefit plans                             | 124,946            | 110,126         | 33,170          | 27,152          |
| <b>Total employee benefit obligation</b>        | <b>682,773</b>     | <b>588,202</b>  | <b>811,290</b>  | <b>809,471</b>  |

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



## 6 Employee benefit obligations (continued)

### *Defined contribution plans*

Defined contribution plans comprise arrangements whereby the company makes annual contributions to the employee's pension plan, and where the employee's future pension is determined by the amount of the contributions and the return on the individual pension plan asset. Defined contribution plans are the main pensions plan for Group's Norwegian entities, where the contribution to each individual pension plan is 5% of annual salary up to 7.1G and 15% of annual salary between 7.1-12G. 1G refers to the Norwegian national insurance scheme's basic amount, which is NOK 101,351 as at 1 May 2020. Pension on salary above 12G is not supported by external service providers and is therefore handled as a separate plan and included under defined benefit plans.

In addition, a Norwegian multi-employer early retirement scheme called AFP, where sufficient information to calculate each participant's pension obligation is not available, is accounted for as it is a defined contribution plan in accordance with the Ministry of Finance's conclusion. The participants in the pension plan are jointly responsible for 2/3 of the plan's pension obligation, the government is responsible for the remaining part. The yearly pension premium in 2020 is 2.5% of the employees' salary between 1 and 7.1G, covering this year's pension payments and contribution to a security fund for future pension obligations. The premium for 2021 in per cent of salary will be equal to previous year.

### *Defined benefit plans*

Defined benefit plans are pension plans where the Group is responsible for paying pensions at a certain level, based on employees' salaries when retiring. The Group has funded and unfunded benefit plans in Norway, France, Germany, UK, Canada, Japan and South Africa, distributed as follows: Norway 17%, France 44%, other Europe 19%, Canada 18%, other countries 2%, based on net pension obligation per 31 December 2020. In Canada provisions are also made for medical insurance as well as pension benefit plans.

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

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



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

## 6 Employee benefit obligations (continued)

| Breakdown of net retirement benefits               | 2020<br>NOK'000  | 2019<br>NOK'000  |
|--|------------------|------------------|
| Current service cost                               | (33,615)         | (41,875)         |
| Accrued employer's national insurance contribution | (466)            | (672)            |
| General administration expenses                    | (791)            | (1,025)          |
| Curtailment/settlement of pension plans            | -                | 1,530            |
| <b>Net pension expenses, defined benefit plans</b> | <b>(34,872)</b>  | <b>(42,042)</b>  |
| Defined contribution plans                         | (113,090)        | (100,640)        |
| Early retirement scheme AFP (Norway)               | (16,638)         | (17,569)         |
| <b>Pension expenses total</b>                      | <b>(164,600)</b> | <b>(160,251)</b> |

In addition, interest expenses on net pension liabilities is recognised as a part of finance expenses is NOK 7,284,000 (NOK 10,072,000).

| Net liabilities arising from defined benefit obligations | 2020<br>NOK'000  | 2019<br>NOK'000  |
|--|------------------|------------------|
| Present value of funded pension obligation               | (509,607)        | (454,723)        |
| Fair value of plan assets                                | 460,047          | 433,625          |
| <b>Net funded pension obligation</b>                     | <b>(49,560)</b>  | <b>(21,098)</b>  |
| Present value of unfunded pension obligation             | (508,267)        | (456,978)        |
| <b>Net value of funded and unfunded obligations</b>      | <b>(557,827)</b> | <b>(478,076)</b> |
| <b>Net pension liabilities</b>                           | <b>(557,827)</b> | <b>(478,076)</b> |



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

## 6 Employee benefit obligations (continued)

Movement in the present value of the defined benefit obligations and plan assets

| Movement in defined benefit obligations          | 2020<br>NOK'000    | 2019<br>NOK'000  |
|--|--------------------|------------------|
| Opening balance                                  | (911,701)          | (804,692)        |
| Current service cost and social contribution tax | (34,081)           | (42,547)         |
| Interest expenses                                | (19,561)           | (24,504)         |
| Actuarial losses                                 | (77,256)           | (65,717)         |
| Benefits paid                                    | 38,140             | 32,729           |
| Curtailments/settlements                         | -                  | 1,588            |
| Other changes                                    | 2,069              | (982)            |
| Currency translation                             | (15,484)           | (7,576)          |
| <b>Pension obligations as of 31 December</b>     | <b>(1,017,874)</b> | <b>(911,701)</b> |

| Movement in fair value of plan assets              | 2020<br>NOK'000 | 2019<br>NOK'000 |
|--|-----------------|-----------------|
| Opening balance                                    | 433,625         | 366,867         |
| Interest income                                    | 12,277          | 14,432          |
| Administration cost                                | (791)           | (1,025)         |
| Actuarial losses                                   | 22,709          | 40,064          |
| Contributions from employer                        | 13,819          | 14,139          |
| Benefits paid                                      | (18,797)        | (21,159)        |
| Other changes                                      | (131)           | (153)           |
| Currency translation                               | (2,664)         | 20,460          |
| <b>Fair value of plan assets as of 31 December</b> | <b>460,047</b>  | <b>433,625</b>  |

| Breakdown of defined pension plan assets (fair value) as of 31 December | Distribution %<br>2020<br>NOK'000                  | Fair value of<br>plan assets<br>2020<br>NOK'000 | Distribution %<br>2019<br>NOK'000 | Fair value of<br>plan assets<br>2019<br>NOK'000 |
|---|--|---|-----------------------------------|---|
|   | Cash, cash equivalent and money market investments | 13%   | 58,447                            | 1%  |
| Bonds   | 13%  | 59,835  | 14%                               | 55,514  |
| Shares  | 31%  | 141,533   | 28%                               | 123,559   |
| Property  | 1%   | 5,116   | 1%                                | 5,149   |
| Other plan assets (note a)  | 42%  | 195,116   | 56%                               | 245,405   |
| <b>Total pension assets</b>   | <b>100%</b>  | <b>460,047</b>                                  | <b>100%</b>                       | <b>433,625</b>                                  |

(a) Includes insurance contracts (Buy in policies and Annuity insured contracts).



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

## 6 Employee benefit obligations (continued)

|                                    | 2020 |         | 2019  |         |
|------------------------------------|------|---------|-------|---------|
|                                    | %    | NOK'000 | %     | NOK'000 |
| Actual return on plan assets %/NOK | 8.1% | 34,986  | 14.9% | 54,495  |

In addition, some Norwegian entities have pension contribution funds, mainly based on excess pension assets from settlement of the defined benefit plans in 2010. The pension contribution funds are classified as non-current pension funds, except next year's expected contributions which are classified as current (see note 20 Other current assets).

### Summary of pension liabilities and remeasurement effects:

Principal assumptions used for valuation of net defined pension liabilities in 2020 (2019)

|                                    | Norway      | France      | Canada      | Germany     | UK          |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Discount rate                      | 1.4% (2.0%) | 0.5% (0.5%) | 2.5% (3.1%) | 0.8% (0.8%) | 1.3% (2.0%) |
| Expected rate of salary increase   | -           | 2.1% (2.1%) | 3.5% (3.5%) | 3.0% (3.0%) | -           |
| Annual regulation of pensions paid | 1.3% (1.5%) | -           | -           | 2.0% (2.0%) | -           |

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

### Sensitivity on pension liabilities based on changes in main actuarial assumptions:

The defined benefit pension schemes expose the Group to actuarial risks such as investment risk, interest rate risk, salary growth risk, mortality risk and longevity risk.

A decrease in corporate bond yields, a rise in inflation or an increase in life expectancy would result in an increase to plan liabilities.

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

The calculations are based on a change in one assumption while holding all other assumptions constant. Negative amounts show an expected decrease in the net pension liability.

| Assumption   | Discount rate  |               | Life expectancy |                 | Salary growth |               |
|--|--|---------------|-----------------|-----------------|---------------|---------------|
|  | 0.5% increase  | 0.5% decrease | 1 year increase | 1 year decrease | 0.5% increase | 0.5% decrease |
|  | 2020: Effect on the pension liability in NOK million | (62)          | 76              | 27              | (28)          | 28            |
| 2019: Effect on the pension liability in NOK million | (56)   | 62            | 25              | (21)            | 21            | (22)          |

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

|   | Norway  | France   | Canada   | Germany  | UK       |
|---|---------|----------|----------|----------|----------|
| Contribution to be paid to defined pension plans next year in NOK million | 6       | 15       | 15       | 3        | 4        |
| Weighted average duration of the defined benefit obligation               | 6 years | 14 years | 18 years | 14 years | 14 years |



## 7 Share-based payment

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

Social security contributions payable in connection with an option grant are considered an integral part of the grant itself and the charges are treated as cash-settled transactions.

Estimating fair value for share based payment transactions requires determination of the most appropriate valuation model and inputs to the valuation model. The fair value of the options has been calculated using Black & Scholes option-pricing model, that takes into account the exercise price, the term of the option, the share price at the grant date, expected price volatility of the underlying share, expected dividend and risk-free interest. It is assumed that the employees will exercise the options in average 1.03 years after exercisable date. The expected volatility is on average of 46% for the 2020 programme and 35.83% for 2019 and 31.43% for 2018, is based on historical volatility for Elkem ASA and a selection of comparable listed companies. The risk-free interest rate is set equal to the interest on Norwegian government bonds with same maturity as the option, 0.11% on the 2020 program and 1.26% on the 2019 program.

The annual general meeting of Elkem ASA resolved in 2018 to establish a long-term share incentive scheme for members of the management and certain other key employees. On 19 September 2018 a total of 7,850,000 options were granted to 40 employees at an exercise price of NOK 38.52. On 29 July 2019, a total of 8,000,000 options were granted to 42 employees at an exercise price of NOK 23.53. On 29 July 2020 a total of 8,000,000 options were granted to 44 employees at an exercise price of NOK 19.10. On 11 February 2021 a number of 1,675,000 options related to the 2019 programme was exercised. Each option gives the holder the right to subscribe or purchase one share in Elkem ASA. The options will vest over a period of three years from grant date with one-third vesting each year. The options will expire two years after vesting. No option holder may in any calendar year realise a total gain on exercise of options which is in excess of the two times the option holder's base salary in the same calendar year, provided however that the maximum gain for Elkem's CEO shall be four times the CEO's base salary.



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

## 7 Share-based payment (continued)

Expenses recognised in employee benefit expenses:

|  | 2020<br>NOK'000 | 2019<br>NOK'000 |
|--|-----------------|-----------------|
| Share-based payment                            | 28,849          | 24,995          |
| Social security contribution                   | 7,019           | 150             |
| Total expenses related to share-based payments | <u>35,868</u>   | <u>25,145</u>   |

Overview of outstanding options:

|  | 2020<br>NOK'000   | 2019<br>NOK'000   |
|--|-------------------|-------------------|
| Outstanding options 1 January  | 14,767,000        | 7,850,000         |
| Options granted  | 8,000,000         | 8,000,000         |
| Options forfeited  | -                 | (1,083,000)       |
| Outstanding options 31 December  | <u>22,767,000</u> | <u>14,767,000</u> |
| Of which exercisable   | 7,417,000         | 2,567,000         |
| Average share price at grant date (NOK per share)                          | 26.76             | 30.91             |
| Weighted average remaining contractual life of outstanding options (years) | 2.64              | 3.14              |

## 8 Other operating expenses

|   | 2020<br>NOK'000    | 2019<br>NOK'000    |
|---|--------------------|--------------------|
| Loss on disposal of fixed assets                          | (24,278)           | (9,887)            |
| Freight and commission expenses                           | (1,563,700)        | (1,391,702)        |
| Leasing short-term and low value contracts                | (80,247)           | (99,409)           |
| Machinery, equipment, spare parts and operating materials | (1,470,083)        | (1,370,126)        |
| External services   | (2,070,749)        | (1,895,228)        |
| Insurance expenses  | (120,678)          | (100,853)          |
| Impairment (losses)/reversal of receivables               | (15,721)           | 19,541             |
| Other expenses (note a)                                   | (415,149)          | (910,169)          |
| Total other operating expenses                            | <u>(5,760,605)</u> | <u>(5,757,833)</u> |

(a) Including change in direct costs on inventory.



## 8 Other operating expenses (continued)

During 2020, the Group expensed NOK 634 million (NOK 629 million) as research and development related to processes, products and business development, including technical customer support and improvement projects. In addition, the Group capitalised development expenses of NOK 162 million (NOK 74 million).

Grants recognised relating to research and development amount to NOK 136 million (NOK 143 million) are recognised in other operating income, and in addition NOK 5 million (NOK 9 million) is recognised as a reduction of intangible assets.

## 9 Other items

|  | 2020<br>NOK'000 | 2019<br>NOK'000 |
|--|-----------------|-----------------|
| Change in fair value of commodity contracts (note 26) (note a)       | (138,977)       | 286,515         |
| Embedded EUR derivatives power contracts, interest element (note 26) | 233,909         | (25,372)        |
| Ineffectiveness on cash flow hedges (note 26)                        | (11,614)        | (13,033)        |
| Net foreign exchange gains-forward currency contracts                | 49,279          | 22,569          |
| Operating foreign exchange losses                                    | (83,472)        | (44,891)        |
| Other gains  | 49,125          | 225,788         |
| Dividend from interest in other companies                            | 1,166           | 1,269           |
| Change in fair value from shares in other companies                  | 431             | 1,226           |
| Gains on disposal of subsidiaries                                    | -               | 106             |
| Other income   | 1,597           | 2,601           |
| Restructuring expenses of Elkem ASA (note b)                         | (158,210)       | -               |
| Others (note c)  | (14,746)        | (13,541)        |
| Other expenses   | (172,956)       | (13,541)        |
| Total other items  | (122,234)       | 214,848         |

- (a) Mainly fair value changes of the 30-øringen power contract, see note 26 Financial instruments. Due to changes in the price structure of the 30-øringen contract from 2021, the contract is designated as a hedging instrument from 1 January 2021. This mean that fair value changes from 1 January 2021 is recognised as raw materials and energy for production in statement of profit or loss in the same period(s) as the hedged objects affects the profit or loss.
- (b) Elkem ASA launched a group wide productivity improvement programme in Q1 2020. The amount includes restructuring and direct related productivity improvement expenses.
- (c) Mainly related to provisions for environmental measurements and business projects/acquisitions.



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

## 10 Finance income and expenses

|  | 2020<br>NOK'000    | 2019<br>NOK'000  |
|--|--------------------|------------------|
| Interest income on loans and receivable  | 30,596             | 54,406           |
| Other financial income   | 4,324              | 1,610            |
| <b>Total finance income</b>  | <b>34,920</b>      | <b>56,016</b>    |
| Interest expenses on interest-bearing liabilities<br>measured at amortised cost  | (457,710)          | (517,697)        |
| Unwinding of discounted liabilities  | (9,933)            | (4,782)          |
| Capitalised interest expenses  | 4,217              | -                |
| Interest expenses on lease liabilities (note 13)                                 | (246,762)          | (242,521)        |
| Interest expenses on net pension liabilities (note 6)                            | (7,284)            | (10,072)         |
| Interest expenses from other financial liabilities<br>measured at amortised cost | (22,430)           | (24,853)         |
| Other financial expenses   | (4,415)            | (18,199)         |
| <b>Total finance expenses</b>  | <b>(744,317)</b>   | <b>(818,124)</b> |
| Net foreign currency exchange (loss)/gain on financing<br>activities             | (731,115)          | 125,244          |
| <b>Finance expenses net</b>  | <b>(1,440,512)</b> | <b>(636,864)</b> |

## 11 Tax

| <i>Income tax recognised in profit or loss</i>                 | 2020<br>NOK'000  | 2019<br>NOK'000  |
|--|------------------|------------------|
| Loss before income tax   | (1,286,554)      | (298,396)        |
| Current taxes  | (308,234)        | (206,107)        |
| Deferred taxes   | (56,503)         | (44,761)         |
| <b>Total tax expense</b>                                       | <b>(364,737)</b> | <b>(250,868)</b> |
| Income taxes recognised in other comprehensive<br>income (OCI) |                  |                  |
| Remeasurements of post-employment benefit<br>obligation        | 12,585           | 2,825            |
| Hedging of net investment in foreign operations                | 36,907           | (5,295)          |
| Cash flow hedges   | 32,620           | 44,678           |
| <b>Total tax charged to OCI</b>                                | <b>82,112</b>    | <b>42,208</b>    |



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

## 11 Tax (continued)

|   | 2020<br>NOK'000    | 2019<br>NOK'000  |
|---|--------------------|------------------|
| Reconciliation of tax expense   |                    |                  |
| Loss before income tax  | <u>(1,286,554)</u> | <u>(298,396)</u> |
| Expected income taxes, 16.5 per cent of loss before tax                   | 212,281            | 49,235           |
| Tax effects of:   |                    |                  |
| Difference in tax rates for each individual jurisdiction                  | 8,191              | (23,463)         |
| Preferential tax rates  | 40,869             | 49,658           |
| Tax effect of income from Norwegian controlled foreign companies          | (6,974)            | (8,818)          |
| Tax effect of share of loss associates and joint ventures                 | 4,535              | (1,507)          |
| Tax effect of finance expenses of holding companies (note a)              | (137,914)          | (17,343)         |
| Tax effects of other permanent differences of expenses                    | (88,985)           | (40,303)         |
| Other effects:  |                    |                  |
| Tax effects of other permanent difference of income                       | 43,514             | 48,589           |
| Tax effect of changes in not capitalised deferred tax assets in this year | (263,433)          | (139,623)        |
| Tax credits (note b)  | (118,872)          | (132,402)        |
| Other current tax paid  | (45,906)           | (38,593)         |
| Previous year tax adjustment  | <u>(12,045)</u>    | <u>4,483</u>     |
| Tax expense for the year  | <u>(364,737)</u>   | <u>(250,087)</u> |
| Effective tax rate  | -28%               | -84%             |

(a) BEI group has companies in Hong Kong and Luxembourg, the only purpose of which is to own shares in group entities. BEI group does not have taxable income from other activities that can be utilised against taxable loss from finance and operating cost in these entities.

(b) The main effect relates to the subsidiary REC Solar in Singapore that has tax immunity until 2023.

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



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

## 11 Tax (continued)

### Deferred tax assets and deferred tax liabilities

|  | 31 December<br>2020<br>NOK'000 | 31 December<br>2019<br>NOK'000 |
|--|--------------------------------|--------------------------------|
| Cash flow hedges recognised in other comprehensive income      | 34,750                         | 33,473                         |
| Property, plant, equipment and intangible assets               | (771,502)                      | (507,905)                      |
| Pension liabilities  | 147,603                        | 126,297                        |
| Other differences  | 62,466                         | (53,657)                       |
| Accounts receivables   | 21,949                         | 15,006                         |
| Inventories  | (1,039)                        | (10,453)                       |
| Provisions   | 56,421                         | 49,837                         |
| Debt forgiveness (note a)                                      | 169,139                        | 198,290                        |
| Tax losses to carry forward                                    | 1,790,590                      | 1,491,738                      |
| Deferred tax (liabilities)/assets                              | 1,510,377                      | 1,342,626                      |
| Not capitalised deferred tax asset to tax losses carry forward | (1,457,112)                    | (1,175,068)                    |
| Not capitalised debt forgiveness                               | (169,139)                      | (198,290)                      |
| Not capitalised deferred tax asset, others                     | (196,909)                      | (235,922)                      |
| Net deferred tax assets recognised/(liabilities)               | <u>(312,783)</u>               | <u>(266,654)</u>               |

(a) See section "other tax related matters" below.

| <i>Change in net deferred tax assets/(liabilities)</i> | 2020<br>NOK'000  | 2019<br>NOK'000  |
|--|------------------|------------------|
| 1 January  | (266,654)        | (250,509)        |
| Recognised in profit or loss for the year              | (56,503)         | (44,761)         |
| Effect of business combination                         | (81,138)         | (11,809)         |
| Recognised in other comprehensive income               | 82,112           | 42,208           |
| Foreign currency exchange differences                  | 9,400            | (1,783)          |
| 31 December  | <u>(312,783)</u> | <u>(266,654)</u> |

| <i>Deferred taxes</i>                 | 2020<br>NOK'000  | 2019<br>NOK'000  |
|---------------------------------------|------------------|------------------|
| Deferred tax assets                   | 97,252           | 66,778           |
| Deferred tax liabilities              | <u>(410,035)</u> | <u>(333,432)</u> |
| Net deferred tax assets/(liabilities) | <u>(312,783)</u> | <u>(266,654)</u> |



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

## 11 Tax (continued)

|   | <i>Gross tax losses to carry forward</i><br>NOK'000 | <i>Net tax losses to carry forward</i><br>NOK'000 | <i>Not recognised tax losses</i><br>NOK'000 | <i>Recognised deferred tax losses to carry forward</i><br>NOK'000 |
|---|---|---|---|---|
| <b>2020 Tax losses to carry forward</b> |   |   |   |   |
| Norway                                  | 4,215,014   | 969,453   | (757,898)                                   | 211,555   |
| France                                  | 1,701,542   | 553,438   | (462,273)                                   | 91,165  |
| China                                   | 637,182   | 138,358   | (138,358)                                   | -   |
| Brazil                                  | 180,626   | 61,413  | (61,413)                                    | -   |
| Paraguay                                | 258,721   | 25,871  | (25,871)                                    | -   |
| Malaysia                                | 40,831  | 9,799   | (9,799)                                     | -   |
| USA                                     | 33,423  | 7,018   | -   | 7,018   |
| UK                                      | 10,254  | 1,743   | -   | 1,743   |
| Mexico                                  | 1,850   | 555   | -   | 555   |
| Iceland                                 | 105,409   | 21,082  | -   | 21,082  |
| India                                   | 7,391   | 1,860   | (1,500)                                     | 360   |
| Total related to loss carry forward     | <u>7,192,243</u>                                    | <u>1,790,590</u>                                  | <u>(1,457,112)</u>                          | <u>333,478</u>  |
|   |   |   |   |   |
| <b>2019 Tax losses to carry forward</b> |   |   |   |   |
| Norway                                  | 3,879,124   | 892,200   | (697,504)                                   | 194,696   |
| France                                  | 1,272,794   | 409,793   | (295,117)                                   | 114,676   |
| China                                   | 325,458   | 81,364  | (81,364)                                    | -   |
| Brazil                                  | 225,750   | 76,755  | (76,755)                                    | -   |
| Paraguay                                | 176,249   | 17,625  | (17,625)                                    | -   |
| Malaysia                                | 36,025  | 8,646   | (6,665)                                     | 1,981   |
| USA                                     | 5,532   | 1,162   | -   | 1,162   |
| UK                                      | 18,353  | 3,373   | -   | 3,373   |
| Mexico                                  | 1,732   | 520   | -   | -   |
| Iceland                                 | 1,502   | 300   | -   | -   |
| Total related to loss carry forward     | <u>5,942,519</u>                                    | <u>1,491,738</u>                                  | <u>(1,175,030)</u>                          | <u>315,888</u>  |

The major part of the taxable loss can be carry forward for an unlimited period.

### **Pending tax issues with tax authorities**

The Norwegian Tax Office has in February 2021 decided to increase Elkem ASA's taxable income for the fiscal years 2016-2019 by in total NOK 781 million, which will increase the income tax expenses by NOK 181 million. The amount will become payable in first quarter of 2021. The reassessments relate to loan arrangements/debt forgiveness (waiver) agreements acquired by Elkem ASA in 2016 through the cross-border parent-subsidiary merger with Bluestar Silicones International Sarl. The Group is of the opinion that the reassessment is unfounded and will appeal. Based on legal advice, The Group's assessment is that the defense against the action will be successful, and no provision for increased income tax expenses have been made in the 2020 consolidated financial statements.



## 11 Tax (continued)

### Other tax related matters

Elkem Silicones France SAS has four Elkem internal debt-forgiveness agreements where internal loans were converted to equity and the converted amounts were treated as taxable income. Elkem Silicones France SAS can only utilise the agreements to the extent that the company has an accounting profit according to HKFRS. All debt that is repaid under the agreements can be deducted against taxable income. Nominal value of the agreements as of 31 December 2020 are NOK 595 million (NOK 595 million) corresponding to EUR 64 million (EUR 64 million). Elkem Silicones France SAS has repaid NOK 0 million (NOK 49 million) that gives a tax credit of NOK 0 million (NOK 16 million). The amount is included in tax effect of changes in not recognised deferred tax assets in the reconciliation of income tax (expense) benefit above.

|                                 |                 |                 |                 |                 |                  |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|------------------|
| 2020 Debt forgiveness           | 2010<br>NOK'000 | 2012<br>NOK'000 | 2013<br>NOK'000 | 2014<br>NOK'000 | Total<br>NOK'000 |
| Gross value of debt forgiveness | 54,104          | 185,637         | 148,510         | 206,679         | 594,930          |
| Usage 2020                      | -               | -               | -               | -               | -                |
| Total debt that can be reversed | <u>54,104</u>   | <u>185,637</u>  | <u>148,510</u>  | <u>206,679</u>  | <u>594,930</u>   |
| Deferred tax not recognised     | <u>15,382</u>   | <u>52,777</u>   | <u>42,221</u>   | <u>58,759</u>   | <u>169,139</u>   |
| The agreement expire in         | 5 years         | 7 years         | 8 years         | 9 years         |                  |
| 2019 Debt forgiveness           | 2010<br>NOK'000 | 2012<br>NOK'000 | 2013<br>NOK'000 | 2014<br>NOK'000 | Total<br>NOK'000 |
| Gross value of debt forgiveness | 103,000         | 185,637         | 148,510         | 206,679         | 643,826          |
| Usage 2019                      | (48,896)        | -               | -               | -               | (48,896)         |
| Total debt that can be reversed | <u>54,104</u>   | <u>185,637</u>  | <u>148,510</u>  | <u>206,679</u>  | <u>594,930</u>   |
| Deferred tax not recognised     | <u>18,033</u>   | <u>61,873</u>   | <u>49,498</u>   | <u>68,886</u>   | <u>198,290</u>   |
| The agreement expire in         | 6 years         | 8 years         | 9 years         | 10 years        |                  |



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

## 12 Property, plant, equipment

| 2020                                     | Land<br>NOK'000 | Buildings and<br>other<br>property<br>NOK'000 | Machinery<br>and plants<br>NOK'000 | Equipment,<br>furniture and<br>transport<br>vehicles<br>NOK'000 | Construction<br>in progress<br>NOK'000 | Total<br>NOK'000 |
|--|-----------------|---|------------------------------------|---|--|------------------|
| Opening Balance Net Booked Value<br>2020 | 166,971         | 5,692,924                                     | 9,678,628                          | 181,810   | 1,780,426                              | 17,500,759       |
| Additions                                | 363             | 21,406  | 745,045                            | 4,073   | 2,156,624                              | 2,927,511        |
| Disposals                                | -               | (2,057)                                       | (33,347)                           | (1,281)   | (2,997)                                | (39,682)         |
| Business combination (note 31)           | -               | 114,156                                       | 48,708                             | 262   | -                                      | 163,126          |
| Other reclassification                   | (210)           | 2,494   | (19,557)                           | 17,727  | (21,283)                               | (20,829)         |
| Transferred from CiP                     | -               | 410,841                                       | 1,427,472                          | 41,461  | (1,879,774)                            | -                |
| Impairment losses                        | -               | (1,874)                                       | (15,718)                           | -   | (384)                                  | (17,976)         |
| Depreciation expenses                    | -               | (353,552)                                     | (1,687,262)                        | (42,538)  | -                                      | (2,083,352)      |
| Foreign currency exchange<br>differences | 5,088           | 71,162  | 31,447                             | (1,381)   | 35,032                                 | 141,348          |
| Closing balance Net Booked Value<br>2020 | 172,212         | 5,955,500                                     | 10,175,416                         | 200,133   | 2,067,644                              | 18,570,905       |
| Historical cost                          | 183,521         | 8,917,107                                     | 23,850,016                         | 436,132   | 2,093,855                              | 35,480,631       |
| Accumulated depreciation                 | -               | (2,300,019)                                   | (11,371,413)                       | (235,832)   | -                                      | (13,907,264)     |
| Accumulated impairment losses            | (11,309)        | (661,588)                                     | (2,303,187)                        | (167)   | (26,211)                               | (3,002,462)      |
| Closing balance Net Booked Value<br>2020 | 172,212         | 5,955,500                                     | 10,175,416                         | 200,133   | 2,067,644                              | 18,570,905       |
| Estimated useful life                    | 0-50 years      | 5-50 years                                    | 3-50 years                         | 3-20 years  |  |                  |
| Depreciation plan                        | Straight-line   | Straight-line                                 | Straight-line                      | Straight-line   |  |                  |

Depreciations start when the asset is ready for its intended use. Land is not depreciated.

| 2019  | Land<br>NOK'000 | Buildings and<br>other<br>property<br>NOK'000 | Machinery<br>and plants<br>NOK'000 | Equipment,<br>furniture and<br>transport<br>vehicles<br>NOK'000 | Construction<br>in progress<br>NOK'000 | Total<br>NOK'000 |
|---|-----------------|---|------------------------------------|---|--|------------------|
| Opening Balance Net Booked Value<br>2019        | 136,934         | 6,386,607                                     | 9,568,417                          | 149,908   | 1,742,481                              | 17,984,347       |
| Additions                                       | 1,821           | 22,831  | 139,126                            | 5,301   | 2,820,645                              | 2,989,724        |
| Disposals                                       | (1,415)         | (810,251)                                     | (66,185)                           | (4,241)   | (8,379)                                | (890,471)        |
| Business combination (note 31)                  | 29,638          | 31,586  | 7,866                              | 1,097   | -                                      | 70,187           |
| Reclassification due to adoption of<br>HKFRS 16 | -               | -   | (170,013)                          | -   | -                                      | (170,013)        |
| Other reclassification                          | -               | -   | 3,370                              | 890   | (48,029)                               | (43,769)         |
| Transferred from CiP                            | 328             | 437,830                                       | 2,223,178                          | 60,774  | (2,722,110)                            | -                |
| Impairment losses (note)                        | (408)           | (63,776)                                      | (524,007)                          | (73)  | (686)                                  | (588,950)        |
| Depreciation expenses                           | -               | (320,232)                                     | (1,514,893)                        | (34,653)  | -                                      | (1,869,778)      |
| Foreign currency exchange<br>differences        | 73              | 8,329   | 11,769                             | 2,807   | (3,496)                                | 19,482           |
| Closing balance Net Booked Value<br>2019        | 166,971         | 5,692,924                                     | 9,678,628                          | 181,810   | 1,780,426                              | 17,500,759       |
| Historical cost                                 | 177,638         | 8,062,248                                     | 22,204,835                         | 392,543   | 1,855,246                              | 32,692,510       |
| Accumulated depreciation                        | -               | (1,938,865)                                   | (9,995,110)                        | (210,544)   | -                                      | (12,144,519)     |
| Accumulated impairment losses                   | (10,667)        | (430,459)                                     | (2,531,097)                        | (189)   | (74,820)                               | (3,047,232)      |
| Closing balance Net Booked Value<br>2019        | 166,971         | 5,692,924                                     | 9,678,628                          | 181,810   | 1,780,426                              | 17,500,759       |
| Estimated useful life                           | 0-50 years      | 5-50 years                                    | 3-50 years                         | 3-20 years  |  |                  |
| Depreciation plan                               | Straight-line   | Straight-line                                 | Straight-line                      | Straight-line   |  |                  |

Note: The impairment losses were mainly incurred by REC Group. Due to excess in multi wafer capacity as demand rapidly shifting to mono and high operation costs, the management of REC Group decided to cease the multi wafer production and outsourced the production to external suppliers in Singapore in 2019. The management assessed the recoverable amounts of the machinery and equipment related to wafer production and recognized the impairment loss accordingly.



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

## 13 Right of use assets

| 2020                            | Land, Plant,<br>buildings and<br>other property<br>NOK'000 | Machinery,<br>equipment and<br>motor vehicles<br>NOK'000 | Office and<br>other<br>equipment<br>NOK'000 | Total<br>NOK'000 |
|---------------------------------|--|--|---|------------------|
| <b>Cost</b>                     |  |  |   |                  |
| Opening balance                 | 1,411,269  | 385,331  | 13,402                                      | 1,810,002        |
| Additions                       | 330,843  | 47,062   | 2,232                                       | 380,137          |
| Business combinations (note 31) | 51,534   | -  | -   | 51,534           |
| Reclassification (note)         | -  | (265,216)  | -   | (265,216)        |
| Disposals                       | (27,391)   | (16,652)   | (586)                                       | (44,629)         |
| Exchange differences            | (20,452)   | 23,853   | 25  | 3,426            |
| <b>Closing balance</b>          | <b>1,745,803</b>   | <b>174,378</b>   | <b>15,073</b>                               | <b>1,935,254</b> |
| <b>Accumulated depreciation</b> |  |  |   |                  |
| Opening balance                 | (145,488)  | (153,433)  | (3,615)                                     | (302,536)        |
| Additions                       | (131,088)  | (69,311)   | (4,038)                                     | (204,437)        |
| Reclassification                | (1,218)  | 104,368  | -   | 103,150          |
| Disposals                       | 14,277   | 61,476   | 586   | 76,339           |
| Exchange differences            | 8,221  | (8,324)  | 192   | 89               |
| <b>Closing balance</b>          | <b>(255,296)</b>   | <b>(65,224)</b>  | <b>(6,875)</b>                              | <b>(327,395)</b> |
| <b>Impairment losses</b>        |  |  |   |                  |
| Opening balance                 | -  | (2,202)  | -   | (2,202)          |
| Reclassification                | -  | 2,360  | -   | 2,360            |
| Disposals                       | -  | -  | -   | -                |
| Exchange differences            | -  | (158)  | -   | (158)            |
| <b>Closing balance</b>          | <b>-</b>   | <b>-</b>   | <b>-</b>                                    | <b>-</b>         |
| <b>Net book value</b>           | <b>1,490,507</b>   | <b>109,154</b>   | <b>8,198</b>                                | <b>1,607,859</b> |
| Estimated useful life           | 1-50 years   | 1-10 years   | 1-5 years                                   |                  |
| Depreciation plan               | Straight-line  | Straight-line  | Straight-line                               |                  |

Note: The Group transferred machinery and equipment under hire purchase agreements from right-of-use assets to own assets at the end of lease term.



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

### 13 Right of use assets (continued)

| 2019   | Land, Plant,<br>buildings and<br>other property<br>NOK'000 | Machinery,<br>equipment and<br>motor vehicles<br>NOK'000 | Office and<br>other<br>equipment<br>NOK'000 | Total<br>NOK'000 |
|--|--|--|---|------------------|
| <b>Cost</b>                                  |  |  |   |                  |
| Opening balance                              | -  | -  | -   | -                |
| Opening balance HKFRS 16                     | 403,356  | 92,073   | 13,392                                      | 508,821          |
| Additions                                    | 790,898  | 33,410   | -   | 824,308          |
| Reclassification due to adoption of HKFRS 16 | 223,329  | 263,712  | -   | 487,041          |
| Disposals                                    | (2,811)  | (3,159)  | -   | (5,970)          |
| Exchange differences                         | (3,503)  | (705)  | 10  | (4,198)          |
| <b>Closing balance</b>                       | <b>1,411,269</b>   | <b>385,331</b>   | <b>13,402</b>                               | <b>1,810,002</b> |
| <b>Accumulated depreciation</b>              |  |  |   |                  |
| Opening balance                              | -  | -  | -   | -                |
| Additions                                    | (112,712)  | (65,897)   | (3,625)                                     | (182,234)        |
| Reclassification due to adoption of HKFRS 16 | (36,531)   | (91,492)   | -   | (128,023)        |
| Disposals                                    | 2,811  | 3,159  | -   | 5,970            |
| Exchange differences                         | 944  | 797  | 10  | 1,751            |
| <b>Closing balance</b>                       | <b>(145,488)</b>   | <b>(153,433)</b>   | <b>(3,615)</b>                              | <b>(302,536)</b> |
| <b>Impairment losses</b>                     |  |  |   |                  |
| Opening balance                              | -  | -  | -   | -                |
| Reclassification due to adoption of HKFRS 16 | -  | (2,207)  | -   | (2,207)          |
| Disposals                                    | -  | -  | -   | -                |
| Exchange differences                         | -  | 5  | -   | 5                |
| <b>Closing balance</b>                       | <b>-</b>   | <b>(2,202)</b>   | <b>-</b>                                    | <b>(2,202)</b>   |
| <b>Net book value</b>                        | <b>1,265,781</b>   | <b>229,696</b>   | <b>9,787</b>                                | <b>1,505,264</b> |
| Estimated useful life                        | 1-50 years   | 1-10 years   | 1-5 years                                   |                  |
| Depreciation plan                            | Straight-line  | Straight-line  | Straight-line                               |                  |

On 10 January 2019, the Group completed sale and leaseback of its land and building with carrying amounts of USD107 million located at Tuas South Avenue 14, Singapore, 637312, for a consideration of SGD 585 million (equivalent of USD429.6 million). The sale and leaseback transaction enabled the Group to access more capital while continuing to use the premise. The lease term is 20 years and the fair values of the right-of-use assets and lease liabilities at the lease inception are determined to be at USD85 million and USD 343 million respectively. The rent will be increased every year by 1.75% to reflect increases in local market rents from similar properties.

The sale and leaseback transaction also contain extension options exercisable by the Group before the end of the non-cancellable lease period. As the rents embedded in these extension options are at the prevailing market rates, these extension options are not reasonably certain to be exercised. Accordingly, the measurement of the right-of-use assets and lease liabilities excludes these extension of lease periods.



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

## 13 Right of use assets (continued)

Carrying amounts of lease liabilities and the movements during the period:

|  | 2020<br>NOK'000  | 2019<br>NOK'000  |
|--|------------------|------------------|
| Opening balance  | 3,556,258        | -                |
| Opening balance HKFRS 16   | -                | 508,821          |
| Financial lease liabilities recognised as at<br>31 December 2018 | -                | 150,069          |
| Additions of leases  | 335,693          | 2,876,892        |
| Payments   | (428,333)        | (417,157)        |
| Interest expenses on lease liabilities (note 10)                 | 246,762          | 242,521          |
| Exchange differences   | (2,660)          | 195,112          |
| Closing balance (note 22)  | <u>3,707,720</u> | <u>3,556,258</u> |

The Group has a limited number of lease contracts that include extension and termination options, where the options are not expected to be exercised and hence where no liability is recognised.

Amounts recognised in consolidated statement of income:

|  | 2020<br>NOK'000  | 2019<br>NOK'000  |
|--|------------------|------------------|
| Depreciation of right-of-use assets              | (204,437)        | (182,276)        |
| Interest expenses on lease liabilities (note 10) | (246,762)        | (242,521)        |
| Leasing expenses, short-term leases              | (59,121)         | (66,794)         |
| Leasing expenses, low value assets               | (17,565)         | (29,815)         |
| Leasing expenses, variable lease payments        | (3,561)          | (2,800)          |
|  | <u>(531,446)</u> | <u>(524,206)</u> |



Bluester Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

#### 14 Intangible assets and goodwill

|  | Goodwill<br>NOK'000 | Leasehold land<br>and land use<br>rights<br>NOK'000 | Brand name<br>NOK'000   | Other intangible<br>assets<br>NOK'000 | Technology and<br>licences<br>NOK'000 | Development<br>and intangible<br>assets under<br>construction<br>NOK'000 | IT systems<br>and<br>programmes<br>NOK'000 | Total other<br>intangible<br>assets<br>NOK'000 |
|--|---------------------|---|-------------------------|---------------------------------------|---------------------------------------|--|--|--|
| <b>Opening balance Net Booked Value 2020</b> | 1,779,304           | 50,748  | 349,952                 | 134,809                               | 155,325                               | 439,306  | 118,925                                    | 1,249,065                                      |
| Additions                                    | -                   | -   | -                       | 225                                   | 1,692                                 | 235,743  | 17,079                                     | 294,739  |
| Disposals                                    | -                   | -   | -                       | -                                     | -                                     | (9,828)  | (3,572)                                    | (13,400)                                       |
| Business combination (note 31)               | 505,980             | -   | -                       | 252,706                               | 257,210                               | -  | 452  | 510,368  |
| Other reclassification                       | -                   | -   | -                       | 61                                    | 7                                     | (199)  | 25,324                                     | 25,193   |
| Transferred from CIP                         | -                   | -   | -                       | 59                                    | -                                     | (5,899)  | 5,840                                      | -  |
| Amortisation                                 | -                   | (3,096)   | (17,185)                | (89,619)                              | (56,863)                              | (67,122)   | (44,353)                                   | (278,238)                                      |
| Foreign currency exchange differences        | (63,858)            | 3,187   | (6,821)                 | (20,672)                              | (4,202)                               | 11,433   | 2,224                                      | (14,851)                                       |
| <b>Closing balance Net Booked Value 2020</b> | 2,221,426           | 50,839  | 325,946                 | 277,569                               | 353,169                               | 603,434  | 121,919                                    | 1,732,876                                      |
| Historical cost                              | 2,221,426           | 107,719   | 414,197                 | 1,197,386                             | 967,624                               | 1,185,168  | 499,833                                    | 4,371,927                                      |
| Accumulated amortisation                     | -                   | (55,970)  | (88,251)                | (919,817)                             | (614,455)                             | (581,734)  | (371,221)                                  | (2,631,448)                                    |
| Accumulated impairment losses                | -                   | (910)   | -                       | -                                     | -                                     | -  | (6,693)                                    | (7,603)  |
| <b>Closing balance Net Booked Value 2020</b> | 2,221,426           | 50,839  | 325,946                 | 277,569                               | 353,169                               | 603,434  | 121,919                                    | 1,732,876                                      |
| Estimated useful life                        | Indefinite          | 3-10 years  | Indefinite/<br>23 years | 3-16 years                            | 3-16 years                            | Indefinite/<br>3-16 years  | 3-10 years                                 |  |
| Amortisation plan                            |                     | Straight-line                                       | Straight-line           | Straight-line                         | Straight-line                         | Straight-line  | Straight-line                              |  |

Additions in 2020 mainly consist of capitalisation of development projects of NOK 162 million.



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

**14 Intangible assets and goodwill (continued)**

|  | Goodwill<br>NOK'000 | Leasehold land<br>and land use<br>rights<br>NOK'000 | Brand name<br>NOK'000   | Other intangible<br>assets<br>NOK'000 | Technology and<br>licences<br>NOK'000 | Development<br>and intangible<br>assets under<br>construction<br>NOK'000 | IT systems<br>and<br>programmes<br>NOK'000 | Total other<br>intangible<br>assets<br>NOK'000 |
|--|---------------------|---|-------------------------|---------------------------------------|---------------------------------------|--|--|--|
| Opening balance Net Booked Value 2019        | 1,653,369           | 240,195   | 363,081                 | 227,318                               | 178,029                               | 420,293  | 135,344                                    | 1,564,260                                      |
| Additions                                    | -                   | 33  | -                       | -                                     | 234                                   | 83,726   | 10,445                                     | 94,438   |
| Disposals                                    | -                   | -   | -                       | -                                     | -                                     | (7,234)  | (3,916)                                    | (11,150)                                       |
| Business combination (note 31)               | 121,882             | -   | -                       | 31,218                                | -                                     | -  | -  | 31,218   |
| Reclassification due to adoption of HKFRS 16 | -                   | (186,798)   | -                       | (2,306)                               | -                                     | -  | 4,854                                      | (186,798)                                      |
| Other reclassification                       | -                   | -   | -                       | 5,423                                 | 20,238                                | (44,699)   | 19,038                                     | -  |
| Transferred from CIP                         | -                   | (513)   | (16,071)                | (129,137)                             | (42,244)                              | (60,261)   | (44,051)                                   | (292,277)                                      |
| Amortisation                                 | -                   | -   | -                       | -                                     | -                                     | -  | (6,704)                                    | (6,704)  |
| Impairment losses                            | -                   | -   | -                       | -                                     | -                                     | -  | 3,915                                      | 19,579   |
| Foreign currency exchange differences        | 4,053               | (2,169)   | 2,942                   | 2,293                                 | (932)                                 | 13,530   | -  | -  |
| <b>Closing balance Net Booked Value 2019</b> | <b>1,779,304</b>    | <b>50,748</b>                                       | <b>349,952</b>          | <b>134,809</b>                        | <b>155,325</b>                        | <b>439,306</b>   | <b>118,925</b>                             | <b>1,249,065</b>                               |
| Historical cost                              | 1,779,304           | 101,444   | 424,776                 | 971,642                               | 689,138                               | 935,163  | 450,614                                    | 3,572,777                                      |
| Accumulated amortisation                     | -                   | (49,839)  | (74,824)                | (836,833)                             | (533,813)                             | (495,857)  | (325,024)                                  | (2,316,190)                                    |
| Accumulated impairment losses                | -                   | (857)   | -                       | -                                     | -                                     | -  | (6,665)                                    | (7,522)  |
| <b>Closing balance Net Booked Value 2019</b> | <b>1,779,304</b>    | <b>50,748</b>                                       | <b>349,952</b>          | <b>134,809</b>                        | <b>155,325</b>                        | <b>439,306</b>   | <b>118,925</b>                             | <b>1,249,065</b>                               |
| Estimated useful life                        | Indefinite          | 3-10 years  | Indefinite/<br>23 years | 3-16 years                            | 3-16 years                            | Indefinite/<br>3-16 years  | 3-10 years                                 |  |
| Amortisation plan                            |                     | Straight-line                                       | Straight-line           | Straight-line                         | Straight-line                         | Straight-line  | Straight-line                              |  |

Additions in 2019 mainly consist of capitalisation of development projects of NOK 74 million.



## 14 Intangible assets and goodwill (continued)

### Goodwill

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

**Growth rates:** The expected growth rates for a cash-generating unit converge from its current level experienced over the last few years, to the long-term growth level in the market in which the entity operates. The growth rates used to extrapolate cash flow projections beyond the explicit forecast period are based on management's past experience, assumptions in terms of market share and expectations for the market development in which the entity operates. Growth rate used in the Group's DCF models is 1.5%-2% for 2020 (2019:2.0%).

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

**Sales prices, volume and product mix:** The 2021 budget is used as a basis for the forecast the next four years. The uncertainties in the Group's budgets has increased due to the Covid-19 pandemic. The Group has seen a drop in prices for most of the Group's products in 2020. In the impairment assessment the Group has assumed that the market situation will stabilise before end of 2021. There are no observable long-term market prices for the Group's products, but there are external independent sources such as CRU for the Silicon Products market that are used as a basis for the budget. The product mix has also been unfavourable for the Group in 2020, with a drop in sale of specialty products. The Group works continuously to improve the specialty ratio and this is reflected in the impairment models. Sales volume are adjusted for necessary maintenance stops.

The Co2 allowance and Co2 compensation programme are currently under audit. The Group expect the framework to be approximately the same for the next period, 2021 to 2030.

**Raw materials and energy for smelting:** Most of the Group's plants have long term energy contracts that covers their future need of power. For the Group's spot exposure observable market prices are used adjusted for CPI. Raw material prices are based on 2021 budget and are adjusted to reflect expected volume/mix changes.

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

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

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



## 14 Intangible assets and goodwill (continued)

Discount rates: The required rate of return is calculated by the WACC method. The cost of Elkem ASA's equity and liabilities, weighted to reflect its capital structure of 50:50, respectively, derive from its weighted average cost of capital. The cost of REC Group's equity and liabilities, weighted to reflect its capital structure of 70:30, respectively, derive from its weighted average cost of capital. The WACC rates used in discounting the future cash flows of Elkem ASA are based on Norwegian 10-year risk-free interest rate. The WACC rates used in discounting the future cash flows of REC Group are based on 20-year US Treasury bond yield. The rates are adjusted for inflation differential and country risk premium. The discount rates also take into account the debt premium, market risk premium, corporate tax rate and asset beta.

Goodwill acquired through business combination are allocated to Silicones, Silicones Products and Carbon Solutions, which are also operating and reportable segments. For newly acquired businesses where the entity has not been fully integrated with the operating segment where the entity belongs, the goodwill is tested at separately. The following give an overview of carrying amount of goodwill allocated to each of the CGUs including pre-tax discount. The pre-tax discount rates in the table are converted to a NOK cash flow rates for comparison purposes.

| Cash Generating Units                 | Carrying amount  |                  | WACC            |                 |
|---------------------------------------|------------------|------------------|-----------------|-----------------|
|                                       | 2020<br>NOK'000  | 2019<br>NOK'000  | 2020<br>NOK'000 | 2019<br>NOK'000 |
| Guangdong Polysil Technology Co. Ltd. | 455,157          | -                | 8.6%            | -               |
| Elkem Silicones Korea Co., Ltd        | 125,836          | 122,236          | 8.6%            | 8.5%            |
| Silicones                             | 79,529           | 74,896           | 9.1%            | 9.0%            |
| Silicon Products                      | 603,968          | 608,852          | 8.9%            | 9.0-9.8%        |
| Carbon Solutions                      | 367,821          | 373,414          | 11.1%           | 12.1%           |
| REC Group                             | 589,115          | 599,906          | 9.0%-9.5%       | 9.0%            |
| <b>Total goodwill</b>                 | <b>2,221,426</b> | <b>1,779,304</b> |                 |                 |

### Sensitivity of estimated cash flows

An increase of 1 percentage point in WACC will not result in an impairment for Elkem ASA. A change of 10% in other key assumptions will not result in an impairment for Elkem ASA.

An increase of 1 percentage point in WACC will not result in an impairment for REC Group. A 8% decrease in sales prices will not result in an impairment for REC Group.



## 14 Intangible assets and goodwill (continued)

### *Impairment-test results and conclusion*

For the assets with impairment indicators the recoverable amount was determined estimating the value in use of the assets, see the goodwill section above for assumption used. In 2020 Elkem ASA has identified impairment indicators for the CGUs below. None of the plants were assessed to be impaired, as the recoverable amount exceed the carrying amount for all CGUs.

#### *Elkem Rana, within Elkem ASA*

The total carrying amount for the CGU is NOK 476 million. The impairment indicators are largely due to lower sales volume in particular towards the automotive industry and lower sales prices for FeSi. Pre-tax discount rate used in the DCF calculation is 8.9%. An increase of 4% points in WACC or a growth rate used to extrapolate the cash-flows after five years equal to zero, will not result in an impairment for the CGU. The impairment test showed that a decrease in the forecasted EBITDA levels of 20% points for the cash-flows for the CGU will not result in an impairment and a decrease of 30% points will give an impairment of NOK 160 million.

#### *Elkem Island*

The total carrying amount for the CGU is NOK 496 million. The impairment indicators are largely due to lower sales volume in particular towards the automotive industry and lower sales prices for FeSi. Pre-tax discount rate used in the DCF calculation is 8.4%. An increase of 4% points in WACC will give an impairment of NOK 87 million. A growth rate used to extrapolate the cash-flows after five years equal to zero, will not result in an impairment. The impairment test showed that a decrease in the forecasted EBITDA levels of 20% points for the cash-flows for the CGU will result in an impairment of NOK 99 million, and a decrease of 30% points will give an impairment of NOK 313 million.

#### *Silicones*

Elkem ASA has identified impairment indicators within the Silicones segment, Silicones excluding Jiangxi Bluestar Xinghuo Silicones, Elkem Silicones Korea and Polysil, which are tested separately, with a carrying value of for the entities are NOK 4,033 million. The impairment indicators are largely due to lower sales prices in the first 10 months of 2020, as a result of Covid-19. Pre-tax discount rate used in the DCF calculation is 9.1%. The CGU show large improvements towards the end of 2020. An increase of 4% points in WACC or a growth rate used to extrapolate the cash-flows after five years equal to zero or a decrease in forecasted EBITDA of 30% points, will not result in an impairment for the CGU.

#### *Bluestar Silicon Material (Yongdeng) and Jiangxi Bluestar Xinghuo Silicones*

Elkem ASA assesses this as one CGU based on its integrated operations, with a carrying value of NOK 5,718 million. In China the outbreak of Covid-19 resulted in impairment indicators for the CGU. Pre-tax discount rate used in the DCF calculation is 11.4%, based on a CNY cash flow. The impairment test showed that a decrease in the forecasted EBITDA levels of 20% points for the cash-flows for the CGU will not result in an impairment, and a decrease of 30% points will give an impairment of NOK 509 million.



## 14 Intangible assets and goodwill (continued)

### *REC Group*

The REC Group has assessed REC Solar Pte. Ltd. ("REC Solar Singapore") integrated plant together with the sale units and REC Solar Norway AS ("REC Solar Norway") to be two separate CGUs. For REC Solar Singapore, recoverable amounts for the cash-generating units are based on value in use. Selling prices are based on the REC Solar Singapore's budget for FY2021 approved by its Board of Directors, inflation and development of the market in which the REC Solar Singapore operates. Production costs are based on the REC Solar Singapore's budget for FY2021 approved by their Board of Directors and development in REC Solar Singapore's key technologies. Discount rate used to discount future cash flows is based on government and swap interest rates for respective years in the relevant markets and take into account estimated risk premiums on debt and equity, gearing and beta. For REC Solar Norway, the recoverable amount of this CGU was determined based on discounting of forecasted cash flows of REC Solar Norway (value in use computation). Selling prices are forecasted based on two widely used third-party forecasts, value-added products from committed investment into modifying production lines, inflation, market development in which the entity operates. Production cash costs takes into consideration maximum production capacity, budgeted operational efficiency programs, expected raw material prices and committed investment into technology which will further reduce production cash cost significantly by eliminating and reducing production steps and raw materials through recycling kerf waste created from wafer diamond slicing processes. The discount rates used in discounting the future cash flows are based on 10-year risk-free interest rate. The discount rates take into account the debt premium, market risk premium, corporate tax rate and asset beta. As a result of the assessment performed, the recoverable amount of the two CGUs is assessed to be higher than the carrying values.



## 15 Investments in equity accounted companies

The BEI Group has interests in the following joint arrangements and associates:

| Name of entity                                   | Business office              | Country      | Principal activities             | Classification  | % equity interest 2020 | % equity interest 2019 |
|--|------------------------------|--------------|----------------------------------|-----------------|------------------------|------------------------|
| Elkem Ferroveld JV                               | Ferrobank Emalahleni         | South Africa | Electrode paste production       | Joint operation | 50%                    | 50%                    |
| Elkania DA                                       | Hauge i Dalane Grundartangi, | Norway       | Microfine weighting material     | Joint operation | 50%                    | 50%                    |
| Klafi ehf  | Akranes                      | Iceland      | Transportation/ harbour services | Joint venture   | 50%                    | 50%                    |
| North Sea Container Line AS                      | Haugesund                    | Norway       | Shipping services                | Joint venture   | 50%                    | 50%                    |
| North-Sea Management AS                          | Haugesund                    | Norway       | Shipping services                | Joint venture   | 50%                    | 50%                    |
| Salten Energigjenvinning AS                      | Oslo                         | Norway       | Energy production                | Joint venture   | 50%                    | 50%                    |
| GIE Osiris (note a)                              | Roussillon                   | France       | Business supplies and equipment  | Associate       | 25%                    | 18%                    |
| Combined Cargo Warehousing BV                    | Moerdijk                     | Netherlands  | Warehousing                      | Associate       | 33%                    | 33%                    |
| EPB Chartering AS (formerly Elkem Chartering AS) | Oslo                         | Norway       | Deep sea charter services        | Associate       | 25%                    | 25%                    |
| Euro Nordic Agencies Belgium NV                  | Antwerpen                    | Belgium      | Ship agencies services           | Associate       | 50%                    | 50%                    |
| Euro Partnership BV                              | Moerdijk                     | Netherlands  | Ship management services         | Associate       | 50%                    | 50%                    |
| Future Materials AS                              | Kristiansand                 | Norway       | Marketing of research facilities | Associate       | 25%                    | 25%                    |

- (a) Elkem ASA purchased additional 7% of the shares in GIE Osiris in December 2020. The shares were previously classified as other shares.

The share of equity interests are equal to Elkem ASA's voting rights.

Of the entities above, Salten Energigjennvinning AS (SEAS) is classified to not operate within Elkem ASA's main business areas.

There is no quoted market price for the investments.

| Interests in joint ventures                                    | 2020<br>NOK'000 | 2019<br>NOK'000 |
|--|-----------------|-----------------|
| Total interests in joint ventures 1 January                    | 53,835          | 72,162          |
| Acquired shares  | 40,000          | -               |
| Dividend received  | (20,300)        | (15,300)        |
| Share of profit from equity accounted companies                | 26,887          | 22,672          |
| Share of loss from equity accounted financial investments      | (14,760)        | (12,057)        |
| Share of other comprehensive income                            | (11,017)        | (13,642)        |
| Currency translation differences                               | (149)           | -               |
| Total interests in joint ventures 31 December                  | <u>74,496</u>   | <u>53,835</u>   |
| <b>Recognised in investments in equity accounted companies</b> | <b>77,041</b>   | <b>70,630</b>   |
| <b>Recognised in provisions and other liabilities, current</b> | <b>(2,545)</b>  | <b>(16,795)</b> |



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

## 15 Investments in equity accounted companies (continued)

| Interests in associates  | 2020<br>NOK'000 | 2019<br>NOK'000 |
|--|-----------------|-----------------|
| Total interest in associates 1 January                         | 57,892          | 61,693          |
| Change in equity interests                                     | 46,070          | -               |
| Dividend received  | (7,646)         | (11,368)        |
| Share of profit from equity accounted companies                | 7,738           | 7,853           |
| Share of other comprehensive income                            | -               | 18              |
| Currency translation differences                               | 2,146           | (304)           |
| Total interests in associates 31 December                      | <u>106,200</u>  | <u>57,892</u>   |
| <b>Recognised in investments in equity accounted companies</b> | <b>106,200</b>  | <b>57,892</b>   |
| <b>Recognised in provisions and other liabilities, current</b> | <b>-</b>        | <b>-</b>        |

BEI group's proportionate share of revenues, expenses, assets, liabilities and cash flows in the joint ventures are included in the consolidated financial statement as follows:

|   | 2020<br>NOK'000 | 2019<br>NOK'000 |
|---|-----------------|-----------------|
| Current assets, including cash and cash equivalents<br>NOK 92 million (NOK 97 million)                      | 225,964         | 220,975         |
| Non-current assets  | 689,100         | 327,339         |
| Current liabilities, including current financial liabilities<br>NOK 0 million (NOK 0 million)               | 115,516         | 63,446          |
| Non-current liabilities, including non-current financial<br>liabilities NOK 651 million (NOK 377 million)   | 650,754         | 377,198         |
| Net assets/equity   | <u>148,992</u>  | <u>107,670</u>  |
| Group's Carrying amount   | <u>74,496</u>   | <u>53,835</u>   |
| Total revenue   | 632,461         | 592,548         |
| Total expenses, including depreciation and<br>amortisation NOK 5 million (NOK 7 million) and other<br>items | (598,161)       | (567,736)       |
| Financial income, including interest income NOK 0<br>million (NOK 0 million)                                | 689             | 1,221           |
| Financial expenses, including interest expenses NOK<br>11 million (NOK 4 million)                           | (11,253)        | (4,682)         |
| Tax expense   | 518             | (121)           |
| Total profit for the year from continuing operations  | 24,254          | 21,230          |
| Other comprehensive income  | (22,034)        | (27,284)        |
| Total comprehensive income  | <u>2,220</u>    | <u>(6,054)</u>  |
| Group's share of profit for the year  | 12,127          | 10,615          |
| Group's share of other comprehensive income   | (11,017)        | (13,642)        |



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

## 16 Group entities

The following entities make up the composition of the Group and included in this consolidated financial statements:

| Company  | Functional currency | Country of incorporation | 2020 Equity interest | 2019 Equity interest | Owner  |
|--|---------------------|--------------------------|----------------------|----------------------|--|
| Bluestar Elkem International Co., Limited S.A          | NOK                 | Luxemburg                | 100%                 | 100%                 | Bluestar Elkem Investment Co. Limited          |
| Bluestar REC Solar Co. Ltd. S.à.r.l                    | USD                 | Luxembourg               | 100%                 | 100%                 | Bluestar Elkem Investment Co. Limited          |
| Elkem ASA  | NOK                 | Norway                   | 58.20%               | 58.20%               | Bluestar Elkem International Co., Limited S.A. |
| Bluestar Silicon Material Co., Ltd.                    | CNY                 | China                    | 58.20%               | 58.20%               | Elkem ASA                                      |
| Elkania DA   | NOK                 | Norway                   | 29.10%               | 29.10%               | Elkem ASA                                      |
| Elkem Advanced Battery Materials AS (note c)           | NOK                 | Norway                   | 58.20%               | 0.00%                | Elkem ASA                                      |
| Elkem GmbH   | EUR                 | Germany                  | 58.20%               | 58.20%               | Elkem ASA                                      |
| Elkem Ltd.   | GBP                 | United Kingdom           | 58.20%               | 58.20%               | Elkem UK Holdings Ltd.                         |
| Elkem S.a.r.l.   | EUR                 | France                   | 58.20%               | 58.20%               | Elkem ASA                                      |
| Elkem S.r.l.   | EUR                 | Italy                    | 58.20%               | 58.20%               | Elkem ASA                                      |
| Elkem Carbon (China) Co., Ltd.                         | CNY                 | China                    | 58.20%               | 58.20%               | Elkem Carbon Singapore Pte. Ltd.               |
| Elkem Carbon AS  | NOK                 | Norway                   | 58.20%               | 58.20%               | Elkem ASA                                      |
| Elkem Carbon Malaysia Sdn. Bhd.                        | MYR                 | Malaysia                 | 58.20%               | 58.20%               | Elkem Carbon AS                                |
| Elkem Carbon Singapore Pte. Ltd.                       | SGD                 | Singapore                | 58.20%               | 58.20%               | Elkem Carbon AS                                |
| Elkem Chartering Holding AS                            | NOK                 | Norway                   | 46.56%               | 46.56%               | Elkem ASA                                      |
| Elkem Digital Office AS (note c)                       | NOK                 | Norway                   | 58.20%               | 0.00%                | Elkem ASA                                      |
| Elkem Distribution Center B.V.                         | EUR                 | Netherlands              | 58.20%               | 58.20%               | Elkem ASA                                      |
| Elkem Dronfield Ltd.                                   | GBP                 | United Kingdom           | 58.20%               | 58.20%               | Elkem UK Holdings Ltd.                         |
| Elkem Egypt for Industry, Contracting & Trading S.A.E. | USD                 | Egypt                    | 58.19%               | 58.19%               | Elkem International AS                         |
| Elkem Ferroveld JV                                     | ZAR                 | South Africa             | 29.10%               | 29.10%               | Elkem Carbon AS                                |
| Elkem Foundry (China) Co., Ltd.                        | CNY                 | China                    | 58.20%               | 58.20%               | Elkem ASA                                      |
| Elkem Iberia S.L.U                                     | EUR                 | Spain                    | 58.20%               | 58.20%               | Elkem ASA                                      |
| Elkem International AS                                 | NOK                 | Norway                   | 58.20%               | 58.20%               | Elkem ASA                                      |
| Elkem International Trade (Shanghai) Co., Ltd.         | CNY                 | China                    | 58.20%               | 58.20%               | Elkem International AS                         |
| Elkem Island ehf.                                      | NOK                 | Iceland                  | 58.20%               | 58.20%               | Elkem ASA                                      |
| Elkem Japan K.K.                                       | JPY                 | Japan                    | 58.20%               | 58.20%               | Elkem ASA                                      |
| Elkem Korea Co., Ltd.                                  | KRW                 | Republic of Korea        | 58.20%               | 58.20%               | Elkem ASA                                      |
| Elkem Madencilik Metalurji Sanayi Ve Ticaret Ltd. STI  | EUR                 | Turkey                   | 58.20%               | 58.20%               | Elkem International AS                         |
| Elkem Materials Delaware, Inc.                         | USD                 | USA                      | 58.20%               | 58.20%               | Elkem Materials, Inc.                          |
| Elkem Materials, Inc.                                  | USD                 | USA                      | 58.20%               | 58.20%               | NEH LLC  |
| Elkem Materials Processing (Tianjin) Co., Ltd.         | CNY                 | China                    | 58.20%               | 58.20%               | Elkem ASA                                      |
| Elkem Materials Processing Services BV                 | EUR                 | Netherlands              | 58.20%               | 58.20%               | Elkem ASA                                      |



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

## 16 Group entities (continued)

| Company   | Functional currency | Country of incorporation | 2020 Equity interest | 2019 Equity interest | Owner  |
|---|---------------------|--------------------------|----------------------|----------------------|--|
| Elkem Materials South America Ltda.                         | BRL                 | Brazil                   | 58.20%               | 58.20%               | Elkem Materials, Inc.                              |
| Elkem Metal Canada Inc.                                     | CAD                 | Canada                   | 58.20%               | 58.20%               | Elkem ASA  |
| Elkem Milling Services GmbH                                 | EUR                 | Germany                  | 58.20%               | 58.20%               | Elkem ASA  |
| Elkem Nordic A.S.   | DKK                 | Denmark                  | 58.20%               | 58.20%               | Elkem ASA  |
| Elkem Oilfield Chemicals FZCO Ltd.                          | AED                 | UAE                      | 29.68%               | 29.68%               | Elkem ASA  |
| Elkem Paraguay S.A.   | USD                 | Paraguay                 | 58.20%               | 58.20%               | Elkem Uruguay S.A.                                 |
| Elkem Participações Indústria e Comércio Limitada           | BRL                 | Brazil                   | 58.20%               | 58.20%               | Elkem Carbon AS                                    |
| Elkem Silicon Product Development AS (note c)               | NOK                 | Norway                   | 58.20%               | 0.00%                | Elkem ASA  |
| Elkem Silicones España S.A.U                                | EUR                 | Spain                    | 58.20%               | 58.20%               | Elkem ASA  |
| Elkem Silicones (UK) Ltd.                                   | GBP                 | Kingdom                  | 58.20%               | 58.20%               | Elkem UK Holdings Ltd.                             |
| Elkem Silicones Brasil Ltda.                                | BRL                 | Brazil                   | 58.20%               | 58.20%               | Elkem ASA  |
| Elkem Silicones Canada Corp.                                | CAD                 | Canada                   | 58.20%               | 58.20%               | Elkem ASA  |
| Elkem Silicones Czech Republic, s.r.o.                      | CZK                 | Czech Republic           | 58.20%               | 58.20%               | Elkem ASA  |
| Elkem Silicones Finland OY                                  | EUR                 | Finland                  | 58.20%               | 58.20%               | Elkem ASA  |
| Elkem Silicones France SAS                                  | EUR                 | France                   | 58.20%               | 58.20%               | Elkem ASA  |
| Elkem Silicones Germany GmbH                                | EUR                 | Germany                  | 58.20%               | 58.20%               | Elkem ASA  |
| Elkem Silicones Hong Kong Co., Ltd.                         | HKD                 | Hong Kong                | 58.20%               | 58.20%               | Elkem ASA  |
| Elkem Silicones Korea Co., Ltd (note a)                     | KRW                 | Republic of Korea        | 58.20%               | 58.20%               | Elkem ASA  |
| Elkem Silicones México S. De R.L. De C.V.                   | MXN                 | Mexico                   | 58.20%               | 58.20%               | Elkem ASA  |
| Elkem Silicones Poland sp. z o.o.                           | PLN                 | Poland                   | 58.20%               | 58.20%               | Elkem ASA  |
| Elkem Silicones Scandinavia AS                              | NOK                 | Norway                   | 58.20%               | 58.20%               | Elkem ASA  |
| Elkem Silicones Services S.à.r.l                            | EUR                 | France                   | 58.20%               | 58.20%               | Elkem ASA  |
| Elkem Silicones Shanghai Co., Ltd.                          | CNY                 | China                    | 58.20%               | 58.20%               | Elkem ASA  |
| Elkem Silicones USA Corp.                                   | USD                 | USA                      | 58.20%               | 58.20%               | Elkem ASA  |
| Elkem Siliconi Italia S.r.l.                                | EUR                 | Italy                    | 58.20%               | 58.20%               | Elkem ASA  |
| Elkem Singapore Materials Pte. Ltd.                         | SGD                 | Singapore                | 58.20%               | 58.20%               | Elkem ASA  |
| Elkem South Asia Private Limited                            | INR                 | India                    | 58.20%               | 58.20%               | Elkem ASA  |
| Elkem (Thailand) Co., Ltd.                                  | THB                 | Thailand                 | 58.20%               | 58.20%               | Elkem ASA  |
| Elkem UK Holdings Ltd.                                      | GBP                 | Kingdom                  | 58.20%               | 58.20%               | Elkem ASA  |
| Elkem Uruguay S.A.  | USD                 | Uruguay                  | 58.20%               | 58.20%               | Elkem ASA  |
| Euro Nordic Logistics BV                                    | EUR                 | Netherlands              | 46.56%               | 46.56%               | Elkem Chartering Holding AS                        |
| Euro Nordic Netherlands BV                                  | EUR                 | Netherlands              | 46.56%               | 46.56%               | Euro Nordic Logistics BV                           |
| Explotación de Rocas Industriales y Minerales S.A. (ERIMSA) | EUR                 | Spain                    | 58.20%               | 58.20%               | Elkem ASA  |
| Guangdong Polysil Technology Co. Ltd. (note b)              | CNY                 | China                    | 58.20%               | 0.00%                | Elkem ASA  |
| Iniconce, S.L.  | EUR                 | Spain                    | 58.20%               | 58.20%               | Explotación de Rocas Industriales y Minerales S.A. |



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

## 16 Group entities (continued)

| Company   | Functional currency | Country of incorporation | 2020 Equity interest | 2019 Equity interest | Owner   |
|---|---------------------|--------------------------|----------------------|----------------------|---|
| Jiangxi Bluestar Xinghuo Silicones Co., Ltd.          | CNY                 | China                    | 58.20%               | 58.20%               | Elkem ASA   |
| NEH LLC   | USD                 | USA                      | 58.20%               | 58.20%               | Elkem ASA   |
| NorenoComercial Importada e Exportadora Limitada      | BRL                 | Brazil                   | 58.20%               | 58.20%               | Elkem Participações Indústria e Comércio Limitada |
| Norsil, S.A.  | EUR                 | Spain                    | 58.20%               | 58.20%               | Iniconce, S.L                                     |
| Tifwer Trade S.A.                                     | UYU                 | Uruguay                  | 58.20%               | 58.20%               | Elkem Uruguay S.A.                                |
| Zhongshan Jucheng Chemical Material Co., Ltd (note b) | CNY                 | China                    | 58.20%               | 0.00%                | Guadong Polysil Technology Co. Ltd.               |
| REC Americas LLC                                      | USD                 | USA                      | 100%                 | 100%                 | REC US Holding Inc                                |
| REC ScanModule Sweden AB                              | SEK                 | Sweden                   | 100%                 | 100%                 | REC Solar Holdings AS                             |
| REC Solar (Japan) Co. Ltd.                            | JPY                 | Japan                    | 100%                 | 100%                 | REC Solar Holdings AS                             |
| REC Solar EMEA GmbH                                   | EUR                 | Germany                  | 100%                 | 100%                 | REC Solar Holdings AS                             |
| REC Solar Holdings AS ("REC Solar AS")                | NOK                 | Norway                   | 100%                 | 100%                 | Bluestar Elkem Solar Co. Ltd. S.à.r.l             |
| REC Solar Norway AS                                   | NOK                 | Norway                   | 100%                 | 100%                 | REC Solar Holdings AS                             |
| REC Solar Pte. Ltd.                                   | USD                 | Singapore                | 100%                 | 100%                 | REC Solar Holdings AS                             |
| REC Systems (Thailand) Co., Ltd.                      | THB                 | Thailand                 | 100%                 | 100%                 | REC Solar Pte Ltd                                 |
| REC Trading (Shanghai) Co., Ltd.                      | CNY                 | China                    | 100%                 | 100%                 | REC Solar Pte Ltd                                 |
| REC US Holding Inc.                                   | USD                 | France                   | 100%                 | 100%                 | REC Solar Holdings AS                             |
| Renewable Energy Corporation (India) Pvt. Ltd.        | INR                 | India                    | 100%                 | 100%                 | REC Solar Pte Ltd                                 |

- (a) Previously Basel Chemie Co., Ltd.
- (b) The companies were acquired during the first half of 2020.
- (c) The companies were incorporated during the second half of 2020.

### Other matters

Bluestar Elkem Investment Co. Ltd. owns 100% of the ordinary shares in Bluestar Elkem International Co., Ltd. S.A. Bluestar Elkem International Co., Ltd. S.A. has 100 million preferred shares without voting rights. Each preferred share entitles its holder to a preferential and cumulative dividend composing of a floating rate of USD 6M Libor plus 3.7% of the contribution amount (USD 1 per share).

Eight years after the issuance of the preferred shares, 24 January 2022, Bluestar Elkem Investment Co. Ltd. or its Affiliates are entitled to redeem or repurchase the preferred shares at a price equal to the investment amount USD 100 million plus all of the accumulated and unpaid dividends of the subscribed shares that are payable. In case Bluestar Elkem Investment Co. Ltd. and its affiliates fail to redeem or repurchase the preferred shares, the dividend of the preferred shares shall be automatically adjusted to 8%, and shall be automatically increased by one percent (1%) annually thereafter. The owner of the preferred shares can also choose to convert the shares to ordinary shares after eight years.



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

## 17 Other non-current assets

|  | 31 December<br>2020<br>NOK'000 | 31 December<br>2019<br>NOK'000 |
|--|--------------------------------|--------------------------------|
| Other shares   | 27,447                         | 61,262                         |
| Restricted deposits  | 39,191                         | 42,055                         |
| Other deposits   | 13,501                         | 15,545                         |
| Pension assets, defined benefits and contribution plans (note 6) | 2,847                          | 2,657                          |
| Prepayments for construction in progress                         | 66,893                         | 65,769                         |
| Prepayments for other expenses                                   | 43,665                         | 32,079                         |
| Receivables from related parties, interest-bearing (note 28)     | 1,194                          | 1,321                          |
| Grants receivable (note 29)                                      | 157,080                        | 152,397                        |
| Value added tax  | 35,982                         | -                              |
| Other receivables  | 7,977                          | 7,907                          |
| Other assets   | 37,205                         | 26,349                         |
| <b>Total non-current assets</b>                                  | <b>432,982</b>                 | <b>407,341</b>                 |

Restricted deposits mainly consist of restricted deposits related to the ongoing tax litigation in Elkem ASA's business in Brazil of NOK 15 million (NOK 19 million), see note 25 Provisions and other current liabilities, and deposit for pension guarantee, related to unfunded pension liabilities for salaries above 12G, of NOK 24 million (NOK 22 million).

## 18 Inventories

|  | 31 December<br>2020<br>NOK'000 | 31 December<br>2019<br>NOK'000 |
|--|--------------------------------|--------------------------------|
| Finished goods   | 3,749,244                      | 3,764,667                      |
| Work in progress   | 423,725                        | 526,981                        |
| Raw materials  | 1,425,961                      | 1,448,405                      |
| Operating materials and spare parts                        | 706,320                        | 508,854                        |
| <b>Total inventories</b>                                   | <b>6,305,250</b>               | <b>6,248,907</b>               |
| Provisions for write down of inventories as of 31 December | 216,536                        | 522,063                        |



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

## 19 Accounts receivable

|                                     | 31 December<br>2020<br>NOK'000 | 31 December<br>2019<br>NOK'000 |
|-------------------------------------|--------------------------------|--------------------------------|
| Bills receivable (note b)           | 920,388                        | 674,914                        |
| Accounts receivable-external        | 2,468,609                      | 2,374,432                      |
| Accounts receivable-related parties | 23,648                         | 25,458                         |
| Provision for doubtful accounts     | (112,521)                      | (98,409)                       |
| Total accounts receivable           | <u>3,300,124</u>               | <u>2,976,395</u>               |

(a) The Group has entered into a factoring agreement of a total of EUR 101.5 million (equivalent to NOK 1,063 million), whereof EUR 21.5 million was extended in 2020 compared to 2019. The agreement includes a recourse clause for maximum 5% of the face value of the individual receivables sold under the agreement 95% of the receivables under the agreement are derecognised and the recourse amount is recognised as a current liability. As at 31 December 2020, NOK 962 million (NOK 694 million) is derecognised and NOK 51 million (NOK 35 million) is recognised as current liability (see note 25 Provisions and other current liabilities) under the agreement. In addition, the Group has entered into a factoring agreement for a limited number of its customers. The factoring agreement is without recourse and as at 31 December 2020 NOK 17 million is derecognised under the agreement.

(b) Bills receivable consist of NOK 917 million (NOK 671 million) bank acceptance bills and NOK 4 million (NOK 3 million) commercial acceptance bills.

A total of NOK 4,104 million (NOK 2,795 million) in unmatured bills receivables are discounted or endorsed as at 31 December 2020. These bills are derecognised as there are no remaining credit risk related to discounted bills, and the credit risk for endorsed bills are assessed to be insignificant.

Analysis of gross accounts receivables by aging, presented based on the due date:

|                           | 31 December<br>2020<br>NOK'000 | 31 December<br>2019<br>NOK'000 |
|---------------------------|--------------------------------|--------------------------------|
| Not due                   | 1,948,724                      | 1,813,672                      |
| 1-30 days                 | 388,341                        | 364,550                        |
| 31-60 days                | 40,841                         | 55,067                         |
| 61-90 days                | 16,128                         | 34,778                         |
| More than 90 days         | 98,223                         | 131,823                        |
| Total accounts receivable | <u>2,492,257</u>               | <u>2,399,890</u>               |

Bills receivable is not included in the aging table.

The BEI group applies for credit insurance for all customers except customers related to business in China. In cases where credit insurance coverage is refused other methods such as prepayment, letter of credit, documentary credit and guarantees for securing the payment are used.



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

## 19 Accounts receivable (continued)

Movement in allowance for doubtful accounts

|  | 31 December<br>2020<br>NOK'000 | 31 December<br>2019<br>NOK'000 |
|--|--------------------------------|--------------------------------|
| Opening balance  | (98,409)                       | (105,304)                      |
| Business combinations (note 31)                          | (8,024)                        | -                              |
| Written off/(received on earlier losses) during the year | 4,681                          | (3,527)                        |
| New provisions   | (33,242)                       | (12,706)                       |
| Reversed provisions                                      | 21,004                         | 23,444                         |
| Foreign currency exchange differences                    | 1,469                          | (316)                          |
| Closing balance at 31 December                           | <u>(112,521)</u>               | <u>(98,409)</u>                |

Analysis of current receivables that are past due date and impaired, by aging:

| Overdue by:                        | 31 December<br>2020<br>NOK'000 | 31 December<br>2019<br>NOK'000 |
|------------------------------------|--------------------------------|--------------------------------|
| 0-3 months                         | (11,247)                       | (17,702)                       |
| 3-6 months                         | (91)                           | (5,500)                        |
| 6-12 months                        | (9,380)                        | (155)                          |
| Over a year                        | (91,803)                       | (75,052)                       |
| Total impaired overdue receivables | <u>(112,521)</u>               | <u>(98,409)</u>                |

## 20 Other current assets

|  | 31 December<br>2020<br>NOK'000 | 31 December<br>2019<br>NOK'000 |
|--|--------------------------------|--------------------------------|
| Pension assets, defined benefits and contribution plans (note 6)                       | 2,821                          | 2,050                          |
| Prepayments  | 417,005                        | 394,227                        |
| Receivables from related parties, interest-free (note b)                               | 2,074,798                      | 1,769,141                      |
| Grants receivable (note 29)  | 539,761                        | 363,377                        |
| Value added tax  | 393,435                        | 301,712                        |
| Corporate income tax   | 105,412                        | 142,191                        |
| Interest receivables   | 802                            | 2,028                          |
| Other receivables  | 120,075                        | 137,468                        |
| Other assets   | 3,401                          | 3,414                          |
| Loan to related parties-Bluestar Fibres Investment Co. Limited, interest-free (note a) | 794,856                        | 818,333                        |
| Loan to Bluestar, interest-free  | 946                            | 947                            |
| Total other current assets   | <u>4,453,313</u>               | <u>3,934,888</u>               |



## 20 Other current assets (continued)

- (a) The Group granted a loan to Bluestar Fibres Investment Co Limited "(Fibres)" from Bluestar Elkem Investment Co. Ltd. Fibres is a part of the China National Chemical Corporation Limited and the loan is guaranteed by China National Chemical Corporation Limited. The loan is interest-free and repayable on demand. The maximum exposure of credit risk is the carrying amount of USD 93,200 thousand (unchanged since 2014).
- (b) As at 31 December 2020, Bluestar Elkem Investment Co. Ltd has an interest-free receivable of USD 213,256 thousand (NOK 1,818,756) from Bluestar Finance Holdings Limited.

## 21 Shareholder information

### *Shareholders*

Bluestar Elkem Investment Co. Limited has its registered company address at: Rooms 05-15, 13A/F, South Tower, World Finance Centre, Harbour City, 17 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

As of 31 December 2020, all shares in Bluestar Elkem Investment Co. Limited are owned by Bluestar.

### *Share Capital*

Share capital of Bluestar Elkem Investment Co. Limited is USD 5 million, and the total number of shares is 5 million. All shares are classified as ordinary.

### *Other Paid-in equity*

Other paid-in equity relates to an interest-free loan, repayable at the discretion of the borrower, from shareholder of total USD 481.5 million. No payments were made during 2020 nor 2019 on the loan.



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

## 22 Net interest-bearing liabilities

|   | 31 December<br>2020<br>NOK'000 | 31 December<br>2019<br>NOK'000 |
|---|--------------------------------|--------------------------------|
| <b>Non-current interest-bearing liabilities</b>                   |                                |                                |
| Financing from Bluestar   | 1,130,025                      | 1,163,402                      |
| Loans from related parties controlled by ChemChina                | 4,039,943                      | 3,804,588                      |
| Lease liabilities (note 13)                                       | 3,548,032                      | 3,349,919                      |
| Loans from external party, other than bank                        | 1,996,076                      | 3,928,457                      |
| Bank financing and other debt                                     | 5,897,240                      | 6,574,686                      |
| <b>Total non-current interest-bearing liabilities</b>             | <b>16,611,316</b>              | <b>18,821,052</b>              |
| <b>Current interest-bearing liabilities</b>                       |                                |                                |
| Financing from Bluestar   | 579,937                        | -                              |
| Lease liabilities (note 13)                                       | 159,688                        | 206,339                        |
| Loans from other related parties controlled by ChemChina (note a) | -                              | 351,216                        |
| Bank financing  | 2,018,207                      | 886,737                        |
| Loans from external party, other than bank                        | 2,482,202                      | 265,952                        |
| Accrued interest-Bluestar   | 400,562                        | 357,619                        |
| Accrued interest-related parties controlled by ChemChina          | 417,962                        | 321,932                        |
| Accrued interest  | 35,776                         | 39,505                         |
| <b>Total current interest-bearing liabilities</b>                 | <b>6,094,334</b>               | <b>2,429,300</b>               |
| <b>Bills payable</b>  | <b>1,052,732</b>               | <b>886,938</b>                 |
| <b>Total interest-bearing liabilities including bills payable</b> | <b>23,758,382</b>              | <b>22,137,290</b>              |
| Cash and bank balances  | 3,549,564                      | 5,195,880                      |
| Other restricted deposits, non-current and current                | 400,420                        | 595,302                        |
| Interest receivables (note 20)                                    | 802                            | 2,028                          |
| Loans to external parties   | 7,782                          | 7,677                          |
| Receivables from related parties (note 17)                        | 1,194                          | 1,321                          |
| <b>Cash, cash equivalents and other interest-bearing assets</b>   | <b>3,959,762</b>               | <b>5,802,208</b>               |
| <b>Net interest-bearing liabilities</b>                           | <b>19,798,620</b>              | <b>16,335,082</b>              |

(a) see section "Perpetual securities" below



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

## 22 Net interest-bearing liabilities (continued)

### Interest-bearing liabilities by currency

|   | Currency amount<br>NOK'000 | NOK<br>31 December<br>2020<br>NOK'000 | Currency amount<br>NOK'000 | NOK<br>31 December<br>2019<br>NOK'000 |
|---|----------------------------|---------------------------------------|----------------------------|---------------------------------------|
| EUR                                       | 1,225,809                  | 12,812,445                            | 1,216,589                  | 11,975,106                            |
| USD                                       | 771,867                    | 6,582,873                             | 732,294                    | 6,429,835                             |
| NOK                                       | 2,121,671                  | 2,121,671                             | 1,856,151                  | 1,856,151                             |
| CNY                                       | 1,662,615                  | 2,168,883                             | 1,429,456                  | 1,802,957                             |
| Other currencies                          | -                          | 72,510                                | -                          | 73,241                                |
| <b>Total interest-bearing liabilities</b> |                            | <b>23,758,382</b>                     |                            | <b>22,137,290</b>                     |

### Maturity of interest-bearing liabilities at 31 December 2020

|   | Group financing<br>NOK'000 | Bills payable<br>NOK'000 | Loan from other related parties<br>NOK'000 | Lease liabilities<br>NOK'000 | Loans from external party, other than bank<br>NOK'000 | Bank financing<br>NOK'000 | Accrued interest<br>NOK'000 | Total<br>NOK'000  |
|---|----------------------------|--------------------------|--|------------------------------|---|---------------------------|-----------------------------|-------------------|
| 2021                                      | 579,937                    | 1,052,732                | -  | 159,688                      | 2,482,202   | 2,018,207                 | 854,300                     | 7,147,066         |
| 2022                                      | -                          | -                        | 4,039,943                                  | 325,722                      | 1,326,957   | 1,349,565                 | -                           | 7,042,187         |
| 2023                                      | -                          | -                        | -  | 304,199                      | 14,916  | 4,566,354                 | -                           | 4,885,469         |
| 2024                                      | -                          | -                        | -  | 300,622                      | 392,420   | 3,602                     | -                           | 696,644           |
| 2025                                      | -                          | -                        | -  | 295,837                      | 261,783   | 3,602                     | -                           | 561,222           |
| 2026 and later                            | 1,130,025                  | -                        | -  | 2,321,652                    | -   | 8,027                     | -                           | 3,459,704         |
| <b>Total</b>                              | <b>1,709,962</b>           | <b>1,052,732</b>         | <b>4,039,943</b>                           | <b>3,707,720</b>             | <b>4,478,278</b>                                      | <b>7,949,357</b>          | <b>854,300</b>              | <b>23,792,292</b> |
| Prepaid loan fees                         | -                          | -                        | -  | -                            | -   | (33,910)                  | -                           | (33,910)          |
| <b>Total interest-bearing liabilities</b> | <b>1,709,962</b>           | <b>1,052,732</b>         | <b>4,039,943</b>                           | <b>3,707,720</b>             | <b>4,478,278</b>                                      | <b>7,915,447</b>          | <b>854,300</b>              | <b>23,758,382</b> |

### Maturity of interest-bearing liabilities at 31 December 2019

|   | Group financing<br>NOK'000 | Bills payable<br>NOK'000 | Loan from other related parties<br>NOK'000 | Lease liabilities<br>NOK'000 | Loans from external party, other than bank<br>NOK'000 | Bank financing<br>NOK'000 | Accrued interest<br>NOK'000 | Total<br>NOK'000  |
|---|----------------------------|--------------------------|--|------------------------------|---|---------------------------|-----------------------------|-------------------|
| 2020                                      | -                          | 886,938                  | 351,216                                    | 206,339                      | 265,952   | 886,737                   | 719,056                     | 3,316,238         |
| 2021                                      | -                          | -                        | 3,804,588                                  | 277,085                      | 2,046,754   | 1,237,135                 | -                           | 7,365,562         |
| 2022                                      | -                          | -                        | -  | 285,100                      | 1,252,507   | 1,373,544                 | -                           | 2,911,151         |
| 2023                                      | -                          | -                        | -  | 287,188                      | 14,215  | 4,000,684                 | -                           | 4,302,087         |
| 2024                                      | -                          | -                        | -  | 281,586                      | 368,449   | 3,499                     | -                           | 653,534           |
| 2025 and later                            | 1,163,402                  | -                        | -  | 2,218,960                    | 246,532   | 11,294                    | -                           | 3,640,188         |
| <b>Total</b>                              | <b>1,163,402</b>           | <b>886,938</b>           | <b>4,155,804</b>                           | <b>3,556,258</b>             | <b>4,194,409</b>                                      | <b>7,512,893</b>          | <b>719,056</b>              | <b>22,188,760</b> |
| Prepaid loan fees                         | -                          | -                        | -  | -                            | -   | (51,470)                  | -                           | (51,470)          |
| <b>Total interest-bearing liabilities</b> | <b>1,163,402</b>           | <b>886,938</b>           | <b>4,155,804</b>                           | <b>3,556,258</b>             | <b>4,194,409</b>                                      | <b>7,461,423</b>          | <b>719,056</b>              | <b>22,137,290</b> |



## 22 Net interest-bearing liabilities (continued)

### *Loan agreements*

Elkem ASA signed a new loan facilities agreement 13 February 2018, consisting of a revolving credit facility (RCF) of EUR 250 million, a term loan facility of EUR 400 million, and a bridge financing term loan facility of EUR 500 million. In December 2018 the term loan facility, bridge financing, of EUR 500 million was terminated and replaced with other facilities. At 31 December 2020 only the term loan facility is drawn. The loan facilities are unsecured, but the agreement contains two financial covenants described below.

On 27 November 2018, Elkem ASA issued a senior unsecured bond loan of NOK 1,750 million. The bond loan is listed on Oslo Børs. There are no covenants related to the bond loan. There are no material differences between fair value of the bond loan and book value.

On 10 December 2018, Elkem ASA issued a serie of floating and fixed rate loans in the Schuldshain market. Total size of the transaction was EUR 215 million whereof EUR 91.5 million was issued at 31 December 2018 and the remainder EUR 123.5 million in January 2019. The loans are unsecured. Of the total transaction amount EUR 15 million is a fixed rate loan of 1.8160%. Given the market conditions as at 31 December 2020 the fair value of the loan would have been approximately EUR 0.5 million higher.

On 16 July 2020, Elkem ASA signed a 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 ASA's existing loan agreements, described below.

### *Hedging*

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

### *Credit facilities*

As of 31 December 2020, the Group is granted credit facilities of NOK 3,250 million where of NOK 16 million are drawn at 31 December 2020. The granted credit facilities of NOK 3,250 million is excluding the credit facility of NOK 2,000 million, mentioned above.

As of 31 December 2019, the Group is granted credit facilities of NOK 3,105 million. The credit facilities are undrawn at 31 December 2019.

The drawn amounts are classified as short-term bank financing.



## 22 Net interest-bearing liabilities (continued)

The two main revolving credit facilities are granted to Elkem ASA and REC Solar Holdings AS.

The main revolving credit facilities are granted to Elkem ASA, but the facilities can be utilised by Elkem ASA and its subsidiaries. The main facilities amount to EUR 250 million (NOK 2,465 million) and NOK 250 million respectively.

There were no facilities granted to REC Solar Holdings AS as at 31 December 2020. See note 27 Financial risk and capital management for more information, section liquidity risk for more information.

### Loan covenant

The Group has financial covenants related to its main bank financing and parts of loans from external part, other than bank (Schuldshein), in Norway. The interest-bearing loans in China have no connected financial covenants. In addition to the covenants on these loan facilities in Norway, there are loan covenants related to the credit facilities in Elkem Metal Canada Inc of CAD 2 million. Elkem ASA and Elkem Metal Canada Inc. are compliant with their covenants at the end of 2020 and 2019.

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

### Covenant Elkem related to drawn loan of NOK 6,607 million (NOK 6,275 million) in Elkem ASA

|                      |     | 31 December<br>2020<br>NOK'000 | Loan covenant | 31 December<br>2019<br>NOK'000 | Loan covenant |
|----------------------|-----|--------------------------------|---------------|--------------------------------|---------------|
| Total Equity         | NOK | 12,635,302                     |               | 12,952,706                     |               |
| Total Assets         | NOK | 30,888,997                     |               | 29,004,533                     |               |
| Equity ratio         |     | 41%                            | > 30%         | 45%                            | > 30%         |
| EBITDA               |     | 2,684,003                      |               | 2,656,121                      |               |
| Net finance charges  |     | 234,961                        |               | 224,200                        |               |
| Interest cover ratio |     | 11.47                          | > 4.00        | 11.85                          | > 4.00        |

### Perpetual securities

On 23 December 2020, the Group converted loan from a related company to perpetual securities with a principal amount of USD40M (equivalent to NOK 341,140 thousand).

Such perpetual securities bear interest at a rate of 2.356% per annum. Subject to the relevant terms and conditions in the subordination agreement, the Group has absolute discretion to repay principal and interest.



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

## 22 Net interest-bearing liabilities (continued)

As a result, the perpetual securities do not meet the definition for classification as a financial liability under HKAS 32 *Financial Instruments: Presentation*. The whole instrument is presented within equity.

As at 31 December 2020, the whole of USD40M worth of perpetual securities was held by a related corporation.

### Movement in interest-bearing liabilities

|   | 31 December<br>2019<br>NOK'000 | Cash flows<br>Receipts/<br>(Payments)<br>NOK'000 | Additions<br>and lease<br>modification<br>NOK'000 | Re-<br>classification<br>NOK'000 | Foreign<br>exchange<br>changes<br>NOK'000 | 31 December<br>2020<br>NOK'000 |
|---|--------------------------------|--|---|----------------------------------|---|--------------------------------|
| Financing from Bluestar   | 1,163,402                      | -  | -   | -                                | (33,377)                                  | 1,130,025                      |
| Loans from other related parties<br>controlled by ChemChina         | 3,804,588                      | -  | -   | -                                | 235,355                                   | 4,039,943                      |
| Lease liabilities   | 3,349,919                      | (232,628)  | 537,562   | (159,883)                        | 53,062                                    | 3,548,032                      |
| Loans from external part, other than<br>bank                        | 3,928,457                      | -  | -   | (2,065,822)                      | 133,441                                   | 1,996,076                      |
| Bank financing  | 6,574,686                      | 366,288  | -   | (1,327,780)                      | 294,046                                   | 5,897,240                      |
| <b>Total movement non-current interest-<br/>bearing liabilities</b> | <b>18,821,052</b>              | <b>123,660</b>                                   | <b>537,562</b>                                    | <b>(3,553,485)</b>               | <b>682,527</b>                            | <b>16,611,316</b>              |
| Financing from Bluestar   | -                              | 579,937  | -   | -                                | -   | 579,937                        |
| Loans from other related parties<br>controlled by ChemChina (note)  | 351,216                        | -  | -   | (341,140)                        | (10,076)                                  | -                              |
| Lease liabilities   | 206,339                        | (195,705)  | 44,893  | 159,883                          | (55,722)                                  | 159,688                        |
| Loans from external part, other than<br>bank                        | 265,952                        | 43,601   | -   | 2,065,822                        | 106,827                                   | 2,482,202                      |
| Bank financing  | 886,737                        | (197,246)  | -   | 1,327,780                        | 936                                       | 2,018,207                      |
| <b>Total movement current interest-<br/>bearing liabilities</b>     | <b>1,710,244</b>               | <b>230,587</b>                                   | <b>44,893</b>                                     | <b>3,212,345</b>                 | <b>41,965</b>                             | <b>5,240,034</b>               |
| <b>Total movement interest-bearing<br/>liabilities</b>              | <b>20,531,296</b>              | <b>354,247</b>                                   | <b>582,455</b>                                    | <b>(341,140)</b>                 | <b>724,492</b>                            | <b>21,851,350</b>              |

|   | 31<br>December<br>2018<br>NOK'000 | Cash flows<br>Receipts/<br>(Payments)<br>NOK'000 | HKFRS 16<br>leasing<br>opening<br>balance<br>NOK'000 | HKFRS 16<br>additions<br>NOK'000 | Re-<br>classification<br>NOK'000 | Business<br>combination<br>NOK'000 | Foreign<br>exchange<br>changes<br>NOK'000 | 31<br>December<br>2019<br>NOK'000 |
|---|-----------------------------------|--|--|----------------------------------|----------------------------------|------------------------------------|---|-----------------------------------|
| Financing from Bluestar   | 1,784,788                         | (642,463)  | -  | -                                | -                                | -                                  | 21,077                                    | 1,163,402                         |
| Loans from other related<br>parties controlled by<br>ChemChina          | 3,838,352                         | -  | -  | -                                | -                                | -                                  | (33,764)                                  | 3,804,588                         |
| Lease liabilities   | 65,286                            | (244,316)  | 392,655  | 3,117,928                        | (171,813)                        | -                                  | 190,179                                   | 3,349,919                         |
| Loans from external part,<br>other than bank                            | 2,731,175                         | 1,189,910  | -  | -                                | -                                | -                                  | 7,372                                     | 3,928,457                         |
| Bank financing  | 4,399,912                         | 1,305,616  | -  | -                                | 870,208                          | 23,136                             | (24,186)                                  | 6,574,686                         |
| <b>Total movement non-<br/>current interest-bearing<br/>liabilities</b> | <b>12,819,513</b>                 | <b>1,608,747</b>                                 | <b>392,655</b>                                       | <b>3,117,928</b>                 | <b>698,395</b>                   | <b>23,136</b>                      | <b>160,678</b>                            | <b>18,821,052</b>                 |
| Loans from other related<br>parties controlled by<br>ChemChina          | 303,979                           | 44,004   | -  | -                                | -                                | -                                  | 3,233                                     | 351,216                           |
| Lease liabilities   | 84,783                            | (172,841)  | 116,166  | 1,485                            | 171,813                          | -                                  | 4,933                                     | 206,339                           |
| Loans from external part,<br>other than bank                            | 194,943                           | 70,392   | -  | -                                | -                                | -                                  | 617                                       | 265,952                           |
| Bank financing  | 5,827,490                         | (4,090,118)                                      | -  | -                                | (870,208)                        | 1,102                              | 18,471                                    | 886,737                           |
| <b>Total movement current<br/>interest-bearing<br/>liabilities</b>      | <b>6,411,195</b>                  | <b>(4,148,563)</b>                               | <b>116,166</b>                                       | <b>1,485</b>                     | <b>(698,395)</b>                 | <b>1,102</b>                       | <b>27,254</b>                             | <b>1,710,244</b>                  |
| <b>Total movement interest-<br/>bearing liabilities</b>                 | <b>19,230,708</b>                 | <b>(2,539,816)</b>                               | <b>508,821</b>                                       | <b>3,119,413</b>                 | <b>-</b>                         | <b>24,238</b>                      | <b>187,932</b>                            | <b>20,531,296</b>                 |

Note: see "Perpetual securities".



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

## 23 Pledge of assets and guarantees

### Pledges

The financing in BEI group as at 31 December 2020 with term loans of NOK 2,536 million are guaranteed by China National Bluestar (Group) Co. Ltd.

|                                    | 31 December<br>2020<br>NOK'000 | 31 December<br>2019<br>NOK'000 |
|------------------------------------|--------------------------------|--------------------------------|
| <b>Guaranteed liabilities</b>      |                                |                                |
| Guaranteed liabilities             | 2,535,830                      | 2,992,028                      |
| <b>Mortgaged debt</b>              |                                |                                |
| Mortgaged debt                     | 416,362                        | 34,715                         |
| <b>Book value mortgaged assets</b> |                                |                                |
| Building                           | 29,606                         | 177,503                        |
| Machinery and plant                | 468                            | -                              |
| Other assets                       | 51,373                         | 34,715                         |

The BEI Group has sold part of its CO2 allowances with an agreement to repurchase the CO2 allowances in March 2021. The transaction is treated as loan where the proceeds, accordingly EUR 33 million are classified as interest-bearing liabilities. Book value of the CO2 allowances are zero. As at 31 December 2020 the fair value of the CO2 allowances exceeds the value of the loan.

The BEI group makes limited use of guarantees, see specification below.

|   | 31 December<br>2020<br>NOK'000 | 31 December<br>2019<br>NOK'000 |
|---|--------------------------------|--------------------------------|
| <b>Guarantee commitments</b>                                |                                |                                |
| Guarantee commitment KLIF<br>(Climate and Pollution Agency) | 40,497                         | 26,656                         |
| Guarantee commitment tax cases Brazil                       | 14,970                         | 43,902                         |



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

## 24 Provisions and other non-current liabilities

|   | 31 December<br>2020<br>NOK'000 | 31 December<br>2019<br>NOK'000 |
|---|--------------------------------|--------------------------------|
| Total provisions  | 260,641                        | 470,895                        |
| Deferred income   | 14,640                         | 14,774                         |
| Contingent consideration acquisition of subsidiaries<br>(note 31) | 184,012                        | -                              |
| Other non-current liabilities                                     | -                              | 2,401                          |
| Loan from Bluestar Silicones Investment Co. Limited.              | -                              | 6,155,634                      |
| <b>Total provisions and other non-current liabilities</b>         | <b>459,293</b>                 | <b>6,643,704</b>               |

### Movements in contingent consideration

|  | 31 December<br>2020<br>NOK'000 |
|--|--------------------------------|
| Opening balance  | -                              |
| Initial fair value of contingent consideration (note 31) | 549,050                        |
| Unwinding  | 9,297                          |
| Payments   | (239,168)                      |
| Currency translation differences                         | (58,212)                       |
| <b>Contingent consideration</b>                          | <b>260,967</b>                 |
| Hereof current   | 76,955                         |
| Hereof non-current                                       | 184,012                        |



## 24 Provisions and other non-current liabilities (continued)

Provisions include the following:

|   | Restructuring<br>NOK'000 | Site<br>restoration<br>NOK'000 | Environment<br>al measures<br>NOK'000 | Litigations<br>NOK'000 | Customers<br>NOK'000 | Other<br>provisions<br>NOK'000 | Warranties<br>NOK'000 | Total<br>provisions<br>NOK'000 |
|---|--------------------------|--------------------------------|---------------------------------------|------------------------|----------------------|--------------------------------|-----------------------|--------------------------------|
| <b>Balance 1 January 2020</b>                         | -                        | 29,295                         | 97,053                                | 68,634                 | 10,290               | 12,034                         | 330,044               | 547,350                        |
| Additional provisions<br>recognised                   | 198,600                  | 1,159                          | 1,368                                 | 7,331                  | 3,638                | 2,755                          | 17,890                | 232,741                        |
| Used and reversed during<br>the year                  | (25,308)                 | -                              | (1,707)                               | (3,788)                | (3,452)              | (3,162)                        | (232,206)             | (269,623)                      |
| Foreign currency<br>exchange differences              | (46,502)                 | 102                            | (3,203)                               | (12,501)               | (1,289)              | 628                            | 17,801                | (44,964)                       |
| <b>Balance 31 December<br/>2020</b>                   | <u>126,790</u>           | <u>30,556</u>                  | <u>93,511</u>                         | <u>59,676</u>          | <u>9,187</u>         | <u>12,255</u>                  | <u>133,529</u>        | <u>465,504</u>                 |
| Hereof classified as other<br>non-current liabilities | -                        | 30,556                         | 49,719                                | 39,064                 | -                    | 7,773                          | 133,529               | 260,641                        |
| Hereof classified as other<br>current liabilities     | 126,790                  | -                              | 43,792                                | 20,612                 | 9,187                | 4,482                          | -                     | 204,853                        |
|   | <u>126,790</u>           | <u>30,556</u>                  | <u>93,511</u>                         | <u>59,676</u>          | <u>9,187</u>         | <u>12,255</u>                  | <u>133,529</u>        | <u>465,504</u>                 |
| <b>Balance 1 January 2019</b>                         | -                        | 346,180                        | 87,525                                | 100,985                | 14,872               | 9,862                          | 326,360               | 885,784                        |
| Additional provisions<br>recognised                   | -                        | 1,339                          | 10,219                                | 31,473                 | 9,069                | 8,161                          | 211                   | 60,472                         |
| (Used)/reversed during the<br>year                    | -                        | (322,464)                      | (934)                                 | (62,177)               | (8,864)              | (6,137)                        | (106)                 | (400,682)                      |
| Foreign currency<br>exchange differences              | -                        | 4,240                          | 243                                   | (1,647)                | (4,787)              | 148                            | 3,579                 | 1,776                          |
| <b>Balance 31 December<br/>2019</b>                   | <u>-</u>                 | <u>29,295</u>                  | <u>97,053</u>                         | <u>68,634</u>          | <u>10,290</u>        | <u>12,034</u>                  | <u>330,044</u>        | <u>547,350</u>                 |
| Hereof classified as other<br>non-current liabilities | -                        | 29,295                         | 52,745                                | 50,954                 | -                    | 7,857                          | 330,044               | 470,895                        |
| Hereof classified as other<br>current liabilities     | -                        | -                              | 44,308                                | 17,680                 | 10,290               | 4,177                          | -                     | 76,455                         |
|   | <u>-</u>                 | <u>29,295</u>                  | <u>97,053</u>                         | <u>68,634</u>          | <u>10,290</u>        | <u>12,034</u>                  | <u>330,044</u>        | <u>547,350</u>                 |



## 24 Provisions and other non-current liabilities (continued)

### **Restructuring**

The Group launched a group wide productivity improvement programme in first quarter of 2020.

### **Litigations**

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

Tax cases in Brazil can take a substantial amount of time before resolution by the tax authorities, hence the time of settlement is uncertain. Provisions are made for each case based on the estimated amount expected to be paid, including interest and penalties. In accordance with Brazilian regulations, agreed amounts have been transferred to restricted bank accounts and are adjusted for interest. The restricted cash is included in other non-current assets, see note 17 Other non-current assets.

### **Site restoration**

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

### **Warranties**

Warranties are primarily product and power output warranties related to the sale of solar panels for Bluestar Elkem Solar group.

### **Contingent liabilities**

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



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

## 25 Provisions and other current liabilities

|  | 31 December<br>2020<br>NOK'000 | 31 December<br>2019<br>NOK'000 |
|--|--------------------------------|--------------------------------|
| Employee withholding taxes and other public taxes                              | 117,521                        | 112,918                        |
| VAT payable  | 111,454                        | 73,662                         |
| Prepayments from customers   | 251,837                        | 383,802                        |
| Prepayments, related parties   | 27,188                         | 3,730                          |
| Liabilities to related parties (note a)  | 11,938,749                     | 5,475,262                      |
| Provisions (note b)  | 204,863                        | 76,455                         |
| Contract obligations-power   | 2,879                          | 68,207                         |
| Contract obligations-equity accounted investment                               | 2,545                          | 16,795                         |
| Contingent consideration for acquisition of subsidiaries<br>(note 31) (note b) | 76,955                         | -                              |
| Accrued expenses   | 287,671                        | 357,175                        |
| Deferred income grants   | 153,783                        | 53,814                         |
| Recourse liability factoring agreement   | 51,373                         | 34,715                         |
| Other liabilities  | 49,687                         | 60,074                         |
| Provisions and other current liabilities                                       | <u>13,276,505</u>              | <u>6,716,609</u>               |

(a) Interest-free, repayable on demand

(b) See note 24 Provisions and other non-current liabilities



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

## 26 Financial instruments

### Financial assets and liabilities by category 31 December 2020

| Note                      | Assets at fair values through profit and loss NOK'000 | Assets at fair value-hedging instruments NOK'000 | Assets at fair value through other comprehensive income NOK'000 | Loans and receivables at amortised cost NOK'000 | Non-financial assets NOK'000 | Total NOK'000     |
|---------------------------|---|--|---|---|------------------------------|-------------------|
| Derivatives, non-current  | 26  | 18,141   | 41,316  | -   | -                            | 59,457            |
| Other non-current assets  |   | 4,142  | -   | 23,305  | 343,672                      | 432,982           |
| Trade receivables         | 19  | -  | -   | -   | -                            | 3,300,124         |
| Derivatives, current      | 26  | 34,338   | 119,623   | -   | -                            | 153,961           |
| Other current assets      |   | -  | -   | -   | -                            | 2,990,675         |
| Restricted deposits       |   | -  | -   | -   | 1,462,638                    | 4,453,313         |
| Cash and cash equivalents | 22  | -  | -   | -   | -                            | 361,229           |
|                           |   | -  | -   | -   | -                            | 3,549,564         |
| <b>Total</b>              |   | <b>56,621</b>                                    | <b>160,939</b>  | <b>23,305</b>                                   | <b>1,806,310</b>             | <b>12,310,630</b> |

| Note   | Liabilities at fair value through profit and loss NOK'000 | Liabilities at fair value-hedging instruments NOK'000 | Liabilities at amortised cost NOK'000 | Non-financial liabilities NOK'000 | Total NOK'000     |
|--|---|---|---------------------------------------|-----------------------------------|-------------------|
| Interest-bearing liabilities, non-current (note a) | 22  | -   | 15,456                                | -                                 | 16,611,316        |
| Derivatives, non-current                           | 26  | (60,527)  | 312,871                               | -                                 | 252,344           |
| Provisions and other non-current liabilities       | 24  | 184,012   | -                                     | -                                 | 459,293           |
| Trade payables                                     |   | -   | -                                     | 275,281                           | 3,744,837         |
| Interest-bearing liabilities, current (note a)     | 22  | -   | 7,728                                 | -                                 | 6,094,334         |
| Bills payable                                      |   | -   | -                                     | -                                 | 1,052,732         |
| Derivatives, current (note b)                      | 26  | 35,655  | 66,733                                | -                                 | 102,388           |
| Provisions and other current liabilities           | 25  | 76,955  | -                                     | -                                 | 12,280,672        |
|  |   | -   | -                                     | 918,878                           | 13,276,505        |
| <b>Total</b>                                       |   | <b>236,095</b>  | <b>402,788</b>                        | <b>39,760,707</b>                 | <b>1,194,159</b>  |
|  |   |   |                                       |                                   | <b>41,593,749</b> |

### Financial assets and liabilities by category 31 December 2019

| Note                      | Assets at fair values through profit and loss NOK'000 | Assets at fair value-hedging instruments NOK'000 | Assets at fair value through other comprehensive income NOK'000 | Loans and receivables at amortised cost NOK'000 | Non-financial assets NOK'000 | Total NOK'000     |
|---------------------------|---|--|---|---|------------------------------|-------------------|
| Derivatives, non-current  | 26  | -  | 65,734  | -   | -                            | 65,734            |
| Other non-current assets  |   | 3,712  | -   | 57,550  | 66,828                       | 279,251           |
| Trade receivables         | 19  | -  | -   | -   | -                            | 2,976,395         |
| Derivatives, current      | 26  | 97,517   | (54,491)  | -   | -                            | 43,026            |
| Other current assets      |   | -  | -   | -   | -                            | 2,725,889         |
| Restricted deposits       |   | -  | -   | -   | 1,208,999                    | 3,934,888         |
| Cash and cash equivalents | 22  | -  | -   | -   | -                            | 553,247           |
|                           |   | -  | -   | -   | -                            | 5,195,880         |
| <b>Total</b>              |   | <b>101,229</b>                                   | <b>11,243</b>   | <b>57,550</b>                                   | <b>11,518,239</b>            | <b>1,488,250</b>  |
|                           |   |  |   |   |                              | <b>13,176,511</b> |

| Note   | Liabilities at fair value through profit and loss NOK'000 | Liabilities at fair value-hedging instruments NOK'000 | Liabilities at amortised cost NOK'000 | Non-financial liabilities NOK'000 | Total NOK'000     |
|--|---|---|---------------------------------------|-----------------------------------|-------------------|
| Interest-bearing liabilities, non-current (note a) | 22  | -   | 12,941                                | -                                 | 18,821,052        |
| Derivatives, non-current                           | 26  | 141,800   | 68,545                                | -                                 | 210,345           |
| Provisions and other non-current liabilities       | 24  | -   | -                                     | -                                 | 6,158,035         |
| Trade payables                                     |   | -   | -                                     | -                                 | 3,523,300         |
| Interest-bearing liabilities, current (note a)     | 22  | -   | 4,937                                 | -                                 | 2,429,300         |
| Bills payable                                      |   | -   | -                                     | -                                 | 886,938           |
| Derivatives, current (note b)                      | 26  | 22,092  | 21,149                                | -                                 | 43,241            |
| Provisions and other current liabilities           | 25  | -   | -                                     | -                                 | 5,935,359         |
|  |   | -   | -                                     | 781,250                           | 6,716,609         |
| <b>Total</b>                                       |   | <b>163,892</b>  | <b>107,572</b>                        | <b>37,736,106</b>                 | <b>1,266,919</b>  |
|  |   |   |                                       |                                   | <b>39,274,489</b> |



## 26 Financial instruments (continued)

- (a) In addition to the hedging instruments specified below, currency effect of EUR loan is designated as a hedging instrument in a cash flow hedge of highly probable future sales. See note 22 Interest-bearing assets and liabilities.
- (b) The Group applies hedge accounting for certain contracts and certain parts of power contracts. The negative value reported as liabilities at fair value through profit and loss is representing the value of parts of power contracts where hedge accounting is not applied.

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

### Fair value measurement

Financial instruments at fair value through profit or loss and financial assets available for sale are measured using different levels of input.

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

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

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

BEI group's assets and liabilities measured at fair value as of 31 December 2020

|  | Level 1<br>NOK'000 | Level 2<br>NOK'000 | Level 3<br>NOK'000 | Total<br>NOK'000 |
|--|--------------------|--------------------|--------------------|------------------|
| Financial assets at fair value through profit or loss      | 4,142              | 52,479             | -                  | 56,621           |
| Derivatives designated in a hedging relationship           | -                  | 160,939            | -                  | 160,939          |
| Assets at fair value through other comprehensive income    | -                  | -                  | 23,305             | 23,305           |
| <b>Total assets</b>  | <b>4,142</b>       | <b>213,418</b>     | <b>23,305</b>      | <b>240,865</b>   |
| Financial liabilities at fair value through profit or loss | -                  | (103,305)          | 339,400            | 236,095          |
| Derivatives designated in a hedging relationship           | -                  | 371,333            | 31,455             | 402,788          |
| <b>Total liabilities</b>                                   | <b>-</b>           | <b>268,028</b>     | <b>370,855</b>     | <b>638,883</b>   |



**26 Financial instruments (continued)**

BEI group's assets and liabilities measured at fair value as of 31 December 2019

|  | Level 1<br>NOK'000 | Level 2<br>NOK'000 | Level 3<br>NOK'000 | Total<br>NOK'000 |
|--|--------------------|--------------------|--------------------|------------------|
| Financial assets at fair value through profit or loss      |                    |                    |                    |                  |
| Derivatives designated in a hedging relationship           | 3,712              | 25,533             | 71,984             | 101,229          |
| Assets at fair value through other comprehensive income    | -                  | 38,080             | (26,837)           | 11,243           |
| <b>Total assets</b>  | <u>3,712</u>       | <u>63,613</u>      | <u>102,697</u>     | <u>170,022</u>   |
| Financial liabilities at fair value through profit or loss |                    |                    |                    |                  |
| Derivatives designated in a hedging relationship           | -                  | 123,294            | 40,598             | 163,892          |
| <b>Total liabilities</b>                                   | <u>-</u>           | <u>259,139</u>     | <u>12,325</u>      | <u>271,464</u>   |

**Level 1:**

Financial assets measured at level 1 apply to external noted shares, which are measured based on the listed price.

Dividends from external shares are classified as other items.

**Level 2:**

Financial assets and liabilities measured at level 2 applies to forward foreign exchange contracts and commodity contracts and embedded foreign currency derivatives

The contracts are measured at fair value by estimating the future cash flows.

**Level 3:**

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

When valuing the power contracts observable data is used, such as power price, currency rates, CPI and CfD, when available. The power prices for long-term electricity contracts in Norway are not directly observable in the market for the whole contract length. Power prices are observable until 2030, CfD prices are only observable for a short time period and currency rates are observable until 2025. Valuation of the contracts for the remaining periods are based on the latest observable data adjusted for CPI, if relevant.



## 26 Financial instruments (continued)

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

See note 27 Financial risk for sensitivity analysis.

#### *Contracts with Statkraft*

Power contracts with Statkraft consist of one contract bought from Norske Skog in 2010, that lasts until 31 December 2020, and swap contracts that lasts until 31 December 2021. The usage of power from the contract bought from Norske Skog is restricted to industrial purposes. Elkem pays fixed power prices to Statkraft, specified for each contract/year.

As of 1 January 2013, the Statkraft contract bought from Norske Skog has been designated as a hedging instrument in a cash flow hedge of highly probable future purchases, hence changes in fair value for the power contract are from the same date booked against OCI. Changes in fair value up to 31 December 2012 were booked in the statement of income, classified as other items. Reversal of unrealised effects from the contract will be offset by realised effects, only the interest element will affect the statement of income. Swap contracts with Statkraft are booked according to hedge accounting principles from 1 January 2016.

#### *Power contract "30-øringen"*

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

#### *Power contract with Salten Energigjenvinning AS*

Elkem ASA has agreed to purchase all power produced from Salten Energigjenvinning AS at a fixed price per year, for 15 years from start-up date, estimated to second quarter of 2021. Elkem owns 50% of Salten Energigjenvinning AS, hence the information below relates to the 50% of the contract that is against the external part. The contract has been designated as a hedging instrument in a cash flow hedge of highly probable future need for power. Changes in fair value of the power contract are from the same date booked against OCI.



## 26 Financial instruments (continued)

Assumptions for valuation of the contracts

- Discount rate: 2.8% (3.6%) p.a. for contract with Salten Energigjenvinning AS and for the 30-øringen contract, and 1.68% (1.68%) for contracts with Statkraft. The assumptions are based on the estimated risk of the contract, including credit risk.
- Inflation: 1.5% (2.0%) p.a.
- Power prices: Market prices per 31 December 2020 until 2030
- CfDs: 4 year average historic CfD prices based on Nord Pool Spot prices.
- Exchange rate EUR: Observable rates for the next 5 years, thereafter calculated rates based on long-term interest rates.
- Volume for the contract with Salten Energigjenvinning AS: estimated production volume based on concept study and similar production facilities.

For the external shares measured at level 3, historical cost minus any write down for identified impairment is used as an approximation of fair value.

Specification of movements in measurement on level 3

|  | 2020<br>NOK'000  | 2019<br>NOK'000 |
|--|------------------|-----------------|
| Opening balance 1 January                            | 90,372           | 222,002         |
| Acquisitions   | (549,050)        | -               |
| Transfer to investment in equity accounted companies | (46,070)         | -               |
| Change in fair value recognized in OCI               | (452,802)        | (218,586)       |
| Settlement   | 721,226          | (158,817)       |
| Other changes in fair value through profit or loss   | (112,833)        | 246,555         |
| Translation effects                                  | 1,607            | (782)           |
|  | <u>(347,550)</u> | <u>90,372</u>   |
| Closing balance 31 December                          | <u>(347,550)</u> | <u>90,372</u>   |

### Details of financial instruments

Details of foreign exchange contracts as at 31 December 2020

| Purchase currency  | Purchase ccy 1000<br>NOK'000 | Sale currency | Sale ccy 1000<br>NOK'000 | Type of instrument   | Currency deal rate | Due       | Fair value<br>NOK'000 | Notional amount<br>(note a)<br>NOK'000 |
|--|------------------------------|---------------|--------------------------|----------------------|--------------------|-----------|-----------------------|--|
| USD  | 6,000                        | EUR           | 5,000                    | Fwd                  | 1.2000             | 2021      | (1,171)               | 51,170                                 |
| USD  | 2,880                        | JPY           | 300,000                  | Fwd                  | 0.0095             | 2021      | (482)                 | 24,370                                 |
| SGD  | 30,030                       | USD           | 22,000                   | Fwd                  | 1.3650             | 2021      | 6,071                 | 256,102                                |
| NOK  | 5,482                        | CAD           | 800                      | Fwd                  | 6.8522             | 2021      | (126)                 | 5,355                                  |
| CAD  | 3,364                        | EUR           | 2,200                    | Fwd                  | 1.5291             | 2021      | (552)                 | 23,037                                 |
| CAD  | 13,856                       | USD           | 10,450                   | Fwd                  | 1.3259             | 2021      | 3,656                 | 89,123                                 |
| NOK  | 1,523,087                    | EUR           | 140,600                  | Fwd                  | 10.8328            | 2021      | 44,054                | 1,472,254                              |
| NOK  | 91,804                       | GBP           | 7,550                    | Fwd                  | 12.1595            | 2021      | 3,906                 | 87,777                                 |
| NOK  | 377,259                      | JPY           | 4,014,000                | Fwd                  | 0.0940             | 2021      | 44,471                | 332,122                                |
| NOK  | 578,055                      | JPY           | 6,093,000                | Fwd                  | 0.0949             | 2022-2025 | 59,457                | 504,141                                |
| NOK  | 313,798                      | USD           | 33,300                   | Fwd                  | 9.4234             | 2021      | 29,620                | 283,999                                |
| USD  | 415                          | JPY           | 43,444                   | Fwd                  | 0.0095             | 2021      | (48)                  | 3,595                                  |
| NOK  | 621,041                      | EUR           | 60,886                   | Embedded<br>(note b) | 10.2001            | 2021      | (36,482)              | 637,551                                |
| NOK  | 4,006,542                    | EUR           | 372,095                  | Embedded<br>(note b) | 10.7675            | 2022-2034 | (190,400)             | 3,896,316                              |
| Total fair value currency<br>forward contracts<br>(note c) |                              |               |                          |                      |                    |           | <u>(38,026)</u>       |  |



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

## 26 Financial instruments (continued)

Details of foreign exchange contracts as at 31 December 2019

| Purchase currency                                    | Purchase ccy 1000 NOK'000 | Sale currency | Sale ccy 1000 NOK'000 | Type of instrument | Currency deal rate | Due       | Fair value NOK'000 | Notional amount (note a) NOK'000 |
|--|---------------------------|---------------|-----------------------|--------------------|--------------------|-----------|--------------------|----------------------------------|
| USD  | 13,218                    | EUR           | 12,000                | Fwd                | 1.1015             | 2020      | (3,266)            | 119,335                          |
| SGD  | 35,744                    | USD           | 26,000                | Fwd                | 1.3748             | 2020      | 5,224              | 228,273                          |
| NOK  | 53,554                    | CAD           | 8,100                 | Fwd                | 6.6117             | 2020      | 1,166              | 54,717                           |
| CAD  | 3,013                     | EUR           | 2,000                 | Fwd                | 1.5070             | 2020      | 171                | 19,722                           |
| NOK  | 1,469,534                 | EUR           | 145,600               | Fwd                | 10.0930            | 2020      | 18,054             | 1,435,800                        |
| NOK  | 183,861                   | GBP           | 16,100                | Fwd                | 11.4199            | 2020      | (3,677)            | 186,657                          |
| NOK  | 107,765                   | JPY           | 1,268,000             | Fwd                | 0.0850             | 2020      | 4,065              | 102,599                          |
| NOK  | 479,562                   | JPY           | 5,325,000             | Fwd                | 0.0901             | 2021-2024 | 20,580             | 430,867                          |
| NOK  | 371,095                   | USD           | 42,200                | Fwd                | 8.7937             | 2020      | 615                | 370,532                          |
| USD  | 610,000                   | JPY           | 66,045,000            | Fwd                | 0.0092             | 2020      | 36                 | 5,380                            |
| NOK  | 349,995                   | EUR           | 35,293                | Embedded (note b)  | 9.9167             | 2020      | (11,915)           | 348,039                          |
| NOK  | 4,627,583                 | EUR           | 432,981               | Embedded (note b)  | 10.6877            | 2021-2034 | (205,410)          | 4,269,753                        |
| Total fair value currency forward contracts (note c) |                           |               |                       |                    |                    |           | (174,377)          |                                  |

- (a) Notional value of the contracts, based on currency rates 31 December.
- (b) Embedded EUR derivatives in own use power contracts.
- (c) The spot element of forward currency contracts with duration more than 3 months are designated as hedging instruments is a cash flow hedge of highly probable future sales, hence this part is classified as 'Derivatives used for hedging' in the table 'Assets and liabilities classified by category' above. The interest element of these contracts and contracts of duration < 3 months are classified as 'Assets/liabilities at fair value through profit and loss'.

Details of power contracts and other commodity contracts within the scope of HKFRS 9 as at 31 December 2020

|  | Volume GWh /Oz/Troy | Due       | Fair value NOK'000 | Notional value (note a) NOK'000 |
|--|---------------------|-----------|--------------------|---------------------------------|
| Forward power contracts financial institutions         | 91                  | 2021      | (2,685)            | 27,749                          |
| Forward power contracts financial institutions         | 44                  | 2022      | (2,962)            | 14,924                          |
| Power contract "30-øringen"                            | 501                 | 2021      | (29,125)           | 149,723                         |
| Power contract "30-øringen"                            | 4,512               | 2022-2030 | (31,991)           | 1,453,607                       |
| Power contracts Statkraft, swap                        | 201                 | 2021      | (19,825)           | 69,369                          |
| Power contract with Salten Energigjenvinning AS        | 124                 | 2021      | (1,957)            | 30,257                          |
| Power contract with Salten Energigjenvinning AS        | 1,733               | 2022-2035 | (26,991)           | 567,596                         |
| Commodity contracts Platinum                           | 7,874               | 2021      | 12,245             | 36,149                          |
| Fair value commodity contracts inside scope of HKFRS 9 |                     |           | (103,291)          |                                 |



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

## 26 Financial instruments (continued)

Details of power contracts and other commodity contracts within the scope of HKFRS 9 as at 31 December 2019

|  | Volume GWh<br>/Oz/Troy | Due       | Fair value<br>NOK'000 | Notional value<br>(note a)<br>NOK'000 |
|--|------------------------|-----------|-----------------------|---------------------------------------|
| Forward contracts financial institutions               | 63                     | 2020      | (4,099)               | 26,029                                |
| Forward contracts financial institutions               | 44                     | 2021      | (107)                 | 14,426                                |
| Forward contracts financial institutions               | 44                     | 2022      | 173                   | 14,055                                |
| Forward power contracts financial institutions, sale   | (26)                   | 2020      | 1,902                 | (10,748)                              |
| Power contract "30-øringen"                            | 502                    | 2020      | (1,990)               | 152,795                               |
| Power contract "30-øringen"                            | 5,013                  | 2021-2030 | (2,246)               | 1,822,625                             |
| Power contracts Statkraft, swap                        | 1,714                  | 2020      | (8,117)               | 531,231                               |
| Power contracts Statkraft, swap                        | 201                    | 2021      | (2,689)               | 65,328                                |
| Power contract with Saltern Energigjenvinning AS       | 1,856                  | 2021-2035 | 45,107                | 563,026                               |
| Commodity contracts Platinum                           | 5,852                  | 2020      | 1,396                 | 14,040                                |
| Fair value commodity contracts inside scope of HKFRS 9 |                        |           | 29,330                |                                       |

- (a) Notional value of underlying asset at the end of reporting period, calculated as volume \* price \* currency rate as 31 December (if other currencies than NOK).
- (b) Certain power contracts and part of power contract Statkraft are designated as hedging instruments, the remaining contracts/parts of contracts are classified as 'Assets/liabilities at fair value through profit and loss'.

### Hedge Accounting

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



## 26 Financial instruments (continued)

### *Cash flow hedge*

The Group has forward currency contracts, embedded EUR derivatives in power contracts and an EUR loan amounting to EUR 16 million (EUR 21 million) where the spot element is designated as hedging instruments and Elkem's highly probable future revenue in corresponding currencies is designated as the hedging objects in this hedging relationship, defined as a cash flow hedge. In addition, certain power commodity contracts, defined as financial instruments, are designated as hedging instruments in a cash flow hedge of price fluctuations for highly probable future purchases. Hence, the effective part of changes in fair value of the financial instruments is booked against OCI, and recycled to profit or loss as an adjustment of revenue and power cost (included in raw materials and energy for production) when realised.

### *Net investment hedge*

Elkem ASA entered in 2017 into a bank loan amounting to EUR 275 million. In 2018 the bank loan of EUR 275 million was re-financed and increased to EUR 400 million. The spot rate of the initial loan amount, EUR 275 million, has been designated as a hedge of the net investment in the group's subsidiaries with EUR as functional currency. The fair value and carrying amount of the borrowing at 31 December 2020 was NOK 2,880 million (NOK 2,712 million). The foreign exchange loss of NOK 168 million (a gain of NOK 24 million) on translation of the borrowing from EUR to NOK at the end of the reporting period is recognised in other comprehensive income and accumulated in the foreign currency translation reserve in the statement of changes in equity. There was no ineffectiveness to be recorded from net investments hedges.



**26 Financial instruments (continued)**

The table below shows fair value for the derivative financial instruments, classified by type of hedging

| <b>Derivative financial instruments designated as hedging instruments</b> | <b>2020 Assets<br/>Fair value<br/>NOK'000</b> | <b>2020 Liabilities<br/>Fair value<br/>NOK'000</b> | <b>2019 Assets<br/>Fair value<br/>NOK'000</b> | <b>2019 Liabilities<br/>Fair value<br/>NOK'000</b> |
|---|---|--|---|--|
| Forward currency contracts-cash flow hedges                               | 160,939                                       | 10,464   | 38,013  | 15,717   |
| Power contract Statkraft-cash flow hedges                                 | -   | -  | 40  | 74,738   |
| Power contracts Statkraft swap-cash flow hedges                           | -   | 2,508  | 28,272  | -  |
| Power contract Salten Energigjenvining AS                                 | -   | 28,947   | 45,107  | -  |
| Power contracts embedded derivatives-cash flow hedges                     | -   | 332,039  | -   | 95,395   |
| Power contracts financial institutions-cash flow hedges                   | -   | 5,646  | -   | 4,033  |
| Currency effect loan EUR-cash flow hedge                                  | -   | 23,184   | -   | 17,878   |
| <b>Total derivative instruments</b>                                       | <b>160,939</b>                                | <b>402,788</b>                                     | <b>111,432</b>                                | <b>207,761</b>                                     |
| <i>Less non-current portion:</i>  |   |  |   |  |
| Forward currency contracts-cash flow hedges                               | 41,316  | -  | 20,560  | -  |
| Power contracts Statkraft swap-cash flow hedges                           | -   | -  | 14,161  | -  |
| Power contract Salten Energigjenvining AS                                 | -   | 26,991   | 45,107  | -  |
| Power contracts embedded derivatives-cash flow hedges                     | -   | 282,919  | -   | 82,706   |
| Power contracts financial institutions-cash flow hedges                   | -   | 2,685  | -   | -  |
| Currency effect loan EUR-cash flow hedge                                  | -   | 15,456   | -   | 13,408   |
| <b>Current portion of derivative instruments</b>                          | <b>119,623</b>                                | <b>74,737</b>                                      | <b>31,604</b>                                 | <b>111,647</b>                                     |



## 26 Financial instruments (continued)

The table below shows the movements in OCI related to hedging instruments

|   | Opening<br>balance 2020<br>NOK'000 | Net change in<br>fair value<br>NOK'000 | Reclassified to<br>P&L<br>NOK'000 | Closing<br>balance 2020<br>NOK'000 |
|---|------------------------------------|--|-----------------------------------|------------------------------------|
| Hedging of future sales, forward<br>currency contracts                                      | 22,296                             | (35,390)                               | 163,569                           | 150,475                            |
| Hedging of future need for power,<br>contracts with financial institutions                  | (4,032)                            | (24,309)                               | 22,695                            | (5,646)                            |
| Hedging of future need for power,<br>contract with Statkraft (note a)                       | (71,945)                           | (322,213)                              | 394,158                           | -                                  |
| Hedging of future need for power,<br>contracts with Statkraft (swap) (note b)               | 22,967                             | (63,671)                               | 38,196                            | (2,508)                            |
| Hedging of future need for power,<br>contract with Salten Energigjenvinning                 | 45,107                             | (74,054)                               | -                                 | (28,947)                           |
| Hedging of future sales, embedded EUR<br>derivatives in own use power contracts<br>(note b) | (95,395)                           | (282,000)                              | 45,356                            | (332,039)                          |
| Hedging of future sales, currency effects<br>EUR loan                                       | (17,877)                           | (16,551)                               | 11,244                            | (23,184)                           |
| <b>Total gains/(losses) before tax in OCI<br/>31 December</b>                               | <b>(98,879)</b>                    | <b>(818,188)</b>                       | <b>675,218</b>                    | <b>(241,849)</b>                   |
|   | Opening<br>balance 2019<br>NOK'000 | Net change in<br>fair value<br>NOK'000 | Reclassified to<br>P&L<br>NOK'000 | Closing<br>balance 2019<br>NOK'000 |
| Hedging of future sales, forward<br>currency contracts                                      | (64,704)                           | 37,323                                 | 49,677                            | 22,296                             |
| Hedging of future need for power,<br>contracts with financial institutions                  | 15,449                             | (18,680)                               | (801)                             | (4,032)                            |
| Hedging of future need for power,<br>contract with Statkraft (note a)                       | 207,026                            | (220,445)                              | (58,526)                          | (71,945)                           |
| Hedging of future need for power,<br>contracts with Statkraft (swap) (note b)               | 110,268                            | (40,265)                               | (47,036)                          | 22,967                             |
| Hedging of future need for power,<br>contract with Salten Energigjenvinning                 | 16,135                             | 28,972                                 | -                                 | 45,107                             |
| Hedging of future sales, embedded EUR<br>derivatives in own use power contracts<br>(note b) | (132,951)                          | 26,402                                 | 11,154                            | (95,395)                           |
| Hedging of future sales, currency effects<br>EUR loan                                       | (24,685)                           | 1,813                                  | 4,995                             | (17,877)                           |
| <b>Total gains/(losses) before tax in OCI<br/>31 December</b>                               | <b>126,538</b>                     | <b>(184,880)</b>                       | <b>(40,537)</b>                   | <b>(98,879)</b>                    |

(a) Hedge accounting from 2013.

(b) Hedge accounting from 2016.



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

## 26 Financial instruments (continued)

### Offsetting financial assets and liabilities

#### Financial assets subject to offsetting

|                            | Gross amount of recognised financial assets<br>NOK'000 | Gross amount of recognised financial liabilities set off in the statement of financial position<br>NOK'000 | Net amounts of financial assets presented<br>NOK'000 | Financial instruments not set off in the statement of financial position<br>NOK'000 | Cash collateral pledged<br>NOK'000 | Net amount<br>NOK'000 |
|----------------------------|--|--|--|---|------------------------------------|-----------------------|
| 2020                       |  |  |  |   |                                    |                       |
| Forward currency contracts | 195,101  | -  | 195,101  | (10,398)  | -                                  | 184,703               |
| <b>Total</b>               | <b>195,101</b>   | <b>-</b>   | <b>195,101</b>                                       | <b>(10,398)</b>   | <b>-</b>                           | <b>184,703</b>        |

#### Financial liabilities subject to offsetting

|  | Gross amount of recognised financial assets<br>NOK'000 | Gross amount of recognised financial liabilities set off in the statement of financial position<br>NOK'000 | Net amounts of financial assets presented<br>NOK'000 | Financial instruments not set off in the statement of financial position<br>NOK'000 | Cash collateral pledged<br>NOK'000 | Net amount<br>NOK'000 |
|--|--|--|--|---|------------------------------------|-----------------------|
| 2020   |  |  |  |   |                                    |                       |
| Power contracts including embedded derivatives | 342,418  | -  | 342,418  | -   | -                                  | 342,418               |
| Forward currency contracts                     | 6,197  | -  | 6,197  | (10,398)  | -                                  | (4,201)               |
| <b>Total</b>                                   | <b>348,615</b>   | <b>-</b>   | <b>348,615</b>                                       | <b>(10,398)</b>   | <b>-</b>                           | <b>338,217</b>        |

#### Financial assets subject to offsetting

|  | Gross amount of recognised financial assets<br>NOK'000 | Gross amount of recognised financial liabilities set off in the statement of financial position<br>NOK'000 | Net amounts of financial assets presented<br>NOK'000 | Financial instruments not set off in the statement of financial position<br>NOK'000 | Cash collateral pledged<br>NOK'000 | Net amount<br>NOK'000 |
|--|--|--|--|---|------------------------------------|-----------------------|
| 2019   |  |  |  |   |                                    |                       |
| Power contracts including embedded derivatives | 45,214   | (1,902)  | 43,312   | -   | -                                  | 43,312                |
| Foreign exchange forward contracts             | 56,927   | -  | 56,927   | (280)   | -                                  | 56,647                |
| <b>Total</b>                                   | <b>102,141</b>   | <b>(1,902)</b>   | <b>100,239</b>                                       | <b>(280)</b>  | <b>-</b>                           | <b>99,959</b>         |

#### Financial liabilities subject to offsetting

|  | Gross amount of recognised financial assets<br>NOK'000 | Gross amount of recognised financial liabilities set off in the statement of financial position<br>NOK'000 | Net amounts of financial assets presented<br>NOK'000 | Financial instruments not set off in the statement of financial position<br>NOK'000 | Cash collateral pledged<br>NOK'000 | Net amount<br>NOK'000 |
|--|--|--|--|---|------------------------------------|-----------------------|
| 2019   |  |  |  |   |                                    |                       |
| Power contracts including embedded derivatives | 231,847  | (1,902)  | 229,945  | -   | -                                  | 229,945               |
| Foreign exchange forward contracts             | 12,593   | -  | 12,593   | (280)   | -                                  | 12,313                |
| <b>Total</b>                                   | <b>244,440</b>   | <b>(1,902)</b>   | <b>242,538</b>                                       | <b>(280)</b>  | <b>-</b>                           | <b>242,258</b>        |



## 27 Financial risk and capital management

### *Introduction*

Bluestar Elkem Investment Co. Limited (BEI) is a holding company. The operating activities of the BEI group are mainly taking place in the sub groups Elkem ASA group and REC Solar group.

BEI group is exposed to a variety of financial risks such as interest rate risk, currency risk, liquidity risk, credit risk and risks relating to prices of finished goods and raw materials. The market risks affect the Group's income or the value of financial instruments held. BEI group operates in an international and cyclical industry and all financial risks related to its operations are monitored and handled at group level. BEI group has financial risk policies in place, approved by its Board of directors.

BEI's parent company China National Bluestar (Group) Co. Ltd is responsible for how the financing of the BEI group is structured and organised.

### *Financial risk factors*

#### (a) *Market risk*

##### (i) *Currency risk*

#### *Transaction risk-cash flow hedge*

BEI group has sales revenue and operating costs in various currencies. The prices of finished goods are to a large extent determined in international markets, primarily in US Dollar, Chinese Yuan and Euro. This is partly offset by purchase of raw materials denominated in the same currencies. BEI group has net positive cash flows in most currencies, mainly US dollar, Chinese Yuan and Euro, but has a net cost position in certain other currencies, mainly Norwegian krone but also in Canadian dollars, Brazilian real and Icelandic krona.

The management of BEI group at operational level, has set up a policy that requires hedging of their foreign exchange risk against functional currency at sub group level.

For Elkem ASA group NOK is functional currency and for REC Solar group USD.

Elkem ASA group's policy is to hedge foreign exchange risk against functional currency to even out fluctuations in result and cash flow. The target is to hedge expected net cash flow for 0-3 months on a 90% hedging ratio. Expected net cash flow for 4-12 months should be hedged on a rolling basis targeting a 45% hedging ratio. The hedging ratio for 4-12 months may vary based on internal approval.

Elkem ASA group also has a hedge in JPY until 2025 related to a long-term customer contract. BEI group uses hedge accounting for all cash flow hedges over 3 months.

REC Group has entered into forward currency exchange contracts to mitigate currency fluctuations for a part of future cash flows. The contracts are entered into with flexible maturity dates ranging from one month to 15 months. Hedge accounting is not applied.



## 27 Financial risk and capital management (continued)

### Foreign exchange-sensitivity analysis on financial instruments

The BEI group is presenting its accounts in Norwegian Krone, but it has underlying assets and liabilities in various currencies. The Group's equity and other financial ratios could therefore be negatively exposed. The BEI group has most of its financing denominated in US Dollar, whereas most of the assets are denominated in other currencies. The equity ratio of the BEI group is therefore exposed to US Dollar fluctuations against other currencies in which the Group has its assets.

The table below shows currency effects by lines in the financial statement:

| Currency effect included in financial statement:   | 2020<br>NOK'000 | 2019<br>NOK'000 |
|--|-----------------|-----------------|
| Net foreign exchange gains-foreign exchange forward contracts-included in other items (note 9)                               | 49,279          | 22,569          |
| Operating foreign exchange losses -included in other items (note 9)  | (83,472)        | (44,891)        |
| Net foreign currency exchange (losses) / gains on financing activities-included in foreign exchange (losses)/gains (note 10) | (731,115)       | 125,244         |
| Currency translation differences-included in other comprehensive income  | 952,716         | (146,837)       |
| Hedging of net investment in foreign operations-included in other comprehensive income                                       | (167,757)       | 24,067          |

### Sensitivity on profit and loss from financial instruments.

The sensitivity related to financial instruments on the BEI group's profit or loss is based on a strengthening/weakening of all currencies by 10 per cent against the Norwegian Krone, which is the presentation currency for the BEI group.

If the Norwegian Krone is strengthened/weakened by 10 per cent against all other currencies, the isolated effect on financial instruments would have been an increased/reduced profit before tax of approximately NOK 996 million (NOK 914 million).

### (ii) Price risk

BEI group is exposed to fluctuations in market prices both in the investment portfolio and in the operating business related to individual contracts.

The main part of short-term price risk is hedged.

### Commodity prices

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



## 27 Financial risk and capital management (continued)

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

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

### **Power**

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

Normally all plants have covered their future need for power by entering into power contracts, classified as own use contracts according to HKFRS 9, hence such contracts are off-balance. For plants located in Norway, BEI Group's policy is that minimum 80% of the expected power consumption shall be covered by fixed price contracts for current and next year. For the following periods, the ratio extends until 4 years ahead, declining with 10%-point per year ending at 50%. BEI Group currently fulfils this minimum hedge policy, and also has a substantial amount of contracts at fixed price for the later years. Optimisation of 24-hour-, seasonal- and capacity utilisation variations are solved through utilising financial and physical contracts that are traded bilaterally. The purpose of the hedging activities is to reduce volatility in the power cost and to increase the predictability of the cost base. Fair value of commodity contracts is especially sensitive for future changes in energy prices.

Changes in fair value of commodity contracts, defined as financial instruments, reflect unrealised gains or losses, and are calculated as the difference between market price and contract price, discounted to present value. Valuation techniques are based on available market information where this is possible. Other valuation techniques are used to estimate the market price for non-observable market parameters.

### *Valuation of the power contracts*

The valuation technique used for valuing the power contracts is described in note 26 Financial Instruments.



## 27 Financial risk and capital management (continued)

### Sensitivity analysis-power contracts

Sensitivity of the Statkraft and 30-øringen contract is as follows:

|                              |                | <i>Fair value</i><br>31 December<br>2020<br>NOK'000 | <i>Adjusted NPV</i><br>NOK'000 |
|------------------------------|----------------|---|--------------------------------|
| <i>"30-øringen" contract</i> |                |   |                                |
| Discount rate (used 2.8%)    | change to 0%   | (61,000)  | (58,760)                       |
| Discount rate (used 2.8%)    | change to 5%   | (61,000)  | (62,080)                       |
| CPI (used 1.5%)              | change to 1%   | (61,000)  | 31,190                         |
| CPI (used 1.5%)              | change to 3%   | (61,000)  | (155,690)                      |
| Power price                  | decrease -10%  | (61,000)  | (194,890)                      |
| Power price                  | increase + 10% | (61,000)  | 72,650                         |

### (iii) Interest rate risks

The BEI group has substantial interest-bearing liabilities. BEI group is operating in a cyclical industry, the prices and sales volumes for its products are expected to fluctuate with the general global economic conditions. In a global economic downturn, the sales prices and volumes tend to go down, while both prices and volumes tend to go up during an economic upturn. Interest rates have historically showed a similar pattern. Based on this, the BEI group considers that a floating interest rate policy is appropriate from a financial risk perspective. Consequently, with floating interest rates the Group will normally be in a position to benefit from lower interest rates in an economic downturn. Although a floating rate policy is deemed appropriate from a risk perspective, it will leave the Group exposed to increased future interest rates.

As of 31 December 2020, the BEI group has the following interest-bearing assets and liabilities:

|                              | <i>Floating</i><br>NOK'000 | <i>Fixed</i><br>NOK'000 | <i>Total</i><br>NOK'000 |
|------------------------------|----------------------------|-------------------------|-------------------------|
| Interest-bearing liabilities | 23,601,313                 | 157,069                 | 23,758,382              |
| Interest-bearing assets      | 3,959,762                  | -                       | 3,959,762               |
| Net exposure                 | <u>19,641,551</u>          | <u>157,069</u>          | <u>19,798,620</u>       |

The interest rate sensitivity is based on a parallel shift in the interest rates to which the BEI group is exposed. If interest rates had been 50 basis points higher/lower for a full year, with all other variables held constant, the profit after tax would have been NOK 71 million lower/higher (NOK 65 million). An overview of the BEI group's debt portfolio is presented in note 22 Net interest-bearing liabilities.



## 27 Financial risk and capital management (continued)

### (b) Counterparty credit risk

Credit risk is the risk of financial losses to the Group if customer or counterparty fail to meet contractual obligations. For the BEI group this arises mainly to trade receivables and financial trading counterparties.

Trade receivables are generally secured by credit insurance. Credit limits for each customer and overdue are monitored at the Elkem ASA group level and REC Group level. For customers where credit insurance cannot be obtained, other methods are generally used to secure the sales proceeds, such as prepayment, letter of credit, documentary credit or guarantees. In particular, when selling in countries with high political risk, or to remote customers, trade finance products are used to reduce the credit risk outside of China. Most of BEI Group's turnover is covered by credit insurance, trade finance or prepayments. BEI group realised credit losses of NOK 13 million in 2020 (NOK 4 million). The maximum exposure to credit risk for the Group is NOK 5,922 million per 31 December 2020. The amount of exposure includes loan to Fibres of NOK 795 million, which is guaranteed by the parent company China National Bluestar (Group) Co. Ltd and loan to Bluestar Finance Holdings Limited of USD 213,256 thousand (NOK 1,818 million). Please refer to note 20 Other current assets.

REC has a concentration of its customers in the Solar industry. Generally, a more challenging and competitive market environment had increased, and may further increase credit risk, erms and sales into new and immature markets. Policies are in place to ensure that's sales of products are made to customers with an appropriate credit history in combination with requirements for various payment guarantee or prepayments and to some extend credit insurance. Credit risk may also increase by abrupt changes in market condition by changes in government incentives.

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

### (c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities.

The BEI group is exposed to liquidity risk related to its operations and financing. The BEI group's financing includes shareholder loans provided by China National Bluestar (Group) Co. Ltd. These loans are long-term and the repayment of the loans are at the borrower's discretion. Such conditions apply throughout the BEI group. The BEI group has no refinancing risk connected to such loans.

Per 31 December 2020 the BEI group has loans of total NOK 7,885 million from external finance institutions which includes used amount in the credit facility. These loans have separate covenants requirement as described in note 22 Net interest-bearing debt.



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

## 27 Financial risk and capital management (continued)

The policy is to have cash and available credit facilities to cover known capital needs and generally not less than 10% of annual revenue. In addition, the policy is to ensure that the main credit facilities have a remaining maturity of at least 12 months.

The maturity profile of the credit facilities at BEI group level is shown in the table below.

| Year/maturity                     | 2020<br>NOK'000 | 2023<br>NOK'000  | Total<br>NOK'000 |
|-----------------------------------|-----------------|------------------|------------------|
| Total amount of credit facilities | <u>617,000</u>  | <u>2,617,000</u> | <u>3,234,000</u> |

On operating level the BEI group's cash flow will fluctuate due to economic conditions and financial performance. In order to assess its future operational liquidity risk the Group is providing short-term and long-term cash flow forecasts. The short-term forecast is updated each week and the long-term cash flow projection is updated each quarter.

In order to mitigate the operational liquidity risk, the BEI group has cash and revolving credit facilities with banks. As of 31 December 2020, the BEI group has unrestricted cash of NOK 3,550 million (NOK 5,196 million). In addition, revolving credit facilities amount to NOK 3,250 million (NOK 3,105 million), of which NOK 3,234 million is undrawn (NOK3,105 million).

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| At 31 December 2020                | 1 year<br>NOK'000 | Between 1<br>and 2 years<br>NOK'000 | Between 2<br>and 5 years<br>NOK'000 | Over 5 years<br>NOK'000 | Total<br>NOK'000 | Total carrying<br>amount<br>NOK'000 |
|------------------------------------|-------------------|-------------------------------------|-------------------------------------|-------------------------|------------------|-------------------------------------|
| Interest-bearing liabilities       | 6,233,693         | 7,272,006                           | 6,287,159                           | 5,370,673               | 25,163,531       | 22,705,650                          |
| Accounts payable                   | 3,744,837         | -                                   | -                                   | -                       | 3,744,837        | 3,744,837                           |
| Other current liabilities (note a) | 2,683,356         | -                                   | -                                   | -                       | 2,683,356        | 2,683,356                           |
| Bills payable                      | 1,052,732         | -                                   | -                                   | -                       | 1,052,732        | 1,052,732                           |
| At 31 December 2019                | 1 year<br>NOK'000 | Between 1<br>and 2 years<br>NOK'000 | Between 2<br>and 5 years<br>NOK'000 | Over 5 years<br>NOK'000 | Total<br>NOK'000 | Total carrying<br>amount<br>NOK'000 |
| Interest-bearing liabilities       | 2,695,143         | 7,636,548                           | 8,081,013                           | 5,666,121               | 24,078,825       | 21,250,352                          |
| Accounts payable                   | 3,523,300         | -                                   | -                                   | -                       | 3,523,300        | 3,523,300                           |
| Other current liabilities (note a) | 6,716,609         | -                                   | -                                   | -                       | 6,716,609        | 6,716,609                           |
| Bills payable                      | 886,938           | -                                   | -                                   | -                       | 886,938          | 886,938                             |

- (a) Where of NOK 1,345,600 thousand at 31 December 2020 (NOK 5,475,262 thousand) are related to loans from other related parties within China National Bluestar group. The loans are repayable on demand.

A total overview of the BEI group's debt portfolio and instalment profile is presented in note 22 Net interest-bearing liabilities.



## 27 Financial risk and capital management (continued)

### Capital management

China National Bluestar has financed the BEI group with equity and long-term loans. The objective is to maximise the overall return for China National Bluestar and to provide adequate financial flexibility for the Group. At the same time, China National Bluestar's intention is to make sure that the BEI group is able to meet its external financial obligations. China National Bluestar may amend the capital structure and/or adjust dividend and interest-rate conditions for the BEI group in order to safeguard this goal.

## 28 Related party transactions

100% of shares in Bluestar Elkem Investment Co. Limited is held by China National Bluestar Co. Limited (see note 21 Shareholder information). Balances and transactions between Bluestar Elkem Investment and its subsidiaries, have been eliminated in the consolidated financial statements and are not disclosed in this note. Details of transactions between the BEI group and other related parties are disclosed below.

|   | Trade sales<br>NOK'000 | Trade<br>purchases<br>NOK'000 | Sale of<br>services<br>NOK'000 | Purchase of<br>services<br>NOK'000 | Interest<br>income<br>NOK'000 | Interest<br>expenses<br>NOK'000 | Increase/<br>(decrease) in<br>amounts due<br>to related<br>parties<br>NOK'000 | Increase/<br>(decrease) in<br>amounts due<br>from related<br>parties<br>NOK'000 |
|---|------------------------|-------------------------------|--------------------------------|------------------------------------|-------------------------------|---------------------------------|---|---|
| 2020  |                        |                               |                                |                                    |                               |                                 |   |   |
| Bluestar  | -                      | -                             | -                              | -                                  | -                             | (58,730)                        | 922,236   | -   |
| Joint ventures and<br>associates                    | -                      | -                             | 81,634                         | (158,595)                          | -                             | -                               | -   | -   |
| Other related<br>parties controlled<br>by ChemChina | 433,896                | (389,683)                     | 5,996                          | (53,808)                           | -                             | (114,352)                       | 246,738   | 86,465  |
| Other related<br>parties                            | 4,166                  | (4,901)                       | -                              | (13,472)                           | -                             | -                               | -   | -   |
| <b>Total</b>  | <b>438,062</b>         | <b>(394,584)</b>              | <b>87,630</b>                  | <b>(225,875)</b>                   | <b>-</b>                      | <b>(173,082)</b>                | <b>1,168,974</b>  | <b>86,465</b>   |
| 2019  |                        |                               |                                |                                    |                               |                                 |   |   |
| Bluestar  | -                      | -                             | -                              | -                                  | -                             | (85,183)                        | (642,463)   | -   |
| Joint ventures and<br>associates                    | -                      | -                             | 18,259                         | (168,680)                          | 39                            | -                               | -   | -   |
| Other related<br>parties controlled<br>by ChemChina | 297,851                | (333,668)                     | 76,727                         | (94,906)                           | -                             | (101,883)                       | 368,344   | (206,820)   |
| Other related<br>parties                            | 10                     | (5,063)                       | -                              | (15,262)                           | -                             | -                               | -   | -   |
| <b>Total</b>  | <b>297,861</b>         | <b>(338,731)</b>              | <b>94,986</b>                  | <b>(278,848)</b>                   | <b>39</b>                     | <b>(187,066)</b>                | <b>(274,119)</b>  | <b>(206,820)</b>  |



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

## 28 Related party transactions (continued)

|   | 31 December<br>2020<br>NOK'000 | 31 December<br>2019<br>NOK'000 |
|---|--------------------------------|--------------------------------|
| Loans from/to related parties   |                                |                                |
| Financing from Bluestar (note b)  | (1,965,817)                    | (1,163,402)                    |
| Accrued interest for loan from ChemChina (note a)                             | (400,562)                      | (357,619)                      |
| Loan to joint arrangements  | 1,194                          | 1,321                          |
| Loans to other related parties controlled by ChemChina                        | 794,856                        | 818,333                        |
| Loans from other related parties controlled by ChemChina (note b)             | (15,722,837)                   | (15,786,700)                   |
| Accrued interest for loans from other related parties controlled by ChemChina | (417,962)                      | (321,932)                      |
| Receivables from Bluestar   | 946                            | 947                            |
| Payables to joint arrangements and associates                                 | (24,600)                       | (13,327)                       |
| Receivables from joint arrangements and associates                            | 9,240                          | 8,699                          |
| Payables to other related parties controlled by ChemChina                     | (59,814)                       | (48,505)                       |
| Receivables from other related parties controlled by ChemChina                | 2,098,447                      | 1,739,886                      |
| Payables to other related parties   | -                              | (1,392)                        |
| Prepayments from joint ventures and associates                                | (10,541)                       | (3,730)                        |
| Financial power contract  | (28,947)                       | 45,107                         |

a) See note 22 Net interest-bearing liabilities

b) Deviates from note 22 Net interest-bearing liabilities because parts of the loans are interest-free

### Information about transactions between related parties:

#### Related parties within ChemChina

- Sale of silicone to China Blue Chemical Ltd and other companies within ChemChina
- Purchase of raw materials from companies within ChemChina



## 28 Related party transactions (continued)

### Equity accounted companies

#### *Salten Energigjenvinning AS*

The BEI Group has entered into a cash settled financial agreement to purchase all the power produced from Salten Energigjenvinning AS to a fixed price for the first 15 years of operations.

The BEI Group has guaranteed to deliver a minimum of 990 GWh heat energy free of charge within each calendar year for 15 years from the start-up date, estimated to fourth quarter 2020, of Salten Energigjenvinning AS. Estimated value of the guarantee is NOK 1,196 million on 100% basis, the BEI Group owns 50% of the company. The Group will be compensated if the actual volume of heat energy exceeds the guaranteed volume. The Group has committed to cover its proportion of total estimated capital injections in Salten Energigjenvinning AS of NOK 100 million, whereof NOK 80 million is paid as of 31 December 2020 (NOK 40 million). As at 31 December 2020 the Group has made a provision of NOK 3 million (NOK 17 million) to cover incurred losses.

The BEI Group has two call options related to purchase of the remaining 50% of the shares in Salten Energigjenvinning AS. The BEI Group has an option to purchase the shares after start-up date at fair market value less 20%. Further, Elkem has the right to purchase the shares to NOK 1 on a cash free and debt free basis 15 years after start-up date. Start-up date, as defined in the contract, is estimated to be during Q2 2021. The BEI Group has assessed that the BEI Group will obtain control of Salten Energigjenvinning from the start-up date, since the BEI Group can purchase the shares to a price less than fair market value.

#### *Other equity accounted companies*

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

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

BEI group also has loans from other related parties within China National Bluestar group. The main loans are given from:

- Bluestar Silicones Investment Co. Ltd.
- Bluestar Finance Holdings Limited.
- China National Bluestar (Group) Co., Ltd.



*Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020*

## 28 Related party transactions (continued)

The sale and purchase from related parties outside the BEI group are made on terms equivalent to those that prevail in arm's length transactions. Prices are set upon negotiation between the parties.

Outstanding balances at year-end are unsecured and the short-term receivables and payables are interest-free, with exception of the short-term loans. The long-term loans are interest-bearing and the interest is calculated based on interbank rates (for example LIBOR and EURIBOR) plus a margin.

### Transactions with key management personnel

The Directors did not receive or will receive any fees or remuneration in respect of their services to the Group during the year.

### Net investment in foreign subsidiaries

Bluestar Elkem Investment Co. Limited has a long-term receivable on the subsidiaries Bluestar Elkem International S.à.r.l, that is considered to be a part of the net investment in these subsidiaries. Currency loss of NOK 121,290 thousand, gross (loss of NOK 45,887 thousand) is recognised in foreign currency translation reserve in Other comprehensive income.

## 29 Grants

The BEI group has received the following government grants:

|  | 2020<br>NOK'000 | 2019<br>NOK'000 |
|--|-----------------|-----------------|
| Funding from the Norwegian government R&D              | 73,833          | 38,298          |
| Funding from the French government R&D                 | 59,693          | 55,225          |
| Funding from the Singaporean government R&D            | 4,976           | 48,486          |
| Funding from Other R&D                                 | 7,688           | 9,630           |
| CO2 Compensation from the Norwegian Environment Agency | 318,296         | 161,703         |
| Funding related to energy recovery                     | 73,592          | 39,405          |
| Covid-19 grants (note b)                               | 19,096          | -               |
| Other grants   | 83,899          | 65,584          |
| <b>Total grants received</b>                           | <b>641,073</b>  | <b>418,331</b>  |

The BEI group has received the following grants from other than governments:

|   | 2020<br>NOK'000 | 2019<br>NOK'000 |
|---|-----------------|-----------------|
| Norwegian NOx fund for reduced emission of NOx (note a) | 133,750         | 67,500          |
| Other grants  | 4,396           | 2,660           |
| <b>Total other grants received</b>                      | <b>138,146</b>  | <b>70,160</b>   |



## 29 Grants (continued)

- (a) The industry in Norway pays a fee for their emission of NOx to a public foundation run by 15 industry and commerce associations. The foundation is self-financed by the fees and the purpose is to support projects that reduces NOx emissions from the industry in Norway.
- (b) Due to the Covid-19 outbreak, several government bodies implemented temporary measures in 2020 to help businesses affected by the outbreak. The Group has received NOK 19 million in Covid-19 related grants recognised as other operating income in the statement of profit or loss. In addition the Group has benefited from temporary extension in salary refund arrangements and temporary reliefs in social security taxes. The estimated value of these arrangements are NOK 31 million and is presented net against employee benefit expenses.

**Grants received is included in the financial statement as follows:**

|  | 2020<br>NOK'000 | 2019<br>NOK'000 |
|--|-----------------|-----------------|
| Other operating income                       | 602,620         | 380,235         |
| Deduction of carrying amount of fixed assets | 176,599         | 108,256         |
| Total  | <u>779,219</u>  | <u>488,491</u>  |
| Receivables related to government grants     | 696,841         | 515,774         |
| Deferred income related to government grants | (21,493)        | (4,994)         |
| Grants payable                               | -               | (14,774)        |

The current CO2 compensation scheme ended 31 December 2020.

## 30 Other matters

### Going concern

The consolidated financial statements of the Group for 2020 show a net assets attributable to the parent's owner of negative NOK 6,917 million and the total equity of negative NOK 566 million. The consolidated financial statements as of 31 December 2020 have been prepared in accordance with the principles of going concern. The Group has available liquidity resources in the form of cash and unused credit lines to finance its operations through 2021. In addition, the Group will be able to rely on support from its shareholder if needed.

## 31 Changes in the composition of the Group and business combinations

### Changes in composition of the group in 2020, business combination

In 2020 the BEI Group invested NOK 1,032 million to acquire two new subsidiaries (business combinations). The amount comprises cash consideration transferred, reduced by cash and cash equivalents of the acquiree, see note 32 Supplemental information to the consolidated statement of cash flows. Acquisition-related costs of NOK 22 million is recognised in other items in the statement of profit or loss, whereof NOK 6 million in 2019 and NOK 16 million in 2020 as at 31 December.



*Bluestar Elkem Investment Co. Limited*  
*Financial statements for the year ended 31 December 2020*

## 31 Changes in the composition of the Group and business combinations (continued)

In December 2019 the BEI Group entered into an agreement to acquire all of the shares in Guangdong Polysil Technology Co. Ltd. and its subsidiary (hereafter Polysil). Polysil is a leading Chinese silicone elastomer & resins material manufacturer with strong positions in baby care and food grade silicones, as well as silicone products for the electronics and medical markets. Polysil and the BEI Group's complementary product and market positions provide a solid platform for further specialisation and growth in China and globally. The parties have agreed an enterprise value for Polysil of up to CNY 941 million, including potential earn-out depending on pre-agreed criteria. The transaction was completed 1 April 2020.

The table below summarises the amounts recognised for assets acquired and liabilities assumed at the date of acquisition.

| <b>Consideration</b>                    | <i>Polysil group</i><br>NOK'000 |
|---|---------------------------------|
| Cash transferred on acquisition         | 792,029                         |
| Deferred and contingent consideration   | 549,050                         |
| <b>Agreed enterprise value</b>          | <b>1,341,079</b>                |
| Net debt and working capital adjustment | 178,862                         |
| <b>Total</b>                            | <b>1,519,941</b>                |

|   | <i>Carrying amount</i><br>NOK'000 | <i>Excess value</i><br>NOK'000 | <i>Fair value</i><br>NOK'000 |
|---|-----------------------------------|--------------------------------|------------------------------|
| Property, plant and equipment             | 113,063                           | 50,063                         | 163,126                      |
| Right-of-use assets                       | 26,170                            | 25,364                         | 51,534                       |
| Other intangible assets                   | 453                               | 509,915                        | 510,368                      |
| Deferred tax assets                       | 2,135                             | -                              | 2,135                        |
| Inventories                               | 101,071                           | -                              | 101,071                      |
| Trade receivables                         | 171,484                           | -                              | 171,484                      |
| Other current assets                      | 5,238                             | -                              | 5,238                        |
| Cash and cash equivalents                 | 177,893                           | -                              | 177,893                      |
| Deferred tax liabilities                  | -                                 | (87,801)                       | (87,801)                     |
| Trade payables                            | (58,171)                          | -                              | (58,171)                     |
| Employee benefits obligations, current    | (9,812)                           | -                              | (9,812)                      |
| Provisions and other liabilities, current | (13,104)                          | -                              | (13,104)                     |
| <b>Total</b>                              | <b>516,420</b>                    | <b>497,541</b>                 | <b>1,013,961</b>             |
| Non-controlling interests                 | -                                 | -                              | -                            |
| Goodwill                                  | -                                 | 505,980                        | 505,980                      |
| <b>Total</b>                              | <b>516,420</b>                    | <b>1,003,521</b>               | <b>1,519,941</b>             |



## 31 Changes in the composition of the Group and Business combinations (continued)

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

The excess value for other intangible assets is related to technology with NOK 257 million and customer relationships with NOK 253 million, see note 14 Intangible assets and goodwill.

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

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

From date of acquisition to 31 December 2020 Polysil has contributed NOK 592 million to the operating income and NOK 124 million to the profit or loss for the year.

If the acquisition had taken place on 1 January 2020, the operating income of the Group would have increased with NOK 148 million and the profit would have increased by NOK 29 million.

### Changes in composition of the group in 2019, business combination

In 2019 the BEI Group invested NOK 206 million (net of cash acquired) related to the acquisition of new subsidiaries and businesses (business combination). The amount comprises cash consideration transferred, reduced by cash and cash equivalents of the acquiree.

On 30 September 2019 the BEI Group acquired 100% of the shares in Basel Chemie Co. Ltd. ("Basel") a Korean producer of specialty silicone gels for cosmetics and water repellents for the construction industry. The acquisition gives Elkem access to leading technology in attractive end-user silicone segments and provides a solid platform for further development and growth. Acquisition-related costs of NOK 2 million are recognised as other items in the statement of income.

|   | <i>Basel Chemie<br/>Co. Ltd.<br/>NOK'000</i> |
|---|--|
| <b>Consideration</b>                          |  |
| Cash  | 221,546                                      |
| Contingent consideration                      | -  |
| <b>Consideration transferred</b>              | <u>221,546</u>                               |
| Fair value of previously held equity interest | -  |
| <b>Total</b>                                  | <u><u>221,546</u></u>                        |



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

## 31 Changes in the composition of the Group and Business combinations (continued)

|  | <i>Carrying<br/>amount</i><br>NOK'000 | <i>Excess value</i><br>NOK'000 | <i>Fair value</i><br>NOK'000 |
|--|---------------------------------------|--------------------------------|------------------------------|
| Property, plant and equipment              | 46,216                                | 23,972                         | 70,188                       |
| Other intangible assets                    | -                                     | 31,218                         | 31,218                       |
| Other assets, non-current                  | 4,097                                 | -                              | 4,097                        |
| Inventories                                | 14,637                                | -                              | 14,637                       |
| Trade receivables                          | 9,321                                 | -                              | 9,321                        |
| Other current assets                       | 840                                   | -                              | 840                          |
| Cash and cash equivalents                  | 15,622                                | -                              | 15,622                       |
| Interest-bearing liabilities, non-current  | (23,136)                              | -                              | (23,136)                     |
| Deferred tax liabilities                   | 494                                   | (12,142)                       | (11,648)                     |
| Employee benefits obligations, non-current | (891)                                 | -                              | (891)                        |
| Interest-bearing liabilities, current      | (1,102)                               | -                              | (1,102)                      |
| Trade payables                             | (6,377)                               | -                              | (6,377)                      |
| Income tax payables                        | (708)                                 | -                              | (708)                        |
| Employee benefits obligations, current     | (347)                                 | -                              | (347)                        |
| Provisions and other liabilities, current  | (2,050)                               | -                              | (2,050)                      |
| <b>Total</b>                               | <b>56,616</b>                         | <b>43,048</b>                  | <b>99,664</b>                |
| Non-controlling interests                  | -                                     | -                              | -                            |
| Goodwill                                   | -                                     | 121,882                        | 121,882                      |
| <b>Total</b>                               | <b>56,616</b>                         | <b>164,930</b>                 | <b>221,546</b>               |

The goodwill of NOK 122 million is attributable to the know-how in the acquired business and synergies for the Silicones segment. The allocation is based on provisional assessment of the fair value.

The fair value of acquired receivables NOK 9 million is adjusted for NOK 0.4 million in expected uncollectable receivables at the date of acquisition.

For the period from purchase to 31 December 2019, Basel has contributed NOK 0.1 million to the profit (loss) for the period. If the acquisition date of business combination was on 1 January 2019, the operating income of the Group would have increased by NOK 58 million and the profit would have increased by NOK 1 million.



Bluestar Elkem Investment Co. Limited  
Financial statements for the year ended 31 December 2020

## 32 Supplemental information to the consolidated statement of cash flows

| The liquidity effect of acquisitions consists of                           | 2020<br>NOK'000  | 2019<br>NOK'000 |
|--|------------------|-----------------|
| Purchase price for business combinations                                   | 792,029          | 221,546         |
| Preliminary net debt and working capital adjustment                        | 161,225          | -               |
| Adjustment amount for final net debt and working capital adjustment        | 17,638           | -               |
| Settlement of deferred and contingent consideration                        | 266,576          | -               |
| Discounting element on settlement of deferred and contingent consideration | 2,117            | -               |
| Foreign exchange losses from date of control                               | (30,157)         | -               |
| Cash and cash equivalents of the acquiree                                  | (177,893)        | (15,622)        |
| <b>Acquisition of subsidiaries, net of cash acquired</b>                   | <b>1,031,535</b> | <b>205,924</b>  |

## 33 Events after the reporting period

### (a) Issue of new unsecured bonds

On 15 February 2021, the BEI Group successfully issued NOK 1,250 million in new unsecured bonds. NOK 750 million has been issued with a tenor of 3 years and a coupon of 3 month Nibor + 1.00 % p.a. while NOK 500 million has been issued with a tenor of 5 years and a coupon of 3 month Nibor + 1.30% p.a. Settlement took place on 26 February 2021. In connection with the bond issue, the BEI Group has bought back NOK 419 million of its NOK 1,750 million bond loan, see note 22 interest-bearing assets and liabilities.