

## Strong performance supported by favourable markets

**Elkem has delivered another excellent quarter with strong growth in revenue and profit. The strong result is particularly driven by the Silicones division, where attractive market conditions continue to boost financial performance. However, all four divisions report revenue growth and improved results compared to second quarter 2017.**

The total operating income for the second quarter 2018 was NOK 7,120 million, which is 38 per cent higher than second quarter 2017. EBITDA for the second quarter 2018 amounted to NOK 1,970 million, up from NOK 810 million in the corresponding quarter last year. Earnings per share (EPS) was NOK 2.28, bringing EPS up to NOK 3.53 year-to-date 2018.

*"We are very pleased to report another strong quarter for Elkem. All divisions deliver revenue growth and improved earnings, both in the second quarter and year to date. Market conditions are still favourable and the specialisation strategy pays off", says CEO Helge Aasen in a comment.*

All divisions report revenue growth and improved earnings compared to the corresponding quarter last year. The result is however, particularly driven by the Silicones division, where the tight market situation for intermediate products leads to higher sales prices across all market segments.

Elkem's financial position is strong. The group's equity at 30 June 2018 amounted to NOK 12,178 million, giving a ratio of equity to total assets of 44 per cent. Net interest-bearing debt at quarter-end was NOK 4,458 million, a reduction from NOK 5,369 million at the end of the first quarter.

The integration of Xinghuo Silicones and Yongdeng Silicon Materials, which were acquired in connection with the IPO, is making good progress. The focus is on organisational implementation and operational excellence. Xinghuo Silicones has gradually increased its production capacity in 2018 through operational improvements and debottlenecking. Yongdeng Silicon Materials will be significantly upgraded during the second half of 2018, through furnace relining, technical upgrades and environmental and safety investments.

Elkem continues to deliver in accordance with its specialisation strategy. The Silicones division increases its sales of specialties, particularly within personal care and sealants, Foundry Products continues to increase its sales of specialty products to the foundry market, while Silicon Materials and Carbon both increase their sales of special grades.

The market sentiment continues to be good, but is expected to soften somewhat. Silicone prices seem to be levelling off and are expected to soften somewhat going forward. The effect of duties on US imports of silicone products from China is still uncertain, but could represent a downside risk. Prices for silicon metal and ferrosilicon have softened during the second quarter, which is likely to continue during third quarter affected by higher seasonal production in China and weaker market conditions for polysilicon. The markets for foundry alloys and carbon products are expected to be stable. Xinghuo Silicones completed the announced maintenance stop in August 2018. This is expected to negatively impact EBITDA by approximately NOK 200 million. Based on these factors, the result for the third quarter is expected to be somewhat weaker than the second quarter.

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## *About Elkem*

*Founded in 1904, Elkem is one of the world's leading suppliers of silicon-based advanced materials with operations throughout the value chain from quartz to specialty silicones, as well as attractive market positions in specialty ferrosilicon alloys and carbon materials. Headquartered in Oslo, the company's 27 production sites and extensive network of sales offices and agents around the world ensure proximity to customers and access to attractive end markets. Elkem's over 6,000 skilled employees and significant R&D activities provide a solid basis for further technology-driven growth and optimisation.*