

## Robust results in challenging markets

Oslo, 22 October 2019: Elkem's result for the third quarter of 2019 was relatively strong given the challenging market conditions. Macro-economic uncertainty, trade conflicts and the downturn in automotive have negatively impacted the market for Elkem's products and resulted in lower sales volumes for specialty products and declining market prices for commodity products. The relatively strong result reflects Elkem's good cost positions, as well as attractive and leading market positions.

Total operating income for the third quarter 2019 was NOK 5,540 million, which was down 5% compared to third quarter 2018. EBITDA amounted to NOK 640 million in the quarter, compared to NOK 1,395 million in the corresponding quarter last year. Earnings per share (EPS) was NOK 0.35 in the quarter.

"Market prices for silicones in China picked up in the third quarter, mainly explained by seasonally higher demand from construction combined with lower utilisation rates for main producers. Prices for silicon and ferrosilicon have dropped to historic lows due to lower demand and subsequent excess supply. Market prices are now believed to be at unsustainable low levels as many competitors are estimated to be loss making. Significant production curtailments have been announced both for silicon and ferrosilicon and markets are expected to improve", says Helge Aasen, CEO of Elkem.

Elkem closed the acquisition of Basel Chemie by the end of the third quarter. The acquisition was part of Elkem's specialisation strategy and will give access to leading technologies for silicones to high-end cosmetics and construction and provide a strong platform for further development and growth.

The realised effect of the accelerated improvement programme was NOK 387 million by the end of third quarter, which was ahead of plan. The target for the full year is NOK 500 million. Based on the persistent weak market conditions Elkem will continue its focus on operational improvements and cost optimisation. The target is to optimise the current organisation to facilitate growth initiatives in strategic areas without increasing the cost base. The result in the third quarter was negatively impacted by NOK 42 million due to changed revenue periodisation of Norwegian CO2 compensation.

The group's equity as at 30 September 2019 amounted to NOK 13,044 million, which gave a ratio of equity to total assets of 44%. Net interest-bearing debt was NOK 5,573 million, which gave a ratio of net interest-bearing debt to EBITDA of 1.8 times. Elkem had cash and cash equivalents of NOK 5,071 million as at 30 September 2019. The financial position is strong.

The outlook in main market segments continue to be weak due to macro-economic uncertainty. The price for silicones in China improved during third quarter but has had a declining trend beginning of fourth quarter and the demand from construction is expected to be seasonally lower. In addition, Elkem has had reduced silicones production early fourth quarter due to government-imposed production restrictions in connection with the People's Republic of China's 70th years anniversary and subsequent delayed start-up. The negative EBITDA impact is estimated to NOK 60 million. Silicon metal and ferrosilicon prices in Europe are at very low levels but expected to recover following significant production curtailments. The accelerated improvement programme combined with lower raw material costs are expected to partly mitigate negative market impact.

**For further information:**

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**About Elkem ASA**

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. Elkem is a publicly listed company on the Oslo Stock Exchange and is headquartered in Oslo. The company has 6200 employees with 27 production sites and sales offices in a total of 28 countries worldwide. In 2018 Elkem had revenues of 25.9 billion NOK. To learn more, please visit [www.elkem.com](http://www.elkem.com)