

Results still hampered by weak markets, new acquisition supporting specialisation

Oslo, 13 February 2020: **Elkem's result for the fourth quarter of 2019 was hampered by weak markets. Prices for silicon metal and ferrosilicon have however, started to recover from their historic lows. Operational issues have also impacted the result negatively. On 30 December 2019, Elkem announced the acquisition of Polysil. The acquisition will strengthen Elkem's position in selected silicones segments in China and constitute an important part of the growth and specialisation strategy.**

Total operating income for the fourth quarter 2019 was NOK 5,559 million, which was down 9% compared to fourth quarter 2018. EBITDA amounted to NOK 517 million in the quarter, compared to NOK 974 million in the corresponding quarter last year. Earnings per share (EPS) was NOK 0.03 in the quarter.

The board of directors has proposed a dividend of NOK 0.60 per share for 2019, representing a dividend pay-out ratio of 41% of net profit.

– Market prices for silicones in China were mainly stable in fourth quarter but picked up towards year-end, mainly due to inventory build-up among downstream producers ahead of Chinese New Year. Prices for silicon and ferrosilicon have recovered from historic low levels, as significant production curtailments have started to have effect, says Michael Koenig, CEO of Elkem.

In addition to weak market conditions, the result for the fourth quarter was negatively impacted by operational issues. As previously announced, the production stop and subsequent start-up issues in connection with the National Day in China resulted in extra costs of approx. NOK 60 million. Operational issues in the Foundry Products division also impacted the result negatively by approx. NOK 60 million.

The realised effect of the accelerated improvement programme was NOK 596 million by the end of fourth quarter, which exceeded the target of NOK 500 million. All plants and divisions have worked systematically to reduce costs and enhance operations. The effects have however, been countered by further market deterioration during 2019. Elkem will continue its focus on operational improvements and cost optimisation.

Elkem entered into an agreement to acquire all of the shares in Polysil on 30 December 2019. 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.

– Acquiring Polysil will strengthen Elkem's position in selected specialised silicones segments in China. Elkem and Polysil's complementary product and market positions provide a solid platform for further specialisation and growth in China and globally, says Koenig.

The group's equity as of 31 December 2019 amounted to NOK 12,952 million, which gave a ratio of equity to total assets of 45%. Net interest-bearing debt was NOK 5,722 million, which gave a ratio of net interest-bearing debt to EBITDA of 2.2 times. Elkem had cash and cash equivalents of NOK 4,496 million as at 31 December 2019. The financial position is strong.

The outlook for the first quarter is mixed. Market prices recovered from historic low levels during fourth quarter.

– The price trend has continued upwards for silicon and modestly up for ferrosilicon. Silicone prices are expected to remain stable, says Koenig.

The first quarter will be impacted by Chinese New Year and slower activity due to the coronavirus. The silicones market is mixed with stable prices for specialties, but prices for core products are still low. The expected demand pick-up after Chinese New Year may be delayed due to the coronavirus. The demand for silicon metal seems to have normalised with destocking effects levelling out. Ferrosilicon and foundry alloys still hampered by weakness in steel and automotive. Demand outlook for carbon products expected to be in line with preceding quarters.

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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 (ticker code: ELK) and is headquartered in Oslo. The company has more than 6,300 employees with 29 production sites and an extensive network of sales offices worldwide. In 2018 Elkem had revenues of NOK 25.9 billion. To learn more, please visit www.elkem.com