

Strong competitive position demonstrated in weak markets

Elkem achieved high capacity utilisation and good sales volumes in the second quarter of 2020 despite very challenging market conditions. The strong operational performance reflects Elkem's good market and cost positions. Covid-19 continues to impact global markets, but the market development in China shows signs of recovery.

Elkem's total operating income for the second quarter 2020 was NOK 5,879 million, up two per cent from the corresponding quarter last year. Earnings before interest, taxes depreciation and amortisation (EBITDA) amounted to NOK 644 million in the quarter, which is in line with NOK 647 million in the second quarter of 2019. Earnings per share (EPS) was NOK -0.02 in the quarter, after impacts from currency losses in other items and financial items.

"Covid-19 continues to impact global markets with negative effects on demand and sales prices. Despite these challenging market conditions, Elkem achieved strong sales volumes and stable results in the second quarter. This reflects Elkem's strong competitive position," says Elkem's CEO, Michael Koenig.

Compared to the corresponding quarter last year, Elkem's Silicones division reported higher operating revenue, mainly driven by good sales volumes. The result was however negatively impacted by lower sales prices. Silicon Materials and Carbon reported higher results in challenging markets, while Foundry Products delivered in line the corresponding quarter last year.

"Throughout the quarter, we also continued to develop Elkem for the future in line with our strategy. We have changed our corporate structure to accelerate specialisation, gain synergies and further improve operational excellence. We have progressed our productivity improvement programme, which is currently ahead of plan. We have also established Digital Office, Battery Materials and BioCarbon as new special focus areas reporting to the CEO. This enables us to further enhance the speed with which we address opportunities in digitalisation and sustainability, to support profitable growth," says Koenig.

Elkem has merged its Silicon Materials division and Foundry Products division into the new Silicon Products division with effect from 1 July 2020. The changes will be reflected in the segments for Elkem's financial reporting from the third quarter 2020.

The target for Elkem's productivity improvement programme is to realise cost improvements of more than NOK 350 million on an annual basis from end of 2021. By end of the second quarter the annual run rate was NOK 88 million. The programme comprises the whole group and will mainly be achieved by reduction of personnel costs.

Digital Office is a new team set up to drive the digital transformation across Elkem's divisions and plants worldwide. Battery Materials aims to accelerate Elkem's activities in graphite and silicon-based anode materials for the fast-growing battery market. BioCarbon will lead Elkem's activities within sustainable carbon sources, with the long-term goal of achieving carbon-neutral metal production.

On 16 July Elkem signed a new loan facility of NOK 2,000 million to secure refinancing of loan maturities in 2021. The loan facility has a tenor of 3 years. Financial covenants and other conditions are in line with Elkem's existing loan agreements.

The group's equity as at 30 June 2020 amounted to NOK 12,752 million, which gave a ratio of equity to total assets of 39%. Net interest-bearing debt was NOK 8,122 million, which gave a ratio of net interest-bearing debt to EBITDA of 3.4 times. Elkem had cash and cash equivalents of NOK 3,900 million as at 30 June 2020 and undrawn credit lines of more than NOK 5,500 million, including the new loan facility.

Going forward, the markets continue to be characterised by low visibility due to the Covid-19 effects. Silicones demand in China is good, driven by government incentives, but sales prices may be volatile. Demand for silicones outside of China is weak, which is negatively impacting the sales of specialty products. Silicon and ferrosilicon prices are substantially down due to weak demand from automotive and construction. Lower industrial activity is also expected to reduce demand for Carbon materials.

Elkem's competitive position remains strong, based on good cost positions, diversified product and geographic positions and a robust financial structure.

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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. Elkem is a publicly listed company on the Oslo Stock Exchange (ticker code: ELK) and is headquartered in Oslo. The company has more than 6,700 employees with 31 production sites and an extensive network of sales offices worldwide. In 2019 Elkem had revenues of NOK 22.7 billion. To learn more, please visit www.elkem.com