

Elkem ASA

Second quarter and half year results 2020

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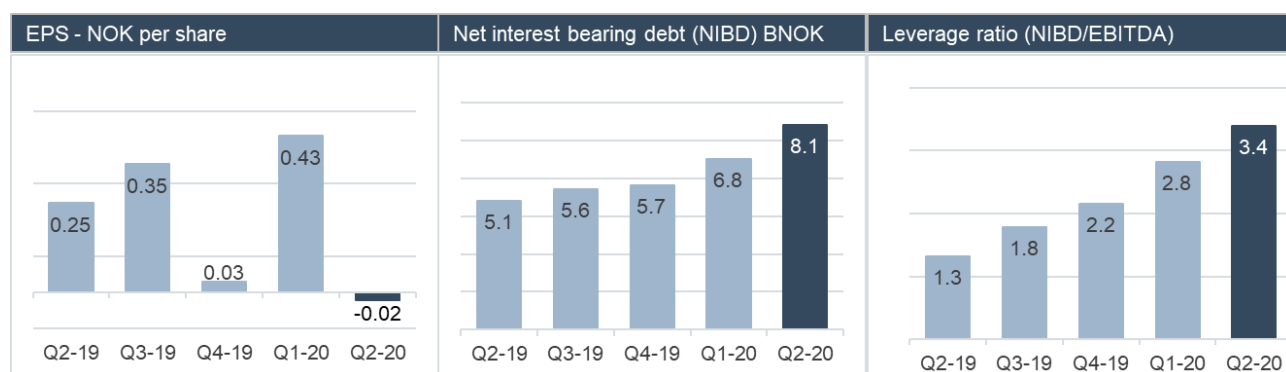
Highlights 2nd quarter 2020

- Elkem had high capacity utilisation and good sales volumes in the second quarter despite very challenging market conditions
- EBITDA was NOK 644 million in the second quarter 2020, including a one-off gain of NOK 61 million from an arbitration case in Silicon Materials
- The Silicon Materials division and Foundry Products division are merged into Silicon Products with effect from 1 July 2020
- The productivity improvement programme with targeted annual savings of more than NOK 350 million, proceeds ahead of plan
- Elkem signed a new loan facility of NOK 2,000 million on 16 July to secure refinancing of loan maturities in 2021. The loan facility has a tenor of 3 years
- Market outlook is still characterised by high level of uncertainty due to the economic impact of Covid-19 and related government measures

Key figures

(NOK million, except where specified)	2Q 2020	2Q 2019	YTD 2020	YTD 2019	FY 2019
Total operating income	5,879	5,736	11,677	11,569	22,668
EBITDA	644	647	1,234	1,499	2,656
EBITDA margin (%)	11 %	11 %	11 %	13 %	12 %
EBIT	212	300	409	815	1,189
Profit (loss) for the period ⁽¹⁾	-13	143	238	633	855
Earning per share (EPS) (NOK per share)	-0.02	0.25	0.41	1.09	1.47
Equity ratio (%)	39 %	44 %	39 %	44 %	45 %
Net interest-bearing debt (NIBD)	8,122	5,110	8,122	5,110	5,722
Cash flow from operations	363	645	275	1,136	2,140
ROCE - annualised (%)	4 %	7 %	4 %	10 %	7 %

(1) Owners of the parent's share of profit (loss)



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 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.

The impact from Covid-19 has continued to burden global markets with negative effects on demand and sales prices. Despite challenging market conditions, Elkem achieved strong sales volumes and stable results in the second quarter. This reflects Elkem's strong competitive positions. Compared to the corresponding quarter last year, the 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.

Elkem has merged its Silicon Materials division and Foundry Products division into the new Silicon Products division with effect from 1 July 2020. The merger will improve and sharpen the commercial focus and further improve operational excellence. The changes will be reflected in the segments for Elkem's financial reporting from the third quarter 2020. In addition, Digital Office, Battery Materials and BioCarbon have been established as new special focus areas directly reporting to CEO Michael Koenig.

Elkem is also progressing its productivity improvement programme, which is ahead of plan. The target is to realise cost improvements of more than NOK 350 million. 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. In line with the programme, most of the improvement effects will be realised in 2021.

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.



Financial review

Group results

KEY FIGURES	2Q 2020	2Q 2019	YTD 2020	YTD 2019	FY 2019
<i>MNOK except where indicated otherwise</i>					
Total operating income	5,879	5,736	11,677	11,569	22,668
EBITDA	644	647	1,234	1,499	2,656
EBIT	212	300	409	815	1,189
Other items	-107	25	22	176	195
Net financial items	-93	-108	-26	-135	-239
Profit (loss) before income tax	16	210	380	850	1,134
Tax	-16	-58	-119	-201	-237
Profit (loss) for the period	-0	152	261	649	897

Quarter

Elkem group had total operating income of NOK 5,879 million in 2Q-2020, which was up 2% from NOK 5,736 million in 2Q-2019. Markets are negatively impacted by Covid-19. Despite challenging market conditions, Silicones reported higher operating income explained by increased sales volumes and consolidation of Polysil. These positive effects were however, partly offset by lower sales prices in China. Also Silicon Materials reported higher operating income, driven by higher sales prices in the quarter and positive impact from weaker NOK. Foundry Products reported lower operating income compared to 2Q-2019 due to lower sales volumes of speciality foundry alloys and ferrosilicon.

The group's EBITDA for 2Q-2020 was NOK 644 million, which was in line with the corresponding quarter last year. Lower EBITDA in Silicones due to lower prices and negative sales mix effects, have been offset by higher EBITDA in Silicon Materials and Carbon. Silicon Materials had a strong quarter despite the weak market sentiment, and the result was further supported by a one-off gain of NOK 61 million from an arbitration case. Carbon continued to deliver strong results, explained by favourable cost development and currency effects.

EBIT for 2Q-2020 was NOK 212 million, down from NOK 300 million in 2Q-2019 due to higher depreciations.

Other items include fair value changes commodity contracts, gains/losses on embedded derivatives, currency forward contracts and other income and expenses. Other items amounted to NOK -107 million in 2Q-2020. The fair value changes in commodity contracts was NOK 60 million but offset by losses on embedded derivatives in power contracts of NOK -51 million and losses on foreign exchange of NOK -120 million related to translation effects on bank deposits and working capital.

Net financial items were NOK -93 million in 2Q-2020, compared to NOK -108 million in 2Q-2019. Net interest expenses amounted to NOK -53 million, which was in line with the corresponding quarter last year. Losses on foreign exchange amounted to NOK -34 million, compared to losses of NOK -49 million in 2Q-2019. The losses were mainly explained by translation effects on inter-company positions in CNY. Other financial expenses amounted to NOK -6 million.

Profit before income tax was NOK 16 million compared to NOK 210 million in 2Q-2019.

Tax expenses in the quarter was NOK -16 million.

Profit for the period was NOK 0 million, compared to NOK 152 million in 2Q-2019. Owners of the parent's share of profit was NOK -13 million, which gave earnings per share of NOK -0.02 in 2Q-2020.

Year to date

The group's total operating income was NOK 11,677 million YTD 2020, which was in line with YTD 2019. EBITDA YTD 2020 amounted to NOK 1,234 million, down 18% from NOK 1,499 million YTD 2019, mainly due to lower results from the Silicones division explained by lower sales prices and negative impact from Covid-19. Earnings per share was NOK 0,41 YTD 2020.

Cash flow

CASH FLOW FROM OPERATIONS	2Q 2020	2Q 2019	YTD 2020	YTD 2019	FY 2019
<i>NOK million</i>					
Operating profit (loss) before other items	212	300	409	815	1,189
Amortisation, depreciation and impairment	432	346	825	684	1,467
Changes in working capital	40	288	-401	119	649
Reinvestments	-307	-301	-560	-484	-1,162
Equity accounted investments	-14	11	3	3	-4
Cash flow from operations	363	645	275	1,136	2,140
Other cash flow items	-1,104	-2,094	-992	-2,846	-4,773
Change in cash and cash equivalents	-741	-1,449	-717	-1,711	-2,633

¹⁾ Elkem's internal cash flow measure is defined and described in the APM appendix to the report.

Quarter

Cash flow from operations was NOK 363 million in 2Q-2020, compared to NOK 645 million in 2Q-2019. The reduction was mainly explained by significant positive working capital changes in 2Q-2019 compared to 2Q-2020.

Reinvestments were NOK 307 million in 2Q-2020, which amounted to 72% of depreciation and amortisation (D&A). Strategic investments were included in other cash flow items and amounted to NOK 192 million, up from NOK 179 million in 2Q-2019. The strategic investments were primarily related to Silicones R&D centre and other specialisation projects, furnace upgrades for Silicon Materials, biocarbon project in Foundry Products and the Carbon battery project. In addition, the closing of the Polysil acquisition, which amounted to NOK 792 million, was included in Other cash flow items in 2Q-2020.

Cash and cash equivalents have decreased by NOK -844 million in 2Q-2020, explained by negative net cash flow of NOK -741 million after investments and currency exchange differences of NOK -108 million. Total cash and cash equivalents amounted to NOK 3,900 million as at 30 June 2020.

Year to date

Cash flow from operations amounted to NOK 275 million YTD 2020, down from NOK 1,136 million YTD 2019, explained by lower operating profit, negative working capital changes and higher reinvestments. Elkem's reinvestment target is 80-90% of depreciation and amortisation (D&A). Reinvestments YTD 2020 were NOK 560 million, which amounted to 68% of D&A. Strategic investments ex. M&A amounted to NOK 392 million YTD 2020. In addition, investments YTD 2020 also included NOK 792 million in acquisition of subsidiaries due to the closing of Polysil.

Financial position

FINANCIAL POSITION	2Q 2020	2Q 2019	FY 2019
Total equity (NOK million)	12,752	12,637	12,952
Equity ratio (%)	39 %	44 %	45 %
EPS (NOK per share)	-0.02	0.25	1.47
Net interest bearing debt (NOK million) ⁽¹⁾	8,122	5,110	5,722
Leverage ratio based on LTM EBITDA (ratio)	3.4	1.3	2.2

⁽¹⁾ Excluding non-current restricted deposits and interest-bearing financial assets

Quarter and year to date

Elkem's equity as at 30 June 2020 was NOK 12,752 million, down NOK 200 million from 31 December 2019. Operating profit YTD 2020 was NOK 261 million. This was however, offset by negative effects recognised in other comprehensive income of NOK 109 million, mainly explained by currency translation effects. In addition, dividend of NOK 349 million for 2019 was paid in 2Q-2020. The equity ratio as at 30 June 2020 was 39%. Compared to year-end 2019, the equity ratio has been negatively impacted by translation effects from weaker NOK, which has increased the value of total assets.

Net-interest bearing debt as at 30 June 2020 was NOK 8,122 million, which was up NOK 2,400 million from 31 December 2019. The increase was mainly explained by translation effects from weaker NOK, closing of the Polysil acquisition and dividend payment for 2019. The leverage ratio was 3.4 times as at 30 June 2020.

Segments

Silicones

KEY FIGURES	2Q 2020	2Q 2019	YTD 2020	YTD 2019	FY 2019
<i>MNOK except where indicated otherwise</i>					
Total operating income	3,106	2,790	5,619	5,573	11,274
EBITDA	217	333	417	769	1,523
EBITDA margin	7 %	12 %	7 %	14 %	14 %
Sales volume (thousand mt)	95	54	165	108	336

Quarter

The Silicones division had total operating income of NOK 3,106 million in 2Q-2020, up 11% from NOK 2,790 million in 2Q-2019. Higher operating income was mainly explained by higher sales volumes and the consolidation of Polysil from 1 April 2020. Higher sales volumes were partly offset by lower sales prices, particularly in China.

EBITDA for 2Q-2020 was NOK 217 million, a reduction of 35% from 2Q-2019. Lower EBITDA was mainly explained by lower sales prices in China. In addition, the EBITDA was negatively impacted by lower sales of specialty products due to weak markets, particularly automotive. Polysil was consolidated from April and has made a positive contribution to the EBITDA.

Year to date

The Silicones division reported total operating income of NOK 5,619 million in YTD 2020, which was in line with YTD 2019. The EBITDA was NOK 417 million YTD 2020, down 46% from NOK 769 million YTD 2019, impacted by lower sales prices largely explained by negative market impact from Covid-19.

Silicon Materials

KEY FIGURES	2Q 2020	2Q 2019	YTD 2020	YTD 2019	FY 2019
<i>MNOK except where indicated otherwise</i>					
Total operating income	1,842	1,606	3,737	3,260	6,533
EBITDA	303	162	514	346	601
EBITDA margin	16 %	10 %	14 %	11 %	9 %
Sales volume (thousand mt) ¹⁾	61	62	126	123	240

¹⁾ Excluding Microsilica and quartz

Quarter

The Silicon Materials division had total operating income of NOK 1,842 million in 2Q-2020, up 15% from NOK 1,606 million in 2Q-2019. Higher operating income was explained by higher sales prices and positive currency effects due to weaker NOK.

The EBITDA for Silicon Materials was NOK 303 million in 2Q-2020, up 87% from NOK 162 million in 2Q-2019. The increase was mainly explained by higher sales prices and positive currency impact. Silicon Materials also had a one-off gain of NOK 61 million in the quarter from settlement of an arbitration case due to breach of contract by one of its customers.

Year to date

The Silicon Materials division reported total operating income of NOK 3,737 million YTD 2020, which was 15% higher than YTD 2019. The division reported an EBITDA of NOK 514 million, which was 49% higher than YTD 2019, explained by positive currency effects due to weaker NOK and the one-off gain in the second quarter.

Foundry Products

KEY FIGURES	2Q 2020	2Q 2019	YTD 2020	YTD 2019	FY 2019
<i>MNOK except where indicated otherwise</i>					
Total operating income	944	1,195	2,208	2,461	4,505
EBITDA	80	81	223	260	342
EBITDA margin	8 %	7 %	10 %	11 %	8 %
Sales volume (thousand mt) ¹⁾	56	68	126	139	258

1) Excluding Microsilica sales

Quarter

The Foundry Products division had total operating income of NOK 944 million in 2Q-2020, which was a reduction of 21% from 2Q-2019. The reduction was mainly explained by lower sales volumes of speciality foundry alloys and ferrosilicon.

Foundry Products reported EBITDA of NOK 80 million in 2Q-2020, which was in line with 2Q-2019. Lower sales volumes were compensated by positive cost development, mainly lower operating costs.

Year to date

The Foundry Products division reported total operating income of NOK 2,208 million YTD 2020, down 10% from NOK 2,461 million YTD 2019. EBITDA amounted to NOK 223 million YTD 2020, down 14% compared to YTD 2019. Lower EBITDA was mainly explained by a reduction in sales volumes, due to negative market impact from Covid-19.

Carbon

KEY FIGURES	2Q 2020	2Q 2019	YTD 2020	YTD 2019	FY 2019
<i>MNOK except where indicated otherwise</i>					
Total operating income	480	481	956	946	1,836
EBITDA	119	86	219	169	308
EBITDA margin	25 %	18 %	23 %	18 %	17 %
Sales volume (thousand mt)	64	69	129	134	257

Quarter

The Carbon division reported total operating income of NOK 480 million in 2Q-2020, which was in line with 2Q-2019. Better pricing and favourable currency effects have compensated for lower sales volumes.

EBITDA for 2Q-2020 was NOK 119 million, an increase of 38% from NOK 86 million in the corresponding quarter last year. Improved EBITDA was mainly explained by improved product mix and lower operating costs.

Year to date

Carbon reported total operating income of NOK 956 million YTD 2020, which was slightly higher than NOK 946 million YTD 2019. EBITDA YTD 2020 was 219 million, up 30% from NOK 169 million YTD 2019. Sales volumes were slightly lower, but that was compensated for by improved sales mix, positive currency effects and a favourable cost development.

Outlook for the third quarter

The markets are characterised by low visibility due to Covid-19 effects.

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

Silicones demand in China is good, driven by government incentives, but sales prices may be volatile. Silicones demand outside of China is weak, negatively impacting the sales of specialty products.

Silicon and ferrosilicon prices substantially down, based on weak demand from automotive and construction. Lower industrial activity also expected to reduce demand for Carbon materials.

Declaration by the Board of Directors

We confirm, to the best of our knowledge, that the unaudited, condensed half-year financial statements for the period 1 January to 30 June 2020 have been prepared in conformity with IAS 34 Interim Reporting and that the information in the financial statements provides a fair view of the enterprise and the group's assets, liabilities, financial position and overall results, and that the half-year report provides a fair overview of the information specified in section 5-6, fourth paragraph, of the Norwegian Securities Trading Act.

Elkem ASA

Oslo, 16 July 2020

Zhigang Hao
Chair of the board

Dag J. Opedal
Deputy chair

Yougen Ge
Board member

Olivier de Clermont-Tonnerre
Board member

Anja-Isabel Dotzenrath
Board member

Helge Aasen
Board member

Marianne E. Johnsen
Board member

Caroline Grégoire Sainte-Marie
Board member

Marianne Færøyvik
Board member

Terje Andre Hanssen
Board member

Knut Sande
Board member

Michael Koenig
CEO



Condensed consolidated interim statement of income

Amounts in NOK million	Note	Second quarter		Year to date		Year
		2020	2019	2020	2019	2019
Revenue	2	5,697	5,642	11,369	11,354	22,246
Other operating income	2	168	94	291	206	392
Share of profit (loss) from equity accounted companies	2	14	1	17	9	31
Total operating income		5,879	5,736	11,677	11,569	22,668
Raw materials and energy for production		(3,101)	(3,015)	(6,023)	(5,817)	(11,512)
Employee benefit expenses		(1,004)	(909)	(2,025)	(1,838)	(3,696)
Other operating expenses		(1,129)	(1,166)	(2,395)	(2,415)	(4,804)
Amortisations and depreciations	4,5,6	(426)	(346)	(819)	(683)	(1,456)
Impairment losses	4,5,6	(6)	(1)	(6)	(1)	(11)
Operating profit (loss) before other items		212	300	409	815	1,189
Other items	8	(107)	25	22	176	195
Operating profit (loss)		104	326	431	991	1,384
Share of profit (loss) from equity accounted financial investments		5	(8)	(25)	(6)	(12)
Finance income	9	13	12	22	23	41
Foreign exchange gains (losses)	9	(34)	(49)	95	(15)	16
Finance expenses	9	(72)	(71)	(143)	(143)	(295)
Profit (loss) before income tax		16	210	380	850	1,134
Income tax (expenses) benefits		(16)	(58)	(119)	(201)	(237)
Profit (loss) for the period		(0)	152	261	649	897
Attributable to:						
Non-controlling interests' share of profit (loss)		13	9	23	16	42
Owners of the parent's share of profit (loss)		(13)	143	238	633	855
		Second quarter		Year to date		Year
Earnings per share		2020	2019	2020	2019	2019
Basic earnings per share in NOK	-	0.02	0.25	0.41	1.09	1.47
Diluted earnings per share in NOK	-	0.02	0.25	0.41	1.09	1.47
Weighted average number of outstanding shares (million)	12	581	581	581	581	581
Weighted average number of outstanding shares -diluted (million)	12	581	581	581	581	581

Condensed consolidated interim statement of comprehensive income

Amounts in NOK million	Second quarter		Year to date		Year
	2020	2019	2020	2019	2019
Profit (loss) for the period	(0)	152	261	649	897
Items that will not be reclassified to profit or loss					
Remeasurement of defined benefit pension plans	-	-	-	(0)	(26)
Tax effects on remeasurements of defined benefit pension plans	-	-	-	0	3
Change in fair value of equity instruments	1	-	(0)	11	10
Share of other comprehensive income (loss) from equity accounted companies	-	0	-	0	0
	1	0	(0)	11	(13)
Items that may be reclassified to profit or loss					
Currency translation differences	(810)	(116)	746	(162)	33
Hedging of net investment in foreign operations	162	(9)	(291)	70	24
Tax effects hedging of net investment in foreign operations	(36)	2	64	(15)	(5)
Cash flow hedges	708	(21)	(792)	(114)	(203)
Tax effects on cash flow hedges	(156)	5	174	25	45
Share of other comprehensive income (loss) from equity accounted companies	(2)	(6)	(11)	(13)	(14)
	(133)	(145)	(109)	(210)	(120)
Other comprehensive income, net of tax	(132)	(145)	(109)	(199)	(133)
Total comprehensive income	(132)	6	152	450	764
Attributable to:					
Non-controlling interests' share of comprehensive income	7	9	32	17	45
Owners of the parent's share of comprehensive income	(139)	(2)	119	433	720
Total comprehensive income	(132)	6	152	450	764

Condensed consolidated interim statement of financial position

Amounts in NOK million	Note	30 June 2020	30 June 2019	31 December 2019
ASSETS				
Property, plant and equipment	4	14,299	12,375	13,202
Right-of-use assets	5	759	544	580
Goodwill	6	1,429	337	466
Other intangible assets	6	867	701	777
Deferred tax assets		131	58	66
Investments in equity accounted companies		130	121	129
Derivatives	11	69	75	66
Other non-current assets		334	395	407
Total non-current assets		18,018	14,606	15,692
Inventories		6,115	5,286	5,224
Trade receivables		2,588	2,240	2,269
Derivatives	11	55	60	38
Other current assets		1,267	967	1,013
Restricted deposits	10	431	344	271
Cash and cash equivalents	10	3,900	5,365	4,496
Total current assets		14,355	14,261	13,311
TOTAL ASSETS		32,373	28,867	29,004
EQUITY AND LIABILITIES				
Paid-in capital	12	6,281	6,602	6,616
Retained earnings		6,359	5,953	6,240
Non-controlling interests		112	83	96
Total equity		12,752	12,637	12,952
Interest-bearing liabilities	10	9,480	8,473	8,340
Deferred tax liabilities		90	176	243
Employee benefit obligations		642	564	584
Derivatives	11	486	167	210
Provisions and other liabilities		456	198	158
Total non-current liabilities		11,153	9,579	9,536
Trade payables		3,176	2,680	2,767
Income tax payables		47	262	51
Interest-bearing liabilities	10	1,609	1,220	1,262
Bills payable	10	1,363	1,125	887
Employee benefit obligations		663	569	640
Derivatives	11	378	21	37
Provisions and other liabilities		1,232	773	871
Total current liabilities		8,468	6,651	6,516
TOTAL EQUITY AND LIABILITIES		32,373	28,867	29,004

Condensed consolidated interim statement of cash flows

Amounts in NOK million	Note	Second quarter		Year to date		Year
		2020	2019	2020	2019	2019
Operating profit (loss)		104	326	431	991	1,384
Amortisation, depreciation and impairment	4,5,6	432	346	825	684	1,467
Changes in working capital		40	288	(401)	119	649
Equity accounted companies		(14)	11	3	3	(4)
Changes fair value of derivatives		(43)	(35)	(189)	(199)	(218)
Changes in provisions, bills receivables and other		(271)	(84)	403	(481)	(671)
Interest payments received		14	10	23	21	38
Interest payments made		(71)	(68)	(130)	(133)	(248)
Income taxes paid		(70)	(172)	(122)	(351)	(559)
Cash flow from operating activities		122	622	843	654	1,839
Investments in property, plant and equipment and intangible assets		(645)	(546)	(1,205)	(735)	(2,107)
Acquisition of subsidiaries, net of cash acquired		(775)	-	(775)	-	(206)
Other investments / sales		1	9	0	12	28
Cash flow from investing activities		(1,419)	(538)	(1,981)	(723)	(2,285)
Dividends paid to non-controlling interests		(17)	(10)	(17)	(34)	(49)
Dividends paid to owners		(349)	(1,511)	(349)	(1,511)	(1,511)
Net changes in bills payable and restricted deposits		181	(46)	271	(372)	(556)
Payment of lease liabilities		(26)	(18)	(52)	(34)	(78)
New interest-bearing loans and borrowings		1,192	448	1,618	1,743	2,082
Payment of interest-bearing loans and borrowings		(426)	(395)	(1,051)	(1,434)	(2,074)
Cash flow from financing activities		556	(1,533)	421	(1,642)	(2,187)
Change in cash and cash equivalents		(741)	(1,449)	(717)	(1,711)	(2,633)
Currency exchange differences		(103)	(18)	121	(6)	47
Cash and cash equivalents opening balance		4,744	6,832	4,496	7,082	7,082
Cash and cash equivalents closing balance		3,900	5,365	3,900	5,365	4,496

Condensed consolidated interim statement of changes in equity

Amounts in NOK million	Total paid in capital	Total retained earnings	Total owners share	Non-controlling interests	Total
Opening balance 1 January 2020	6,616	6,240	12,855	96	12,952
Profit (loss) for the period	-	238	238	23	261
Other comprehensive income	-	(118)	(118)	9	(109)
Total comprehensive income	-	119	119	32	152
Share-based payment	14	-	14	-	14
Dividends to equity holders	(349)	-	(349)	(17)	(365)
Closing balance 30 June 2020	6,281	6,359	12,640	112	12,752

Amounts in NOK million	Total paid in capital	Total retained earnings	Total owners share	Non-controlling interest	Total
Opening balance 1 January 2019	8,102	5,520	13,622	101	13,722
Profit (loss) for the period	-	633	633	16	649
Other comprehensive income	-	(200)	(200)	1	(199)
Total comprehensive income	-	433	433	17	450
Share-based payment	11	-	11	-	11
Dividends to equity holders	(1,511)	-	(1,511)	(34)	(1,546)
Closing balance 30 June 2019	6,602	5,953	12,554	83	12,637

Amounts in NOK million	Total paid in capital	Total retained earnings	Total owners share	Non-controlling interests	Total
Opening balance 1 January 2019	8,102	5,520	13,622	101	13,722
Profit (loss) for the year	-	855	855	42	897
Other comprehensive income	-	(135)	(135)	2	(133)
Total comprehensive income	-	720	720	45	764
Share-based payment	25	-	25	-	25
Dividends to equity holders	(1,511)	-	(1,511)	(49)	(1,560)
Closing balance 31 December 2019	6,616	6,240	12,855	96	12,952

Notes to the condensed consolidated interim financial statements

Note 1 General information, basis for preparation and judgements, estimates and assumptions

Elkem ASA is a limited liability company located in Norway and whose shares are publicly traded at Oslo Stock Exchange. Elkem ASA's condensed consolidated financial statements for the second quarter of 2020 were approved at the meeting of the board of directors on 16 July 2020.

Basis for preparation

The condensed consolidated interim financial statements comprise Elkem ASA and its subsidiaries (Elkem/the Group) and the Group's investments in associates and interests in joint arrangements. Elkem's interim financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union. The condensed interim statements are prepared in compliance with the International Accounting Standard (IAS) 34 Interim Financial Reporting and should be read in conjunction with the consolidated financial statements in Elkem's Annual Report for 2019. The accounting policies applied are consistent with those applied in the annual consolidated financial statements 2019, except for the policy for hedge accounting. Elkem has applied IAS 39 applied for its hedging relationships, based on a policy choice in IFRS 9. From 1 April 2020 IFRS 9 is applied also for hedge accounting. The change in policy has not resulted in any significant accounting effects.

The interim financial statements are unaudited. The presentation currency of Elkem is NOK (Norwegian krone). All financial information is presented in NOK million, unless otherwise stated. One or more columns included in the interim report may not add up to the total due to rounding.

Judgements, estimates and assumptions

The preparation of consolidated interim financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions each reporting period.

The main judgements, estimates and assumptions are described in the annual consolidated financial statements for 2019 (note 3).

As a result of the Covid-19 outbreak during the first half of 2020, all significant estimates and underlying assumptions have been reviewed. For more details about impact for Elkem group results please refer to section about Financial review.

In addition to the judgements, estimates and assumptions mentioned in the annual consolidated financial statement for 2019, Elkem has an increased focus on estimates related to credit losses and other provisions/obligations.

Elkem has not identified any impact of Covid-19 in the condensed consolidated financial statement as of 30 June 2020 which requires any changes in the management's judgement, estimates or assumptions.

Note 2 Operating segments

Elkem has four reportable segments; Silicones, Silicon Materials, Foundry Products and Carbon. See note 6 operating segments to the consolidated financial statements for the year ended 31 December 2019, for more information.

- The **Silicones division** produces and sells a range of silicone-based products across various sub-sectors including release coatings, engineering elastomers, healthcare products, specialty fluids, emulsions and resins.
- The **Silicon Materials division** produces and sells various grades of metallurgical silicon and microsilica for use in a wide range of end applications.
- The **Foundry Products division** supplies metal treatments and specialised ferrosilicon products to the cast iron and steel industries.
- The **Carbon division** produces carbon electrode materials, lining materials and specialty carbon products for metallurgical processes for the production of a range of metals.

- **Other** comprise Elkem group management and centralised functions within finance, sales, logistics, power purchase and technology.
- **Eliminations** comprise intersegment sales and profit. Transactions between operating segments are conducted on an arm's length basis in a manner similar to transactions with third parties.

Elkem identifies its segments according to the organisation and reporting structure used by group management. Segments performance are evaluated based on EBITDA and operating profit (loss) before other items (EBIT). EBITDA is defined as Elkem's profit (loss) for the period, less income tax (expenses) benefits, finance expenses, foreign exchange gains (losses), finance income, share of profit from equity accounted financial investments, other items, impairment loss and amortisation and depreciation. Elkem's definition of EBITDA may be different from other companies.

Elkem's financing and taxes are managed on a group basis and are not allocated to operating segments.

	Silicon		Foundry			Elimi-	
Second quarter 2020	Silicones	Materials	Products	Carbon	Other	nations	Total
Revenue from sale of goods	3,069	1,268	826	414	(7)	-	5,570
Other revenue	6	78	12	4	27	-	127
Other operating income	28	64	35	1	39	-	168
Share of profit from equity accounted companies	0	-	-	-	14	-	14
Total operating income from external customer	3,103	1,410	874	419	73		5,879
Operating income from other segments	3	432	70	61	141	(707)	-
Total operating income	3,106	1,842	944	480	214	(707)	5,879
Operating expenses	(2,889)	(1,539)	(864)	(362)	(270)	688	(5,235)
EBITDA	217	303	80	119	(57)	(19)	644
Operating profit (loss) before other items (EBIT)	(24)	206	21	95	(67)	(19)	212

	Silicon		Foundry			Elimi-	
Second quarter 2019	Silicones	Materials	Products	Carbon	Other	nations	Total
Revenue from sale of goods	2,759	1,201	1,132	428	62	-	5,582
Other revenue	8	6	2	2	43	-	59
Other operating income	21	47	17	2	6	-	94
Share of profit from equity accounted companies	-	-	-	-	1	-	1
Total operating income from external customer	2,788	1,254	1,151	432	111		5,736
Operating income from other segments	2	352	44	49	109	(555)	-
Total operating income	2,790	1,606	1,195	481	220	(555)	5,736
Operating expenses	(2,457)	(1,444)	(1,114)	(395)	(253)	573	(5,090)
EBITDA	333	162	81	86	(33)	17	647
Operating profit (loss) before other items (EBIT)	148	88	22	69	(44)	17	300

	Silicon		Foundry			Elimi-	
Year to date 30 June 2020	Silicones	Materials	Products	Carbon	Other	nations	Total
Revenue from sale of goods	5,548	2,744	1,999	827	34	-	11,151
Other revenue	13	88	21	7	90	-	218
Other operating income	53	124	57	3	54	-	291
Share of profit from equity accounted companies	0	-	-	-	17	-	17
Total operating income from external customer	5,613	2,956	2,076	837	194		11,677
Operating income from other segments	5	781	131	118	257	(1,293)	-
Total operating income	5,619	3,737	2,208	956	451	(1,293)	11,677
Operating expenses	(5,201)	(3,222)	(1,985)	(737)	(567)	1,269	(10,443)
EBITDA	417	514	223	219	(116)	(23)	1,234
Operating profit (loss) before other items (EBIT)	(42)	328	106	175	(136)	(23)	409

Year to date 30 June 2019	Silicones	Silicon Materials	Foundry Products	Carbon	Other	Eliminations	Total
Revenue from sale of goods	5,490	2,439	2,333	845	119	-	11,225
Other revenue	15	13	9	3	88	-	128
Other operating income	65	92	32	3	13	-	206
Share of profit from equity accounted companies	0	-	-	-	9	-	9
Total operating income from external customer	5,570	2,544	2,374	851	230		11,569
Operating income from other segments	3	716	86	95	210	(1,110)	-
Total operating income	5,573	3,260	2,461	946	440	(1,110)	11,569
Operating expenses	(4,804)	(2,914)	(2,201)	(777)	(504)	1,130	(10,070)
EBITDA	769	346	260	169	(64)	19	1,499
Operating profit (loss) before other items (EBIT)	401	202	143	135	(87)	19	815

Year 2019	Silicones	Silicon Materials	Foundry Products	Carbon	Other	Eliminations	Total
Revenue from sale of goods	11,047	4,781	4,223	1,635	203		21,890
Other revenue	80	36	34	12	195		356
Other operating income	132	166	63	10	22		392
Share of profit from equity accounted companies	-	-	(1)	-	31		31
Total operating income from external customer	11,259	4,982	4,320	1,657	451		22,668
Operating income from other segments	15	1,551	185	179	452	(2,382)	-
Total operating income	11,274	6,533	4,505	1,836	903	(2,382)	22,668
Operating expenses	(9,750)	(5,932)	(4,162)	(1,528)	(1,035)	2,397	(20,012)
EBITDA	1,523	601	342	308	(133)	15	2,656
Operating profit (loss) before other items (EBIT)	742	270	100	232	(170)	15	1,189

Note 3 Changes in composition of the group

During the first two quarters Elkem invested NOK 775 million to acquisition of new subsidiaries and business (business combinations). The amount comprises cash consideration transferred, reduced by cash and cash equivalents of the acquiree.

In December 2019 Elkem entered into an agreement to acquire all of the shares in Guangdong Polysil Technology Co. Ltd. (hereafter Polysil), 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. The parties have agreed an enterprise value for Polysil of up to CNY 941 million, including potential earn-out depending on pre-agreed criteria. On 1 April 2020 the transaction was completed and Elkem acquired 100% of the shares in Polysil.

Net cash outflow	Year to date 2020
Cash transferred on acquisition, enterprise value	- 792
Cash transferred on acquisition, preliminary net debt and working capital adjustment	- 161
Cash and cash equivalents of the acquiree	178
Acquisition of subsidiaries, net of cash acquired	- 775

The table below summarise the total consideration and the provisional amounts recognised for assets acquired and liabilities assumed after the business combination:

Consideration	
Cash transferred on acquisition	792
Deferred and contingent consideration	549
Agreed enterprise value	1,341
Net debt and working capital adjustment	161
Total consideration	1,502

	Carrying amount	Excess value	Fair value
Non-current assets	142	-	142
Current assets	525	-	525
Non-current liabilities	-	-	-
Current liabilities	(151)	-	(151)
Total identifiable net assets	516	-	516
Non-controlling interests	-	-	-
Goodwill	-	986	986
Total recognised	516	986	1,502

Both the deferred and contingent consideration are due in instalments, as at 30 June 2020. NOK 334 million is recognised as current and NOK 190 million is recognised as non-current provisions and other liabilities. The final net debt and working capital adjustment is expected to be settled during the third quarter of 2020.

The goodwill of NOK 986 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.

Note 4 Fixed assets

30 June 2020	Land	Plant, buildings and other property	Machinery, equipment and motor vehicles	Office and other equipment	Construction in progress	Total
Cost						
Opening balance	178	6,908	20,245	523	1,583	29,437
Additions	-	23	22	3	810	859
Transferred to/from CiP	-	117	519	17	(654)	-
Reclassification	-	10	(5)	(0)	(6)	(1)
Business combinations	-	83	30	0	-	113
Disposals	-	(0)	(44)	(3)	(2)	(50)
Exchange differences	16	405	1,228	30	79	1,758
Closing balance	194	7,546	21,996	571	1,809	32,116
Accumulated depreciation						
Opening balance	-	(2,494)	(10,837)	(338)		(13,668)
Addition	-	(118)	(563)	(20)		(701)
Reclassification	-	(0)	0	-		0
Disposals	-	0	34	3		37
Exchange differences	-	(82)	(586)	(22)		(690)
Closing balance	-	(2,693)	(11,952)	(376)		(15,022)
Impairment losses						
Opening balance	(11)	(378)	(2,103)	(0)	(75)	(2,567)
Addition	-	-	(1)	-	(5)	(6)
Disposals	-	-	4	-	-	4
Exchange differences	(1)	(34)	(186)	0	(7)	(228)
Closing balance	(12)	(412)	(2,286)	(0)	(86)	(2,796)
Net book value	182	4,441	7,758	195	1,723	14,299

30 June 2019	Land	Plant, buildings and other property	Machinery, equipment and motor vehicles	Office and other equipment	Construction in progress	Total
Cost						
Opening balance	148	6,529	19,103	485	1,619	27,883
Additions	0	7	6	3	694	711
Transferred from CiP	-	93	390	25	(509)	-
Reclassification	(1)	-	2	0	3	4
Business combinations	-	-	-	-	-	-
Disposals	-	(5)	(218)	(2)	(1)	(226)
Exchange differences	(3)	(87)	(259)	(7)	(18)	(375)
Closing balance	144	6,537	19,025	504	1,789	27,998
Accumulated depreciation						
Opening balance	-	(2,310)	(10,213)	(334)		(12,856)
Addition	-	(95)	(479)	(16)		(590)
Reclassification	-	-	-	(0)		(0)
Disposals	-	3	197	2		202
Exchange differences	-	20	120	5		145
Closing balance	-	(2,382)	(10,376)	(342)		(13,100)
Impairment losses						
Opening balance	(11)	(380)	(2,116)	(0)	(75)	(2,582)
Addition	-	-	(0)	-	-	(0)
Disposals	-	0	8	0	-	8
Exchange differences	0	8	42	0	2	51
Closing balance	(10)	(372)	(2,066)	(0)	(74)	(2,523)
Net book value	133	3,783	6,583	161	1,715	12,375

31 December 2019	Land	Plant, buildings and other property	Machinery, equipment and motor vehicles	Office and other equipment	Construction in progress	Total
Cost						
Opening balance	148	6,529	19,103	485	1,619	27,883
Additions	2	19	7	5	1,997	2,031
Transferred to/from CiP	0	349	1,564	61	(1,974)	-
Reclassification	-	0	19	(16)	(48)	(45)
Business combinations	30	32	8	1	-	70
Disposals	(2)	(10)	(430)	(12)	(7)	(461)
Exchange differences	(0)	(10)	(26)	(1)	(4)	(41)
Closing balance	178	6,908	20,245	523	1,583	29,437
Accumulated depreciation						
Opening balance	-	(2,310)	(10,213)	(334)		(12,856)
Addition	-	(193)	(1,013)	(35)		(1,241)
Reclassification	-	(0)	(19)	19		0
Disposals	-	7	396	12		415
Exchange differences	-	2	12	0		14
Closing balance	-	(2,494)	(10,837)	(338)		(13,668)
Impairment losses						
Opening balance	(11)	(380)	(2,116)	(0)	(75)	(2,582)
Addition	(0)	(0)	(9)	(0)	(1)	(10)
Disposals	0	1	14	0	1	16
Exchange differences	0	1	8	0	0	10
Closing balance	(11)	(378)	(2,103)	(0)	(75)	(2,567)
Net book value	167	4,036	7,305	186	1,508	13,202

Note 5 Right-of-use assets

			Machinery, equipment and motor vehicles	Office and other equipment	
30 June 2020	Land	Plant and buildings			Total
Cost					
Opening balance	239	357	99	8	702
Additions	0	151	24	1	176
Reclassification	-	3	0	-	3
Business combinations	27	-	-	-	27
Disposals	(0)	(7)	(15)	-	(22)
Exchange differences	19	16	10	1	46
Closing balance	285	520	117	10	932
Accumulated depreciation					
Opening balance	(42)	(52)	(27)	(1)	(123)
Addition	(3)	(33)	(16)	(1)	(52)
Reclassification	(0)	0	0	-	(0)
Disposals	0	6	4	-	10
Exchange differences	(4)	(3)	(2)	(0)	(8)
Closing balance	(49)	(82)	(41)	(2)	(173)
Impairment losses					
Opening balance	-	-	-	-	-
Exchange differences	-	-	-	-	-
Closing balance	-	-	-	-	-
Net book value	236	439	77	7	759

			Machinery, equipment and motor vehicles	Office and other equipment	
30 June 2019	Land	Plant and buildings			Total
Cost					
Opening balance	-	-	-	-	-
IFRS 16 Opening balance	14	301	58	-	373
Additions	-	19	10	-	29
Reclassification	223	-	-	-	223
Disposals	-	-	-	-	-
Exchange differences	(3)	(2)	(0)	-	(6)
Closing balance	234	317	67	-	619
Accumulated depreciation					
Opening balance	-	-	-	-	-
Addition	(3)	(24)	(13)	-	(40)
Reclassification	(37)	-	-	-	(37)
Disposals	-	-	-	-	-
Exchange differences	1	0	1	-	2
Closing balance	(39)	(24)	(12)	-	(75)
Impairment losses					
Opening balance	-	-	-	-	-
Exchange differences	-	-	-	-	-
Closing balance	-	-	-	-	-
Net book value	196	293	55	-	544

The IFRS 16 opening balance per the consolidated annual financial statement 2019 were adjusted from NOK 372 million to NOK 412 million. The effect has not been restated for the quarterly financial statements in 2019.

31 December 2019	Land	Plant and buildings	Machinery, equipment and motor vehicles	Office and other equipment	Total
Cost					
Opening balance	-	-	-	-	-
IFRS 16 Opening balance	14	322	68	8	412
Additions	1	40	33	-	74
Reclassification	223	-	0	-	223
Disposals	-	(3)	(3)	-	(6)
Exchange differences	0	(2)	(0)	0	(2)
Closing balance	239	357	99	8	702
Accumulated depreciation					
Opening balance	-	-	-	-	-
Addition	(6)	(56)	(30)	(1)	(93)
Reclassification	(37)	-	(0)	-	(37)
Disposals	-	3	3	-	6
Exchange differences	0	1	0	0	1
Closing balance	(42)	(52)	(27)	(1)	(123)
Impairment losses					
Opening balance	-	-	-	-	-
Exchange differences	-	-	-	-	-
Closing balance	-	-	-	-	-
Net book value	197	305	72	6	580

Note 6 Intangible assets

30 June 2020	Goodwill	Land use rights	Technology and licences	Software	Development	Other intangible	Intangible assets under construction	Total other intangible assets
Cost								
Opening balance	466	101	557	421	663	92	152	1,987
Additions	-	-	2	7	0	0	83	92
Transferred to/from CiP	-	-	1	2	28	-	(31)	-
Reclassification	-	-	-	4	0	-	(6)	(2)
Business combinations	986	-	-	0	-	-	-	0
Disposals	-	-	-	(0)	-	-	-	(0)
Exchange differences	(24)	11	59	19	73	5	9	176
Closing balance	1,429	112	619	454	764	98	207	2,254
Accumulated depreciation								
Opening balance		(50)	(419)	(304)	(407)	(29)		(1,209)
Addition		(0)	(16)	(18)	(28)	(4)		(66)
Reclassification		-	-	(0)	0	-		-
Disposals		-	-	0	-	-		0
Exchange differences		(5)	(44)	(17)	(43)	(2)		(112)
Closing balance		(55)	(480)	(338)	(478)	(35)		(1,386)
Impairment losses								
Opening balance	-	(1)	-	-	-	-	-	(1)
Addition	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Exchange differences	-	(0)	-	-	-	-	-	(0)
Closing balance	-	(1)	-	-	-	-	-	(1)
Net book value	1,429	56	139	116	286	63	207	867

30 June 2019	Goodwill	Leasehold land and land use rights	Technology and licences	Software	Development	Other intangible	Intangible assets under construction	Total other intangible assets
Cost								
Opening balance	342	328	540	392	591	57	154	2,062
Additions	-	-	0	3	-	-	35	39
Transferred to/from CiP	-	-	2	6	43	-	(50)	-
Reclassification	-	(223)	2	(0)	(3)	(1)	(1)	(227)
Business combinations	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	(0)	-	(0)
Exchange differences	(5)	(4)	(14)	(4)	(15)	(0)	(3)	(40)
Closing balance	337	100	530	397	615	55	135	1,833
Accumulated depreciation								
Opening balance		(87)	(392)	(272)	(364)	(24)		(1,139)
Addition		(0)	(13)	(15)	(22)	(2)		(53)
Re-classification		37	(1)	0	0	1		37
Disposals		-	-	-	-	0		0
Exchange differences		1	10	4	9	0		24
Closing balance		(49)	(397)	(284)	(377)	(25)		(1,131)
Impairment losses								
Opening balance	-	(1)	-	-	-	-	-	(1)
Addition	-	(1)	-	-	-	-	-	(1)
Exchange differences	-	0	-	-	-	-	-	0
Closing balance	-	(1)	-	-	-	-	-	(1)
Net book value	337	50	133	113	239	30	135	701

31 December 2019	Goodwill	Leasehold land and land use rights	Technology and licences	Software	Development	Other intangible	Intangible assets under construction	Total other intangible assets
Cost								
Opening balance	342	328	540	392	591	57	154	2,062
Additions	-	0	0	10	-	-	84	94
Transferred from CiP	-	-	20	19	50	5	(95)	0
Re-classification	-	(223)	2	1	34	(1)	10	(179)
Business combinations	122	-	-	-	-	31	-	31
Disposals	-	(1)	-	(1)	(7)	-	-	(8)
Exchange differences	3	(2)	(5)	(1)	(6)	0	(1)	(14)
Closing balance	466	101	557	421	663	92	152	1,987
Accumulated depreciation								
Opening balance		(87)	(392)	(272)	(364)	(24)		(1,139)
Addition		(1)	(29)	(35)	(53)	(4)		(122)
Re-classification		37	(1)	2	0	(1)		37
Disposals		0	-	1	7	-		7
Exchange differences		1	3	1	3	(0)		8
Closing balance		(50)	(419)	(304)	(407)	(29)		(1,209)
Impairment losses								
Opening balance	-	(1)	-	-	-	-	-	(1)
Exchange differences	-	0	-	-	-	-	-	0
Closing balance	-	(1)	-	-	-	-	-	(1)
Net book value	466	51	138	117	256	63	152	777

Note 7 Inventories

	30 June 2020	30 June 2019	31 December 2019
Raw materials	1,401	1,251	1,206
Semi-finished goods	414	467	346
Finished goods	3,761	3,095	3,187
Operating materials and spare parts	539	473	485
Total inventories	6,115	5,286	5,224
Provisions for write-down of inventories	(139)	(107)	(119)

Note 8 Other items

	Second quarter		Year to date		Year
	2020	2019	2020	2019	2019
Change in fair value commodity contracts ¹⁾	60	84	(25)	259	272
Embedded EUR derivatives power contracts, interest element	(51)	(45)	163	(45)	(25)
Ineffectiveness on cash flow hedges	(1)	-	(1)	(13)	(13)
Net foreign exchange gains (losses) - forward currency contracts	18	4	30	11	23
Operating foreign exchange gains (losses)	(120)	(18)	71	(35)	(45)
Other gains / (losses)	(95)	25	237	177	211
Dividend from interest in other companies	1	0	1	0	1
Change in fair value from shares in other companies	0	0	(1)	1	1
Gains (losses) disposal of subsidiaries	-	0	-	0	0
Other income	2	1	(0)	1	3
Restructuring expenses	-	-	(199)	-	-
Other	(14)	(1)	(17)	(1)	(18)
Other expenses	(14)	(1)	(215)	(1)	(18)
Total other items	(107)	25	22	176	195

¹⁾ Mainly fair value changes of the 30-øring contract, see note 26 Financial assets and liabilities to the consolidated financial statements for the year ended 31 December 2019.

Note 9 Finance income and expenses

	Second quarter		Year to date		Year
	2020	2019	2020	2019	2019
Interest income on loans and receivables	13	12	22	23	40
Other financial income	0	0	1	0	1
Total finance income	13	12	22	23	41
Foreign exchange gains (losses)	(34)	(49)	95	(15)	16
Interest expenses on interest-bearing liabilities measured at amortised cost	(56)	(55)	(114)	(115)	(221)
Interest expenses from other items measured at amortised cost	(6)	(7)	(11)	(12)	(25)
Interest expenses on lease liabilities	(4)	(4)	(9)	(8)	(17)
Capitalised interest expenses	-	-	-	-	-
Unwinding of discounted liabilities	(3)	(1)	(3)	(2)	(5)
Interest on net pension liabilities	(2)	(2)	(4)	(4)	(10)
Other financial expenses	(1)	(2)	(2)	(2)	(18)
Total finance expenses	(72)	(71)	(143)	(143)	(295)
Net Finance income (expenses)	(93)	(108)	(26)	(135)	(239)

Note 10 Interest-bearing assets and liabilities

	30 June 2020	30 June 2019	31 December 2019
Non-current interest-bearing debt			
Lease liabilities	451	304	323
Loans from external part, other than bank	4,164	3,906	3,928
Bank financing	4,866	4,264	4,089
Total non-current interest-bearing debt	9,480	8,473	8,340
Current interest-bearing debt			
Lease liabilities	92	61	85
Loans from external parties, other than banks	375	261	266
Bank financing, current	1,121	874	887
Accrued interest	21	23	25
Total current interest-bearing debt	1,609	1,220	1,262
Bills payable, current	1,363	1,125	887
Restricted deposits bills payable, current	423	339	267
Net bills payable	940	786	620
Cash and cash equivalents	3,900	5,365	4,496
Other restricted deposits, current	7	5	4
Other restricted deposits, non-current	41	96	42
Receivables from related parties	1	1	1
Loans to external parties	8	7	8
Accrued interest income	1	2	2
Total other interest-bearing assets	3,958	5,477	4,553
Net interest-bearing assets / (liabilities)	(8,072)	(5,003)	(5,669)

Pledges and guaranteed liabilities

The main part of Elkem's interest-bearing liabilities are neither pledged nor guaranteed.

The totals of liabilities that have pledged assets or guarantees related to them are stated below:

Guaranteed liabilities	30 June 2020	30 June 2019	31 December 2019
Guaranteed liabilities	276	1,023	492
Pledged liabilities	30 June 2020	30 June 2019	31 December 2019
Pledged liabilities	67	0	35
Pledged provisions	-	-	-

Note 11 Cash flow hedging

Hedge Accounting

Elkem is applying hedge accounting for parts of its forward currency contracts, certain parts of EUR loans, for embedded EUR derivatives in power contracts and for certain power contracts. Forward currency contracts and embedded derivatives are designated in a cash flow hedge to hedge currency fluctuations in highly probable future sales, mainly in USD and EUR. The power contracts designated as hedging instruments in a cash flow hedge of price fluctuations for highly probable future purchases. Hence, the effective part of change in fair value of the hedging instruments is booked against OCI, and booked as an adjustment to revenue and energy for production respectively, when realised.

Derivatives as at 30 June 2020

	Nominal value	Fair value	Hereof recognised in OCI	Effects to be recycled from OCI			
				Within 1 year	Within 2 years	Within 3 years	Within 4 years or more
Purchase contracts							
Forward currency contracts	3,594	(66)	(111)	(94)	(3)	(7)	(7)
Embedded EUR derivatives	4,920	(503)	(541)	(44)	(76)	(77)	(344)
Power contracts ¹⁾	2,817	(173)	(199)	(176)	(5)	(3)	(15)
Platinum contracts	43	4	-	-	-	-	-
Total derivatives		(738)	(850)	(313)	(85)	(87)	(365)
EUR loan designed as cash flow hedging instrument		(246)	(35)	(10)	(10)	(10)	(5)
Total			(886)	(323)	(95)	(97)	(370)

¹⁾ Hedge accounting is applied for some of the contracts /part of contracts.

Realised effects hedge accounting, recycled from OCI	Second quarter		Year to date		Year
	2020	2019	2020	2019	2019
Realised effects from forward currency contracts, Revenue	(60)	(6)	(98)	(17)	(50)
Realised effects from embedded derivatives EUR, Revenue	(13)	(2)	(24)	(3)	(11)
Realised effects from EUR loans, Revenue	(6)	(2)	(6)	(2)	(5)
Realised effects from power contracts, Raw materials and energy for production	(115)	9	(215)	69	87
Total realised hedging effects recycled from OCI	(194)	(1)	(342)	47	21

See note 26 Financial assets and liabilities, note 27 Hedging and note 28 Financial risk to the consolidated financial statements for the year ended 31 December 2019.

Note 12 Number of shares

The development in share capital and other paid-in equity is set out in the Condensed consolidated interim statement of changes in equity.

	Outstanding
As at 1 January 2020	581,310,344
As at 30 June 2020	581,310,344

In the annual general meeting held on 8 May 2020, the board of directors was granted an authorisation to repurchase the company's own shares within a total nominal value of up to NOK 290,655,172. The maximum amount that can be paid for each share is NOK 150 and the minimum is NOK 1. The authorisation is valid until the annual general meeting in 2021, but not later than 30 June 2021. The authorisation can be used to acquire shares as the board of directors deems appropriate, provided however, that acquisition of shares shall not be by subscription.

In the annual general meeting held on 8 May 2020, the board of directors was granted an authorisation to increase the company's share capital with an amount up to NOK 290,655,172. The authorisation is valid until the annual general meeting in 2021, but not later than 30 June 2021. The authorisation can be used to cover share capital increases against contribution in kind and in connection with mergers.

In the annual general meeting held on 8 May 2020, the board of directors was granted an authorisation to increase the share capital by up to NOK 40,000,000 to be used in connection with the issuance of new shares under share incentive scheme. The authorisation is valid until the annual general meeting in 2021, but not later than 30 June 2021. The authorisation does not cover capital increases against contribution in kind or capital increases in connection with mergers. As at 30 June 2020 14,767,000 options are granted and outstanding to members of the management and certain other key employees.

Note 13 Events after reporting period

Segments

On May 26th Elkem ASA board approved to merge the two segments Silicon Materials and Foundry Products to one segment, Silicon Products.

Going forward, Elkem will have three business segments:

- **Silicones**, a fully integrated silicones producer;
- **Silicon Products**, a provider of silicon, ferrosilicon and related specialty products; and
- **Carbon Solutions**, a supplier of electrode paste and specialty products to the ferroalloys, silicon and aluminium industries.

The changes are effective from 1 July 2020 and will be reflected in the segments for Elkem's financial reporting from the third quarter 2020.

Financing

Elkem signed a new loan facility of NOK 2,000 million on 16 July 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.

Appendix - Alternative performance measures (APMs)

An APM is defined as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework (IFRS). Elkem uses EBITDA and EBITDA margin to measure operating performance at the group and segment level. In particular, management regards EBIT and EBITDA as useful performance measures at segment level because income tax, finance expenses, foreign exchange gains (losses), finance income, other items are managed on a group basis and are not allocated to each segment. Elkem uses Cash flow from operations to measure the segments cash flow performance, this measure is excluding items that are managed on a group level. Elkem uses ROCE, or return on capital employed as measures of the development of the group's return on capital. Elkem relies on these measures as part of its capital allocation strategy. Elkem uses net interest-bearing debt less non-current interest-bearing assets / EBITDA as leverage ratio for measuring the group's financial flexibility and ability for step-change growth and acquisitions.

The APMs presented herein are not measurements of performance under IFRS or other generally accepted accounting principles and should not be considered as a substitute for measures of performance in accordance with IFRS. Because companies calculate the APMs presented herein differently, Elkem's presentation of these APMs may not be comparable to similarly titled measures used by other companies.

Elkem's financial APMs, EBITDA and EBIT

- EBIT, also referred to as operating profit (loss) before other items is defined as Elkem's profit (loss) for the period, less income tax (expenses), finance expenses, foreign exchange gains (losses), finance income, share of profit from equity accounted financial investments and other items.
- EBITDA is defined as Elkem's profit (loss) for the period, less income tax (expenses), finance expenses, foreign exchange gains (losses), finance income, share of profit from equity accounted financial investments, other items, impairment loss and amortisation and depreciation.
- EBITDA margin is defined as EBITDA divided by total operating income.

Below is a reconciliation of EBIT and EBITDA

	Silicon Foundry						
Second quarter 2020	Silicones	Materials	Products	Carbon	Other	nations	Elkem
Profit (loss) for the period							(0)
Income tax (expense) benefit							16
Finance expenses							72
Foreign exchange gains (losses)							34
Finance income							(13)
Share of profit from equity accounted financial investments							(5)
Other items							107
EBIT	(24)	206	21	95	(67)	(19)	212
Impairment losses							6
Amortisations and depreciations							426
EBITDA	217	303	80	119	(57)	(19)	644

	Silicon Foundry						
Second quarter 2019	Silicones	Materials	Products	Carbon	Other	nations	Elkem
Profit (loss) for the period							152
Income tax (expense) benefit							58
Finance expenses							71
Foreign exchange gains (losses)							49
Finance income							(12)
Share of profit from equity accounted financial investments							8
Other items							(25)
EBIT	148	88	22	69	(44)	17	300
Impairment losses							1
Amortisations and depreciations							346
EBITDA	333	162	81	86	(33)	17	647

Year to date 30 June 2020	Silicones	Silicon Materials	Foundry Products	Carbon	Other	ninations	Elkem
Profit (loss) for the year							261
Income tax (expense) benefit							119
Finance expenses							143
Foreign exchange gains (losses)							(95)
Finance income							(22)
Share of profit from equity accounted financial investments							25
Other items							(22)
EBIT	(42)	328	106	175	(136)	(23)	409
Impairment losses							6
Amortisations and depreciations							819
EBITDA	417	514	223	219	(116)	(23)	1,234

Year to date 30 June 2019	Silicones	Silicon Materials	Foundry Products	Carbon	Other	ninations	Elkem
Profit (loss) for the year							649
Income tax (expense) benefit							201
Finance expenses							143
Foreign exchange gains (losses)							15
Finance income							(23)
Share of profit from equity accounted financial investments							6
Other items							(176)
EBIT	401	202	143	135	(87)	19	815
Impairment losses							1
Amortisations and depreciations							683
EBITDA	769	346	260	169	(64)	19	1,499

Year 2019	Silicones	Silicon Materials	Foundry Products	Carbon	Other	ninations	Elkem
Profit (loss) for the year							897
Income tax (expense) benefit							237
Finance expenses							295
Foreign exchange gains (losses)							(16)
Finance income							(41)
Share of profit from equity accounted financial investments							12
Other items							(195)
EBIT	742	270	100	232	(170)	15	1,189
Impairment losses							11
Amortisations and depreciations							1,456
EBITDA	1,523	601	342	308	(133)	15	2,656

Elkem's financial APMs. Cash flow from operations

- Cash flow from operations is defined as cash flow from operating activities, less income taxes paid, interest payments made, interest payments received, changes in provision, pension obligations and other, changes in fair value commodity contracts, other items (from the statement of income) and including reinvestments.
- Reinvestments generally consist of maintenance capital expenditure to maintain existing activities or that involve investments designed to improve health, safety or the environment.
- Strategic investments generally consist of investments which result in capacity increases at Elkem's existing plants or that involve an investment made to meet demand in a new geographic or product area.

	Second quarter 2020	Second quarter 2019	Year to date 2020	Year to date 2019	Year 2019
Reinvestments	(307)	(301)	(560)	(484)	(1,162)
Strategic investments	(192)	(179)	(392)	(266)	(963)
Periodisations ¹⁾	(146)	(67)	(253)	15	18
Investments in property, plant and equipment and intangible assets	(645)	(546)	(1,205)	(735)	(2,107)

¹⁾ Periodisations reflects the difference between payment date and accounting date of the investment.

	Second quarter		Year to date		Year
	2020	2019	2020	2019	2019
Cash flow from operating activities	122	622	843	654	1,839
Income taxes paid	70	172	122	351	559
Interest payments made	71	68	130	133	248
Interest payments received	(14)	(10)	(23)	(21)	(38)
Changes in provisions, bills receivables and other	271	84	(403)	481	671
Changes in fair value commodity contracts	43	35	189	199	218
Other items	107	(25)	(22)	(176)	(195)
Reinvestments	(307)	(301)	(560)	(484)	(1,162)
Cash flow from operations	363	645	275	1,136	2,140

Elkem's financial APMs, ROCE

- ROCE, Return on capital employed, is defined as EBIT divided by the average capital employed, where capital employed comprises working capital, property, plant and equipment, right-of-use assets, investments equity accounted companies and trade payables and prepayments related to purchase of non-current assets.
- Working capital is defined as accounts receivable, inventory, other current assets, accounts payable, employee benefit obligations and other current liabilities. Accounts receivable are defined as trade receivables less bills receivable. Other current assets are defined as other current assets less current receivables to related parties, current interest-bearing receivables, tax receivables, grants receivable and accrued interest income. Accounts payable are defined as trade payables less CAPEX payables. Other current liabilities are defined as provisions and other current liabilities less current provisions and liabilities to related parties.
- Capital employed consists of working capital as defined above, property, plant and equipment, right of use assets, investments equity accounted companies, accounts payable and prepayments related to purchase of non-current assets.
- Average capital employed is defined as the average of the opening and ending balance of capital employed for the relevant reporting period.

Below is a reconciliation of working capital and capital employed, which are used to calculate ROCE:

Working capital bridge from statutory accounts to company definition

	30 June 2020	30 June 2019	31 December 2019
Inventories	6,115	5,286	5,224
Trade receivables	2,588	2,240	2,269
Bills receivable	(704)	(518)	(675)
Accounts receivable	1,884	1,722	1,594
Other current assets	1,267	967	1,013
Current interest-bearing receivables	-	-	-
Other current receivables to related parties interest-free	(0)	(9)	(2)
Grants receivables	(394)	(193)	(361)
Tax receivables	(156)	(97)	(137)
Accrued interest	(1)	(1)	(2)
Other current assets included in working capital	715	666	510
Trade payables	3,176	2,680	2,767
Trade payables related to purchase of non-current assets	(134)	(261)	(389)
Accounts payable included in working capital	3,042	2,420	2,378
Employee benefit obligations	663	569	640
Provisions and other current liabilities	1,232	773	871
Current provisions	(577)	(138)	(161)
Liabilities to related parties	(70)	(91)	(81)
Other current liabilities included in working capital	586	544	629
Working capital	4,423	4,142	3,681
Property, plant and equipment	14,299	12,375	13,202
Right-of-use assets	759	544	580
Investments equity accounted companies	130	121	129
Trade payables and prepayments related to purchase of non-current assets	(125)	(258)	(323)
Capital employed	19,486	16,924	17,269

Elkem's financial APMs, Leverage ratio

- Net interest-bearing debt that is used to measured leverage ratio is excluding non-current interest-bearing financial assets and accrued interest income. These assets are not easily available to be used to finance the group's operations. Below a calculation of Elkem's leverage ratio.

	30 June 2020	30 June 2019	31 December 2019
Net interest-bearing assets / (liabilities)	(8,072)	(5,003)	(5,669)
Non-current interest-bearing assets	(50)	(105)	(51)
Accrued interest income	(1)	(2)	(2)
Net interest-bearing debt	(8,122)	(5,110)	(5,722)
EBITDA (LTM)	2,391	3,867	2,656
Leverage ratio	3.4	1.3	2.2