

## Demand recovery in China, market conditions still weak

**Elkem maintained good operating performance in the third quarter, but the results were hampered by weak markets. In China, the construction and automotive markets show strong recovery, but the markets in Europe and the Americas are still weak, particularly impacting the sales of specialties. Silicones prices in China were up during the third quarter and silicon and ferrosilicon prices have levelled out and increased slightly from low levels.**

Elkem's total operating income for the third quarter 2020 was NOK 5,886 million, up 6% from the corresponding quarter last year. Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to NOK 512 million in the quarter, compared to NOK 640 million in the third quarter of 2019. Earnings per share (EPS) was NOK -0.18 in the quarter.

"Elkem's strong competitive position has been demonstrated in weak markets and all plants have been in regular operation. Elkem had strong sales in the third quarter and all divisions reported higher volumes compared to the corresponding quarter last year. However, the result was negatively impacted by weak market conditions due to Covid-19," says Elkem's CEO, Michael Koenig.

Silicones and Silicon Products reported weaker results than the corresponding quarter last year, due to low sales prices and lower sales of speciality products, while Carbon Solutions reported another strong quarter with improved results in challenging markets.

"Elkem continues to progress strategic projects to enhance long-term value creation: Battery Materials, Biocarbon and Digital Office are all key focus areas reporting directly to the CEO. Elkem has selected Herøya, Norway, as the site for a potential large-scale battery materials plant, for which it has now received financial support of NOK 10 million from Enova for initial planning. The battery materials pilot plant in Kristiansand, Norway, will be opened early next year. The Biocarbon pilot plant in Canada is key for the development of biocarbon to replace fossil coal in smelting processes and enable climate-neutral metal production. The Digital Office will make Elkem a more data driven company to drive further improvements and value creation," says Koenig.

Elkem is also progressing its productivity improvement programme, which is ahead of plan. The target is to realise annual cost improvements of more than NOK 350 million. By end of the third quarter the annual run rate was NOK 147 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.

The group's equity as at 30 September 2020 amounted to NOK 12,724 million, which gave a ratio of equity to total assets of 40%. Net interest-bearing debt was NOK 8,571 million, which gave a ratio of net interest-bearing debt to EBITDA of 3.8 times. Elkem had cash and cash equivalents of NOK 3,197 million as at 30 September 2020 and undrawn credit lines of more than NOK 5,500 million.

There are signs of recovery, but the market outlook is still characterised by uncertainty. Elkem is actively working to counter weak market conditions by accelerating cost reductions, optimising investments and by leveraging on strong market positions. Silicones demand in China is expected to remain stable, but the price development is uncertain as construction markets are entering low season. Silicones demand outside of China shows signs of recovery. Silicon and ferrosilicon prices have levelled out and increased somewhat from low levels. The market for carbon products is expected to remain stable. A maintenance stop in Brazil will however, reduce Elkem's sales volumes in the fourth quarter.

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

For further information, please contact:

Odd-Geir Lyngstad  
VP Finance & Investor Relations  
Tel: +47 976 72 806  
Email: [odd-geir.lyngstad@elkem.no](mailto:odd-geir.lyngstad@elkem.no)

Fredrik Norman  
VP Corporate Communications & Public Affairs  
Tel: +47 918 66 567  
Email: [fredrik.norman@elkem.no](mailto:fredrik.norman@elkem.no)

### **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](http://www.elkem.com)