

Record sales and highest earnings since 2018

The result for the fourth quarter 2020 was Elkem's best since 2018. The high earnings reflect Elkem's robust business model with strong market positions and favourable cost positions. This has enabled Elkem to keep close to full production through the Covid-19 pandemic so far and now capitalise on the improved market conditions during the quarter to reach record sales.

Elkem's total operating income for the fourth quarter 2020 was NOK 7,129 million, which was all-time high and up 28% from the corresponding quarter last year. Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to NOK 938 million in the quarter, up 81% compared to NOK 517 million in the fourth quarter of 2019. Earnings per share (EPS) was NOK 0.18 in the quarter and NOK 0.41 YTD. The board of directors has proposed a dividend of NOK 0.15 per share for 2020, representing a dividend pay-out ratio of 36%.

"In the fourth quarter, Elkem achieved record sales and our highest earnings since 2018. We see good performance across all business segments, including Silicones, Silicon Products and Carbon Solutions, and I want to congratulate our entire global team. This has been delivered while we have also continued to position Elkem for the future in line with our strategy, always putting health and safety first," says Elkem's CEO, Michael Koenig.

Elkem's business model shows good results in terms of specialisation, operational improvements and good cost management. The sales were particularly strong in China but is also improving in the other regions. Strong demand has also resulted in higher reference prices for Elkem's standard products. Elkem is progressing its productivity improvement programme with the target to realise annual cost improvements of more than NOK 350 million. By the end of fourth quarter, the annual run rate was NOK 201 million, which was ahead of plan.

"Elkem's silicones business has shown a good development in 2020, delivering on its specialisation strategy. In addition to other recent acquisitions and initiatives, Elkem has now decided to make investments in organo-functional silicones (OFS) and low viscosity (LV) silicones fluids. Both projects will contribute to complementing Elkem's specialised product offering", says Koenig.

Elkem will acquire a custom-designed, purpose-built plant for manufacturing of OFS. The plant is located in France, close to Elkem Silicones' existing operations in Lyon. The purchase price is in the low double-digit millions of euros. The investment in LV fluids will be at Elkem Xinghuo Silicones, the largest silicones manufacturing site in China. The investment will be CNY 100 million and is scheduled to open in January 2022.

In order to continuously improve and streamline operations, Elkem has decided to integrate Yongdeng Silicon Products into the Silicones division from 1 January 2021. Yongdeng Silicon has captive production of silicon covering approximately 50% Elkem's Xinghuo Silicones' annual consumption.

The battery materials project proceeds according to plan and represents a significant green value creation opportunity. Elkem's pilot plant in Kristiansand has started initial testing to prepare for production start-up in March 2021. The purpose of the pilot is to qualify products and verify the business case for a large-scale industrial plant at Herøya, Norway. Elkem has received NOK 10 million from Enova to fund the initial planning and has also applied for support from the EU. Elkem will in the near future formally invite industrial and financial partners to participate in the project.

"Elkem is continuously working to improve its performance within Environment, Social and Governance (ESG) and has proudly received A rating in corporate sustainability by CDP, recognising the company among the world's leading companies for tackling climate change," says Koenig.

The group's equity as at 31 December 2020 amounted to NOK 12,635 million, which gave a ratio of equity to total assets of 41%. Net interest-bearing debt was NOK 8,058 million, which gave a ratio of net interest-bearing debt to EBITDA of 3.0 times. The leverage ratio was improved from 3.8 times in the preceding quarter. Elkem had cash and cash equivalents of NOK 3,154 million as at 31 December 2020 and undrawn credit lines of close to NOK 5,000 million.

"Elkem is entering 2021 from a robust position, continuing to improve specialisation and operational excellence as a basis for further growth. The market sentiment is positive, but macroeconomic uncertainty still persists," says Koenig.

Silicones prices in China are at attractive levels early 2021 and Silicones demand in Europe and North America is picking up. Chinese New Year will, however, negatively impact the first quarter results. Prices for silicon and ferrosilicon have continued to rise early first quarter, with full impact being gradually reflected in contract prices. Demand is currently strong. The underlying market conditions for carbon products are expected to improve in line with stronger steel and ferroalloys markets.

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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