



Delivering on growth and profitability – strategic expansion in China

In the first quarter of 2021, Elkem delivered all-time high operating income and the best quarterly result since the third quarter 2018. The strong results reflected Elkem's growth and specialisation strategy in a market with attractive fundamentals and its strong culture for operational excellence. On 26 April, Elkem approved a strategic expansion in China, the world's fastest-growing silicones market. The NOK 3.8 billion project will further support Elkem's growth and specialisation strategy.

Elkem's total operating income for the first quarter 2021 was NOK 7,193 million, which was another all-time high and up 24% from the corresponding quarter last year. Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to NOK 1,231 million in the quarter, which was more than doubled compared to first quarter 2020 and the best since the third quarter 2018. Earnings per share (EPS) was NOK 1.17 in the quarter.

"Elkem is starting 2021 from a strong position. In the first quarter, we achieved record sales and delivered our best quarterly result since the third quarter 2018. We see a positive market sentiment for all divisions and continue to position Elkem for the future in line with our strategy. Today, we also announce a strategic expansion in China which represents a step-change for Elkem's position as a leading supplier in the world's fastest growing silicones market," says Elkem's CEO, Michael Koenig.

Elkem's main business segments all showed a strong development in the first quarter 2021. Strong demand in all major regions has positively impacted sales volumes and realised prices. Silicones prices in China have increased to attractive levels during the first quarter. In March, Elkem also announced global price increases for silicones. For silicon and ferrosilicon the market prices have risen consistently during the first quarter and reached the highest levels in several years. Also, the market for carbon products was good driven by strong global steel markets.

Elkem's operational performance was strong in the quarter with high and stable production. The productivity improvement programme with the target to realise annual cost improvements of more than NOK 350 million was still progressing ahead of plan and reached an annual run rate of NOK 230 million by end of first quarter.

Elkem continues to deliver on its growth strategy and ambition to be a leading integrated provider of silicones solutions. On 26 April 2021, the board approved a NOK 3.8 billion strategic expansion of the Xinghuo Silicones plant in China to strengthen Elkem's position in the fastest growing silicones market and to further support the specialisation strategy. In addition to supporting Elkem's specialisation and growth strategy, the project will also significantly improve Elkem's overall cost position and environmental profile based on state-of-the-art technology.

The project will increase the plant's production capacity by more than 50% for high quality upstream products and enable Elkem to further drive specialty volumes by increasing access to high purity products and critical by-products where Elkem has developed an attractive backlog of downstream products to offtake upstream volumes. The project will also significantly improve the environmental performance by reducing the energy consumption by 57%, reducing use of raw materials by 11% and giving a 30% reduction of solid waste. Improved environmental performance was one of the key decision parameters for Elkem, in line with the company's high ambition level on Environment, Social and Governance (ESG) factors.

During the first quarter, Elkem also successfully raised MNOK 1,250 in the bond market for refinancing of debt maturities December 2021. The bond transaction was significantly oversubscribed and demonstrated Elkem's strong financial position.

Elkem's advanced battery materials activities are proceeding according to plan. The pilot plant in Kristiansand was commissioned in April 2021 and has started industrial scale production. Qualification

processes are ongoing with several battery cell producers. The potential large-scale battery materials plant at Herøya represents a significant green value creation opportunity and Elkem is currently in the process to invite external investors to take part in the project. This will enable a swift development, and position Elkem as a significant and attractive supplier to the battery industry.

The group's equity as at 31 March 2021 amounted to NOK 13,440 million, which gave a ratio of equity to total assets of 41%. Net interest-bearing debt was NOK 7,668 million, which gave a ratio of net interest-bearing debt to EBITDA of 2.3 times. The leverage ratio has been improved over the past two quarters due to higher EBITDA and lower net-interest bearing debt. Elkem had cash and cash equivalents of NOK 4,183 million as at 31 March 2021 and undrawn credit lines of close to NOK 3,900 million.

The market sentiment is positive for all divisions and Elkem will continue to develop its market positions and focus on sustainable growth. The silicones market is strong and market reference prices in China are expected to remain at attractive levels in the second quarter. The announced global price increases will gradually become effective from the second quarter. The result for the Silicones division will be impacted by maintenance stops in China and France. The combined EBITDA effect is limited to NOK 150 million. Demand and market prices for silicon- and ferrosilicon-based products are expected to level out. However, realised contract prices will increase due to time-lag effects. Steel and ferroalloys markets are still strong, giving continued attractive market conditions for carbon products.

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About Elkem

Elkem is one of the world's leading providers of advanced material solutions – shaping a better and more sustainable future. Elkem develops silicones, silicon products and carbon solutions by combining natural raw materials, renewable energy and human ingenuity. Elkem helps its customers create and improve essential innovations like electric mobility, digital communications, health and personal care as well as smarter and more sustainable cities. With a strong track record since 1904, Elkem's global team of 6,800 people has a joint commitment to stakeholders: Delivering your potential. In 2020, Elkem was rated among the world's top 5% on climate and achieved an operating income of NOK 24.7 billion. Elkem is listed on the Oslo Stock Exchange (ticker: ELK). www.elkem.com