



## Third quarter 2022: Strong results, despite weaker market conditions

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**In the third quarter 2022, Elkem delivered strong quarterly results despite weaker market conditions. The Silicon Products division and the Carbon Solutions division continue to deliver excellent results due to superior cost and market positions. Elkem's plants continue to operate at full capacity, reflecting the group's robust business model. Elkem today also presents a Capital Markets Update, outlining the company's strategy for dual-play growth and green leadership.**

Elkem's total operating income for the third quarter 2022 was NOK 11,293 million, up 28% from the corresponding quarter last year. Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to NOK 3,302 million in the quarter, compared to NOK 2,131 million in the third quarter 2021. Earnings per share (EPS) was NOK 4.81 in the quarter and NOK 13.68 year-to-date, providing for an attractive dividend yield for 2022.

"The market conditions are weaker, but Elkem is delivering another strong result for the third quarter 2022. Again, this is demonstrating Elkem's robust, integrated business model and favourable energy positions. In the quarter, we have made important decisions to deliver on our strategy, including the opening of a new specialised silicones facility in the US. We have also closed the transaction with Hydro and Altor enabling us to further develop Vianode as a leading supplier of sustainable battery materials," says Helge Aasen, Elkem's CEO.

"Today, at our Capital Markets Update, we detail Elkem's strategy for dual-play growth and green leadership. Dual-play growth means that we aim to have a good balance in the company both geographically and across the value chain, with an ambition to grow by more than 5% per year, and to do so profitably, with an EBITDA margin of at least 15% per year. Green leadership means that we aim to be in the forefront on reducing emissions in our industry, towards net zero by 2050, and that we focus our growth on markets essential to the green transition. Based on this strategy, Elkem is well-positioned to provide advanced silicon-based materials shaping a better and more sustainable future," says Aasen.

The result for the Silicones division was weaker than the corresponding quarter last year, mainly due to higher raw materials costs. The Silicon Products and Carbon Solutions divisions have however, delivered another strong quarter, with Carbon Solutions reaching a new all-time high. The results were mainly driven by higher sales prices, due to increasing raw material and energy costs for the industry. In this situation, Elkem is capitalising on its favourable cost positions and integrated value chains.

In September, Elkem, Hydro and Altor Equity Partners completed the transaction to further develop Vianode as a leading supplier of sustainable battery materials. Hydro and Altor Equity Partners have each acquired 30% ownership in Vianode, while Elkem retain the remaining 40% ownership. The transaction was approved by competition authorities in September. Subsequently, Vianode, with the backing of its owners, has decided to invest in the first industrial-scale plant for sustainable battery materials at Herøya in Norway. The investment amounts to around NOK 2 billion. The industrial plant will produce anode graphite for about 20,000 electric vehicles (EVs) per year by 2024 and is the first phase in a larger investment plan to supply a complete battery value chain for the European market.

In September, Elkem also celebrated the opening of its new specialised silicones facility in York, S.C. in the US. The facility will produce high purity silicone materials meeting the strict requirements in medical implantable and pharmaceutical applications. Elkem aims to be a leading silicone supplier to the healthcare industry and the new facility opens a potential high margin market of more than NOK 3 billion.

The group's equity as at 30 September 2022 amounted to NOK 29,176 million, which gave a ratio of equity to total assets of 54%. Net interest-bearing debt was NOK 2,845 million, which gave a ratio of net interest-bearing debt to EBITDA of 0.2x. Elkem had cash and cash equivalents of NOK 9,750 million as at 30 September 2022 and undrawn credit lines of more than NOK 5,000 million.

The market sentiment is impacted by high energy prices in Europe, macroeconomic uncertainty and slower growth. The Silicones market in China is weak going into the fourth quarter, while demand and prices are holding up for specialties in EMEA and the US. The demand for silicon and ferrosilicon is negatively impacted by the closures in aluminium and steel industries, but Elkem is capitalising on superior cost positions. Carbon Solutions will likely see lower demand and possibly margin pressure due to closures in steel however, from a high level in the third quarter.

### **Capital Markets Update**

Elkem has two strong, independent value chains; one based in Europe, and one based in Asia. In addition, the company has strong positions in commodity and specialty markets due to a combination of good cost positions and extensive R&D competence. This creates the basis for a strategy of dual-play growth, balanced geographically and across the value chain. Elkem also aims to take a green leadership in the industry, strengthening the position as best on low CO<sub>2</sub> emissions, and growing the supplies to the green transition, including green venture creations.

Elkem aims for more than 5% revenue growth per year on average on a long-term sustainable basis, with an EBITDA of more than 15% per year over the cycle. At the same time, the company will reduce its CO<sub>2</sub> emissions by 28% from 2020 to 2031, aiming for net zero by 2050.

The Silicones division aims to pursue balanced geographical growth, improve its cost position and develop a higher degree of specialisation. The Silicon Products division aims to pursue selective growth, secure its leading cost positions and achieve lower carbon emissions. The Carbon Solutions division aims to pursue selective growth, based on sustainable low-cost and a position as a preferred supplier with high quality.

Elkem also aims to develop Green Ventures: opportunities with a green profile and focus on value creation. These are based on Elkem technology and process knowledge, and can be developed with partners to realise scale, achieve synergies or mitigate risk. When attractive, Elkem will consider sell-down or possible IPO to realise value.

Currently, Elkem is focusing on developing Vianode into a leading provider of sustainable materials for the battery market, together with Hydro and Altor. In addition, the company is developing biocarbon for internal use at competitive costs and for other external markets. Biocarbon is today the only known CO<sub>2</sub> neutral replacement for coal in metallurgical processes.

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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. The company 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, its global team of more than 7,000 people has a joint commitment to stakeholders: Delivering your potential. In 2022, Elkem obtained a Platinum score from EcoVadis, which rated the company among the world's top 1% on sustainability transparency, and the company achieved an operating income of NOK 33.7 billion. Elkem is listed on the Oslo Stock Exchange (ticker: ELK). [www.elkem.com](http://www.elkem.com)