



Third quarter 2023: Weak profitability due to weak markets and one-offs

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Elkem's profitability in the third quarter 2023 was impacted by weak markets and negative one-off effects, including changes to the CO2 compensation scheme in Norway. Relevant measures are taken to reduce costs and adjust investment plans to reflect the weak market conditions. Elkem is well positioned when market conditions improve, based on attractive positions and a strong asset base.

Elkem's total operating income for the third quarter 2023 was NOK 7,917 million, which was down from the corresponding quarter in 2022, mainly explained by lower sales prices and lower sales volumes. Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to NOK 535 million in the quarter, compared NOK 3,302 million in third quarter last year. Earnings per share (EPS) was NOK -0.72 in the quarter and NOK 0.84 year-to-date.

"The challenging macro-economic environment is also affecting our markets. This is impacting Elkem's results in the third quarter, and we will evaluate reductions in our cost base as well as our investment plans accordingly. In addition, we are surprised and disappointed by the Norwegian government's proposal for changes in the CO2 compensation scheme. If finally approved, this significantly reduces the attractiveness of future investments in Norway compared to other parts of the world. The lack of dialogue has also added uncertainty related to important framework conditions. We now have to evaluate what this means for investment plans at our production sites in Norway. The longer-term trends of the green and digital transitions remain strong, driving demand for advanced materials shaping a better and more sustainable future," says Elkem's CEO, Helge Aasen.

The result for the Silicones division was still weak, mainly due to depressed prices on silicones commodities, combined with low demand in all regions. Weak demand also included speciality products. Silicon Products delivered weaker results due to lower sales prices and weak demand. The result was also negatively impacted by NOK 220 million related to changes in the CO2 compensation scheme in Norway and inventory write downs. The result for the Carbon Solutions division was good, despite weaker demand following reduced production in the metal markets.

Elkem is introducing a comprehensive programme to counter the weak market conditions. A cost reduction programme has been initiated across all of Elkem's divisions to reduce fixed and variable costs. In addition, all investment plans will be carefully evaluated and adjusted to reflect the weaker market conditions. The target is to reduce costs and capital expenditures significantly.

Elkem is well positioned based on attractive market positions and a strong asset base and will complete investments that further improve the group's competitive position. In the fourth quarter, Elkem will accelerate maintenance and improvements at the ferrosilicon plant in Iceland. Elkem will invest around NOK 100 million in maintenance and upgrading of the plant to improve efficiency and enable lower production costs.

In addition, Elkem is in the process of expanding and upgrading its Silicones plant in China. This investment is on track, both with regards to cost and time, and is expected to be finalised during the first half of 2024. The expansion project will increase the plant's production capacity by 50%, equivalent to 120,000 tonnes of siloxane, and provide improved product quality for downstream specialisation. The project will deliver significant cost improvements, mainly through lower energy and raw material consumption and is expected to be on level with the current lowest cost producers in China.

The group's equity as at 30 September 2023 amounted to NOK 25,254 million, which gave a ratio of equity to total assets of 48%. Net interest-bearing debt was NOK 8,107 million, which gave a ratio of

net interest-bearing debt to EBITDA of 1.6x. Elkem had cash and cash equivalents of NOK 7,905 million as at 30 September 2023 and undrawn credit lines of more than NOK 6,000 million.

The market sentiment is still weak going into the fourth quarter. Elkem is however, well positioned when market conditions improve, due to its attractive market positions and a good asset base. Silicones prices in China improved late third quarter, but the development going forward is uncertain. The markets in EMEA and Americas are still weak, although there are signs of improvement in some segments. The reference prices for silicon and ferrosilicon declined in third quarter and this will impact contract prices in the fourth quarter. One furnace in Iceland will be out for approximately 10 weeks due to planned maintenance stop, which is expected to negatively impact EBITDA by NOK 50 million. The silicon market prices have increased recently. Carbon Solutions facing weak demand due to lower metals production in key markets.

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About Elkem

Elkem is one of the world's leading providers of advanced silicon-based materials 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 7,300 people has a joint commitment to stakeholders: Delivering your potential. In 2022, Elkem achieved an operating income of NOK 45.9 billion and CDP ratings of A- on climate and forest. Elkem is listed on the Oslo Stock Exchange (ticker: ELK), where the company is also included in the ESG Index. www.elkem.com