



Fourth quarter 2023 concludes a challenging year, signs of recovery

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Elkem's profitability in the fourth quarter 2023 was impacted by challenging markets, but there are signs of recovery as commodity sales prices seem to have bottomed out, and the internal improvement programmes are starting to take effect.

Elkem's total operating income for the fourth quarter 2023 was NOK 8,436 million, which was up 7% from the third quarter 2023, explained by improved performance in the Silicones division. Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to NOK 632 million in the quarter, compared NOK 535 million in the third quarter 2023. Earnings per share (EPS) was NOK -0.73 in the quarter and NOK 0.11 year-to-date. Due to the low EPS, the board has proposed to the annual general meeting not to pay dividends for 2023.

The result for the Silicones division clearly improved from a negative EBITDA contribution in the third quarter 2023. The division delivered positive results in challenging markets, helped by lower raw material costs, improved sales of specialties, and positive effects from the internal improvement programmes. The Silicon Products divisions' result declined compared to third quarter 2023, mainly due to lower realised contract prices. In addition, the maintenance stop in Iceland, and the fire at the Salten plant have negatively impacted the result by NOK 85 million. The Carbon Solutions division delivered another strong result despite a decline in sales volume in the quarter. The division delivered its best full-year result ever.

"The macro-economic sentiment has been challenging in 2023, characterised by high inflation, interest rate hikes, slow recovery in China, and geopolitical uncertainties. The markets have also been impacted by Chinese exporters discounting prices to get over a prolonged slump in demand. This has resulted in weak demand and lower sales prices in Elkem's main markets and impacted the results negatively. Despite the weaker results in 2023, Elkem is delivering on its financial targets over the business cycle, based on strong top line growth, good profitability, and a sound financial position," says Elkem CEO Helge Aasen.

Elkem's operating income for 2023 was NOK 35,545 million compared to NOK 45,898 million in 2022. The EBITDA for 2023 was NOK 3,771 million compared to NOK 12,925 million in 2022.

Elkem has introduced a comprehensive improvement programme to counter the weak market conditions, particularly in Silicones. The target is to improve EBITDA by at least NOK 1.5 billion and to reduce capital expenditures by NOK 2.0 billion compared to 2023.

"Elkem celebrates its 120 years anniversary in 2024, having grown from being an industrial start-up into a position as one of the world's leading providers of advanced silicon-based materials. Our focus is always on the future – with more than 600 researchers around the world innovating to create new solutions for the green transition, digitalisation and other global megatrends," adds Aasen.

On 6 February 2024, Elkem was rated by CDP – the global environmental disclosure nonprofit – among the world's top performing companies in environmental transparency and performance on climate change (A- rating), deforestation (A) and water security (A-). For Elkem, sustainability is central to our business strategy. We will continue these efforts as we position for dual-play growth and green leadership.

A fire broke out at the Salten plant in Norway on 10 December 2023. The fire started in a building housing raw materials, including carbon materials. The fire was under control and mostly extinguished within 24 hours. No people were injured. One of the plant's three furnaces was restarted on 29

January 2024. We will come back with information when the two other furnaces are expected to restart production.

In January 2024, Elkem signed an agreement to acquire REC Solar Norway AS from REC Solar Holdings AS, a subsidiary of Reliance Industries. This transaction will give Elkem control of industrial areas and facilities in Norway, including areas next to Elkem's activities at Fiskaa in Kristiansand. This will give Elkem the opportunity to gain local synergies and further develop the Fiskaa site, which will be important for our research activities in Kristiansand.

The group's equity as at 31 December 2023 amounted to NOK 24,458 million, which gave a ratio of equity to total assets of 48%. Net interest-bearing debt was NOK 9,450 million, which gave a ratio of net interest-bearing debt to EBITDA of 2.5x. Elkem had cash and cash equivalents of NOK 6,367 million as at 31 December 2023, and undrawn credit lines of more than NOK 6,000 million.

In December 2023, Scope affirmed its BBB issuer rating of Elkem ASA and changed the outlook from stable to negative. The affirmed investment grade rating reflects Elkem's sound financial policy, strong cost position, good global footprint, and integrated position in the silicone industry. The change in outlook reflects the deterioration in revenue and profitability in 2023 and the prospects of a prolonged economic slowdown in the company's main markets.

Markets are still challenging going into the first quarter 2024. Elkem is focusing on extraordinary EBITDA improvements to counter weak demand, especially in Silicones. The Silicones markets are expected to remain challenging in the first quarter. The demand in China is expected to improve, but overcapacity will still be an issue, keeping sales prices under pressure. Sale of specialties could improve as destocking comes to an end. The Silicon Products division will see some effects of rising market prices for silicon and ferrosilicon, but this is partly offset by lower prices on specialties. There will be limited negative EBITDA impact from the delayed start-up in Iceland and the stop at Salten. Continued slow market conditions expected for Carbon Solutions, but Elkem is benefitting from strong market positions.

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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 7,400 people has a joint commitment to stakeholders: Delivering your potential. In 2023, Elkem achieved an operating income of NOK 35.5 billion and CDP ratings of A on Forests, and A- on Climate Change and Water Security. Elkem is listed on the Oslo Stock Exchange (ticker: ELK), where the company is also included in the ESG Index. www.elkem.com