

Elkem acquires Polysil, a leading Chinese silicone elastomer & resins company

Oslo, December 30, 2019: **Elkem ASA has entered into an agreement to acquire all of the shares in Polysil, a leading Chinese silicone elastomer & resins material manufacturer with strong positions in baby care and food grade silicones, as well as silicone products for the electronics and medical markets. Polysil and Elkem's complementary product and market positions provide a solid platform for further specialisation and growth in China and globally.**

Polysil is a privately owned company with more than 400 employees located in Zhongshan in Guangdong, China. The company has leading technology positions in production and development of Heat Cured Rubber (HCR), Liquid Silicone Rubber (LSR) and specialty resin and Pressure Sensitive Adhesives (PSA). Polysil has two production facilities and a research and development centre with more than 50 scientists.

In 2019, Polysil is estimated to generate a total operating revenue of RMB 612 million with an EBITDA of RMB 110 million.

The companies have agreed an enterprise value for Polysil of up to RMB 941 million, including potential earn-out dependent on pre-agreed parameters.

"We are continuing to deliver on our growth and specialisation strategy. Acquiring Polysil will strengthen our position in selected specialised silicones segments in China. There are considerable synergies in leveraging Elkem's upstream capabilities to supply raw materials and intermediates, and in combining both the product portfolio and the domestic and global market positions of Polysil and Elkem," says Michael Koenig, CEO of Elkem.

Approximately 90 per cent of Polysil's revenues are generated in China, primarily in South China. Elkem's presence and positions in other parts of China and internationally provide a solid platform for Polysil's products and further growth.

"Polysil is very pleased to become part of the Elkem group and looks forward to working closely with Elkem in achieving common goals. Elkem's products, knowledge and brand complement the Polysil product range and will benefit Polysil customers going forward," says Hanxi Ma, the largest shareholder of Polysil.

"Polysil's products and market positions in food, baby care, electronics and medical markets are complementary to Elkem. Polysil has particularly strong positions in the fast-growing South China market where approximately half of all Chinese silicone rubber consumption is. There is significant potential in utilising Polysil's high-end liquid silicones rubber and pressure sensitive adhesives specialty positions and in further developing both products and markets. Polysil's strong research and development capabilities will be very important for development of products for both the Chinese market and globally," says Frederic Jacquin, Senior Vice President Elkem Silicones.

Completion of the acquisition is subject to final regulatory approvals. Closing is expected by end of first quarter 2020.

In connection with this transaction, Elkem was advised by Alantra, Wikborg Rein Advokatfirma AS, and EY, whilst the sellers were advised by Han Kun Law Offices.

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Alternative performance measures (APMs)

An APM is defined as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework (IFRS).

The APMs presented herein are not measurements of performance under IFRS or other generally accepted accounting principles and should not be considered as a substitute for measures of performance in accordance with IFRS. Because companies calculate the APMs presented herein differently, Elkem's presentation of these APMs may not be comparable to similarly titled measures used by other companies.

In this announcement the following APM is used

- EBITDA is defined as profit (loss) for the period, less income tax (expenses), finance expenses, foreign exchange gains (losses), finance income, share of profit from equity accounted financial investments, other items, impairment loss and amortisation and depreciation.

About Elkem ASA

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 and is headquartered in Oslo. The company has 6200 employees with 27 production sites and sales offices in a total of 28 countries worldwide. In 2018 Elkem had revenues of 25.9 billion NOK. To learn more, please visit www.elkem.com.