

Market downturn gives lower earnings

Oslo, 19 July, 2019: **Elkem's result for the second quarter of 2019 was negatively impacted by a steep decline in silicones prices in China following the implementation of additional US tariffs. In addition, the upstream silicones plant in France had a delayed start up after the maintenance stop in April/May, which resulted in lower production and sales. The current market sentiment is weak, particularly in automotive and construction. The downturn in these markets largely explains the weaker earnings and outlook for the group.**

Total operating income for the second quarter 2019 was NOK 5,882 million, which was down 17% compared to second quarter 2018. EBITDA amounted to NOK 647 million in the quarter, down from NOK 1,971 million in the corresponding quarter last year. Earnings per share (EPS) was NOK 0.25 in the quarter.

“Prices for silicone products in China picked up in March after Chinese New Year but were hit by a new steep decline in May after the implementation of additional US tariffs. The tariffs created significant market uncertainty and Chinese customers decided to temporarily halt orders in May and June. The demand in China seems to be picking up again in July, but at low price levels”, says Helge Aasen, CEO of Elkem.

“Prices for specialty silicones and foundry alloys were stable, but sales volumes have been negatively impacted by weak market conditions, particularly in automotive and construction. The production problems in France following the regular maintenance stop in April and May, has also negatively impacted the results in the quarter. The delayed start-up resulted in lower production and sales of upstream intermediaries and downstream specialty products. The negative financial impact of the maintenance stop, and subsequent delayed start-up, amounted to NOK 185 million”, says Aasen.

The accelerated improvement programme, with a target of NOK 500 million, is progressing according to plan and the realised effects by end of second quarter amounted to NOK 148 million. Based on the weak market sentiment Elkem will further reinforce measures to reduce costs and improve working capital.

The group's equity as at 30 June 2019 amounted to NOK 12,637 million, which gave a ratio of equity to total assets of 44%. Net interest-bearing debt was NOK 5,110 million, which gave a ratio of net interest-bearing debt to EBITDA of 1.3 times. Elkem had cash and cash equivalents of NOK 5,365 million as at 30 June 2019. The financial position is strong.

The market sentiment continues to be weak which creates uncertainty going forward. This is also expected to affect demand for specialty products, particularly within silicones and foundry alloys. The demand for silicones in China is expected to pick up during third quarter.

EBITDA for the third quarter is expected to be in line with the second quarter.

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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