

Results holding up in challenging market environment

Elkem's result for the first quarter of 2020 was generally holding up well despite the challenging market conditions caused by Covid-19. The result reflects Elkem's strong market positions and good financial position. Elkem's operations in Asia were significantly impacted by Covid-19, but except for disturbances particularly in China, Elkem's operations have mainly been normal.

Total operating income for the first quarter 2020 was NOK 5,798 million, which was in line with the corresponding quarter last year. EBITDA amounted to NOK 590 million in the quarter, compared to NOK 852 million in the first quarter 2019, but improved from NOK 517 million in the preceding quarter. Earnings per share (EPS) was NOK 0.43 in the quarter. The management and the board of directors have carefully considered the dividend for 2019 and decided to keep the proposed dividend of NOK 0.60 per share.

"Elkem maintained stable operations and financial results in the first quarter 2020 compared to the preceding quarter, despite some disruptions due to Covid-19 restrictions and a challenging market environment. I am impressed by how our global organisation is keeping the wheels turning, while always putting health and safety first. As we work to safeguard our business, we also continue to develop Elkem's competitive positions for the future, as demonstrated by the closing of the Polysil acquisition. This is in line with our strategy for long-term specialisation," says Michael Koenig, CEO of Elkem.

With more than 3,000 employees and extensive operations in China, Elkem was early exposed to Covid-19. The first confirmed case was however, in Norway and led to a temporary closure of the head office on 6 March. A corporate task force has been established to coordinate the Covid-19 response worldwide. After disruptions in February, following Chinese New Year, the operations in China were mostly back to normal in March. Outside of China, the production has mostly been normal. Covid-19 is negatively impacting several industries and Elkem is proactively searching for business opportunities to compensate for reduced sales to affected customers.

Market prices for silicones in China were mainly stable in first quarter but dropped during the month of March, mainly due to increased inventory due to a slow recovery for downstream silicones production. Prices for silicon and ferrosilicon continued to increase during the first quarter, mainly due to lower supply and customers' need to secure deliveries. The market for Carbon products has also been good. Consequently, the Silicon Materials and Carbon divisions have improved their results compared to first quarter 2019.

Silicones are very versatile and used in a large number of applications to different end-markets. Industrial markets such as automotive and construction have been weak, while consumer markets and products for medical applications have seen stable or increased demand. Weak automotive and construction markets have also impacted silicon and ferrosilicon. Going forward this represents a significant uncertainty.

Elkem closed the acquisition of Polysil in April and the company will be consolidated into Elkem with effect from 1 April 2020. Polysil is a leading Chinese silicone elastomer & resins material manufacturer. The acquisition will strengthen Elkem's position in selected specialised silicones segments.

In the first quarter Elkem launched a new productivity improvement programme. The target is to realise cost improvements of more than NOK 350 million on an annual basis from end of 2021. The programme comprises the whole group and will mainly be achieved by reduction of personnel costs.

The group's equity as at 31 March 2020 amounted to NOK 13,243 million, which gave a ratio of equity to total assets of 40%. Net interest-bearing debt was NOK 6,772 million, which gave a ratio of net interest-bearing debt to EBITDA of 2.8 times. Elkem had cash and cash equivalents of NOK 4,744 million as at 31 March 2020 and available credit lines of more than NOK 3,500 million. The equity and leverage ratios have been negatively impacted by the weakening of the NOK.

The outlook is characterised by a high level of uncertainty. However, Elkem has a strong position facing the challenges ahead; competitive low-cost positions, diversified product portfolio, broad geographical footprint and robust financial position.

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About Elkem

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 (ticker code: ELK) and is headquartered in Oslo. The company has more than 6,370 employees with 29 production sites and an extensive network of sales offices worldwide. In 2019 Elkem had revenues of NOK 22.7 billion. To learn more, please visit www.elkem.com