

Credit Rating Announcement

19 March 2026

Scope affirms Elkem's issuer rating at BBB-, assigns Negative Outlook

The rating action reflects the anticipated credit quality of Elkem's remaining operations, assuming the planned divestment of the Silicones division proceeds as announced.

The latest information on the rating, including rating reports and related methodologies, is available on this [LINK](#).

Rating action

Scope Ratings GmbH (Scope) has resolved Elkem's under review for a possible upgrade status, affirmed its issuer rating at BBB- and assigned a Negative Outlook. Concurrently, Scope has affirmed the senior unsecured debt rating at BBB- and the short-term debt rating at S-2.

On 13 February 2026, Elkem announced an agreement to divest the majority of the Silicones division to Bluestar¹, its majority shareholder (52.9%) since 2011. The transaction will be settled through redemption of all Elkem shares held by Bluestar through Bluestar Elkem International Co. Ltd. S.A. and will not include any cash payments by Elkem or Bluestar as settlement. Upon completion, minority investors will take 100% control of Elkem. The agreement with Bluestar came after Elkem initiated a strategic review of its Silicones division in January 2025, after which Scope placed the issuer under review.

The agreement and redemption of Bluestar's Elkem shares received shareholders' approval at an extraordinary general meeting held on 9 March 2026, and has subsequently received lenders' approval. The transaction remains conditional to other customary approvals and is expected to close in late April or early May 2026.

Scope views the transaction as highly likely and has therefore resolved the review status on the ratings based on the anticipated credit quality of Elkem's remaining operations. The rating agency will reassess this approach if the transaction is not completed.

Key rating drivers

Elkem's affirmed issuer rating is supported by its unchanged financial risk profile, offsetting its lowered business risk profile of BB+. The Negative Outlook stems from weak 2025 results, in particular in Silicon Products, paired with limited deleveraging provided by the Silicones divestment, which has led to pressure on operating margins and the financial risk profile amid market uncertainty.

Business risk profile: BB+ (-1 notch). The weaker business risk profile reflects reduced diversification and weakened profitability in 2025 for the businesses that will remain in the company. The announced Silicones divestment will reduce Elkem's activities in China and Asia and remove most of its silicones portfolio, which historically has accounted for about one-third of EBITDA and more of revenues.

The remaining Elkem will consist of the current divisions Silicon Products (~60% pro-forma EBITDA share in 2025) and Carbon Solutions (~40%), as well as the upstream silicones business Roussillon, which will be retained from Silicones. Scope notes that Elkem plans to introduce a new corporate structure when the transaction closes², in which its foundry alloys offering will be separated from Silicon Products in a new unit.

Elkem's post-divestment market position reflects its good position as a key supplier of silicon based materials and carbon products outside China. The company is one of the two largest merchant silicon producers globally excluding China, though with a sales bias towards Europe. The company further holds established global positions in foundry alloys and carbon products, which are less exposed to pure commodity dynamics than silicon and ferrosilicon. On the other hand, Scope views competition from Chinese exports into Elkem's key markets, such as the EU, as a structural constraint. At the same time, Scope expects ongoing safeguard policies protecting regional supply chains to support adequate market conditions over time, thus mitigating some of this impact.

The company's backward integration into key inputs such as quartz and electrodes, together with its access to low cost, largely hedged energy, reduces supply chain risks and support the company's cost structure. Together with its product mix, which include more specialised offerings such as foundry alloys and carbon materials, this supports Elkem's resilience during weak demand and pricing cycles.

Scope expects Elkem's profitability to improve following the divestment of the Silicones business, which has exhibited weaker margins and more downside volatility (including periods of losses) relative to the operations that remains in the company. Scope anticipates that Elkem will deliver a through cycle EBITDA margin* within the 15%-20% range and ROCE above 15%. The latter will also be supported by reduced capital intensity upon the divestment.

At the same time, Scope notes that Elkem's profitability weakened in 2025, in particular in Silicon Products, but also in Carbon Solutions. Both divisions were impacted by weak demand, while Silicon Products also experienced price pressure on commodities stemming from Chinese imports to the EU. This has somewhat constrained Scope's view on the company's profitability compared to its previous view, with risks attached to the timeliness and extent of recovery through the cycle. Initiatives such as the NOK 600m cost savings programme announced on 11 March 2026 could provide some margin support.

Scope highlights that Elkem's earnings and margin profile is expected to remain volatile, given its high exposure to fluctuating and partly correlated European silicon and ferrosilicon prices, and cyclical volume demand for the majority of its products. The latter reflects the company's high revenue exposure to customers in the metals and chemicals customer industries.

Financial risk profile: BBB (unchanged). Scope sees a pressure on Elkem's financial risk profile due to higher than expected pro-forma leverage at YE 2025 and in 2026E, with a similar picture on other credit metrics. Leverage, as measured by Scope-adjusted debt(SaD)/EBITDA, including Silicones, increased to 3.6x during 2025 based on Elkem's preliminary full-year results, from 2.6x at YE 2024. This was contrary to Scope's expectation of around 2.5x, mainly driven by reduced EBITDA in both Silicon Products and Carbon Solutions, which fell by a total of NOK 1.6bn. Furthermore, the Silicones divestment will not provide initial deleveraging.

Scope projects SaD of around NOK 12.2bn at YE 2025. After the Silicones divestment, pro forma SaD is

projected to fall to NOK 9.6bn, with NOK 2.6bn of net debt to be transferred out of Elkem based on the net debt allocation to Silicones at YE 2025. In conjunction with the divestment, Elkem plans a fully underwritten NOK 1.5bn equity raise, followed by a repair offering (assumed at NOK 300m). Based on the 2025 EBITDA of NOK 2.3bn in the remaining Elkem, Scope calculates pro forma SaD/EBITDA of 4.3x at YE 2025 and 3.5x if including the expected proceeds from the equity raise.

Scope expects pro forma SaD/EBITDA to fall below 3x by YE 2026, with funds from operations/SaD of around 25%. This assumes a moderate increase in EBITDA, mainly supported by Silicon Products, which is expected to benefit from higher ferrosilicon prices as a result of EU safeguard measures introduced in November 2025, as well as the targeted NOK 0.3bn of cost savings in 2026. Scope also projects that SaD will decrease from NOK 12.2bn at YE 2025 to slightly below NOK 7bn in 2026. This reduction is expected to be supported by the planned equity raise, the debt to be transferred out of Elkem through the Silicones divestment, positive free operating cash flow (FOCF), and no dividend paid in 2026.

Scope expects cash flow cover in the 10%-15% range in 2026–2027, improved from negative levels in recent years, supported by reduced capex intensity. The company's intention to reduce working capital, if successfully implemented, would provide additional support to FOCF. Replacement capex is estimated at around NOK 1bn annually over 2026–2028, with Scope considering major growth investments unlikely in the medium term given the company's focus on improving its balance sheet.

Elkem's EBITDA/interest cover was 5.6x in 2025 including Silicones, based on the company's Q4 report. Scope anticipates that the ratio will stay above 5x in 2026 and beyond. Although EBITDA will decrease post divestment, lower interest payments are expected to support continued good levels.

Scope's assessment of the financial risk profile also reflects Elkem's financial policy. The agency has historically considered the company's net debt/EBITDA target range of 1x-2x over the cycle to be viable. While Scope expects that Elkem can revert within this range based on normalised earnings, which would support SaD/EBITDA at 2x or below, a prolonged deviation could make Scope reassess that financial risks are higher than its current view.

Liquidity: adequate (unchanged). Liquidity is adequate, supported by a high amount of available cash, Elkem's EUR 500m revolving credit facility and positive expected free operating cash flow going forward, which is expected to sufficiently cover upcoming debt maturities. Scope also acknowledge Elkem's good track record of liquidity coverage through cash holdings and multi-year credit lines in the past.

Scope expects that Elkem's planned refinancing in conjunction with the Silicones divestment will be completed in a way that results in adequate liquidity. The refinancing is expected to include the company's EUR 500m term loan and EUR 500m revolving credit facility, which matures in 2027 and 2029, respectively.

Supplementary rating drivers: credit-neutral (unchanged). The rating incorporates no adjustments related to financial policy, peer group considerations, parent support, or governance and structure.

Outlook and rating sensitivities

The **Negative Outlook** reflects a higher-than-expected proforma leverage position at end-2025 (post-transaction) and increased execution risk on the deleveraging path, now depending predominantly on an EBITDA recovery at a time when end-customer demand remains weak.

The **upside scenario** for the ratings and Outlook is:

1. Debt/EBITDA moving below 2.5x in the medium term, combined with comfort that Elkem's leverage thereafter will be aligned with its net debt/EBITDA target of 1x-2x over the cycle without prolonged deviations above 2x.

The **downside scenario** for the ratings and Outlook is:

1. Debt/EBITDA above 2.5x in the medium term

Debt ratings

Elkem's senior unsecured debt rating has been affirmed at BBB-, in line with the issuer rating.

Scope has also affirmed the short-term debt rating at S-2. The affirmation is based on the BBB-/Negative issuer rating and reflects Elkem's prudent liquidity approach with strong short-term debt coverage and adequate access to bank and capital markets financing.

Environmental, social and governance (ESG) factors

Overall, ESG factors have no impact on this credit rating action.

All rating actions and rated entities

Elkem ASA

Issuer rating: BBB-/Negative, affirmation

Short-term debt rating: S-2, affirmation

Senior unsecured debt rating: BBB-, affirmation

**All credit metrics refer to Scope-adjusted figures.*

Rating driver references

1. [13 February 2026 Elkem's Silicones share purchase agreement press release](#)
2. [11 March 2026 Elkem new corporate structure and cost reduction programme press release](#)

Stress testing & cash flow analysis

No stress testing was performed. Scope Ratings performed its standard cash flow forecasting for the company.

Methodology

The methodologies used for these Credit Ratings and/or Outlook, (General Corporate Rating Methodology, 14 February 2025; Chemicals Rating Methodology, 30 June 2025), are available on scoperatings.com/governance-and-policies/rating-governance/methodologies. Information on the meaning of each Credit Rating category, including definitions of default, recoveries, Outlooks and Under Review, can be viewed in 'Rating Definitions – Credit Ratings, Ancillary and Other Services', published on scoperatings.com/governance-and-policies/rating-governance/definitions-and-scales. Historical default rates of the entities rated by Scope Ratings can be viewed in the Credit Rating performance report at scoperatings.com/governance-and-policies/regulatory/eu-regulation. Also refer to the central platform (CEREP) of the European Securities and Markets Authority (ESMA): registers.esma.europa.eu/cerep-publication. A comprehensive clarification of Scope Ratings' definitions of default and Credit Rating notations can be found at scoperatings.com/governance-and-policies/rating-governance/definitions-and-scales. Guidance and information on how environmental, social or governance factors (ESG factors) are incorporated into the Credit Rating can be found in the respective sections of the methodologies or guidance documents provided on scoperatings.com/governance-and-policies/rating-governance/methodologies.

The Outlook indicates the most likely direction of the Credit Ratings if the Credit Ratings were to change within the next 12 to 18 months.

Solicitation, key sources and quality of information

The Rated Entity and/or its Related Third Parties participated in the Credit Rating process.

The following substantially material sources of information were used to prepare the Credit Ratings: public domain, the Rated Entity and Scope Ratings' internal sources.

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The Credit Ratings/Outlook were first released by Scope Ratings on 17 December 2021. The Credit Ratings/Outlook were last updated on 7 February 2025.

Potential conflicts

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