

# Elkem ASA

First quarter results 2020

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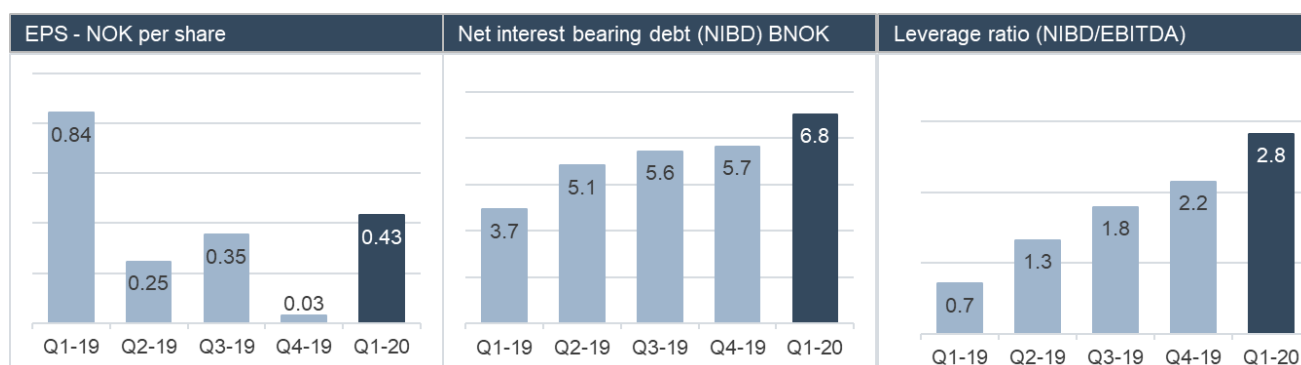
## Highlights 1<sup>st</sup> quarter 2020

- Elkem generated stable operations and results compared to previous quarters despite a challenging market environment.
- Covid-19 impact in Asia was significant in the first quarter.
- EBITDA was NOK 590 million in the first quarter 2020, down versus first quarter 2019, but up compared to the preceding quarter.
- Polysil acquisition closed in April and will be consolidated from 1 April 2020.
- New productivity improvement programme introduced with an annual improvement target of more than NOK 350 million, mainly personnel costs.
- Market outlook characterised by high level of uncertainty, but Elkem's operational and financial position considered to be robust.

## Key figures

(NOK million, except where specified)	1Q 2020	1Q 2019	YTD 2020	YTD 2019	FY 2019
Total operating income	5,798	5,833	5,798	5,833	22,668
EBITDA	590	852	590	852	2,656
EBITDA margin (%)	10 %	15 %	10 %	15 %	12 %
EBIT	197	514	197	514	1,189
Profit (loss) for the period <sup>(1)</sup>	251	490	251	490	855
Earning per share (EPS) (NOK per share)	0.43	0.84	0.43	0.84	1.47
Equity ratio (%)	40 %	46 %	40 %	46 %	45 %
Net interest-bearing debt (NIBD)	6,772	3,685	6,772	3,685	5,722
Cash flow from operations	-88	491	-88	491	2,140
ROCE - annualised (%)	4 %	12 %	4 %	12 %	7 %

(1) Owners of the parent's share of profit (loss)



## 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.

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.

The DMC prices in China are currently at low levels, but the sales prices for specialty products remain stable. The overall demand development is uncertain and will depend on the magnitude and impact of the expected global economic slowdown, impacting sectors such as construction and automotive. The silicon and ferrosilicon markets are affected by the production stops in the US and European automotive industry. However, the extent and duration of these production stops are uncertain. The market for Carbon materials may slow down due to lower industrial activity.



# Financial review

## Group results

KEY FIGURES	1Q 2020	1Q 2019	YTD 2020	YTD 2019	FY 2019
<i>MNOK except where indicated otherwise</i>					
Total operating income	<b>5,798</b>	5,833	<b>5,798</b>	5,833	22,668
EBITDA	<b>590</b>	852	<b>590</b>	852	2,656
EBIT	<b>197</b>	514	<b>197</b>	514	1,189
Other items	<b>129</b>	151	<b>129</b>	151	195
Net financial items	<b>66</b>	-27	<b>66</b>	-27	-239
Profit (loss) before income tax	<b>364</b>	640	<b>364</b>	640	1,134
Tax	<b>-102</b>	-143	<b>-102</b>	-143	-237
Profit (loss) for the period	<b>261</b>	497	<b>261</b>	497	897

### Quarter and year to date

Elkem group had total operating income of NOK 5,798 million in 1Q-2020, in line with first 1Q-2019. The Silicones division was negatively impacted by lower sales prices in China and delayed start-up after Chinese New Year due to Covid-19, which also resulted in lower volumes. That was partly compensated by increased operating income from Silicon Materials. The weakening of the NOK has impacted the total operating income positively compared to the corresponding quarter last year.

The group's EBITDA for 1Q-2020 was NOK 590 million, down 31% from NOK 852 million in 1Q-2019. The EBITDA margin was 10% in the quarter, compared to 15% in 1Q-2019. Reduced EBITDA and EBITDA margin were mainly explained by lower sales prices and negative impact from Covid-19, primarily affecting the Silicones division. EBITDA was positively impacted by weakening of the NOK.

EBIT for 1Q-2020 was NOK 197 million, down from NOK 514 million in 1Q-2019.

Other items include fair value changes commodity contracts, gains/losses on embedded derivatives, currency forward contracts and other income and expenses. Other items amounted to NOK 129 million in 1Q-2020. The fair value changes in commodity contracts was negative with NOK -85 million, mainly due to lower long-term power prices. This was more than offset by gains on embedded derivatives in power contracts due to lower NOK interest rates. Gain on foreign exchange amounted to NOK 204 million, mainly related to translation effects on bank deposits and working capital. In addition, restructuring expenses of NOK 200 million in connection with the productivity improvement programme was booked in the first quarter 2020.

Net financial items were NOK 66 million in 1Q-2020, compared to NOK -27 million in 1Q-2019. Net interest expenses amounted to NOK -60 million, which was in line with NOK -58 in the corresponding quarter last year. Gain on foreign exchange amounted to NOK 129 million, compared to a gain of NOK 34 million in 1Q-2019, mainly explained by translation effects on inter-company positions in CNY. Other financial expenses amounted to NOK -3 million.

Profit before income tax was NOK 364 million compared to NOK 640 million in 1Q-2019.

Tax expenses in the quarter was NOK -102 million, giving a tax rate of 28%. The high tax rate was a result of a different mix of taxable income in high tax and medium tax jurisdictions, and the fact that tax losses have not been utilised this quarter.

Profit for the period was NOK 261 million, compared to NOK 497 million in 1Q-2019. Owners of the parent's share of profit was NOK 251 million, which gave earnings per share of NOK 0.43 in 1Q-2020.

## Cash flow

CASH FLOW FROM OPERATIONS	1Q 2020	1Q 2019	YTD 2020	YTD 2019	FY 2019
<i>NOK million</i>					
Operating profit (loss) before other items	197	514	197	514	1,189
Amortisation, depreciation and impairment	393	338	393	338	1,467
Changes in working capital	-442	-169	-442	-169	649
Reinvestments	-253	-183	-253	-183	-1,162
Equity accounted investments	16	-9	16	-9	-4
<b>Cash flow from operations</b>	<b>-88</b>	<b>491</b>	<b>-88</b>	<b>491</b>	<b>2,140</b>
Other cash flow items	112	-753	112	-753	-4,773
<b>Change in cash and cash equivalents</b>	<b>24</b>	<b>-262</b>	<b>24</b>	<b>-262</b>	<b>-2,633</b>

Elkem's internal cash flow measure is defined and described in the APM appendix to the report.

### Quarter and year to date

Cash flow from operations was NOK -88 million in 1Q-2020, compared to NOK 491 million in 1Q-2019. Lower cash flow was mainly explained by lower operating profit and higher working capital. Increased working capital was partly explained by Covid-19 situation impacting stock levels.

Reinvestments were NOK 253 million in 1Q-2020. This amounted to 64% of depreciation and amortisation (D&A). Strategic investments were included in other cash flow items and amounted to NOK 200 million in 1Q-2020, up from NOK 87 million in 1Q-2019. The strategic investments were primarily related to Silicones R&D centre and other specialisation projects, furnace upgrades for Silicon Materials, biocarbon project in Foundry Products and the Carbon battery project.

Cash and cash equivalents have increased by NOK 248 million in the first quarter, explained by positive net cash flow change of NOK 24 million and currency exchange differences of NOK 224 million. Total cash and cash equivalents amounted to NOK 4,744 million as at 31 March 2020.

## Financial position

FINANCIAL POSITION	1Q 2020	1Q 2019	FY 2019
Total equity (NOK million)	13,243	14,147	12,952
Equity ratio (%)	40 %	46 %	45 %
EPS (NOK per share)	0.43	0.84	1.47
Net interest bearing debt (NOK million) <sup>(1)</sup>	6,772	3,685	5,722
Leverage ratio based on LTM EBITDA (ratio)	2.8	0.7	2.2

(1) Excluding non-current restricted deposits and interest-bearing financial assets

### Quarter and year to date

Elkem's equity as at 31 March 2020 was NOK 13,243 million, which was up NOK 291 million from 31 December 2019. Increased equity was mainly explained by profit of NOK 261 million in the quarter. Other comprehensive income shows a significant gain on currency translation differences and a significant loss on cash flow hedges. However, these effects offset each other and have limited net impact on the equity. The equity ratio as at 31 March 2020 was 40%. The equity ratio was reduced compared to 31 December 2019, mainly because total assets have increased due to translation effects from weaker NOK.

Net-interest bearing debt as at 31 March 2020 was NOK 6,772 million, which was up NOK 1,050 million from 31 December 2019. The increase was mainly explained by translation effects from weaker NOK.

Elkem's leverage ratio was 2.8 times as at 31 March 2020. Increased leverage was driven by currency effects and lower EBITDA. NIBD and leverage will likely increase in the second quarter due to dividend and closing of the Polysil acquisition.

## Segments

### Silicones

KEY FIGURES	1Q 2020	1Q 2019	YTD 2020	YTD 2019	FY 2019
<i>MNOK except where indicated otherwise</i>					
Total operating income	2,513	2,783	2,513	2,783	11,274
EBITDA	200	436	200	436	1,523
EBITDA margin	8 %	16 %	8 %	16 %	14 %
Sales volume (thousand mt)	70	81	70	81	336

#### Quarter and year to date

The Silicones division had total operating income of NOK 2,513 million in 1Q-2020, a reduction of 10% from NOK 2,783 million in 1Q-2019. Lower operating income was mainly due to lower volumes and sales prices in China. Lower sales volumes were mainly explained by the delayed start up after Chinese New Year due to Covid-19.

EBITDA for 1Q-2020 was NOK 200 million, a reduction of 54% from 1Q-2019. Lower EBITDA was partly explained by the delayed start up and lower prices in China. The effects have been partly countered by lower raw material costs.

### Silicon Materials

KEY FIGURES	1Q 2020	1Q 2019	YTD 2020	YTD 2019	FY 2019
<i>MNOK except where indicated otherwise</i>					
Total operating income	1,895	1,654	1,895	1,654	6,533
EBITDA	211	183	211	183	601
EBITDA margin	11 %	11 %	11 %	11 %	9 %
Sales volume (thousand mt) <sup>1)</sup>	66	61	66	61	240

1) Excluding Microsilica and quartz

#### Quarter and year to date

The Silicon Materials division had total operating income of NOK 1,895 million in 1Q-2020, up 15% from NOK 1,654 million in 1Q-2019. Higher operating income was explained by weaker NOK and higher sales volumes. The market reference prices for silicon were stable compared to the corresponding quarter last year, but the realised sales prices were lower. This was due to time-lag effects for contract prices.

The EBITDA for Silicon Materials was NOK 211 million in 1Q-2020, up 15% from NOK 183 million in 1Q-2019. The increase was mainly explained by higher sales volumes. The improvement was also explained by good operating performance. The weakening of the NOK had positive effects, particularly in March.

### Foundry Products

KEY FIGURES	1Q 2020	1Q 2019	YTD 2020	YTD 2019	FY 2019
<i>MNOK except where indicated otherwise</i>					
Total operating income	1,264	1,266	1,264	1,266	4,505
EBITDA	143	179	143	179	342
EBITDA margin	11 %	14 %	11 %	14 %	8 %
Sales volume (thousand mt) <sup>1)</sup>	70	71	70	71	258

1) Excluding Microsilica sales

#### Quarter and year to date

Total operating income for the Foundry Products division was NOK 1,264, which was in line with the first quarter last year. As for Silicon Materials, the market reference prices were stable, but the realised sales prices were lower compared to the corresponding quarter last year due to time lag-effects in sales contracts. Lower sales prices were compensated by currency, mainly weaker NOK and CAD vs. EUR and USD. The sales volumes were stable.

Foundry Products reported EBITDA of NOK 143 million in 1Q-2020, down by 20% from NOK 179 million in the corresponding quarter last year. This was partly explained by lower sales of specialty foundry alloys, which were negatively impacted by the weak automotive sector. This volume effect was compensated by higher volume of standard FeSi and stronger EUR and USD vs. other currencies

## Carbon

KEY FIGURES	1Q 2020	1Q 2019	YTD 2020	YTD 2019	FY 2019
<i>MNOK except where indicated otherwise</i>					
Total operating income	475	465	475	465	1,836
EBITDA	100	83	100	83	308
EBITDA margin	21 %	18 %	21 %	18 %	17 %
Sales volume (thousand mt )	65	65	65	65	257

### Quarter and year to date

The Carbon division reported total operating income of NOK 475 million in 1Q-2020, which was in line with 1Q-2019. Sales prices and sales volumes were stable compared to the corresponding quarter last year.

EBITDA for 1Q-2020 was NOK 100 million, up 20% from NOK 83 million in the corresponding quarter last year. Improved EBITDA was mainly explained by lower raw material cost and positive currency effects.

## Outlook

The current market environment is characterised by 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.

The DMC prices in China are currently at low levels, but the sales prices for specialty products remain stable. The overall demand development is uncertain and will depend on the magnitude and impact of the expected global economic slowdown, impacting sectors such as e.g. construction and automotive.

The silicon and ferrosilicon markets are affected by the production stops in the US and European automotive industry. However, the extent and duration of these production stops are uncertain.

The market for Carbon materials may slow down due to lower industrial activity.





## Condensed consolidated interim statement of income

Amounts in NOK million	Note	First quarter		Year to date		Year
		2020	2019	2020	2019	2019
Revenue	2	5,672	5,712	5,672	5,712	22,246
Other operating income	2	123	112	123	112	392
Share of profit (loss) from equity accounted companies	2	4	9	4	9	31
<b>Total operating income</b>		<b>5,798</b>	<b>5,833</b>	<b>5,798</b>	<b>5,833</b>	<b>22,668</b>
Raw materials and energy for production		(2,921)	(2,802)	(2,921)	(2,802)	(11,512)
Employee benefit expenses		(1,021)	(929)	(1,021)	(929)	(3,696)
Other operating expenses		(1,266)	(1,250)	(1,266)	(1,250)	(4,804)
Amortisations and depreciations	3	(393)	(338)	(393)	(338)	(1,456)
Impairment losses	3	-	-	-	-	(11)
<b>Operating profit (loss) before other items</b>		<b>197</b>	<b>514</b>	<b>197</b>	<b>514</b>	<b>1,189</b>
Other items	4	129	151	129	151	195
<b>Operating profit (loss)</b>		<b>326</b>	<b>666</b>	<b>326</b>	<b>666</b>	<b>1,384</b>
Share of profit (loss) from equity accounted financial investments		(29)	2	(29)	2	(12)
Finance income	5	9	11	9	11	41
Foreign exchange gains (losses)	5	129	34	129	34	16
Finance expenses	5	(71)	(72)	(71)	(72)	(295)
<b>Profit (loss) before income tax</b>		<b>364</b>	<b>640</b>	<b>364</b>	<b>640</b>	<b>1,134</b>
Income tax (expenses) benefits		(102)	(143)	(102)	(143)	(237)
<b>Profit (loss) for the period</b>		<b>261</b>	<b>497</b>	<b>261</b>	<b>497</b>	<b>897</b>
<b>Attributable to:</b>						
Non-controlling interests' share of profit (loss)		10	7	10	7	42
Owners of the parent's share of profit (loss)		251	490	251	490	855
<b>Earnings per share</b>		<b>First quarter</b>	<b>Year to date</b>	<b>Year</b>		
		<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2019</b>
Basic earnings per share in NOK		0.43	0.84	0.43	0.84	1.47
Diluted earnings per share in NOK		0.43	0.84	0.43	0.84	1.47
Weighted average number of outstanding shares (million)	8	581	581	581	581	581
Weighted average number of outstanding shares -diluted (million)	8	581	581	581	581	581

## Condensed consolidated interim statement of comprehensive income

Amounts in NOK million	First quarter		Year to date		Year
	2020	2019	2020	2019	2019
Profit (loss) for the period	261	497	261	497	897
<b>Items that will not be reclassified to profit or loss</b>					
Remeasurement of defined benefit pension plans	-	(0)	-	(0)	(26)
Tax effects on remeasurements of defined benefit pension plans	-	0	-	0	3
Change in fair value of equity instruments	(1)	11	(1)	11	10
Share of other comprehensive income (loss) from equity accounted companies	-	-	-	-	0
	<b>(1)</b>	<b>11</b>	<b>(1)</b>	<b>11</b>	<b>(13)</b>
<b>Items that may be reclassified to profit or loss</b>					
Currency translation differences	1,556	(46)	1,556	(46)	33
Hedging of net investment in foreign operations	(453)	78	(453)	78	24
Tax effects hedging of net investment in foreign operations	100	(17)	100	(17)	(5)
Cash flow hedges	(1,501)	(94)	(1,501)	(94)	(203)
Tax effects on cash flow hedges	330	21	330	21	45
Share of other comprehensive income (loss) from equity accounted companies	(9)	(7)	(9)	(7)	(14)
	<b>23</b>	<b>(65)</b>	<b>23</b>	<b>(65)</b>	<b>(120)</b>
<b>Other comprehensive income, net of tax</b>	<b>23</b>	<b>(54)</b>	<b>23</b>	<b>(54)</b>	<b>(133)</b>
<b>Total comprehensive income</b>	<b>284</b>	<b>444</b>	<b>284</b>	<b>444</b>	<b>764</b>
<b>Attributable to:</b>					
Non-controlling interests' share of comprehensive income	25	8	25	8	45
Owners of the parent's share of comprehensive income	258	435	258	435	720
<b>Total comprehensive income</b>	<b>284</b>	<b>444</b>	<b>284</b>	<b>444</b>	<b>764</b>

## Condensed consolidated interim statement of financial position

Amounts in NOK million	Note	31 March 2020	31 March 2019	31 December 2019
<b>ASSETS</b>				
Property, plant and equipment	3	14,840	12,409	13,202
Right-of-use assets	3	657	556	580
Goodwill	3	521	338	466
Other intangible assets	3	882	709	777
Deferred tax assets		295	58	66
Investments in equity accounted companies		118	136	129
Derivatives	7	9	75	66
Other non-current assets		411	396	407
<b>Total non-current assets</b>		<b>17,733</b>	<b>14,678</b>	<b>15,692</b>
Inventories		5,867	5,411	5,224
Trade receivables		2,823	2,619	2,269
Derivatives	7	13	101	38
Other current assets		1,188	814	1,013
Restricted deposits	6	363	412	271
Cash and cash equivalents	6	4,744	6,832	4,496
<b>Total current assets</b>		<b>14,998</b>	<b>16,190</b>	<b>13,311</b>
<b>TOTAL ASSETS</b>		<b>32,731</b>	<b>30,868</b>	<b>29,004</b>
<b>EQUITY AND LIABILITIES</b>				
Paid-in capital	8	6,623	8,107	6,616
Retained earnings		6,498	5,955	6,240
Non-controlling interests		122	85	96
<b>Total equity</b>		<b>13,243</b>	<b>14,147</b>	<b>12,952</b>
Interest-bearing non-current liabilities	6	9,434	8,478	8,340
Deferred tax liabilities		140	184	243
Employee benefit obligations		674	559	584
Derivatives	7	741	193	210
Provisions and other liabilities		274	214	158
<b>Total non-current liabilities</b>		<b>11,263</b>	<b>9,628</b>	<b>9,536</b>
Trade payables		3,403	2,838	2,767
Income tax payables		24	351	51
Interest-bearing current liabilities	6	1,255	1,187	1,262
Bills payable	6	1,189	1,264	887
Employee benefit obligations		695	616	640
Derivatives	7	744	31	37
Provisions and other liabilities		916	806	871
<b>Total current liabilities</b>		<b>8,226</b>	<b>7,093</b>	<b>6,516</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>32,731</b>	<b>30,868</b>	<b>29,004</b>

## Condensed consolidated interim statement of cash flows

Amounts in NOK million	Note	First quarter		Year to date		Year
		2020	2019	2020	2019	2019
Operating profit (loss)		326	666	326	666	1,384
Amortisation, depreciation and impairment	3	393	338	393	338	1,467
Changes in working capital		(442)	(169)	(442)	(169)	649
Equity accounted companies		16	(9)	16	(9)	(4)
Changes fair value of derivatives		(146)	(164)	(146)	(164)	(218)
Changes in provisions, bills receivables and other		674	(397)	674	(397)	(671)
Interest payments received		9	11	9	11	38
Interest payments made		(59)	(65)	(59)	(65)	(248)
Income taxes paid		(52)	(179)	(52)	(179)	(559)
<b>Cash flow from operating activities</b>		<b>720</b>	<b>32</b>	<b>720</b>	<b>32</b>	<b>1,839</b>
Investments in property, plant and equipment and intangible assets		(561)	(189)	(561)	(189)	(2,107)
Acquisition of subsidiaries, net of cash acquired		-	-	-	-	(206)
Other investments / sales		(1)	3	(1)	3	28
<b>Cash flow from investing activities</b>		<b>(562)</b>	<b>(186)</b>	<b>(562)</b>	<b>(186)</b>	<b>(2,285)</b>
Dividends paid to non-controlling interests		-	(24)	-	(24)	(49)
Dividends paid to owners		-	-	-	-	(1,511)
Net changes in bills payable and restricted deposits		91	(325)	91	(325)	(556)
Payment of lease liabilities		(27)	(16)	(27)	(16)	(78)
New interest-bearing loans and borrowings		426	1,296	426	1,296	2,082
Payment of interest-bearing loans and borrowings		(624)	-	(624)	-	(2,074)
Net changes of short term loans from related parties		-	(1,039)	-	(1,039)	-
<b>Cash flow from financing activities</b>		<b>(134)</b>	<b>(108)</b>	<b>(134)</b>	<b>(108)</b>	<b>(2,187)</b>
<b>Change in Cash and cash equivalents</b>		<b>24</b>	<b>(262)</b>	<b>24</b>	<b>(262)</b>	<b>(2,633)</b>
Currency exchange differences		224	12	224	12	47
<b>Cash and cash equivalents opening balance</b>		<b>4,496</b>	<b>7,082</b>	<b>4,496</b>	<b>7,082</b>	<b>7,082</b>
<b>Cash and cash equivalents closing balance</b>		<b>4,744</b>	<b>6,832</b>	<b>4,744</b>	<b>6,832</b>	<b>4,496</b>

## Condensed consolidated interim statement of changes in equity

Amounts in NOK million	Total paid in capital	Total retained earnings	Total owners share	Non-controlling interests	Total
<b>Opening balance 1 January 2020</b>	<b>6,616</b>	<b>6,240</b>	<b>12,855</b>	<b>96</b>	<b>12,952</b>
Profit (loss) for the period	-	251	251	10	261
Other comprehensive income	-	8	8	15	23
<b>Total comprehensive income</b>	<b>-</b>	<b>258</b>	<b>258</b>	<b>25</b>	<b>284</b>
Share-based payment	7	-	7	-	7
<b>Closing balance 31 March 2020</b>	<b>6,623</b>	<b>6,498</b>	<b>13,121</b>	<b>122</b>	<b>13,243</b>

Amounts in NOK million	Total paid in capital	Total retained earnings	Total owners share	Non-controlling interest	Total
<b>Opening balance 1 January 2019</b>	<b>8,102</b>	<b>5,520</b>	<b>13,622</b>	<b>101</b>	<b>13,722</b>
Profit (loss) for the period	-	490	490	7	497
Other comprehensive income	-	(55)	(55)	1	(54)
<b>Total comprehensive income</b>	<b>-</b>	<b>435</b>	<b>435</b>	<b>8</b>	<b>444</b>
Share-based payment	5	-	5	-	5
Dividends to equity holders	-	-	-	(24)	(24)
<b>Closing balance 31 March 2019</b>	<b>8,107</b>	<b>5,955</b>	<b>14,062</b>	<b>85</b>	<b>14,147</b>

Amounts in NOK million	Total paid in capital	Total retained earnings	Total owners share	Non-controlling interests	Total
<b>Opening balance 1 January 2019</b>	<b>8,102</b>	<b>5,520</b>	<b>13,622</b>	<b>101</b>	<b>13,722</b>
Profit (loss) for the year	-	855	855	42	897
Other comprehensive income	-	(135)	(135)	2	(133)
<b>Total comprehensive income</b>	<b>-</b>	<b>720</b>	<b>720</b>	<b>45</b>	<b>764</b>
Share-based payment	25	-	25	-	25
Dividends to equity holders	(1,511)	-	(1,511)	(49)	(1,560)
<b>Closing balance 31 December 2019</b>	<b>6,616</b>	<b>6,240</b>	<b>12,855</b>	<b>96</b>	<b>12,952</b>

## Notes to the condensed consolidated interim financial statements

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### Note 1 General information

Elkem ASA is a limited liability company located in Norway and whose shares are publicly traded at Oslo Stock Exchange. Elkem ASA's condensed consolidated financial statements for the first quarter of 2020 were approved at the meeting of the board of directors on 7 May 2020.

#### Basis of preparation

The condensed consolidated interim financial statements comprise Elkem ASA and its subsidiaries (Elkem/the Group) and the Group's investments in associates and interests in joint arrangements. Elkem's interim financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union. The condensed interim statements are prepared in compliance with the International Accounting Standard (IAS) 34 Interim Financial Reporting and should be read in conjunction with the consolidated financial statements in Elkem's Annual Report for 2019. The accounting policies applied are consistent with those applied in the annual consolidated financial statements 2019.

The interim financial statements are unaudited. The presentation currency of Elkem is NOK (Norwegian krone). All financial information is presented in NOK million, unless otherwise stated. One or more columns included in the interim report may not add up to the total due to rounding.

#### Judgements, estimates and assumptions

The preparation of the consolidated interim financial statements according to IFRS requires management to make judgments, estimates and assumptions each reporting period

The main judgements, estimates and assumptions are described in the annual consolidated financial statements for 2019 (note 3).

As a result of the Covid-19 outbreak during the first quarter 2020, all significant estimates and underlying assumptions have been reviewed.

Elkem experienced mostly normal production during the first quarter. China was impacted after Chinese New Year but was back to normal production in March. Some plants have experienced disruptions due to government restrictions, however the impact on group level was limited. Elkem group has experienced some logistical challenges due to Covid-19, but so far this has been manageable with only some delays. Elkem had a generally satisfactory result in the first quarter, considering the market impact of Covid-19.

In addition to the judgements, estimates and assumptions mentioned in the annual consolidated financial statement for 2019, Elkem has an increased focus on estimates related to credit losses and other provisions/obligations.

Elkem has not identified any impact of Covid-19 in the condensed consolidated financial statement as of 31 March 2020 which requires any changes in the management's judgement, estimates or assumptions.

### Note 2 Operating segments

Elkem has four reportable segments; Silicones, Silicon Materials, Foundry Products and Carbon. See note 6 operating segments to the consolidated financial statements for the year ended 31 December 2019, for more information.

- The **Silicones division** produces and sells a range of silicone-based products across various sub-sectors including release coatings, engineering elastomers, healthcare products, specialty fluids, emulsions and resins.
- The **Silicon Materials division** produces and sells various grades of metallurgical silicon and microsilica for use in a wide range of end applications.
- The **Foundry Products division** supplies metal treatments and specialised ferrosilicon products to the cast iron and steel industries.

- The **Carbon division** produces carbon electrode materials, lining materials and specialty carbon products for metallurgical processes for the production of a range of metals.
- **Other** comprise Elkem group management and centralised functions within finance, sales, logistics, power purchase and technology.
- **Eliminations** comprise intersegment sales and profit. Transactions between operating segments are conducted on an arm's length basis in a manner similar to transactions with third parties.

Elkem identifies its segments according to the organisation and reporting structure used by group management. Segments performance are evaluated based on EBITDA and operating profit (loss) before other items (EBIT). EBITDA is defined as Elkem's profit (loss) for the period, less income tax (expenses) benefits, finance expenses, foreign exchange gains (losses), finance income, share of profit from equity accounted financial investments, other items, impairment loss and amortisation and depreciation. Elkem's definition of EBITDA may be different from other companies.

Elkem's financing and taxes are managed on a group basis and are not allocated to operating segments.

<b>First quarter 2020</b>	<b>Silicones</b>	<b>Silicon Materials</b>	<b>Foundry Products</b>	<b>Carbon</b>	<b>Other</b>	<b>Eliminations</b>	<b>Total</b>
Revenue from sale of goods	2,478	1,476	1,172	413	41	-	5,581
Other revenue	7	9	9	3	63	-	92
Other operating income	25	61	21	2	15	-	123
Share of profit from equity accounted companies	0	-	-	-	4	-	4
<b>Total operating income from external customers</b>	<b>2,510</b>	<b>1,546</b>	<b>1,202</b>	<b>418</b>	<b>122</b>		<b>5,798</b>
Operating income from other segments	2	349	62	57	116	(586)	0
<b>Total operating income</b>	<b>2,513</b>	<b>1,895</b>	<b>1,264</b>	<b>475</b>	<b>238</b>	<b>(586)</b>	<b>5,798</b>
Operating expenses	(2,313)	(1,684)	(1,121)	(375)	(296)	582	(5,208)
<b>EBITDA</b>	<b>200</b>	<b>211</b>	<b>143</b>	<b>100</b>	<b>(59)</b>	<b>(4)</b>	<b>590</b>
<b>Operating profit (loss) before other items (EBIT)</b>	<b>(18)</b>	<b>122</b>	<b>85</b>	<b>80</b>	<b>(69)</b>	<b>(4)</b>	<b>197</b>

<b>First quarter 2019</b>	<b>Silicones</b>	<b>Silicon Materials</b>	<b>Foundry Products</b>	<b>Carbon</b>	<b>Other</b>	<b>Eliminations</b>	<b>Total</b>
Revenue from sale of goods	2,731	1,238	1,200	417	57	-	5,643
Other revenue	7	7	7	1	46	-	69
Other operating income	44	45	15	1	7	-	112
Share of profit from equity accounted companies	0	-	-	-	9	-	9
<b>Total operating income from external customers</b>	<b>2,782</b>	<b>1,289</b>	<b>1,223</b>	<b>419</b>	<b>118</b>		<b>5,833</b>
Operating income from other segments	1	364	43	46	101	(555)	-
<b>Total operating income</b>	<b>2,783</b>	<b>1,654</b>	<b>1,266</b>	<b>465</b>	<b>219</b>	<b>(555)</b>	<b>5,833</b>
Operating expenses	(2,347)	(1,471)	(1,087)	(382)	(251)	557	(4,981)
<b>EBITDA</b>	<b>436</b>	<b>183</b>	<b>179</b>	<b>83</b>	<b>(31)</b>	<b>2</b>	<b>852</b>
<b>Operating profit (loss) before other items (EBIT)</b>	<b>253</b>	<b>114</b>	<b>121</b>	<b>66</b>	<b>(42)</b>	<b>2</b>	<b>514</b>

<b>Year to date 31 March 2020</b>	<b>Silicones</b>	<b>Silicon Materials</b>	<b>Foundry Products</b>	<b>Carbon</b>	<b>Other</b>	<b>Eliminations</b>	<b>Total</b>
Revenue from sale of goods	2,478	1,476	1,172	413	41	-	5,581
Other revenue	7	9	9	3	63	-	92
Other operating income	25	61	21	2	15	-	123
Share of profit from equity accounted companies	0	-	-	-	4	-	4
<b>Total operating income from external customers</b>	<b>2,510</b>	<b>1,546</b>	<b>1,202</b>	<b>418</b>	<b>122</b>		<b>5,798</b>
Operating income from other segments	2	349	62	57	116	(586)	0
<b>Total operating income</b>	<b>2,513</b>	<b>1,895</b>	<b>1,264</b>	<b>475</b>	<b>238</b>	<b>(586)</b>	<b>5,798</b>
Operating expenses	(2,313)	(1,684)	(1,121)	(375)	(296)	582	(5,208)
<b>EBITDA</b>	<b>200</b>	<b>211</b>	<b>143</b>	<b>100</b>	<b>(59)</b>	<b>(4)</b>	<b>590</b>
<b>Operating profit (loss) before other items (EBIT)</b>	<b>(18)</b>	<b>122</b>	<b>85</b>	<b>80</b>	<b>(69)</b>	<b>(4)</b>	<b>197</b>

Year to date 31 March 2019	Silicon Foundry					Other	Eliminations	Total
	Silicones	Materials	Products	Carbon				
Revenue from sale of goods	2,731	1,238	1,200	417	57	-	5,643	
Other revenue	7	7	7	1	46	-	69	
Other operating income	44	45	15	1	7	-	112	
Share of profit from equity accounted companies	0	-	-	-	9	-	9	
<b>Total operating income from external customers</b>	<b>2,782</b>	<b>1,289</b>	<b>1,223</b>	<b>419</b>	<b>118</b>		<b>5,833</b>	
Operating income from other segments	1	364	43	46	101	(555)	-	
<b>Total operating income</b>	<b>2,783</b>	<b>1,654</b>	<b>1,266</b>	<b>465</b>	<b>219</b>	<b>(555)</b>	<b>5,833</b>	
Operating expenses	(2,347)	(1,471)	(1,087)	(382)	(251)	557	(4,981)	
<b>EBITDA</b>	<b>436</b>	<b>183</b>	<b>179</b>	<b>83</b>	<b>(31)</b>	<b>2</b>	<b>852</b>	
<b>Operating profit (loss) before other items (EBIT)</b>	<b>253</b>	<b>114</b>	<b>121</b>	<b>66</b>	<b>(42)</b>	<b>2</b>	<b>514</b>	

Year 2019	Silicon Foundry					Other	Eliminations	Total
	Silicones	Materials	Products	Carbon				
Revenue from sale of goods	11,047	4,781	4,223	1,635	203	-	21,890	
Other revenue	80	36	34	12	195	-	356	
Other operating income	132	166	63	10	22	-	392	
Share of profit from equity accounted companies	-	-	(1)	-	31	-	31	
<b>Total operating income from external customers</b>	<b>11,259</b>	<b>4,982</b>	<b>4,320</b>	<b>1,657</b>	<b>451</b>		<b>22,668</b>	
Operating income from other segments	15	1,551	185	179	452	(2,382)	-	
<b>Total operating income</b>	<b>11,274</b>	<b>6,533</b>	<b>4,505</b>	<b>1,836</b>	<b>903</b>	<b>(2,382)</b>	<b>22,668</b>	
Operating expenses	(9,750)	(5,932)	(4,162)	(1,528)	(1,035)	2,397	(20,012)	
<b>EBITDA</b>	<b>1,523</b>	<b>601</b>	<b>342</b>	<b>308</b>	<b>(133)</b>	<b>15</b>	<b>2,656</b>	
<b>Operating profit (loss) before other items (EBIT)</b>	<b>742</b>	<b>270</b>	<b>100</b>	<b>232</b>	<b>(170)</b>	<b>15</b>	<b>1,189</b>	

### Note 3 Fixed assets, right-of-use assets, goodwill and intangible assets

31 March 2020	Property, plant and equipment	Right-of-use assets	Goodwill	Other intangible assets
<b>Cost</b>				
Opening balance	29,437	702	466	1,987
Additions	427	31	-	30
Reclassifications	(4)	(0)	-	4
Disposals	(18)	(3)	-	(0)
Exchange differences	3,265	91	55	284
Closing balance	33,107	820	521	2,305
<b>Accumulated depreciation</b>				
Opening balance	(13,668)	(123)	-	(1,209)
Addition	(337)	(24)	-	(32)
Reclassifications	(0)	0	-	-
Disposals	9	2	-	0
Exchange differences	(1,281)	(19)	-	(181)
Closing balance	(15,278)	(163)	-	(1,422)
<b>Impairment losses</b>				
Opening balance	(2,567)	-	-	(1)
Addition	-	-	-	-
Disposals	3	-	-	-
Exchange differences	(426)	-	-	(0)
Closing balance	(2,990)	-	-	(1)
<b>Net book value 31 March 2020</b>	<b>14,840</b>	<b>657</b>	<b>521</b>	<b>882</b>



31 March 2019	Property, plant and equipment	Right-of-use assets	Goodwill	Other intangible assets
<b>Cost</b>				
Opening balance	27,883		342	2,062
IFRS 16 Opening balance	-	372	-	-
Additions	253	12	-	12
Reclassifications	(5)	223	-	(218)
Disposals	(14)	-	-	-
Exchange differences	4	4	(4)	(39)
Closing balance	28,122	612	338	1,816
<b>Accumulated depreciation</b>				
Opening balance	(12,856)		-	(1,139)
Addition	(292)	(19)	-	(26)
Reclassifications	-	(37)	-	37
Disposals	12	-	-	-
Exchange differences	36	(0)	-	23
Closing balance	(13,101)	(56)	-	(1,106)
<b>Impairment losses</b>				
Opening balance	(2,582)		-	(1)
Addition	-	-	-	-
Disposals	0	-	-	-
Exchange differences	(31)	-	-	(0)
Closing balance	(2,613)	-	-	(1)
<b>Net book value 31 March 2019</b>	<b>12,409</b>	<b>556</b>	<b>338</b>	<b>709</b>

The IFRS 16 opening balance per the consolidated annual financial statement 2019 were adjusted from NOK 372 million to NOK 412 million. The effect has not been restated for the quarterly financial statements in 2019.

31 December 2019	Property, plant and equipment	Right-of-use assets	Goodwill	Other intangible assets
<b>Cost</b>				
Opening balance	27,883		342	2,062
IFRS 16 Opening balance	-	412	-	-
Additions	2,031	74	-	94
Reclassifications	(45)	223	-	(179)
Business combinations	70	-	122	31
Disposals	(461)	(6)	-	(8)
Exchange differences	(41)	(2)	3	(14)
Closing balance	29,437	702	466	1,987
<b>Accumulated depreciation</b>				
Opening balance	(12,856)			(1,139)
Additions	(1,241)	(93)		(122)
Reclassifications	0	(37)		37
Disposals	415	6		7
Exchange differences	14	1		8
Closing balance	(13,668)	(123)	-	(1,209)
<b>Impairment losses</b>				
Opening balance	(2,582)		-	(1)
Addition	(10)	-	-	(1)
Disposals	16	-	-	1
Exchange differences	10	-	-	0
Closing balance	(2,567)	-	-	(1)
<b>Net book value 31 December 2019</b>	<b>13,202</b>	<b>580</b>	<b>466</b>	<b>777</b>

## Note 4 Other items

	First quarter		Year to date		Year
	2020	2019	2020	2019	2019
Change in fair value commodity contracts <sup>1)</sup>	(85)	155	(85)	155	272
Embedded EUR derivatives power contracts, interest element	214	20	214	20	(25)
Ineffectiveness on cash flow hedges	0	(13)	0	(13)	(13)
Net foreign exchange gains (losses) - forward currency contracts	13	7	13	7	23
Operating foreign exchange gains (losses)	191	(18)	191	(18)	(45)
Other gains / (losses)	332	151	332	151	211
Dividend from interest in other companies	0	0	0	0	1
Change in fair value from shares in other companies	(2)	0	(2)	0	1
Gains (losses) disposal of subsidiaries	0	0	0	0	0
Other income	(2)	0	(2)	0	3
Restructuring expenses	(199)	-	(199)	-	-
Other	(3)	(0)	(3)	(0)	(18)
Other expenses	(201)	(0)	(201)	(0)	(18)
<b>Total other items</b>	<b>129</b>	<b>151</b>	<b>129</b>	<b>151</b>	<b>195</b>

1) Mainly fair value changes of the 30-øring contract, see note 26 Financial assets and liabilities to the consolidated financial statements for the year ended 31 December 2019.

## Note 5 Finance income and expenses

	First quarter		Year to date		Year
	2020	2019	2020	2019	2019
Interest income on loans and receivables	9	11	9	11	40
Other financial income	0	0	0	0	1
Total finance income	9	11	9	11	41
Foreign exchange gains (losses)	129	34	129	34	16
Interest expenses on interest-bearing liabilities measured at amortised cost	(58)	(60)	(58)	(60)	(221)
Interest expenses from other items measured at amortised cost	(6)	(5)	(6)	(5)	(25)
Interest expenses on lease liabilities	(5)	(4)	(5)	(4)	(17)
Capitalised interest expenses	-	-	-	-	-
Unwinding of discounted liabilities	0	(1)	0	(1)	(5)
Interest on net pension liabilities	(2)	(2)	(2)	(2)	(10)
Other financial expenses	(1)	(0)	(1)	(0)	(18)
Total finance expenses	(71)	(72)	(71)	(72)	(295)
<b>Net Finance income (expenses)</b>	<b>66</b>	<b>(27)</b>	<b>66</b>	<b>(27)</b>	<b>(239)</b>

## Note 6 Interest-bearing assets and liabilities

	31 March 2020	31 March 2019	31 December 2019
<b>Non-current interest-bearing debt</b>			
Lease liabilities	360	297	323
Loans from external part, other than bank	4,295	3,899	3,928
Bank financing	4,779	4,282	4,089
<b>Total non-current interest-bearing debt</b>	<b>9,434</b>	<b>8,478</b>	<b>8,340</b>
<b>Current interest-bearing debt</b>			
Lease liabilities	91	72	85
Loans from external parties, other than banks	21	18	266
Bank financing, current	1,112	1,069	887
Accrued interest	31	29	25
<b>Total current interest-bearing debt</b>	<b>1,255</b>	<b>1,187</b>	<b>1,262</b>
<b>Current bills payable</b>	<b>1,189</b>	<b>1,264</b>	<b>887</b>
<b>Total interest-bearing liabilities including bills payable</b>	<b>11,878</b>	<b>10,929</b>	<b>10,489</b>
Cash and cash equivalents	4,744	6,832	4,496
Current restricted deposits bills payable	358	405	267
Other current restricted deposits	5	7	4
Other non-current restricted deposits	43	95	42
Receivables from related parties	1	1	1
Loans to external parties	8	8	8
Accrued interest income	2	0	2
<b>Total other interest-bearing assets</b>	<b>5,160</b>	<b>7,348</b>	<b>4,820</b>
<b>Total interest-bearing assets / (liabilities)</b>	<b>(6,718)</b>	<b>(3,580)</b>	<b>(5,669)</b>

## Note 7 Cash flow hedging

### Hedge Accounting

Elkem is applying hedge accounting for parts of its forward currency contracts, certain parts of EUR loans, for embedded EUR derivatives in power contracts and for certain power contracts. The forward currency contracts are designated in a cash flow hedge to hedge currency fluctuations in highly probable future sales, mainly in USD and EUR. The power contracts designated as hedging instruments in a cash flow hedge of price fluctuations for highly probable future purchases. Hence, the effective part of change in fair value is booked against OCI, and booked as an adjustment to revenue and energy for production respectively, when realised.

#### Derivatives as at 31 March 2020

	Nominal value	Fair value	Hereof recognised in OCI	Effects to be recycled from OCI			
				Within 1 year	Within 2 years	Within 3 years	Within 4 years or more
<b>Purchase contracts</b>							
Forward currency contracts	4,559	(336)	(373)	(314)	(13)	(18)	(29)
Embedded EUR derivatives	5,287	(681)	(771)	(80)	(109)	(109)	(473)
Power contracts <sup>1)</sup>	3,003	(444)	(397)	(325)	(27)	(10)	(35)
Platinum contracts	56	(3)	-	-	-	-	-
<b>Total derivatives</b>		<b>(1,463)</b>	<b>(1,541)</b>	<b>(719)</b>	<b>(150)</b>	<b>(137)</b>	<b>(536)</b>
<b>EUR loan designed as cash flow hedging instrument</b>		<b>(246)</b>	<b>(53)</b>	<b>(13)</b>	<b>(13)</b>	<b>(13)</b>	<b>(13)</b>
<b>Total</b>			<b>(1,594)</b>	<b>(732)</b>	<b>(163)</b>	<b>(150)</b>	<b>(549)</b>

<sup>1)</sup> Hedge accounting is applied for some of the contracts /part of contracts.

Realised effects hedge accounting, recycled from OCI	First quarter		Year to date		Year
	2020	2019	2020	2019	2019
Realised effects from forward currency contracts, Revenue	(37)	(10)	(37)	(10)	(50)
Realised effects from embedded derivatives EUR, Revenue	(11)	(1)	(11)	(1)	(11)
Realised effects from EUR loans, Revenue	0	0	0	0	(5)
Realised effects from power contracts, Raw materials and energy for production	(100)	59	(100)	59	87
<b>Total realised hedging effects recycled from OCI</b>	<b>(148)</b>	<b>47</b>	<b>(148)</b>	<b>47</b>	<b>21</b>

See note 26 Financial assets and liabilities, note 27 Hedging and note 28 Financial risk to the consolidated financial statements for the year ended 31 December 2019.

## Note 8 Number of shares

The development in share capital and other paid-in equity is set out in the Condensed consolidated interim statement of changes in equity.

	<b>Outstanding</b>
As at 1 January 2020	581,310,344
<b>As at 31 March 2020</b>	<b>581,310,344</b>

In the annual general meeting held on 30 April 2019, the board of directors was granted an authorisation to repurchase the company's own shares within a total nominal value of up to NOK 290,655,172. The maximum amount that can be paid for each share is NOK 150 and the minimum is NOK 1. The authorisation is valid until the annual general meeting in 2020, but not later than 30 June 2020. The authorisation can be used to acquire shares as the board of directors deems appropriate, provided however, that acquisition of shares shall not be by subscription.

In the annual general meeting held on 30 April 2019, the board of directors was granted an authorisation to increase the company's share capital with an amount up to NOK 290,655,172. The authorisation is valid until the annual general meeting in 2020, but not later than 30 June 2020. The authorisation can be used to cover share capital increases against contribution in kind and in connection with mergers.

In the annual general meeting held on 30 April 2019, the board of directors was granted an authorisation to increase the share capital by up to NOK 40,000,000 to be used in connection with the issuance of new shares under share incentive scheme. The authorisation is valid until the annual general meeting in 2020, but not later than 30 June 2020. The authorisation does not cover capital increases against contribution in kind or capital increases in connection with mergers. As at 31 March 2020 14,767,000 options are granted and outstanding to members of the management and certain other key employees.

## Note 9 Events after reporting period

In April 2020 Elkem acquired all of the issued shares in Guandong Polysil Technology Co. Ltd (Polysil), a leading Chinese silicone elastomer and resins material manufacturer with strong positions in baby care and food grade silicones, as well as silicone products for the electronics and medical markets. Elkem gained control and will consolidate Polysil from 1 April.

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

In 2019, Polysil delivered a total operating revenue of CNY 624 million with earnings after tax of CNY 95 million.

The initial accounting for the business combination is not completed at the time of issuing the 1Q-2020 report. The financial effect of the acquisition will be disclosed in the 2Q-2020 report.

## Appendix - 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). Elkem uses EBITDA and EBITDA margin to measure operating performance at the group and segment level. In particular, Management regards EBIT and EBITDA as useful performance measures at segment level because income tax, finance expenses, foreign exchange gains (losses), finance income, other items are managed on a group basis and are not allocated to each segment. Elkem uses Cash flow from operations to measure the segments cash flow performance, this measure is excluding items that are managed on a group level. Elkem uses ROCE, or return on capital employed as measures of the development of the group's return on capital. Elkem relies on these measures as part of its capital allocation strategy. Elkem uses net interest-bearing debt less non-current interest-bearing assets / EBITDA as leverage ratio for measuring the group's financial flexibility and ability for step-change growth and acquisitions.

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.

### Elkem's financial APMs, EBITDA and EBIT

- EBIT, also referred to as operating profit (loss) before other items is defined as Elkem's 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 and other items.
- EBITDA is defined as Elkem's 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.
- EBITDA margin is defined as EBITDA divided by total operating income.

Below is a reconciliation of EBIT and EBITDA

First quarter 2020	Silicones	Silicon Materials	Foundry Products	Carbon	Other minations	Elkem	
Profit (loss) for the period						261	
Income tax (expense) benefit						102	
Finance expenses						71	
Foreign exchange gains (losses)						(129)	
Finance income						(9)	
Share of profit from equity accounted financial investments						29	
Other items						(129)	
<b>EBIT</b>	<b>(18)</b>	<b>122</b>	<b>85</b>	<b>80</b>	<b>(69)</b>	<b>(4)</b>	<b>197</b>
Impairment losses						0	
Amortisations and depreciations						393	
<b>EBITDA</b>	<b>200</b>	<b>211</b>	<b>143</b>	<b>100</b>	<b>(59)</b>	<b>(4)</b>	<b>590</b>

First quarter 2019	Silicones	Silicon Materials	Foundry Products	Carbon	Other minations	Elkem	
Profit (loss) for the period						497	
Income tax (expense) benefit						143	
Finance expenses						72	
Foreign exchange gains (losses)						(34)	
Finance income						(11)	
Share of profit from equity accounted financial investments						(2)	
Other items						(151)	
<b>EBIT</b>	<b>253</b>	<b>114</b>	<b>121</b>	<b>66</b>	<b>(42)</b>	<b>2</b>	<b>514</b>
Impairment losses						0	
Amortisations and depreciations						338	
<b>EBITDA</b>	<b>436</b>	<b>183</b>	<b>179</b>	<b>83</b>	<b>(31)</b>	<b>2</b>	<b>852</b>

Year to date 31 March 2020	Silicon Foundry					Other minations	Elkem
	Silicones	Materials	Products	Carbon			
Profit (loss) for the year							261
Income tax (expense) benefit							102
Finance expenses							71
Foreign exchange gains (losses)							(129)
Finance income							(9)
Share of profit from equity accounted financial investments							29
Other items							(129)
<b>EBIT</b>	<b>(18)</b>	<b>122</b>	<b>85</b>	<b>80</b>	<b>(69)</b>	<b>(4)</b>	<b>197</b>
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Year to date 31 March 2019	Silicon Foundry					Other minations	Elkem
	Silicones	Materials	Products	Carbon			
Profit (loss) for the year							497
Income tax (expense) benefit							143
Finance expenses							72
Foreign exchange gains (losses)							(34)
Finance income							(11)
Share of profit from equity accounted financial investments							(2)
Other items							(151)
<b>EBIT</b>	<b>253</b>	<b>114</b>	<b>121</b>	<b>66</b>	<b>(42)</b>	<b>2</b>	<b>514</b>
Impairment losses							0
Amortisations and depreciations							338
<b>EBITDA</b>	<b>436</b>	<b>183</b>	<b>179</b>	<b>83</b>	<b>(31)</b>	<b>2</b>	<b>852</b>

Year 2019	Silicon Foundry					Other minations	Elkem
	Silicones	Materials	Products	Carbon			
Profit (loss) for the year							897
Income tax (expense) benefit							237
Finance expenses							295
Foreign exchange gains (losses)							(16)
Finance income							(41)
Share of profit from equity accounted financial investments							12
Other items							(195)
<b>EBIT</b>	<b>742</b>	<b>270</b>	<b>100</b>	<b>232</b>	<b>(170)</b>	<b>15</b>	<b>1,189</b>
Impairment losses							11
Amortisations and depreciations							1,456
<b>EBITDA</b>	<b>1,523</b>	<b>601</b>	<b>342</b>	<b>308</b>	<b>(133)</b>	<b>15</b>	<b>2,656</b>

#### Elkem's financial APMs, Cash flow from operations

Cash flow from operations is defined as Cash flow from operating activities, less income taxes paid, interest payments made, interest payments received, changes in provision, pension obligations and other, changes in fair value commodity contracts, other items (from the statement of income) and including reinvestments.

- Reinvestments generally consist of maintenance capital expenditure to maintain existing activities or that involve investments designed to improve health, safety or the environment.
- Strategic investments generally consist of investments which result in capacity increases at Elkem's existing plants or that involve an investment made to meet demand in a new geographic or product area.

Below is a split of the items included in investment in property, plant and equipment and intangible assets

	First quarter		Year to date		Year
	2020	2019	2020	2019	2019
Reinvestments	(253)	(183)	(253)	(183)	(1,162)
Strategic investments	(200)	(87)	(200)	(87)	(963)
Periodisations <sup>1)</sup>	(108)	82	(108)	82	18
<b>Investments in property, plant and equipment and intangible assets</b>	<b>(561)</b>	<b>(189)</b>	<b>(561)</b>	<b>(189)</b>	<b>(2,107)</b>

<sup>1)</sup> Periodisations reflects the difference between payment date and accounting date of the investment.

Below is a reconciliation between cash flow from operating activities and cash flow from operations:

	First quarter		Year to date		Year
	2020	2019	2020	2019	2019
Cash flow from operating activities	720	32	720	32	1,839
Income taxes paid	52	179	52	179	559
Interest payments made	59	65	59	65	248
Interest payments received	(9)	(11)	(9)	(11)	(38)
Changes in provisions, bills receivables and other	(674)	397	(674)	397	671
Changes in fair value commodity contracts	146	164	146	164	218
Other items	(129)	(151)	(129)	(151)	(195)
Reinvestments	(253)	(183)	(253)	(183)	(1,162)
<b>Cash flow from operations</b>	<b>(88)</b>	<b>491</b>	<b>(88)</b>	<b>491</b>	<b>2,140</b>

#### Elkem's financial APMs, ROCE

- ROCE, Return on capital employed, is defined as EBIT divided by the average capital employed, where capital employed comprises working capital, property, plant and equipment, right-of-use assets, investments equity accounted companies and trade payables and prepayments related to purchase of non-current assets.
- Working capital is defined as accounts receivable, inventory, other current assets, accounts payable, employee benefit obligations and other current liabilities. Accounts receivable are defined as trade receivables less bills receivable. Other current assets are defined as other current assets less current receivables to related parties, current interest-bearing receivables, tax receivables, grants receivable and accrued interest income. Accounts payable are defined as trade payables less CAPEX payables. Other current liabilities are defined as provisions and other current liabilities less current provisions and liabilities to related parties.
- Capital employed consists of working capital as defined above, property, plant and equipment, right of use assets, investments equity accounted companies, accounts payable and prepayments related to purchase of non-current assets.
- Average capital employed is defined as the average of the opening and ending balance of capital employed for the relevant reporting period.

Below is a reconciliation of working capital and capital employed, which are used to calculate ROCE:

#### Working capital bridge from statutory accounts to company definition

	31 March 2020	31 March 2019	31 December 2019
<b>Inventories</b>	<b>5,867</b>	<b>5,411</b>	<b>5,224</b>
Trade receivables	2,823	2,619	2,269
Bills receivable	(503)	(495)	(675)
<b>Accounts receivable</b>	<b>2,320</b>	<b>2,124</b>	<b>1,594</b>
Other current assets	1,188	814	1,013
Current interest-bearing receivables	-	-	-
Other current receivables to related parties interest-free	(0)	(11)	(2)
Grants receivables	(253)	(126)	(361)
Tax receivables	(160)	(76)	(137)
Accrued interest	(2)	(0)	(2)
<b>Other current assets included in working capital</b>	<b>773</b>	<b>601</b>	<b>510</b>
Trade payables	3,403	2,838	2,767
Trade payables related to purchase of non-current assets	(249)	(339)	(389)
<b>Accounts payable included in working capital</b>	<b>3,154</b>	<b>2,499</b>	<b>2,378</b>
<b>Employee benefit obligations</b>	<b>695</b>	<b>616</b>	<b>640</b>
Provisions and other current liabilities	916	806	871
Current provisions	(274)	(129)	(161)
Liabilities to related parties	(79)	(105)	(81)
<b>Other current liabilities included in working capital</b>	<b>563</b>	<b>572</b>	<b>629</b>
<b>Working capital</b>	<b>4,549</b>	<b>4,450</b>	<b>3,681</b>
<b>Property, plant and equipment</b>	<b>14,840</b>	<b>12,409</b>	<b>13,202</b>
<b>Right-of-use assets</b>	<b>657</b>	<b>556</b>	<b>580</b>
<b>Investments equity accounted companies</b>	<b>118</b>	<b>136</b>	<b>129</b>
<b>Trade payables and prepayments related to purchase of non-current assets</b>	<b>(239)</b>	<b>(330)</b>	<b>(323)</b>
<b>Capital employed</b>	<b>19,925</b>	<b>17,221</b>	<b>17,269</b>

### Elkem's financial APMs. Leverage ratio

- Net interest-bearing debt that is used to measured leverage ratio is excluding non-current interest-bearing financial assets and accrued interest income. These assets are not easily available to be used to finance the group's operations. Below a calculation of Elkem's leverage ratio.

	31 March 2020	31 March 2019	31 December 2019
Net interest-bearing assets / (liabilities)	(6,718)	(3,580)	(5,669)
Non-current interest-bearing assets	(52)	(104)	(51)
Accrued interest income	(2)	(0)	(2)
<b>Net interest-bearing debt</b>	<b>(6,772)</b>	<b>(3,685)</b>	<b>(5,722)</b>
<b>EBITDA (LTM)</b>	<b>2,394</b>	<b>5,191</b>	<b>2,656</b>
<b>Leverage ratio</b>	<b>2.8</b>	<b>0.7</b>	<b>2.2</b>