

Elkem ASA

Third quarter results 2019

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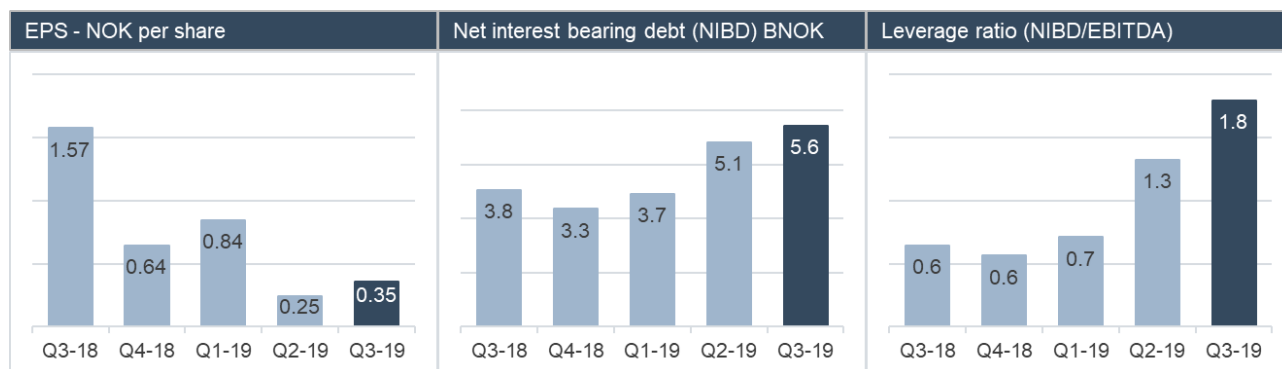
Highlights 3rd quarter 2019

- **Elkem delivers robust results in a challenging market environment**
- **Total operating income was NOK 5,540 million in the third quarter, down 5% from the corresponding quarter last year**
- **EBITDA was NOK 640 million including a negative impact of MNOK 42 due to changed revenue periodisation for Norwegian CO2 compensation**
- **Earnings per share was NOK 0.35 in the quarter and NOK 1.44 YTD**
- **Michael Koenig will assume the position of CEO from 1 December 2019, as Helge Aasen steps down after more than 10 years in the position**

Key figures

<i>(NOK million, except where specified)</i>	3Q 2019	3Q 2018	YTD 2019	YTD 2018	FY 2018
Total operating income	5,540	5,842	17,109	19,138	25,230
EBITDA	640	1,395	2,139	4,819	5,793
EBITDA margin (%)	12%	24%	13%	25%	23%
EBIT	282	1,078	1,097	3,883	4,522
Profit (loss) for the period ⁽¹⁾	206	915	838	2,964	3,337
Earning per share (EPS) <i>(NOK per share)</i>	0.35	1.57	1.44	5.10	5.74
Equity ratio (%)	44%	48%	44%	48%	44%
Net interest-bearing debt (NIBD)	5,573	3,788	5,573	3,788	3,264
Cash flow from operations	539	721	1,675	2,683	4,030
ROCE - annualised (%)	7%	26%	9%	33%	28%

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



Robust results in challenging markets

Elkem's result for the third quarter of 2019 was relatively strong given the challenging market conditions. Macro-economic uncertainty, trade conflicts and the downturn in automotive have negatively impacted the market for Elkem's products and resulted in lower sales volumes for specialty products and declining market prices for commodity products. The relatively strong result reflects Elkem's good cost positions, as well as attractive and leading market positions.

Total operating income for the third quarter 2019 was NOK 5,540 million, which was down 5% compared to third quarter 2018. EBITDA amounted to NOK 640 million in the quarter, compared to NOK 1,395 million in the corresponding quarter last year. Earnings per share (EPS) was NOK 0.35 in the quarter.

Market prices for silicones in China picked up in the third quarter, mainly explained by seasonally higher demand from construction combined with lower utilisation rates for main producers. Prices for silicon and ferrosilicon have dropped to historic lows due to lower demand and subsequent excess supply. Market prices are now believed to be at unsustainable low levels as many competitors are estimated to be loss making. Significant production curtailments have been announced both for silicon and ferrosilicon and markets are expected to improve.

Elkem closed the acquisition of Basel Chemie by the end of the third quarter. The acquisition was part of Elkem's specialisation strategy and will give access to leading technologies for silicones to high-end cosmetics and construction and provide a strong platform for further development and growth.

The realised effect of the accelerated improvement programme was NOK 387 million by the end of third quarter, which was ahead of plan. The target for the full year is NOK 500 million. Based on the persistent weak market conditions Elkem will continue its focus on operational improvements and cost optimisation. The target is to optimise the current organisation to facilitate growth initiatives in strategic areas without increasing the cost base. The result in the third quarter was negatively impacted by NOK 42 million due to changed revenue periodisation of Norwegian CO2 compensation.

The group's equity as at 30 September 2019 amounted to NOK 13,044 million, which gave a ratio of equity to total assets of 44%. Net interest-bearing debt was NOK 5,573 million, which gave a ratio of net interest-bearing debt to EBITDA of 1.8 times. Elkem had cash and cash equivalents of NOK 5,071 million as at 30 September 2019. The financial position is strong.

The outlook in main market segments continue to be weak due to macro-economic uncertainty. The price for silicones in China improved during third quarter but has had a declining trend beginning of fourth quarter and the demand from construction is expected to be seasonally lower. In addition, Elkem has had reduced silicones production early fourth quarter due to government-imposed production restrictions in connection with the People's Republic of China's 70th years anniversary and subsequent delayed start-up. The negative EBITDA impact is estimated to NOK 60 million. Silicon metal and ferrosilicon prices in Europe are at very low levels but expected to recover following significant production curtailments. The accelerated improvement programme combined with lower raw material costs are expected to partly mitigate negative market impact.



Financial review

Group results

KEY FIGURES	3Q 2019	3Q 2018	YTD 2019	YTD 2018	FY 2018
<i>MNOK except where indicated otherwise</i>					
Total operating income	5,540	5,842	17,109	19,138	25,230
EBITDA	640	1,395	2,139	4,819	5,793
EBIT	282	1,078	1,097	3,883	4,522
Other items	35	86	211	-268	-380
Net financial items	-25	-98	-160	-295	-327
Profit (loss) before income tax	282	1,065	1,132	3,318	3,792
Tax	-62	-142	-263	-332	-425
Profit (loss) for the period	220	923	869	2,986	3,367

Quarter

Elkem group had a total operating income of NOK 5,540 million in 3Q-2019, down 5% from NOK 5,842 million in 3Q-2018. Silicon Materials increased its operating income due to higher sales volumes, but the other divisions were down, primarily due to lower sales prices. Total operating income has been restated due to a change in accounting policy regarding net presentation of the sale of power. There was no impact to EBITDA.

The group's EBITDA for 3Q-2019 was NOK 640 million, down 54% from NOK 1,395 million in 3Q-2018. The EBITDA margin was 12% in the quarter, compared to 24% in 3Q-2018. The weak market conditions have impacted sales prices for Elkem's standard products and resulted in lower EBITDA for all divisions. Prices for specialty products have been stable, but sales volumes have been reduced due to the weakness in e.g. automotive. EBITDA in the quarter was also negatively impacted by NOK 42 million due to changed revenue periodisation for Norwegian CO2 compensation.

EBIT for 3Q-2019 was NOK 282 million, down from NOK 1,078 million in 3Q-2018.

Other items include fair value changes, gains/losses on currency forward contracts and other income and expenses. Other items amounted to NOK 35 million in 3Q-2019 of which the main item was positive currency effects on working capital items of NOK 39 million.

Net financial items were NOK -25 million in 3Q-2019, compared to NOK -98 million in 3Q-2018. Net interest expenses amounted to NOK 57 million, which is a reduction from NOK 69 million in 3Q-2018. Net interest expenses in 3Q-2019 included interest expenses on lease obligations in accordance with IFRS 16. Gain on foreign exchange amounted to NOK 40 million, mainly related to positive translation effects on group receivables in CNY.

Profit before income tax was NOK 282 million compared to NOK 1,065 million in 3Q-2018.

Tax expenses in 3Q-2019 were NOK 62 million, which gave a tax rate in the quarter of 22%. A major portion of profit before income tax was generated in Norway and other countries with a similar tax rate.

Profit for the period was NOK 220 million, compared to NOK 923 million in 3Q-2018. Owners of the parent's share of profit was NOK 206 million, which gave earnings per share of NOK 0.35 in 3Q-2019.

Year to date

The group's total operating income was NOK 17,109 million YTD 2019, down from NOK 19,138 million YTD 2018. EBITDA YTD 2019 amounted to NOK 2,139 million, down from NOK 4,819 million YTD 2018, mainly due to lower sales prices driven by a weak sentiment in several sectors. Earnings per share was NOK 1.44 YTD 2019.

Cash flow

CASH FLOW FROM OPERATIONS	3Q 2019	3Q 2018	YTD 2019	YTD 2018	FY 2018
<i>NOK million</i>					
Operating profit (loss) before other items	282	1,078	1,097	3,883	4,522
Amortisation, depreciation and impairment	358	317	1,042	936	1,270
Changes in working capital	67	-470	186	-1,480	-712
Reinvestments	-155	-203	-640	-675	-1,064
Equity accounted investments	-12	-0	-10	19	14
Cash flow from operations	539	721	1,675	2,683	4,030
Other cash flow items	-903	-1,144	-3,749	-509	1,268
Change in cash and cash equivalents	-364	-423	-2,074	2,174	5,298

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

Quarter

Cash flow from operations was NOK 539 million in 3Q-2019, compared to NOK 721 million in 3Q-2018. Lower cash flow was mainly explained by lower operating profit. The third quarter 2019 was positively impacted by lower working capital. Working capital optimisation is a key focus area for the group.

Reinvestments were NOK 155 million in 3Q-2019, which is lower than normal. Reinvestments are however, expected to be higher in the fourth quarter. Elkem's reinvestment target is 80-90% of depreciation and amortisation. Strategic investments were included in other cash flow items and amounted to NOK 299 million in 3Q-2019, up from NOK 180 million in 3Q-2018. The strategic investments in the quarter were primarily related to specialisation projects in the Silicones division, furnace upgrades in the Silicon Materials division and upgrades and expansion projects in the Carbon division.

Cash and cash equivalents have decreased by NOK 364 million in the quarter, mainly explained by the acquisition of Basel Chemie. Total cash and cash equivalents amounted to NOK 5,071 million as at 30 September 2019.

Year to date

Cash flow from operations amounted to NOK 1,675 million YTD 2019, down from NOK 2,683 million YTD 2018, mainly explained by lower operating profit, which has been partly offset by positive working capital changes.

Financial position

FINANCIAL POSITION	3Q 2019	3Q 2018	FY 2018
Total equity (NOK million)	13,044	12,983	13,722
Equity ratio (%)	44%	48%	44%
EPS (NOK per share)	0.35	1.57	5.74
Net interest bearing debt (NOK million) ⁽¹⁾	5,573	3,788	3,264
Leverage ratio based on LTM EBITDA (ratio)	1.8	0.6	0.6

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

Quarter and year to date

Elkem's equity as at 30 September 2019 was NOK 13,044 million, which was up NOK 407 million from 30 June 2019. Compared to 31 December 2018, the equity was down NOK 678 million from NOK 13,722 million, due to dividend payment of NOK 1,511 million, which has been partly offset by profit for the period. The equity ratio as at 30 September 2019 was 44%.

Net-interest bearing debt as at 30 September 2019 was NOK 5,573 million, which is up NOK 463 million from end 30 June, mainly explained by the acquisition of Basel Chemie and translation effects due to weaker NOK. Compared to 31 December 2018, net-interest bearing debt was up NOK 2,309 million from NOK 3,264 million, explained also by dividend payment and recognition of lease liabilities in accordance with IFRS 16.

Elkem's leverage ratio was 1.8 times as at 30 September 2019, which was within the target range of 1.0 to 2.0 times.

Segments

Silicones

KEY FIGURES	3Q 2019	3Q 2018	YTD 2019	YTD 2018	FY 2018
<i>MNOK except where indicated otherwise</i>					
Total operating income	2,876	3,033	8,449	10,140	13,059
EBITDA	441	852	1,210	2,991	3,535
EBITDA margin	15%	28%	14%	29%	27%
Sales volume (thousand mt)	88	65	250	237	314

Quarter

The Silicones division had total operating income of NOK 2,876 million in 3Q-2019, a reduction of 5% from NOK 3,033 million in 3Q-2018. Lower operating income was mainly due to lower sales prices in China, partly offset by higher sales volumes. The third quarter 2018 was impacted by a maintenance stop in China.

EBITDA for 3Q-2019 was NOK 441 million, a reduction of 48% from 3Q-2018. Lower EBITDA was mainly explained by lower sales prices in China.

The French operation was back to normal production in the third quarter, but the utilisation rate in China was below full capacity due to market conditions and production stop in connection with the 70th anniversary of the People's Republic of China.

Year to date

The Silicones division reported total operating income of NOK 8,449 million YTD 2019, compared to NOK 10,140 million YTD 2018, explained by lower sales prices. The EBITDA is NOK 1,210 million YTD 2019 down 60% from NOK 2,991 million YTD 2018, impacted by lower sales prices and the production problems in France in the second quarter.

Silicon Materials

KEY FIGURES	3Q 2019	3Q 2018	YTD 2019	YTD 2018	FY 2018
<i>MNOK except where indicated otherwise</i>					
Total operating income	1,666	1,472	4,926	4,914	6,590
EBITDA	96	237	441	888	1,116
EBITDA margin	6%	16%	9%	18%	17%
Sales volume (thousand mt) ¹⁾	64	52	186	180	237

1) Excluding Microsilica and quartz

Quarter

The Silicon Materials division had total operating income of NOK 1,666 million in 3Q-2019, up 13% from NOK 1,472 million in 3Q-2018. Higher operating income was explained by higher sales volumes across most plants, but partly countered by lower sales prices.

The EBITDA for Silicon Materials was NOK 96 million in 3Q-2019, down 59% from NOK 237 million in 3Q-2018. Lower EBITDA was mainly explained by lower sales prices. EBITDA was also negatively impacted by maintenance stops and furnace upgrades at Rana and Bremanger. These maintenance stops will continue into the fourth quarter. In addition, the quarter was negatively impacted by NOK 29 million due to changed revenue periodisation for Norwegian CO2 compensation.

Year to date

The Silicon Materials division reported total operating income of NOK 4,926 million YTD 2019, which was in line with YTD 2018. The division reported an EBITDA of NOK 441 million, which is 50% lower than YTD 2018, mainly due to lower sales prices.

Foundry Products

KEY FIGURES	3Q 2019	3Q 2018	YTD 2019	YTD 2018	FY 2018
<i>MNOK except where indicated otherwise</i>					
Total operating income	1,005	1,232	3,466	3,861	5,082
EBITDA	67	248	326	817	931
EBITDA margin	7%	20%	9%	21%	18%
Sales volume (thousand mt) ¹⁾	56	66	195	206	275

1) Excluding Microsilica sales

Quarter

Total operating income for the Foundry Products division was NOK 1,005 million in 3Q-2019, down 18% from NOK 1,232 million in 3Q-2018. Lower operating income was explained by lower sales prices for ferrosilicon and lower sales volumes. One furnace at the Iceland plant was idled through July and August due to market conditions. In addition, total income was negatively impacted by lower sales of specialty foundry alloys.

Foundry Products reported EBITDA of NOK 67 million in 3Q-2019, down by 73% from NOK 248 million in the corresponding quarter last year. Lower EBITDA was mainly explained by lower ferrosilicon prices and negative sales mix effects due to lower sales of specialty foundry alloys, which has been impacted by the weakness in automotive. In addition, the quarter was negatively impacted by NOK 13 million due to changed revenue periodisation for Norwegian CO2 compensation.

Year to date

The Foundry Products division reported total operating income of NOK 3,466 million YTD 2019, down 10% from NOK 3,861 million YTD 2018. EBITDA amounted to NOK 326 million, down 60% from NOK 817 million YTD 2018, mainly explained by lower ferrosilicon prices and lower sales volumes for speciality products.

Carbon

KEY FIGURES	3Q 2019	3Q 2018	YTD 2019	YTD 2018	FY 2018
<i>MNOK except where indicated otherwise</i>					
Total operating income	430	480	1,376	1,367	1,892
EBITDA	68	98	237	253	335
EBITDA margin	16%	20%	17%	18%	18%
Sales volume (thousand mt)	60	73	194	215	289

Quarter

The Carbon division reported total operating income of NOK 430 million in 3Q-2019, which is down 10% from 3Q-2018. Lower operating income was due to lower sales volumes.

EBITDA for 3Q-2019 was NOK 68 million, down 31% from NOK 98 million in the corresponding quarter last year. Lower EBITDA was mainly explained by lower sales volumes which also gave cost absorption effects.

Year to date

The Carbon division reported total operating income of NOK 1,376 million YTD 2019, which was in line with YTD 2018. EBITDA was NOK 237 million YTD 2019, compared to NOK 253 million YTD 2018. Sales volumes were down YTD 2019 compared to YTD 2018, impacted by maintenance/project stops in 1Q- 2019 and weaker market conditions in 3Q-2019.

Outlook

Continued weak outlook in main market segments due to macro-economic uncertainty.

The price for silicones in China improved during third quarter but has had a declining trend beginning of fourth quarter. Seasonally lower demand from construction is expected. Elkem has had reduced silicones production early fourth quarter due to government-imposed production restrictions in connection with the People's Republic of China's 70th years anniversary and subsequent delayed start-up. The negative EBITDA impact is estimated to NOK 60 million.

Silicon metal prices in Europe are at all time low levels and are expected to recover due to significant production curtailments. Ferrosilicon prices in Europe also expected to recover due to significant production curtailments and lower imports. A volume recovery for foundry alloys will largely depend on the demand development in automotive. Carbon market sentiment expected to remain at current level.

The accelerated improvement programme combined with lower raw material costs are expected to partly mitigate negative market impact.

Elkem will continue to provide guiding on market outlook, but will align with market practice and not give specific EBITDA guiding.

Condensed consolidated interim statement of income

Amounts in NOK million	Note	Third quarter		Year to date		Year
		2019	2018*	2019	2018*	2018*
Revenue	2	5,486	5,785	16,840	18,968	24,968
Other operating income	2	41	52	248	156	244
Share of profit (loss) from equity accounted companies	2	12	6	21	14	18
Total operating income		5,540	5,842	17,109	19,138	25,230
Raw materials and energy for smelting		(2,866)	(2,558)	(8,683)	(8,461)	(11,366)
Employee benefit expenses		(904)	(806)	(2,742)	(2,499)	(3,449)
Other operating expenses		(1,130)	(1,083)	(3,545)	(3,359)	(4,622)
Amortisations and depreciations	4	(355)	(317)	(1,038)	(929)	(1,263)
Impairment losses	4	(3)	0	(4)	(7)	(8)
Operating profit (loss) before other items		282	1,078	1,097	3,883	4,522
Other items	5	35	86	211	(268)	(380)
Operating profit (loss)		317	1,164	1,308	3,614	4,142
Share of profit (loss) from equity accounted financial investments		(10)	(0)	(16)	(1)	(23)
Finance income	6	8	15	31	37	42
Foreign exchange gains (losses)	6	40	(26)	25	(26)	19
Finance expenses	6	(73)	(87)	(216)	(306)	(388)
Profit (loss) before income tax		282	1,065	1,132	3,318	3,792
Income tax (expenses) benefits		(62)	(142)	(263)	(332)	(425)
Profit (loss) for the period		220	923	869	2,986	3,367
Attributable to:						
Non-controlling interests' share of profit (loss)		15	9	31	22	29
Owners of the parent's share of profit (loss)		206	915	838	2,964	3,337

*) 2018 figures have been restated, see note 10 Changes in accounting policies

Earnings per share		Third quarter		Year to date		Year
		2019	2018	2019	2018	2018
Basic earnings per share in NOK		0.35	1.57	1.44	5.10	5.74
Diluted earnings per share in NOK		0.35	1.57	1.44	5.10	5.74
Weighted average number of outstanding shares (million)	9	581	581	581	581	581
Weighted average number of outstanding shares -diluted (million)	9	581	581	581	581	581

Condensed consolidated interim statement of comprehensive income

Amounts in NOK million	Third quarter		Year to date		Year
	2019	2018	2019	2018	2018
Profit (loss) for the period	220	923	869	2,986	3,367
Items that will not be reclassified to profit or loss					
Remeasurement of defined benefit pension plans	-	-	(0)	(0)	17
Tax effects on remeasurements of defined benefit pension plans	-	-	0	0	(6)
Change in fair value of equity instruments	(0)	-	11	-	2
Share of other comprehensive income (loss) from equity accounted companies	-	-	0	(0)	(0)
	(0)	-	11	(0)	14
Items that may be reclassified to profit or loss					
Currency translation differences	300	(114)	138	(382)	113
Hedging of net investment in foreign operations	(57)	13	13	104	(29)
Tax effects hedging of net investment in foreign operations	13	(3)	(3)	(24)	7
Cash flow hedges	(91)	(21)	(205)	729	697
Tax effects on cash flow hedges	20	5	45	(168)	(159)
Share of other comprehensive income (loss) from equity accounted companies	(7)	-	(20)	(0)	(8)
	178	(119)	(32)	259	621
Other comprehensive income, net of tax	178	(119)	(21)	259	634
Total comprehensive income	398	804	848	3,245	4,001
Attributable to:					
Non-controlling interests' share of comprehensive income	18	8	35	20	32
Owners of the parent's share of comprehensive income	380	796	813	3,225	3,969
Total comprehensive income	398	804	848	3,245	4,001

Condensed consolidated interim statement of financial position

Amounts in NOK million	Note	30 September 2019	30 September 2018	31 December 2018
ASSETS				
Property, plant and equipment	4	12,791	11,619	12,445
Right-of-use assets	4	548	-	-
Goodwill	4	515	328	342
Other intangible assets	4	715	888	922
Deferred tax assets		59	42	60
Investments in equity accounted companies		134	158	134
Derivatives	8	58	101	131
Other non-current assets		357	392	441
Total non-current assets		15,178	13,529	14,474
Inventories		5,280	5,153	5,467
Trade receivables		2,483	2,904	2,391
Derivatives	8	85	162	303
Other current assets		986	984	836
Restricted deposits	7	364	512	577
Cash and cash equivalents	7	5,071	3,858	7,082
Total current assets		14,269	13,573	16,656
TOTAL ASSETS		29,447	27,102	31,129
EQUITY AND LIABILITIES				
Paid-in capital	9	6,610	8,097	8,102
Retained earnings		6,333	4,775	5,520
Non-controlling interests		101	111	101
Total equity		13,044	12,983	13,722
Interest-bearing non-current liabilities	7	8,655	4,272	7,131
Deferred tax liabilities		158	226	207
Employee benefit obligations		586	542	563
Derivatives	8	253	154	450
Provisions and other non-current liabilities		186	234	232
Total non-current liabilities		9,839	5,428	8,583
Trade payables		2,636	2,782	2,731
Income tax payables		252	388	330
Interest-bearing current liabilities	7	1,160	2,366	2,052
Bills payable	7	1,192	1,519	1,740
Employee benefit obligations		584	542	671
Derivatives	8	50	10	79
Provisions and other current liabilities		690	1,083	1,221
Total current liabilities		6,564	8,691	8,824
TOTAL EQUITY AND LIABILITIES		29,447	27,102	31,129

Condensed consolidated interim statement of cash flows

Amounts in NOK million	Note	Third quarter		Year to date		Year
		2019	2018	2019	2018	2018
Operating profit (loss)		317	1,164	1,308	3,614	4,142
Amortisation, depreciation and impairment	3	358	317	1,042	936	1,270
Changes in working capital		67	(470)	186	(1,480)	(712)
Equity accounted companies		(12)	(0)	(10)	19	14
Changes in fair value of commodity contracts		0	(95)	(199)	156	321
Changes in provisions, pension obligations and other		(148)	3	(628)	(61)	46
Interest payments received		8	15	29	36	41
Interest payments made		(51)	(73)	(183)	(314)	(390)
Income taxes paid		(71)	(19)	(422)	(126)	(272)
Cash flow from operating activities		468	842	1,123	2,778	4,460
Investments in property, plant and equipment and intangible assets		(549)	(310)	(1,284)	(1,115)	(1,916)
Acquisition of subsidiaries, net of cash acquired		(215)	-	(215)	(4,049)	(4,049)
Payment received on loan to related parties		-	-	-	1,303	1,303
Other investments / sales		9	12	21	(23)	(9)
Cash flow from investing activities		(755)	(298)	(1,478)	(3,885)	(4,671)
Dividends paid to non-controlling interests		-	-	(34)	(10)	(33)
Dividends paid to owners of the parent		-	-	(1,511)	-	-
Capital increase		-	-	-	5,171	5,171
Net changes in bills payable		26	(438)	(345)	(522)	6,643
Repayment of lease liabilities (IFRS 16)		(19)	-	(53)	-	-
New interest-bearing loans and borrowings		87	-	1,830	3,996	(5,586)
Net changes of short term loans from related parties		-	-	-	(241)	(445)
Repayment of interest-bearing loans and borrowings		(172)	(529)	(1,606)	(5,113)	(241)
Cash flow from financing activities		(77)	(966)	(1,719)	3,280	5,509
Change in Cash and cash equivalents		(364)	(423)	(2,074)	2,174	5,298
Currency exchange differences		69	(25)	63	(67)	33
Cash and cash equivalents opening balance		5,365	4,306	7,082	1,751	1,751
Cash and cash equivalents closing balance		5,071	3,858	5,071	3,858	7,082

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
Opening balance 1 January 2019	8,102	5,520	13,622	101	13,722
Profit (loss) for the period	-	838	838	31	869
Other comprehensive income	-	(25)	(25)	4	(21)
Total comprehensive income	-	813	813	35	848
Share-based payment	20	-	20	-	20
Dividends to equity holders	(1,511)	-	(1,511)	(34)	(1,545)
Closing balance 30 September 2019	6,610	6,333	12,943	101	13,044

Amounts in NOK million	Total paid in capital	Total retained earnings	Total owners share	Non-controlling interest	Total
Opening balance 1 January 2018	2,918	5,545	8,463	102	8,565
Profit (loss) for the period	-	2,964	2,964	22	2,986
Other comprehensive income	-	261	261	(2)	259
Total comprehensive income	-	3,225	3,225	20	3,245
Capital increase	5,177	-	5,177	-	5,177
Business combination under common control	-	(3,995)	(3,995)	-	(3,995)
Share-based payment	1	-	1	-	1
Dividends to equity holders	-	-	-	(10)	(10)
Closing balance 30 September 2018	8,097	4,775	12,872	111	12,983

Amounts in NOK million	Total paid in capital	Total retained earnings	Total owners share	Non-controlling interests	Total
Opening balance 1 January 2018	2,918	5,545	8,463	102	8,565
Profit (loss) for the year	-	3,337	3,337	29	3,367
Other comprehensive income	-	632	632	2	634
Total comprehensive income	-	3,969	3,969	32	4,001
Capital increase	5,177	-	5,177	-	5,177
Business combination under common control	-	(3,995)	(3,995)	-	(3,995)
Share-based payment	6	-	6	-	6
Dividends to equity holders	-	-	-	(33)	(33)
Closing balance 31 December 2018	8,102	5,520	13,622	101	13,722

Notes to the condensed consolidated interim financial statements

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 third quarter of 2019 were approved at the meeting of the board of directors on 21 October 2019.

The condensed consolidated interim financial statements comprise Elkem ASA and its subsidiaries (hereafter Elkem/the group) and Elkem's investments in associates and interests in joint arrangements. The interim financial statements are prepared in compliance with International Accounting Standard (IAS) 34 Interim Financial Reporting. The condensed interim financial statements do not include all information and disclosure required in the annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS).

The accounting policies applied by the group in these interim financial statements are consistent with those of the financial year 2018, except for the adoption of new standards effective as of 1 January 2019 and change in presentation of revenue from sale of power. See note 4 Fixed assets, right-of-use assets, goodwill and intangible assets and note 10 Changes in accounting policies for more information.

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.

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 2018, 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.

	Silicones	Silicon Materials	Foundry Products	Carbon	Other	Eliminations	Total
Third quarter 2019							
Revenue from sale of goods	2,842	1,190	945	384	50	-	5,410
Other revenue	8	9	6	3	52	-	76
Other operating income	23	0	15	2	1	-	41
Share of profit from equity accounted companies	-	-	-	-	12	-	12
Total operating income from external customers	2,873	1,199	966	388	115	-	5,540
Operating income from other segments	3	468	40	42	126	(679)	-
Total operating income	2,876	1,666	1,005	430	241	(679)	5,540
Operating expenses	(2,435)	(1,571)	(939)	(362)	(263)	669	(4,900)
EBITDA	441	96	67	68	(22)	(9)	640
Operating profit (loss) before other items (EBIT)	248	19	7	50	(31)	(9)	282

	Silicones	Silicon Materials	Foundry Products	Carbon	Other	Eliminations	Total
Third quarter 2018*							
Revenue from sale of goods	3,009	1,052	1,175	428	53	-	5,716
Other revenue	3	6	7	2	51	-	69
Other operating income	20	18	10	0	4	-	52
Share of profit from equity accounted companies	-	-	-	-	6	-	6
Total operating income from external customers	3,031	1,075	1,192	430	114	-	5,842
Operating income from other segments	2	397	40	50	92	(581)	-
Total operating income	3,033	1,472	1,232	480	206	(581)	5,842
Operating expenses	(2,181)	(1,235)	(984)	(383)	(231)	566	(4,448)
EBITDA	852	237	248	98	(25)	(15)	1,395
Operating profit (loss) before other items (EBIT)	688	168	188	81	(32)	(15)	1,078

*) 2018 figures have been restated, see note 10 Changes in accounting policies

	Silicones	Silicon Materials	Foundry Products	Carbon	Other	Eliminations	Total
Year to date 30 September 2019							
Revenue from sale of goods	8,332	3,628	3,278	1,228	168	-	16,635
Other revenue	23	21	15	6	140	-	205
Other operating income	89	93	47	4	15	-	248
Share of profit from equity accounted companies	-	-	-	-	21	-	21
Total operating income from external customers	8,443	3,742	3,340	1,239	345	-	17,109
Operating income from other segments	6	1,183	126	137	336	(1,789)	-
Total operating income	8,449	4,926	3,466	1,376	681	(1,789)	17,109
Operating expenses	(7,240)	(4,485)	(3,140)	(1,138)	(767)	1,799	(14,970)
EBITDA	1,210	441	326	237	(86)	10	2,139
Operating profit (loss) before other items (EBIT)	649	221	151	185	(118)	10	1,097

	Silicones	Silicon Materials	Foundry Products	Carbon	Other	Eliminations	Total
Year to date 30 September 2018*							
Revenue from sale of goods	10,050	3,641	3,673	1,212	170	-	18,747
Other revenue	17	27	28	3	146	-	221
Other operating income	62	56	22	2	14	-	156
Share of profit from equity accounted companies	-	-	-	-	14	-	14
Total operating income from external customers	10,129	3,725	3,722	1,218	344	-	19,138
Operating income from other segments	11	1,189	138	150	245	(1,733)	-
Total operating income	10,140	4,914	3,861	1,367	589	(1,733)	19,138
Operating expenses	(7,149)	(4,026)	(3,044)	(1,114)	(701)	1,715	(14,319)
EBITDA	2,991	888	817	253	(112)	(18)	4,819
Operating profit (loss) before other items (EBIT)	2,499	678	652	205	(133)	(18)	3,883

*) 2018 figures have been restated, see note 10 Changes in accounting policies

	Silicones	Silicon Materials	Foundry Products	Carbon	Other	Eliminations	Total
Year 2018*							
Revenue from sale of goods	12,909	5,003	4,827	1,677	246	-	24,662
Other revenue	29	34	44	8	192	-	307
Other operating income	108	75	31	7	23	-	244
Share of profit from equity accounted companies	0	-	(0)	-	18	-	18
Total operating income from external customers	13,046	5,113	4,902	1,692	478	-	25,230
Operating income from other segments	14	1,477	180	200	343	(2,214)	-
Total operating income	13,059	6,590	5,082	1,892	821	(2,214)	25,230
Operating expenses	(9,524)	(5,474)	(4,151)	(1,558)	(957)	2,226	(19,438)
EBITDA	3,535	1,116	931	335	(136)	12	5,793
Operating profit (loss) before other items (EBIT)	2,864	833	710	267	(164)	12	4,522

*) 2018 figures have been restated, see note 10 Changes in accounting policies

Note 3 Changes in composition of the group

In the third quarter Elkem invested NOK 215 million related to acquisition of new subsidiaries and business (business combinations). The amount comprises cash consideration transferred, reduced by cash and cash equivalents of the acquiree.

30 September 2019 Elkem acquired 100% of the shares in Basel Chemie Co. Ltd. a Korean producer of specialty silicone gels for cosmetics and water repellents for the construction industry. The acquisition gives Elkem access to leading technology in attractive end-user silicone segments and provides a solid platform for further development and growth.

Acquisition-related costs of NOK 1 million are classified as other items in the statement of income.

The table below summarise the amounts recognised for assets acquired and liabilities assumed after the business combination.

	Carrying amount	Excess value	Fair value
Non-current assets	51	-	51
Current assets	41	-	41
Non-current liabilities	(29)	-	(29)
Current liabilities	(2)	-	(2)
Total identifiable net assets	59	-	59
Non-controlling interests	-	-	-
Goodwill	-	167	167
Total recognised	59	167	226

The goodwill of NOK 167 million is attributable to the know-how in the acquired business and synergies for the Silicones segment. The allocation is based on provisional assessment of the fair value, since the business combination was performed close to the end of 3rd quarter and the valuation has not been completed.

For the period of purchase to 30 September 2019 Basel has not contributed to the profit (loss) for the period. If the acquisition date of business combination was on 1 January 2019, the operating income of Elkem would have increased with NOK 42 million and the profit would have increased by NOK 5 million.

Note 4 Right of use assets, fixed assets and intangible assets

30 September 2019	Property, plant and equipment	Right-of-use assets	Goodwill	Other intangible assets
Cost				
Opening balance	27,883	-	342	2,062
IFRS 16 Opening balance	-	372	-	-
Additions	1,138	40	-	69
Reclassifications	5	223	-	(228)
Business combinations	46	-	166	-
Disposals	(287)	-	-	(1)
Exchange differences	146	5	7	(2)
Closing balance	28,931	641	515	1,900
Accumulated depreciation				
Opening balance	(12,856)	-	-	(1,139)
Addition	(897)	(59)	-	(82)
Reclassifications	(0)	(37)	-	37
Disposals	255	-	-	0
Exchange differences	(53)	3	-	0
Closing balance	(13,551)	(93)	-	(1,183)
Impairment losses				
Opening balance	(2,582)	-	-	(1)
Addition	(3)	-	-	(1)
Disposals	11	-	-	1
Exchange differences	(14)	-	-	0
Closing balance	(2,589)	-	-	(1)
Net book value 30 September 2019	12,791	548	515	715

30 September 2018	Property, plant and equipment	Goodwill	Other intangible assets
Cost			
Opening balance	26,532	326	1,980
Additions	1,046	-	61
Business combinations	6	18	-
Reclassifications	(30)	-	30
Disposals	(107)	-	-
Exchange differences	(985)	(17)	(73)
Closing balance	26,462	328	1,998
Accumulated depreciation			
Opening balance	(11,934)	-	(1,068)
Addition	(851)	-	(78)
Disposals	27	-	-
Exchange differences	386	-	38
Closing balance	(12,372)	-	(1,108)
Impairment losses			
Opening balance	(2,647)	-	(1)
Addition	(7)	-	-
Disposals	38	-	-
Exchange differences	145	-	0
Closing balance	(2,470)	-	(1)
Net book value 30 September 2018	11,619	328	888

31 December 2018	Property, plant and equipment	Goodwill	Other intangible assets
Cost			
Opening balance	26,532	326	1,980
Additions	1,705	-	102
Reclassifications	(10)	-	10
Business combinations	7	15	3
Disposals	(438)	-	(54)
Exchange differences	87	1	20
Closing balance	27,883	342	2,062
Accumulated depreciation			
Opening balance	(11,934)	-	(1,068)
Additions	(1,156)	-	(107)
Reclassifications	(0)	-	0
Disposals	273	-	48
Exchange differences	(38)	-	(12)
Closing balance	(12,856)	-	(1,139)
Impairment losses			
Opening balance	(2,647)	-	(1)
Addition	(8)	-	-
Disposals	86	-	-
Exchange differences	(13)	-	(0)
Closing balance	(2,582)	-	(1)
Net book value 31 December 2018	12,445	342	922

IFRS 16 Leases

Under the previous IFRS standard, leases classified as operational leases was presented as operating expenses. Under the new IFRS 16 the capitalised right-of-use assets are depreciated over the lease term and presented as depreciation, and the interest effect from the discounted liability is presented as a financial item in the statement of income. Lease of land that were previously recognised as intangible assets are from 1 January 2019 reclassified to right-of-use assets. Below is an overview of the implementation impact of IFRS 16 Leases:

Consolidated statement of financial position (increase / (decrease))

Effect on opening balance	31 December 2018	Impact IFRS 16	Reclassification leasehold land	1 January 2019
Assets				
Right-of-use assets	-	372	187	559
Other intangible assets	922	-	(187)	735
Liabilities				
Interest-bearing non-current liabilities	7,131	299	-	7,430
Interest-bearing current liabilities	2,052	73	-	2,125

Consolidated statement of income

	Year to date 2019 IFRS 16	Impact IFRS 16	Year to date 2019 IAS 17
Other operating expenses	(1,130)	(64)	(1,194)
Amortisations and depreciations	(355)	56	(299)
Finance expenses	(73)	11	(61)

Cash flow from operating activities has increased and cash flow from financing activities has decreased correspondingly by NOK 53 million year to date 2019 as repayment of the principal portion of the lease liabilities is classified as cash flow from financing activities compared with IAS 17. Cash flow from operations, that is used to measure segment performance, has increased with additional NOK 11 million due to cash flow related to finance expenses.

Elkem's activities, as lessor that are mainly related to sublease of office buildings. The effects are not material and Elkem has not identified any impact on the financial statements due to transition to IFRS 16.

Note 5 Other items

	Third quarter		Year to date		Year
	2019	2018	2019	2018	2018
Change in fair value commodity contracts ¹⁾	(1)	96	213	(149)	(319)
Ineffectiveness on cash flow hedges	0	0	(13)	6	19
Net foreign exchange gains (losses) - forward currency contracts	(3)	6	8	29	29
Operating foreign exchange gains (losses)	42	(16)	7	(29)	32
Other gains / losses	38	86	215	(142)	(240)
Dividend from interest in other companies	1	0	1	1	2
Change in fair value from shares in other companies	0	0	1	(1)	(2)
Gains (losses) disposal of subsidiaries	0	0	0	1	1
Other income	1	0	2	1	1
Expenses IPO	-	(3)	-	(95)	(96)
Other	(5)	3	(6)	(32)	(47)
Other expenses	(5)	(0)	(6)	(128)	(142)
Total other items	35	86	211	(268)	(380)

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 2018.

Note 6 Finance income and expenses

	Third quarter		Year to date		Year
	2019	2018	2019	2018	2018
Interest income on loans and receivables	7	15	30	36	41
Other financial income	0	0	1	1	1
Total finance income	8	15	31	37	42
Foreign exchange gains (losses)	40	(26)	25	(26)	19
Interest expenses on interest-bearing liabilities measured at amortised cost	(54)	(63)	(169)	(222)	(280)
Interest expenses from other items measured at amortised cost	(7)	(20)	(20)	(73)	(92)
Interest expenses on lease liabilities	(4)	-	(11)	-	-
Capitalised interest expenses	-	-	-	(0)	0
Unwinding of discounted liabilities	(1)	(1)	(3)	(2)	(5)
Interest on net pension liabilities	(2)	(2)	(6)	(5)	(10)
Other financial expenses	(5)	(1)	(7)	(3)	(2)
Total finance expenses	(73)	(87)	(216)	(306)	(388)
Net Finance income (expenses)	(25)	(98)	(160)	(295)	(327)

Note 7 Interest-bearing assets and liabilities

	30 September 2019	30 September 2018	31 December 2018
Non-current interest-bearing debt			
Loans from related parties	-	7	-
Financial leases	-	1	-
Lease liabilities	315	-	-
Loans from external part, other than bank	3,956	81	2,731
Bank financing	4,385	4,183	4,400
Total non-current interest-bearing debt	8,655	4,272	7,131
Current interest-bearing debt			
Loans from related parties	-	-	-
Financial lease	-	1	0
Lease liabilities	50	-	-
Loans from external parties, other than banks	268	179	195
Bank financing, current	811	2,165	1,834
Accrued interest	32	22	23
Total current interest-bearing debt	1,160	2,366	2,052
Current bills payable	1,192	1,519	1,740
Total interest-bearing liabilities including bills payable	11,007	8,158	10,923
Cash and cash equivalents	5,071	3,858	7,082
Current restricted deposits bills payable	358	498	569
Other current restricted deposits	5	14	8
Other non-current restricted deposits	96	88	97
Receivables from related parties	1	1	2
Loans to external parties	8	7	8
Accrued interest income	1	0	0
Total other interest-bearing assets	5,541	4,467	7,765
Total interest-bearing assets / (liabilities)	(5,466)	(3,690)	(3,158)

Note 8 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 energy for smelting when realised.

Derivatives as at 30 September 2019

Purchase contracts	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
Forward currency contracts	2,526	(28)	(36)	(36)	0	-	-
Embedded EUR derivatives	4,708	(256)	(114)	(14)	(14)	(15)	(72)
Power contracts ¹⁾	3,429	123	76	16	16	11	33
Platinum contracts	8	0	-	-	-	-	-
Total derivatives		(160)	(74)	(34)	2	(4)	(39)
EUR loan designed as cash flow hedging instrument		(238)	(21)	(5)	(5)	(5)	(7)
Total			(96)	(38)	(3)	(9)	(46)

¹⁾ For certain contracts and part of contracts hedge accounting is applied. Remaining power contracts are assessed to be for own use and not financial instruments according to IFRS, hence these are not recognised in the statement of financial positions.

Realised effects hedge accounting, recycled from OCI	Third quarter		Year to date		Full year
	2019	2018	2019	2018	2018
Realised effects from forward currency contracts, Revenue	(12)	(6)	(29)	(37)	(34)
Realised effects from embedded derivatives EUR, Revenue	(3)	(1)	(6)	(2)	(3)
Realised effects from EUR loans, Revenue	0	0	(2)	(2)	(3)
Realised effects from power contracts, Raw materials and energy for smelt	(0)	90	68	151	216
Total realised hedging effects recycled from OCI	(15)	84	31	110	176

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 2018.

Note 9 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. The development in the number of issued and outstanding shares is as follows:

	Outstanding
As at 1 January 2019	581,310,343
As at 30 September 2019	581,310,343

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 200,000,000. 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.

On 29 July 2018 8,000,000 options are granted to members of the management and certain other key employees. Each option gives the option holder the right to subscribe or purchase one share in Elkem at an exercise price of NOK 23.53, which is equal to the share price at closing on the first 20 working days of July 2019. The options will vest over a period of three years from grant with one-third vesting each year and the first one-third vesting on 29 July 2020. The options will expire two years after vesting, i.e. on 29 July 2022, 2023 and 2024, respectively. As at 30 September 2019 15,850,000 options are granted to members of the management and certain other key employees.

Note 10 Changes in accounting policies

Elkem has some power contracts where the power is delivered in other grid areas than Elkem's consumption. Elkem therefore needs to sell the power in the grid area where the power is delivered and purchase power in the areas where the plants are located. Previously Elkem presented sale of power in the same grid area that it's bought due to transfer of the power from one grid area to another grid area gross, as revenue and a corresponding raw material and energy for smelting. The new accounting policy is to present these transactions net, as the risks related to these transactions are immaterial and only related to Elkem's own use of power. There are no gains or losses from these transactions. Comparable figures are restated. The impact on comparable figures in the statement of income are shown in the tables below. The change in accounting policy has only effect on the segment other in note 2 Operating segment.

Statement of income	Q3 2019 after change	Impact	Q3 2019 before change
Revenue	5,486	132	5,618
Raw materials and energy for smelting	(2,866)	(132)	(2,998)
Operating profit (loss) before other items	282	-	282

Statement of income	Q3 2018 after change	Impact	Q3 2018 before change
Revenue	5,785	208	5,993
Raw materials and energy for smelting	(2,558)	(208)	(2,766)
Operating profit (loss) before other items	1,078	-	1,078

Statement of income	YTD 2019 after change	Impact	YTD 2019 before change
Revenue	16,840	452	17,292
Raw materials and energy for smelting	(8,683)	(452)	(9,135)
Operating profit (loss) before other items	1,097	-	1,097

Statement of income	YTD 2018 after change	Impact	YTD 2018 before change
Revenue	18,968	484	19,452
Raw materials and energy for smelting	(8,461)	(484)	(8,945)
Operating profit (loss) before other items	3,883	-	3,883

Statement of income	2018 restated	Impact	2018 Financial statements
Revenue	24,968	656	25,625
Raw materials and energy for smelting	(11,366)	(656)	(12,023)
Operating profit (loss) before other items	4,522	-	4,522

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

<u>Third quarter 2019</u>	<u>Silicones</u>	<u>Silicon Materials</u>	<u>Foundry Products</u>	<u>Carbon</u>	<u>Other</u>	<u>Eliminations</u>	<u>Elkem</u>
Profit (loss) for the year							220
Income tax (expense) benefit							62
Finance expenses							73
Foreign exchange gains (losses)							(40)
Finance income							(8)
Share of profit from equity accounted financial investments							10
Other items							(35)
EBIT	248	19	7	50	(31)	(9)	282
Impairment losses							3
Amortisations and depreciations							355
EBITDA	441	96	67	68	(22)	(9)	640

<u>Third quarter 2018</u>	<u>Silicones</u>	<u>Silicon Materials</u>	<u>Foundry Products</u>	<u>Carbon</u>	<u>Other</u>	<u>Eliminations</u>	<u>Elkem</u>
Profit (loss) for the year							923
Income tax (expense) benefit							142
Finance expenses							87
Foreign exchange gains (losses)							26
Finance income							(15)
Share of profit from equity accounted financial investments							0
Other items							(86)
EBIT	688	168	188	81	(32)	(15)	1,078
Impairment losses							(0)
Amortisations and depreciations							317
EBITDA	852	237	248	98	(25)	(15)	1,395

Year to date 30 September 2019	Silicones	Silicon Materials	Foundry Products	Carbon	Other	Eliminations	Elkem
Profit (loss) for the year							869
Income tax (expense) benefit							263
Finance expenses							216
Foreign exchange gains (losses)							(25)
Finance income							(31)
Share of profit from equity accounted financial investments							16
Other items							(211)
EBIT	649	221	151	185	(118)	10	1,097
Impairment losses							4
Amortisations and depreciations							1,038
EBITDA	1,210	441	326	237	(86)	10	2,139
Year to date 30 September 2018	Silicones	Silicon Materials	Foundry Products	Carbon	Other	Eliminations	Elkem
Profit (loss) for the year							2,986
Income tax (expense) benefit							332
Finance expenses							306
Foreign exchange gains (losses)							26
Finance income							(37)
Share of profit from equity accounted financial investments							1
Other items							268
EBIT	2,499	678	652	205	(133)	(18)	3,883
Impairment losses							7
Amortisations and depreciations							929
EBITDA	2,991	888	817	253	(112)	(18)	4,819
Year 2018	Silicones	Silicon Materials	Foundry Products	Carbon	Other	Eliminations	Elkem
Profit (loss) for the year							3,367
Income tax (expense) benefit							425
Finance expenses							388
Foreign exchange gains (losses)							(19)
Finance income							(42)
Share of profit from equity accounted financial investments							23
Other items							380
EBIT	2,864	833	710	267	(164)	12	4,522
Impairment losses							8
Amortisations and depreciations							1,263
EBITDA	3,535	1,116	931	335	(136)	12	5,793

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

	Third quarter		Year to date		Year
	2019	2018	2019	2018	2018
Reinvestments	(155)	(203)	(640)	(675)	(1,064)
Strategic investments	(299)	(180)	(565)	(444)	(726)
Periodisations ¹⁾	(94)	73	(79)	3	(125)
Investments in property, plant and equipment and intangible assets	(549)	(310)	(1,284)	(1,115)	(1,916)

¹⁾ 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:

	Third quarter		Year to date		Year
	2019	2018	2019	2018	2018
Cash flow from operating activities	468	842	1,123	2,778	4,460
Income taxes paid	71	19	422	126	272
Interest payments made	51	73	183	314	390
Interest payments received	(8)	(15)	(29)	(36)	(41)
Changes in provisions, pension obligations and other	148	(3)	628	61	(46)
Changes in fair value commodity contracts	(0)	95	199	(156)	(321)
Other items	(35)	(86)	(211)	268	380
Reinvestments	(155)	(203)	(640)	(675)	(1,064)
Cash flow from operations	539	721	1,675	2,683	4,030

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, 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.

Working capital bridge from statutory accounts to company definition

30 September 2019 30 September 2018 31 December 2018

	30 September 2019	30 September 2018	31 December 2018
Inventories	5,280	5,153	5,467
Trade receivables	2,483	2,904	2,391
Bills receivable	(665)	(257)	(354)
Accounts receivable	1,817	2,647	2,037
Other current assets	986	984	836
Current interest-bearing receivables	-	-	-
Other current receivables to related parties interest free	(14)	(11)	(4)
Grants receivables	(262)	(89)	(148)
Tax receivables	(109)	(54)	(38)
Accrued interest	(2)	(0)	(0)
Other current assets included in working capital	600	830	645
Trade payables	2,636	2,782	2,731
Trade payables related to purchase of non-current assets	(173)	(418)	(307)
Accounts payable included in working capital	2,463	2,364	2,423
Employee benefit obligations	584	542	671
Provisions and other current liabilities	690	1,083	1,221
Current provisions	(161)	(166)	(141)
Liabilities to related parties	(86)	(172)	(328)
Other current liabilities included in working capital	443	745	752
Working capital	4,207	4,978	4,303
Property, plant and equipment	12,791	11,619	12,445
Right-of-use assets	548	-	-
Investments equity accounted companies	134	158	134
Trade payables and prepayments related to purchase of non-current assets	(170)	(384)	(251)
Capital employed	17,510	16,372	16,631

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.

	30 September 2019	30 September 2018	31 December 2018
Net interest-bearing assets / (liabilities)	(5,466)	(3,690)	(3,158)
Non-current interest-bearing assets	(105)	(97)	(106)
Accrued interest income	(1)	(0)	(0)
Net interest-bearing debt	(5,573)	(3,788)	(3,264)
EBITDA (LTM)	3,113	5,896	5,793
Leverage ratio	1.8	0.6	0.6