

Elkem ASA

First quarter results

2019

Contents

Highlights 1 st quarter 2019	3
Key figures	3
Solid margins despite challenging market conditions	4
Financial review	5
Group results	5
Cash flow	6
Financial position	6
Segments	7
Silicones	7
Silicon Materials	7
Foundry Products	7
Carbon	8
Outlook	8
Condensed consolidated interim statement of income	9
Condensed consolidated interim statement of comprehensive income	10
Condensed consolidated interim statement of financial position	11
Condensed consolidated interim statement of cash flows	12
Condensed consolidated interim statement of changes in equity	13
Notes to the condensed consolidated interim financial statements	14
Note 1 General information	14
Note 2 Operating segments	14
Note 3 Fixed assets, right-of-use assets, goodwill and intangible assets	16
Note 4 Other items	19
Note 5 Finance income and expenses	19
Note 6 Interest-bearing assets / debt	20
Note 7 Cash flow hedging	20
Note 8 Number of shares	21
Appendix - Alternative performance measures (APMs)	22

Highlights 1st quarter 2019

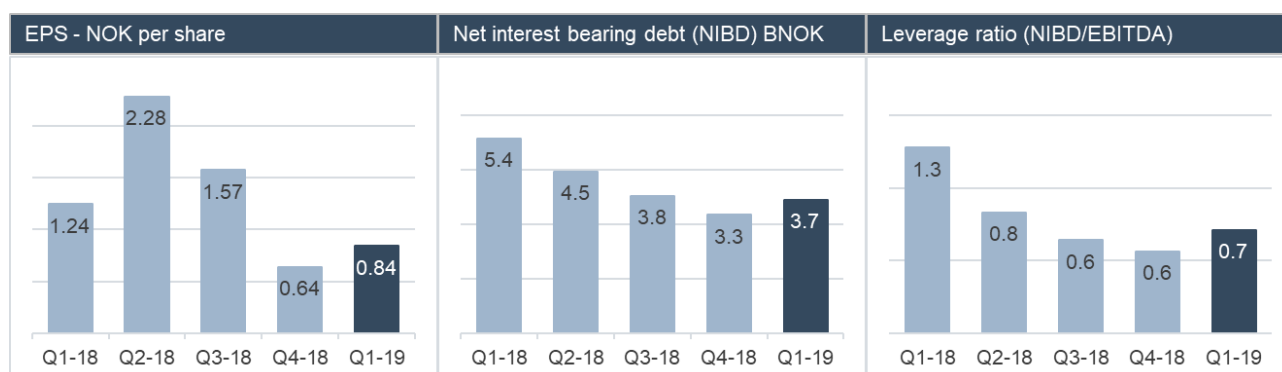
- First quarter result in line with expectations, affected by weak market conditions and reduced capacity utilisation
- Total operating income of NOK 6,007 million, down 7% from first quarter 2018
- EBITDA of NOK 852 million, down 41% from first quarter 2018
- Lower operating income and EBITDA mainly due to lower Chinese silicone prices in the quarter
- Silicones market in China improving after Chinese New Year
- Earnings per share NOK 0.84

Key figures

CONSOLIDATED KEY FIGURES

(NOK million, except where specified)	1Q 2019	1Q 2018	YTD 2019	YTD 2018	FY 2018
Total operating income	6,007	6,451	6,007	6,451	25,887
EBITDA	852	1,454	852	1,454	5,793
EBITDA margin (%)	14%	23%	14%	23%	22%
EBIT	514	1,150	514	1,150	4,522
Profit (loss) for the period ⁽¹⁾	490	723	490	723	3,337
Earning per share (EPS) (NOK per share)	0.84	1.24	0.84	1.24	5.74
Equity ratio (%)	46%	38%	46%	38%	44%
Net interest-bearing debt (NIBD)	3,685	5,369	3,685	5,369	3,264
Cash flow from operations	491	852	491	852	4,030
ROCE - annualised (%)	12%	30%	12%	30%	28%

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



Solid margins despite challenging market conditions

Elkem delivers solid margins in the first quarter of 2019 despite challenging market conditions. The sales prices for core silicone products in China have been at low levels compared to the preceding quarters and the market sentiments for silicon metal and ferrosilicon have also been weak. However, demand is picking up in several market segments.

Total operating income for the first quarter 2019 was NOK 6,007 million, which was down 7% compared to first quarter 2018. EBITDA amounted to NOK 852 million in the quarter, down from NOK 1,454 million in the corresponding quarter last year. Earnings per share (EPS) was NOK 0.84 in the quarter.

Lower prices for core silicone products have resulted in lower operating income and EBITDA for the Silicones division. This largely explains the reduction in operating income at group level. Specialised products, which account for approx. 50% of the Silicones division's sales, have mitigated the negative earnings impact. The demand in China has picked up after Chinese New Year, resulting in increased silicone prices towards the end of the first quarter. Silicon Materials and Foundry Products have weaker results compared to the corresponding quarter last year, mainly due to lower sales prices for standard silicon and ferrosilicon, and higher raw material costs. The Carbon division has yet again delivered strong and stable results.

The group's equity as at 31 March 2019 amounted to NOK 14,147 million, which gave a ratio of equity to total assets of 46%. Net interest-bearing debt was NOK 3,685 million, which gave a ratio of net interest-bearing debt to EBITDA of 0.7 times. The board of directors has proposed a dividend of NOK 2.60 per share for 2018, which is subject to approval by the annual shareholder meeting. Adjusted for the proposed dividend the equity ratio would have been 43% and the leverage ratio 1.0 times, if the dividend payment had been made with effect 31 March 2019.

Elkem continues to benefit from fundamentally strong positions, holding up in a currently weak market sentiment. Markets are still expected to remain weak for silicon and ferrosilicon during the second quarter. Demand and pricing for silicones have developed favourably and is expected to improve in second quarter. Carbon is expected to continue to see good market conditions.

The Roussillon silicones plant in France will have a maintenance stop for four weeks in April/May, but the expected impact on results is limited.

Second quarter EBITDA is expected to be stronger than first quarter, mainly due to better market conditions for silicones and cost improvements.



Financial review

Group results

KEY FIGURES	1Q 2019	1Q 2018	YTD 2019	YTD 2018	FY 2018
<i>MNOK except where indicated otherwise</i>					
Total operating income	6,007	6,451	6,007	6,451	25,887
EBITDA	852	1,454	852	1,454	5,793
EBIT	514	1,150	514	1,150	4,522
Other items	151	-201	151	-201	-380
Net financial items	-27	-119	-27	-119	-327
Profit (loss) before income tax	640	829	640	829	3,792
Tax	-143	-100	-143	-100	-425
Profit (loss) for the period	497	729	497	729	3,367

Quarter and year to date

Elkem group had a total operating income of NOK 6,007 million in 1Q-2019, down 7% from NOK 6,451 million in 1Q-2018. The reduction in operating income was primarily related to the Silicones division, explained by lower sales prices for core silicone products, particularly in China.

The group's EBITDA for 1Q-2019 was NOK 852 million, down 41% from NOK 1,454 million in 1Q-2018. The EBITDA margin was 14% in the quarter, down from a strong level of 23% in 1Q-2018. Silicones, Silicon Materials and Foundry Products had reductions in EBITDA, mainly due to lower sales prices for core and standard products. For Silicones and Foundry Products, the sales prices for specialised products have mitigated the negative earnings impact. Higher raw material costs have impacted negatively on Silicon Materials and Foundry Products.

EBIT for 1Q-2019 was NOK 514 million, down from NOK 1,150 million in 1Q-2018.

Other items include fair value changes, gains/losses on currency forward contracts and other income and expenses. Other items amounted to NOK 151 million in 1Q-2019. Net fair value changes of power contracts were NOK 161 million. The mark-to-market value increased during 1Q-2019 due to lower short-term power prices combined with higher long-term power prices. The quarter included currency losses of NOK 11 million.

Net financial items were NOK -27 million in 1Q-2019, compared to NOK -119 million in 1Q-2018. Net finance expenses amounted to NOK 61 million, which is a reduction from NOK 108 million in 1Q-2018. Net finance expenses in 1Q-2019 included interest expenses on lease obligations in accordance with IFRS 16. The net finance expenses were partly offset by a foreign exchange gain of NOK 34 million, related to positive translation effects on group receivables in CNY and EUR denominated debt.

Profit before income tax was NOK 640 million compared to NOK 829 million in 1Q-2018.

Tax expenses in 1Q-2019 were NOK 143 million, giving a tax rate in the quarter of 22%. The tax rate was higher than normal in the first quarter due to the distribution of profit and positive fair value changes in Norway. The tax rate is expected to go down in the coming quarters. The annual tax rate for 2019 is expected to be around 16%.

Profit for the period was NOK 497 million, compared to NOK 729 million in 1Q-2018. Owners of the parent's share of profit is NOK 490 million, which gave earnings per share of NOK 0.84 in the first quarter 2019.

Cash flow

CASH FLOW FROM OPERATIONS	1Q 2019	1Q 2018	YTD 2019	YTD 2018	FY 2018
<i>NOK million</i>					
Operating profit (loss) before other items	514	1,150	514	1,150	4,522
Amortisation, depreciation and impairment	338	304	338	304	1,270
Changes in working capital	-169	-441	-169	-441	-712
Reinvestments	-183	-180	-183	-180	-1,064
Equity accounted investments	-9	20	-9	20	14
Cash flow from operations	491	853	491	853	4,030
Other cash flow items	-753	2,049	-753	2,049	1,268
Change in cash and cash equivalents	-262	2,902	-262	2,902	5,298

Elkem's internal cash flow measure is defined and described as part of the APM section in the back of the report.

Quarter and year to date

Cash flow from operations was NOK 491 million in 1Q-2019, compared to NOK 853 million in 1Q-2018. Lower cash flow was mainly explained by lower operating profit. The working capital increase in the quarter was mainly seasonal and the effect was smaller than the corresponding quarter last year. Elkem's target is to reduce working capital as a percentage of total operating income.

Reinvestments and strategic investments were seasonally low in the first quarter. In 1Q-2019, reinvestments amounted to NOK 184 million, which was in line with 1Q-2018.

Strategic investments were included in other cash flow items and amounted to NOK 87 million in 1Q-2019, down from NOK 144 million in 1Q-2018. The strategic investments in the quarter were primarily related to specialisation projects in the Silicones division.

Cash and cash equivalents have decreased by NOK 262 million in the quarter. Total cash and cash equivalents amounted to NOK 6,832 million as at 31 March 2019.

Financial position

FINANCIAL POSITION	1Q 2019	1Q 2018	FY 2018
Total equity (NOK million)	14,147	10,533	13,722
Equity ratio (%)	46%	38%	44%
EPS (NOK per share)	0.84	1.24	5.74
Net interest bearing debt (NOK million) ⁽¹⁾	3,685	5,369	3,264
Leverage ratio based on LTM EBITDA (ratio)	0.7	1.3	0.6

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

Quarter and year to date

Elkem's equity as at 31 March 2019 was NOK 14,147 million, up from NOK 13,722 million as at 31 December 2018. The equity has increased due to profit for the period. The equity ratio as at 31 March 2019 was 46%.

Net-interest bearing debt as at 31 March 2019 was NOK 3,685 million, which is up from NOK 3,264 million as at 31 December 2018. Increased net-interest bearing debt was mainly explained by recognition of lease liabilities in accordance with IFRS 16. Elkem's leverage ratio was 0.7 times as at 31 March 2019.

The board of directors has proposed a dividend of NOK 2.60 per share for 2018, totalling NOK 1,511 million. The dividend is subject to approval from the annual shareholder meeting on 30 April 2019. Adjusted for the dividend payment, the equity ratio would have been 43% and the leverage ratio 1.0 times as at 31 March 2019.

Segments

Silicones

KEY FIGURES	1Q 2019	1Q 2018	YTD 2019	YTD 2018	FY 2018
<i>MNOK except where indicated otherwise</i>					
Total operating income	2,783	3,209	2,783	3,209	13,059
EBITDA	436	783	436	783	3,535
EBITDA margin	16%	24%	16%	24%	27%
Sales volume (thousand mt)	81	82	81	82	314

Quarter and year to date

The Silicones division had total operating income of NOK 2,783 million in 1Q-2019, a reduction of 13% from NOK 3,209 million in 1Q-2018. Lower operating income was due to lower sales prices for core silicone products, particularly in China. Sales volumes are stable compared to 1Q-2018 with strong demand after Chinese New Year.

EBITDA for 1Q-2019 was NOK 436 million, a reduction of 44% from the high level in the first quarter of 2018. The EBITDA-margin was 16% in 1Q-2019 compared to 24% in the corresponding quarter last year. Lower EBITDA is explained by lower sales prices for core products in China. This effect has partly been countered by strong performance for specialty products following price increases from January 2019. Compared to first quarter last year, EBITDA has been positively impacted by lower raw material costs, mainly for silicon metal.

Silicon Materials

KEY FIGURES	1Q 2019	1Q 2018	YTD 2019	YTD 2018	FY 2018
<i>MNOK except where indicated otherwise</i>					
Total operating income	1,654	1,687	1,654	1,687	6,590
EBITDA	183	341	183	341	1,116
EBITDA margin	11%	20%	11%	20%	17%
Sales volume (thousand mt) ¹⁾	61	62	61	62	237

¹⁾ Excluding Microsilica and quartz

Quarter and year to date

The Silicon Materials division had a total operating income of NOK 1,654 million in 1Q-2019, which is in line with NOK 1,687 million in 1Q-2018. The sales volume for silicon metal was stable compared to the corresponding quarter last year, but sales prices have been reduced. However, the impact on total operating income has been offset by sales of other products, e.g. microsilica.

The EBITDA for Silicon Materials was NOK 183 million in 1Q-2019, down 46% from NOK 341 million in 1Q-2018. The EBITDA was negatively affected by lower sales prices and higher raw material costs, particularly for carbon materials and electrodes.

The Yongdeng plant in China completed a major upgrade in 4Q-2018 and has been in a ramp-up phase in the beginning of 2019. In addition, one furnace at the Salten plant was idled from early January to early March due to weak market conditions.

Foundry Products

KEY FIGURES	1Q 2019	1Q 2018	YTD 2019	YTD 2018	FY 2018
<i>MNOK except where indicated otherwise</i>					
Total operating income	1,266	1,324	1,266	1,324	5,082
EBITDA	179	306	179	306	931
EBITDA margin	14%	23%	14%	23%	18%
Sales volume (thousand mt) ¹⁾	71	72	71	72	275

¹⁾ Excluding Microsilica sales

Quarter and year to date

Total operating income for the Foundry Products division was NOK 1,266 million in 1Q-2019, down 4% from NOK 1,324 million in 1Q-2018. Reduced operating income was mainly explained by lower sales prices for ferrosilicon. Prices for foundry alloys are stable. Sales volumes have been stable, but with negative sales mix effects.

Foundry Products reported EBITDA of NOK 179 million in 1Q-2019, down by 42% compared to NOK 306 million in the corresponding quarter last year. Lower EBITDA and EBITDA margin were due to lower ferrosilicon prices, negative sales mix effects and higher raw material costs.

Carbon

KEY FIGURES	1Q 2019	1Q 2018	YTD 2019	YTD 2018	FY 2018
<i>MNOK except where indicated otherwise</i>					
Total operating income	465	442	465	442	1,892
EBITDA	83	76	83	76	335
EBITDA margin	18%	17%	18%	17%	18%
Sales volume (thousand mt)	65	70	65	70	289

Quarter and year to date

The Carbon division reported total operating income of NOK 465 million in 1Q-2019, which is up 5% from 1Q-2018. Sales volumes are down compared to first quarter 2018, mainly due to scheduled maintenance stops and projects at several plants. However, lower sales volumes have been countered by higher sales prices and improved sales mix.

EBITDA for 1Q-2019 was NOK 83 million, up from NOK 76 million in the corresponding quarter last year. Higher EBITDA and EBITDA margin were due to higher sales prices and positive sales mix effects. These effects have been partly countered by higher raw material costs since 1Q-2018.

Outlook

Elkem continues to benefit from fundamentally strong positions, holding up in a currently weak market sentiment.

Markets are expected to remain weak for silicon and ferrosilicon during second quarter. Demand and pricing for silicones have developed favourably and is expected to improve in the second quarter. Carbon is expected to continue to see good market conditions.

The Roussillon silicones plant in France will have a maintenance stop for four weeks in April/May, but the expected impact on results is limited.

Second quarter EBITDA is expected to be stronger than first quarter, mainly due to better market conditions for silicones and cost improvements.

Elkem ASA

Oslo, 29 April 2019

Condensed consolidated interim statement of income

Amounts in NOK million	Note	First quarter		Year to date		Year
		2019	2018	2019	2018	2018
Revenue	2	5,886	6,398	5,886	6,398	25,625
Other operating income	2	112	49	112	49	244
Share of profit (loss) from equity accounted companies	2	9	4	9	4	18
Total operating income		6,007	6,451	6,007	6,451	25,887
Raw materials and energy for smelting		(2,977)	(3,001)	(2,977)	(3,001)	(12,023)
Employee benefit expenses		(929)	(847)	(929)	(847)	(3,449)
Other operating expenses		(1,250)	(1,149)	(1,250)	(1,149)	(4,622)
Amortisations and depreciations	3	(338)	(302)	(338)	(302)	(1,263)
Impairment losses	3	-	(2)	-	(2)	(8)
Operating profit (loss) before other items		514	1,150	514	1,150	4,522
Other items	4	151	(201)	151	(201)	(380)
Operating profit (loss)		666	949	666	949	4,142
Share of profit (loss) from equity accounted financial investments		2	(1)	2	(1)	(23)
Finance income	5	11	9	11	9	42
Foreign exchange gains (losses)	5	34	(11)	34	(11)	19
Finance expenses	5	(72)	(117)	(72)	(117)	(388)
Profit (loss) before income tax		640	829	640	829	3,792
Income tax (expenses) benefits		(143)	(100)	(143)	(100)	(425)
Profit (loss) for the period		497	729	497	729	3,367
Attributable to:						
Non-controlling interests' share of profit (loss)		7	6	7	6	29
Owners of the parent's share of profit (loss)		490	723	490	723	3,337
Earnings per share		First quarter	Year to date	Year		
		2019	2018	2019	2018	2018
Basic earnings per share in NOK		0.84	1.24	0.84	1.24	5.74
Diluted earnings per share in NOK		0.84	1.24	0.84	1.24	5.74
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
	2019	2018	2019	2018	2018
Profit (loss) for the period	497	729	497	729	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	11	-	11	-	2
Share of other comprehensive income (loss) from equity accounted companies	-	(0)	-	(0)	(0)
	11	(0)	11	(0)	14
Items that may be reclassified to profit or loss					
Currency translation differences	(46)	(188)	(46)	(188)	113
Hedging of net investment in foreign operations	78	52	78	52	(29)
Tax effects hedging of net investment in foreign operations	(17)	(12)	(17)	(12)	7
Cash flow hedges	(94)	267	(94)	267	697
Tax effects on cash flow hedges	21	(62)	21	(62)	(159)
Share of other comprehensive income (loss) from equity accounted companies	(7)	(0)	(7)	(0)	(8)
	(65)	56	(65)	56	621
Other comprehensive income, net of tax	(54)	56	(54)	56	634
Total comprehensive income	444	785	444	785	4,001
Attributable to:					
Non-controlling interests' share of comprehensive income	8	3	8	3	32
Owners of the parent's share of comprehensive income	435	782	435	782	3,969
Total comprehensive income	444	785	444	785	4,001

Condensed consolidated interim statement of financial position

Amounts in NOK million	Note	31 March 2019	31 March 2018	31 December 2018
ASSETS				
Property, plant and equipment	3	12,409	11,811	12,445
Right-of-use assets	3	556	-	-
Goodwill	3	338	335	342
Other intangible assets	3	709	903	922
Deferred tax assets		58	40	60
Investments equity accounted companies		136	138	134
Derivatives	7	75	19	131
Other non-current assets		396	421	441
Total non-current assets		14,678	13,668	14,474
Inventories		5,411	4,431	5,467
Accounts receivable		2,619	3,115	2,391
Derivatives	7	101	66	303
Other current assets		814	804	836
Restricted deposits	6	412	1,019	577
Cash and cash equivalents	6	6,832	4,621	7,082
Total current assets		16,190	14,057	16,656
TOTAL ASSETS		30,868	27,725	31,129
EQUITY AND LIABILITIES				
Paid-in capital	8	8,107	8,096	8,102
Retained earnings		5,955	2,332	5,520
Non-controlling interests		85	105	101
Total equity		14,147	10,533	13,722
Interest-bearing non-current liabilities	6	8,478	6,069	7,131
Deferred tax liabilities		184	115	207
Employee benefit obligations		559	545	563
Derivatives	7	193	288	450
Provisions and other non-current liabilities		214	339	232
Total non-current liabilities		9,628	7,357	8,583
Accounts payable		2,838	2,898	2,731
Income tax payables		351	197	330
Interest-bearing current liabilities	6	1,187	2,566	2,052
Bills payable	6	1,264	2,374	1,740
Employee benefit obligations		616	558	671
Derivatives	7	31	100	79
Provisions and other current liabilities		806	1,143	1,221
Total current liabilities		7,093	9,836	8,824
TOTAL EQUITY AND LIABILITIES		30,868	27,725	31,129

Condensed consolidated interim statement of cash flows

Amounts in NOK million	Note	First quarter		Year to date		Year
		2019	2018	2019	2018	2018
Operating profit (loss)		666	949	666	949	4,142
Amortisation, depreciation and impairment	3	338	304	338	304	1,270
Changes in working capital		(169)	(441)	(169)	(441)	(712)
Equity accounted companies		(9)	20	(9)	20	14
Changes in fair value commodity contracts		(164)	123	(164)	123	321
Changes in provisions, pension obligations and other		(397)	(24)	(397)	(24)	46
Interest payments received		11	8	11	8	41
Interest payments made		(65)	(175)	(65)	(175)	(390)
Income taxes paid		(179)	(72)	(179)	(72)	(272)
Cash flow from operating activities		32	691	32	691	4,460
Investments in property, plant and equipment and intangible assets		(189)	(401)	(189)	(401)	(1,916)
Acquisition of subsidiaries, net of cash acquired		-	(4,049)	-	(4,049)	(4,049)
Payment received on loan to related parties		-	1,303	-	1,303	1,303
Other investments / sales		3	(6)	3	(6)	(9)
Cash flow from investing activities		(186)	(3,153)	(186)	(3,153)	(4,671)
Dividends paid to non-controlling interests		(24)	-	(24)	-	(33)
Capital increase		-	5,171	-	5,171	5,171
Net changes in bills payable		(325)	(250)	(325)	(250)	6,643
Repayment of lease liabilities (IFRS 16)		(16)	-	(16)	-	-
New interest-bearing loans and borrowings		1,296	3,831	1,296	3,831	(5,586)
Net changes of short term loans from related parties		-	(241)	-	(241)	(445)
Repayment of interest-bearing loans and borrowings		(1,039)	(3,146)	(1,039)	(3,146)	(241)
Cash flow from financing activities		(108)	5,364	(108)	5,364	5,509
Change in Cash and cash equivalents		(262)	2,902	(262)	2,902	5,298
Currency exchange differences		12	(32)	12	(32)	33
Cash and cash equivalents Opening Balance		7,082	1,751	7,082	1,751	1,751
Cash and cash equivalents Closing Balance		6,832	4,621	6,832	4,621	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
Balance 1 January 2019	8,102	5,520	13,622	101	13,722
Profit (loss) for the period	-	490	490	7	497
Other comprehensive income	-	(55)	(55)	1	(54)
Total comprehensive income	-	435	435	8	444
Share-based payment	5	-	5	-	5
Dividends to equity holders	-	-	-	(24)	(24)
Balance 31 March 2019	8,107	5,955	14,062	85	14,147

Amounts in NOK million	Total paid in capital	Total retained earnings	Total owners share	Non-controlling interest	Total
Balance 1 January 2018	2,918	5,545	8,463	102	8,565
Profit (loss) for the period	-	723	723	6	729
Other comprehensive income	-	59	59	(3)	56
Total comprehensive income	-	782	782	3	785
Capital increase	5,177	-	5,177	-	5,177
Business combination under common contro	-	(3,995)	(3,995)	-	(3,995)
Balance 31 March 2018	8,096	2,332	10,428	105	10,533

Amounts in NOK million	Total paid in capital	Total retained earnings	Total owners share	Non-controlling interests	Total
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 contro	-	(3,995)	(3,995)	-	(3,995)
Share-based payment	6	-	6	-	6
Dividends to equity holders	-	-	-	(33)	(33)
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 first quarter of 2019 were approved at the meeting of the board of directors on 29 April 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. The group applies, for the first time, IFRS 16 Leases and a number of other amendments and interpretations. See note 3 Fixed assets, right-of-use assets, goodwill and intangible assets for implementation effects.

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
First quarter 2019							
Revenue from sale of goods	2,731	1,238	1,200	417	231	-	5,817
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
Total operating income from external customers	2,782	1,289	1,223	419	293	-	6,007
Revenue from other group segments	1	364	43	46	101	(555)	-
Total operating income	2,783	1,654	1,266	465	394	(555)	6,007
Operating expenses	(2,347)	(1,471)	(1,087)	(382)	(425)	557	(5,155)
EBITDA	436	183	179	83	(31)	2	852
Operating profit (loss) before other items (EBIT)	253	114	121	66	(42)	2	514

	Silicones	Silicon Materials	Foundry Products	Carbon	Other	Eliminations	Total
First quarter 2018							
Revenue from sale of goods	3,181	1,295	1,253	390	188	-	6,308
Other revenue	7	19	19	3	42	-	91
Other operating income	19	22	6	2	0	-	49
Share of profit from equity accounted companies	-	-	-	-	4	-	4
Total operating income from external customers	3,208	1,336	1,278	395	234	-	6,451
Revenue from other group segments	1	350	46	47	83	(528)	-
Total operating income	3,209	1,687	1,324	442	317	(528)	6,451
Operating expenses	(2,426)	(1,346)	(1,018)	(366)	(365)	525	(4,997)
EBITDA	783	341	306	76	(49)	(3)	1,454
Operating profit (loss) before other items (EBIT)	621	272	256	60	(56)	(3)	1,150

	Silicones	Silicon Materials	Foundry Products	Carbon	Other	Eliminations	Total
Year to date 31 March 2019							
Revenue from sale of goods	2,731	1,238	1,200	417	231	-	5,817
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
Total operating income from external customers	2,782	1,289	1,223	419	293	-	6,007
Revenue from other group segments	1	364	43	46	101	(555)	-
Total operating income	2,783	1,654	1,266	465	394	(555)	6,007
Operating expenses	(2,347)	(1,471)	(1,087)	(382)	(425)	557	(5,155)
EBITDA	436	183	179	83	(31)	2	852
Operating profit (loss) before other items (EBIT)	253	114	121	66	(42)	2	514

	Silicones	Silicon Materials	Foundry Products	Carbon	Other	Eliminations	Total
Year to date 31 March 2018							
Revenue from sale of goods	3,181	1,295	1,253	390	188	-	6,308
Other revenue	7	19	19	3	42	-	91
Other operating income	19	22	6	2	0	-	49
Share of profit from equity accounted companies	-	-	-	-	4	-	4
Total operating income from external customers	3,208	1,336	1,278	395	234	-	6,451
Revenue from other group segments	1	350	46	47	83	(528)	-
Total operating income	3,209	1,687	1,324	442	317	(528)	6,451
Operating expenses	(2,426)	(1,346)	(1,018)	(366)	(365)	525	(4,997)
EBITDA	783	341	306	76	(49)	(3)	1,454
Operating profit (loss) before other items (EBIT)	621	272	256	60	(56)	(3)	1,150

	Silicones	Silicon Materials	Foundry Products	Carbon	Other	Eliminations	Total
Year 2018							
Revenue from sale of goods	12,909	5,003	4,827	1,677	903	-	25,319
Other revenue	29	34	44	8	191	-	306
Other operating income	108	75	31	7	23	-	244
Share of profit from equity accounted companies	-	-	(0)	-	18	-	18
Total operating income from external customers	13,046	5,113	4,902	1,692	1,134	-	25,887
Revenue from other group segments	14	1,477	180	200	343	(2,214)	-
Total operating income	13,059	6,590	5,082	1,892	1,477	(2,214)	25,887
Operating expenses	(9,524)	(5,474)	(4,151)	(1,558)	(1,613)	2,226	(20,094)
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

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

31 March 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	253	12	-	12
Reclassifications	(5)	223	-	(218)
Disposals	(14)	-	-	-
Exchange differences	4	4	(4)	(39)
Closing balance	28,122	612	338	1,816
Accumulated depreciation				
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)
Impairment losses				
Opening balance	(2,582)	-	-	(1)
Addition	-	-	-	-
Disposals	0	-	-	-
Exchange differences	(31)	-	-	(0)
Closing balance	(2,613)	-	-	(1)
Net book value 31 March 2019	12,409	556	338	709

31 March 2018	Property, plant and equipment	Goodwill	Other intangible assets
Cost			
Opening balance	26,532	326	1,980
Additions	300	-	13
Business combinations	6	18	-
Reclassifications	(19)	-	19
Disposals	(0)	-	-
Exchange differences	(312)	(9)	(32)
Closing balance	26,508	335	1,980
Accumulated depreciation			
Opening balance	(11,934)	-	(1,068)
Addition	(276)	-	(26)
Disposals	0	-	-
Exchange differences	137	-	18
Closing balance	(12,074)	-	(1,076)
Impairment losses			
Opening balance	(2,647)	-	(1)
Addition	(2)	-	-
Exchange differences	26	-	0
Closing balance	(2,623)	-	(1)
Net book value 31 March 2018	11,811	335	903

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

Elkem has implemented IFRS 16 Leases with effect from 1 January 2019. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees are required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees are also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

Transition to IFRS 16

Elkem has applied the simplified transition approach and has not restated comparative amounts for the year prior to first adoption. Right-of-use assets have been measured on transition date to an amount equal to the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). Elkem has elected to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. Elkem will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

Elkem has elected to use the exemptions proposed by the standard on lease contracts for which the lease term ends within 12 months as of the date of initial application, lease contracts for which the underlying asset is of low value and lease of intangible assets. Elkem's policy is to own its production equipment and main lease commitments are related to lease of office buildings, warehouses and land lease. Elkem's land leases are mainly prepaid. Short term lease commitments are mainly related to rental of equipment in connection with maintenance and installation of new equipment. Lease of low value assets are mainly lease of certain office equipment (i.e., printing and photocopying machines) and propane / gas tanks.

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 impact of implementation of IFRS 16 Leases:

Impact on the statement of financial position (increase / (decrease)) based on contracts as at 31 December 2018	IFRS 16	Reclassification leasehold land	01/01/2019
Assets			
Property, plant and equipment (right-of-use assets)	372	187	559
Other intangible assets	-	(187)	(187)
Liabilities			
Lease liabilities non-current	299	-	299
Lease liabilities current	73	-	73
Impact on the statement of financial income in 2019 (increase / (decrease)) based on contracts as at 31 December 2018			
	2019		
Other operating expenses	(70)		
Amortisations and depreciations	66		
Finance expenses	15		

Cash flow from operating activities is expected to increase and cash flow from financing activities decrease correspondingly by NOK 55 million as repayment of the principal portion of the lease liabilities will be classified as cash flow from financing activities. Cash flow from operations, that is used to measure segment performance, will increase with additional NOK 15 million due to cash flow related to finance expenses. The calculated impact on the statement of financial income and statement of cash flows are based on contracts and currency rates as at 31 December 2018.

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

Note 4 Other items

	First quarter		Year to date		Year
	2019	2018	2019	2018	2018
Change in fair value commodity contracts ¹⁾	175	(114)	175	(114)	(319)
Ineffectiveness on cash flow hedges	(13)	0	(13)	0	19
Net foreign exchange gains (losses) - forward currency contracts	7	14	7	14	29
Operating foreign exchange gains (losses)	(18)	(8)	(18)	(8)	32
Other gains / losses	151	(108)	151	(108)	(240)
Dividend from interest in other companies	0	0	0	0	2
Change in fair value from shares in other companies	0	(1)	0	(1)	(2)
Gains (losses) disposal of subsidiaries	0	1	0	1	1
Other income	0	0	0	0	1
Expenses IPO	-	(92)	-	(92)	(96)
Other	(0)	(1)	(0)	(1)	(47)
Other expenses	(0)	(93)	(0)	(93)	(142)
Total other items	151	(201)	151	(201)	(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 5 Finance income and expenses

	First quarter		Year to date		Year
	2019	2018	2019	2018	2018
Interest income on loans and receivables	11	9	11	9	41
Other financial income	0	0	0	0	1
Total finance income	11	9	11	9	42
Foreign exchange gains (losses)	34	(11)	34	(11)	19
Interest expenses on interest-bearing liabilities measured at amortised cost	(60)	(79)	(60)	(79)	(280)
Interest expenses from other items measured at amortised cost	(5)	(38)	(5)	(38)	(92)
Interest expenses on lease liabilities	(4)	-	(4)	-	-
Capitalised interest expenses	-	1	-	1	0
Unwinding of discounted liabilities	(1)	(1)	(1)	(1)	(5)
Interest on net pension liabilities	(2)	(1)	(2)	(1)	(10)
Other financial expenses	(0)	1	(0)	1	(2)
Total finance expenses	(72)	(117)	(72)	(117)	(388)
Net Finance income (expenses)	(27)	(119)	(27)	(119)	(327)

Note 6 Interest-bearing assets / debt

	31 March 2019	31 March 2018	31 December 2018
Non-current interest-bearing debt			
Loans from related parties	-	7	-
Financial leases	-	0	-
Lease liabilities	297	-	-
Loans from external part, other than bank	3,899	76	2,731
Bank financing	4,282	5,985	4,400
Total non-current interest-bearing debt	8,478	6,069	7,131
Current interest-bearing debt			
Loans from related parties	-	13	-
Financial lease	-	1	0
Lease liabilities	72	-	-
Loans from external parties, other than banks	18	10	195
Bank financing, current	1,069	2,533	1,834
Accrued interest	29	10	23
Total current interest-bearing debt	1,187	2,566	2,052
Current bills payable	1,264	2,374	1,740
Total interest-bearing liabilities including bills payable	10,929	11,009	10,923
Cash and cash equivalents	6,832	4,621	7,082
Current restricted deposits bills payable	405	1,016	569
Other current restricted deposits	7	4	8
Other non-current restricted deposits	95	95	97
Receivables from related parties	1	2	2
Loans to external parties	8	7	8
Accrued interest income	0	0	0
Total other interest-bearing assets	7,348	5,743	7,765
Total interest-bearing assets / (liabilities)	(3,580)	(5,266)	(3,158)

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 energy for smelting when realised.

Derivatives as at 31 March 2019

	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
Purchase contracts							
Forward currency contracts	2,028	10	(5)	(8)	3	-	-
Embedded EUR derivatives	4,593	(81)	(5)	(6)	3	4	(5)
Power contracts ¹⁾	3,678	23	43	17	(11)	18	20
Platinum contracts	17	0	-	-	-	-	-
Total derivatives		(48)	33	3	(6)	21	14
EUR loan designed as cash flow hedging instrument		266	(17)	(3)	(3)	(3)	(7)
Total			16	(1)	(9)	18	8

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	First quarter		Year to date		Full year
	2019	2018	2019	2018	2018
Realised effects from forward currency contracts, Revenue	(10)	(24)	(10)	(24)	(34)
Realised effects from embedded derivatives EUR, Revenue	(1)	(1)	(1)	(1)	(3)
Realised effects from EUR loans, Revenue	-	-	-	-	(3)
Realised effects from power contracts, Raw materials and energy for smelt	59	29	59	29	216
Total realised hedging effects recycled from OCI	47	4	47	4	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 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. The development in the number of issued and outstanding shares is as follows:

	Outstanding
As at 1 January 2019	581,310,343
As at 31 March 2019	581,310,343

In the extraordinary general meeting held on 23 February 2018, 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 2019, but not later than 30 June 2019. 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.

The board has resolved to implement a long-term share incentive scheme for the members of the management and certain other key employees in the group. The board of directors has been 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 does not cover capital increases against contribution in kind or capital increases in connection with mergers. As at 31 March 2019 7,850,000 options are granted to members of the management and certain other key employees.

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>First 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							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)
EBIT	253	114	121	66	(42)	2	514
Impairment losses							0
Amortisations and depreciations							338
EBITDA	436	183	179	83	(31)	2	852

<u>First 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							729
Income tax (expense) benefit							100
Finance expenses							117
Foreign exchange gains (losses)							11
Finance income							(9)
Share of profit from equity accounted financial investments							1
Other items							201
EBIT	621	272	256	60	(56)	(3)	1,150
Impairment losses							2
Amortisations and depreciations							302
EBITDA	783	341	306	76	(49)	(3)	1,454

Year to date 31 March 2019	Silicones	Silicon Materials	Foundry Products	Carbon	Other Eliminations	Elkem
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)
EBIT	253	114	121	66	(42)	2
Impairment losses						0
Amortisations and depreciations						338
EBITDA	436	183	179	83	(31)	2
Year to date 31 March 2018	Silicones	Silicon Materials	Foundry Products	Carbon	Other Eliminations	Elkem
Profit (loss) for the year						729
Income tax (expense) benefit						100
Finance expenses						117
Foreign exchange gains (losses)						11
Finance income						(9)
Share of profit from equity accounted financial investments						1
Other items						201
EBIT	621	272	256	60	(56)	(3)
Impairment losses						2
Amortisations and depreciations						302
EBITDA	783	341	306	76	(49)	(3)
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
Impairment losses						8
Amortisations and depreciations						1,263
EBITDA	3,535	1,116	931	335	(136)	12

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
	2019	2018	2019	2018	2018
Reinvestments	(183)	(180)	(183)	(180)	(1,064)
Strategic investments	(87)	(144)	(87)	(144)	(726)
Periodisations ¹⁾	82	(77)	82	(77)	(125)
Investments in property, plant and equipment and intangible assets	(189)	(401)	(189)	(401)	(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:

	First quarter		Year to date		Year
	2019	2018	2019	2018	2018
Cash flow from operating activities	32	691	32	691	4,460
Income taxes paid	179	72	179	72	272
Interest payments made	65	175	65	175	390
Interest payments received	(11)	(8)	(11)	(8)	(41)
Changes in provisions, pension obligations and other	397	24	397	24	(46)
Changes in fair value commodity contracts	164	(123)	164	(123)	(321)
Other	(151)	201	(151)	201	380
Reinvestments	(183)	(180)	(183)	(180)	(1,064)
Cash flow from operations	491	853	491	853	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 Accounts payable 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 2019 31 March 2018 31 December 2018

	31 March 2019	31 March 2018	31 December 2018
Inventories	5,411	4,431	5,467
Accounts receivable	2,619	3,115	2,391
Bills receivable	(495)	(326)	(354)
Accounts receivable	2,124	2,790	2,037
Other current assets	814	804	836
Current interest bearing receivables	-	-	-
Other current receivables to related parties interest free	(11)	(9)	(4)
Grants receivables	(126)	(58)	(148)
Tax receivable	(76)	(50)	(38)
Accrued interest	(0)	(0)	(0)
Other current assets included in working capital	601	687	645
Accounts payable	2,838	2,898	2,731
Accounts payable related to purchase of non-current assets	(339)	(348)	(307)
Accounts payable included in working capital	2,499	2,551	2,423
Employee benefit obligations	616	558	671
Provisions and other current liabilities	806	1,143	1,221
Current provisions	(129)	(150)	(141)
Liabilities to related parties	(105)	(190)	(328)
Other current liabilities included in working capital	572	803	752
Working capital	4,450	3,996	4,303
Property, plant and equipment	12,409	11,811	12,445
Right-of-use assets	556	-	-
Investments equity accounted companies	136	138	134
Accounts payable and prepayments related to purchase of non-current assets	(330)	(312)	(251)
Capital employed	17,221	15,634	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. 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 2019 31 March 2018 31 December 2018

Net interest-bearing assets / (liabilities)	(3,580)	(5,266)	(3,158)
Non-current interest-bearing assets	(104)	(103)	(106)
Net interest-bearing assets / (liabilities) less non-current interest-bearing :	(3,684)	(5,368)	(3,264)
EBITDA (LTM)	5,191	4,199	5,793
Leverage ratio	0.7	1.3	0.6