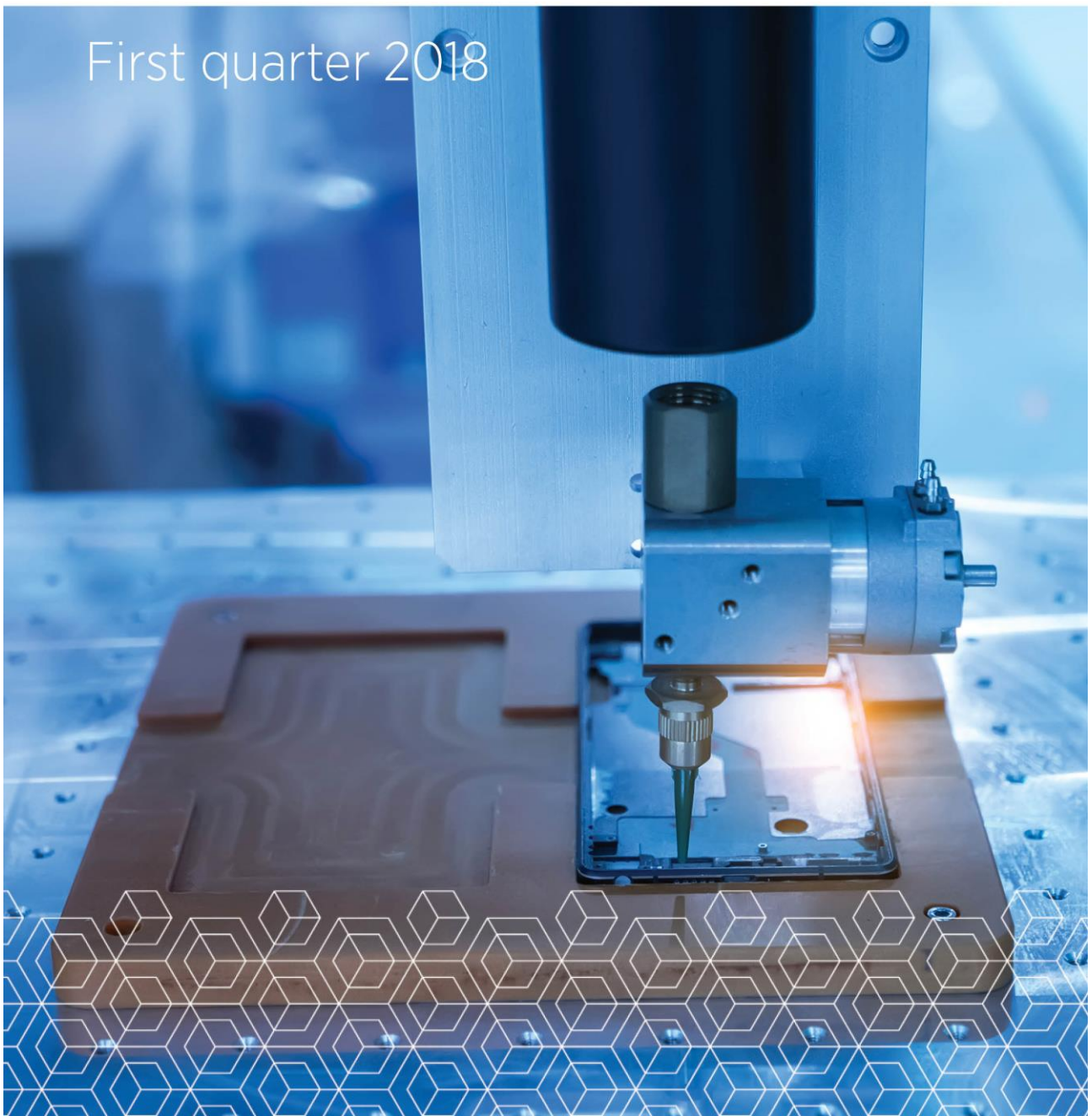


Elkem Group, Interim Report

First quarter 2018



Contents

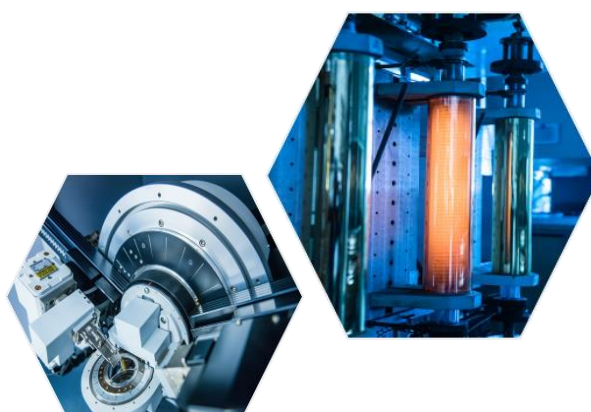
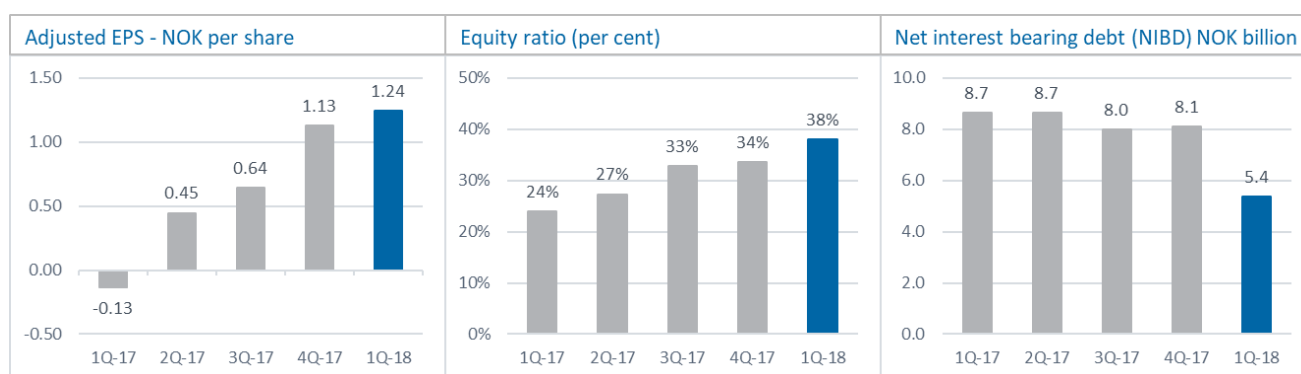
Highlights 1 st quarter 2018	3
Key figures	3
Strong first quarter for Elkem	4
Financial review	5
Group results	5
Cash flow	6
Financial position	6
Segments	7
Silicones	7
Silicon Materials.....	7
Foundry Products.....	8
Carbon	8
Outlook	9
Condensed consolidated interim statement of income	10
Condensed consolidated interim statement of comprehensive income.....	11
Condensed consolidated interim statement of financial position.....	12
Condensed consolidated interim statement of cash flows	13
Condensed consolidated interim statement of changes in equity	14
Notes to the condensed consolidated interim financial statements.....	15
Note 1 General information.....	15
Note 2 Operating segments.....	15
Note 3 Business combinations.....	16
Note 4 Fixed assets and intangible assets	17
Note 5 Other gains and losses	18
Note 6 Finance income and expenses	18
Note 7 Interest-bearing assets / debt.....	19
Note 8 Hedging	19
Note 9 Events after reporting period.....	20
Note 10 Number of shares.....	20
Appendix - Alternative performance measures (APMs)	21

Highlights 1st quarter 2018

- Elkem successfully completed listing at Oslo Stock Exchange on 22 March 2018.
- The acquisition of Xinghuo Silicones and Yongdeng Silicon Materials was completed in connection with the listing. Both entities are fully consolidated in the quarterly result and comparable figures.
- Elkem had a strong first quarter with significant growth in revenue and EBITDA, driven by favourable market conditions, particularly in China.
- All divisions report higher revenue compared to the corresponding quarter last year. The three largest segments have improved results and margins considerably.
- Adjusted earnings per share amount to NOK 1.24 in the first quarter 2018

Key figures

<i>(NOK million, except where indicated otherwise)</i>	1Q 2018	1Q 2017	YTD 2018	YTD 2017	FY 2017
Total operating income	6,447	4,573	6,447	4,573	21,368
EBITDA	1,450	441	1,450	441	3,154
EBITDA margin (%)	22%	10%	22%	10%	15%
Profit (loss) for the period	729	-69	729	-69	1,249
Cash flow from operations	775	310	775	310	2,136
ROCE (%)	29%	3%	29%	3%	12%



Strong first quarter for Elkem

Elkem has delivered a strong first quarter with solid growth in revenue and profit, benefitting from good market conditions in all segments. The improved result is in particular driven by favourable market conditions in China, but the development is strong also in the other regions.

Elkem successfully completed its initial public offering (IPO) and returned as a listed company on Oslo Stock Exchange 22 March 2018. In connection with the IPO, Elkem completed the acquisition of two Chinese plants, Xinghuo Silicones and Yongdeng Silicon Materials from its principal shareholder Bluestar. Both entities have been fully consolidated in the quarterly result and comparable figures, in line with applicable accounting practices.

Elkem reports a strong quarter with significant growth in revenue and EBITDA driven by favourable market conditions, particularly in China. Total operating income for the first quarter 2018 amounts to NOK 6,447 million, which is 41% higher than the first quarter 2017. EBITDA for first quarter 2018 amounts to NOK 1,450 million, up from NOK 441 million in the corresponding quarter last year. Earnings per share amounts to NOK 1.24 in 1Q-2018 on an adjusted, fully diluted basis.

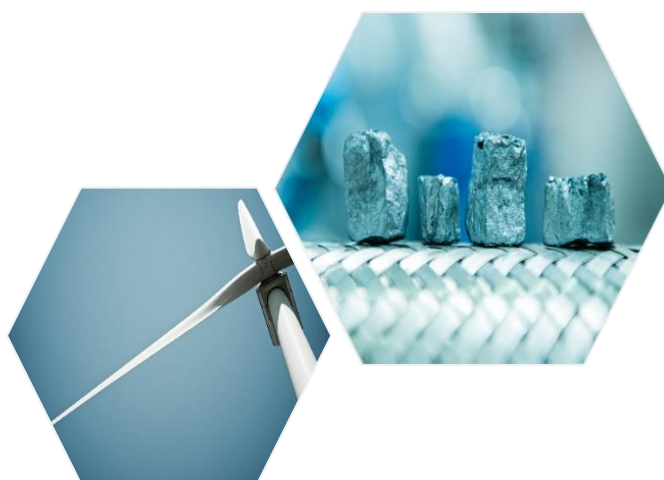
All divisions report higher revenue compared to the corresponding quarter last year and the three largest divisions also report significant improvement in results and margins.

The strong result is mainly driven by higher sales prices and higher sales volumes supported by strong market fundamentals. In addition, increased sales of specialty products have contributed positively to the margin improvements. A weaker Norwegian krone (NOK) versus Euro (EUR) has also impacted the result for the Norwegian plants positively.

Elkem has a strong focus on further integration of the recently acquired Chinese plants and a plan is in place to further develop the specialisation strategy. Several projects have been initiated to increase the product specialisation at the Xinghuo Silicones plant, with new applications being launched for the energy, communication and construction market.

Elkem signed a new loan facilities agreement in February 2018 totalling EUR 1,150 million, to refinance the outstanding indebtedness for the group, including Xinghuo Silicones and Yongdeng Silicon Materials. The facilities agreement consists of a revolving credit facility (RCF) of EUR 250 million, a term loan of EUR 400 million and a bridge loan of EUR 500 million. The refinancing of Elkem's previous loan facilities was completed upon closing of the IPO. The refinancing of Xinghuo Silicones and Yongdeng Silicon Materials is expected to be completed in the second quarter of 2018, upon required approval from relevant Chinese regulatory authorities.

The market sentiment continues to be strong for all divisions, particularly Silicones, and the result for the second quarter is expected to be in line with the first quarter. Market prices for silicones, silicon and ferrosilicon may soften, as supply is expected to increase in the coming quarters. Expectations for the second half of 2018 are therefore lower than for the first half of this year.



Financial review

Group results

KEY FIGURES	1Q 2018	1Q 2017	YTD 2018	YTD 2017	FY 2017
<i>MNOK except where indicated otherwise</i>					
Total operating income	6,447	4,573	6,447	4,573	21,368
EBITDA	1,450	441	1,450	441	3,154
Operating profit	945	90	945	90	1,936
Profit (loss) before income tax	829	-12	829	-12	1,519
Tax	-100	-58	-100	-58	-269
Profit (loss) for the period	729	-69	729	-69	1,249

Quarter and year to date

Elkem reports total operating income of NOK 6,447 million in 1Q-2018, up by 41% from NOK 4,573 million in 1Q-2017. Increased revenue is mainly due to higher sales prices. However, increased sales volumes also contribute strongly. All Elkem's divisions report higher operating income in 1Q-2018 compared to 1Q-2017.

Elkem's gross operating profit (EBITDA) was NOK 1,450 million in the first quarter 2018, up by NOK 1,009 million from NOK 441 million in 1Q-2017. Higher sales prices are the main driver behind the improved earnings. However, higher sales volumes and improved sales mix, with higher sales of speciality products, are also key components. For the Norwegian plants, a weaker NOK versus EUR has impacted the result positively compared to the corresponding quarter last year. Raw material prices have increased for all divisions compared to 1Q-2017. However, this has been more than compensated for by higher sales prices, except for the Carbon division. The division has increased prices to compensate for higher raw material cost, but there is a lagging effect.

Operating profit in 1Q-2018 was NOK 945 million, up from NOK 90 million in 1Q-2017. Operating profit includes other gains and losses which amount to NOK -201 million. Other gain and losses includes i.a. change in fair value of power contracts, which are not included in the hedging portfolio. The mark-to-market valuation of the power contracts has declined by NOK 114 million, due to lower long-term power prices. In addition, IPO costs of NOK 92 million is included in other gains and losses.

Profit before income tax in the quarter was NOK 829 million compared to a loss of NOK 12 million in 1Q-2017. Profit before income tax includes financial items which amounts to a net expense of NOK 119 million in 1Q-2018, compared to an expense of NOK 103 million in 1Q-2017. Financial items mainly consist of interest expenses and reflect the existing financing structure for Xinghuo Silicones and Yongdeng Silicon Materials. The planned refinancing of these entities is expected to be completed in 2Q-2018 and reduce financial expenses going forward, because Chinese debt will be replaced by cheaper debt at Elkem level. The full effect will however, not be achieved until 3Q-2018. Currency effects are modest in 1Q-2018 with NOK -11 million.

Tax expenses in 1Q-2018 was NOK 100 million, giving a tax rate for the group of approximately 12%. The silicones business in France and the newly acquired entities in China, Xinghuo Silicones and Yongdeng Silicon Materials, are not in a tax position. These entities have generated high profit before income tax in the first quarter 2018, explaining the relatively low tax expenses.

Profit for the first quarter was NOK 729 million, compared to a loss of NOK 69 million in 1Q-2017. Owners of the parent's share of profit is NOK 723 million, giving earnings per share of NOK 1.24 in the first quarter 2018, on an adjusted and fully diluted basis.

Cash flow

CASH FLOW FROM OPERATIONS	1Q 2018	1Q 2017	YTD 2018	YTD 2017	FY 2017
<i>NOK million</i>					
Operating profit (loss) before other gains and losses	1,147	128	1,147	128	1,893
Amortisation, depreciation and impairment	304	313	304	313	1,261
Changes in working capital	-496	12	-496	12	-128
Reinvestments	-180	-143	-180	-143	-890
Cash flow from operations	775	310	775	310	2,136
Cash flow from operating activities not included above	-222	-150	-222	-150	-795
Cash flow from investing activities not included above	-2,951	-73	-2,951	-73	-213
Cash flow from financing activities	5,300	-37	5,300	-37	-714
Change in cash and cash equivalents	2,902	50	2,902	50	414

Quarter and year to date

Elkem's internal operating cash flow measure deviate slightly from the IFRS standard, as it contains reinvestments but not interest payments or other gains and losses. The table above shows Elkem's cash flow from operations, with additional operating items and investing items which are included under IFRS in separate lines.

Cash flow from operations was NOK 775 million in 1Q-2018, compared to NOK 310 million in 1Q-2017. Improved cash flow is mainly driven by improved operating profit. The quarter is negatively affected by changes in working capital. Increased working capital is a result of higher inventory levels and higher stock values due to price increases for raw materials and finished goods. In 1Q-2017, the working capital changes were positive, partly as a result of one-off effects due to destocking after Elkem's acquisition of the Rana plant.

Reinvestments in 1Q-2018 amount to NOK 180 million, compared to NOK 143 million in 1Q-2017. Reinvestments are in line with plan.

First quarter 2018 has seen significant investment activities, mainly regarding the acquisition of Xinghuo Silicones and Yongdeng Silicon Materials. Furthermore, there has been significant movements in financing activities as a result of the capital increase and the refinancing activities.

Cash and cash equivalents have increased by NOK 2,902 million to NOK 4,621 million in 1Q-2018. Part of this cash balance will be utilised in connection with the refinancing of Xinghuo Silicones and Yongdeng Silicon Materials.

Financial position

FINANCIAL POSITION	1Q 2018	1Q 2017	FY 2017
Total equity (NOK million)	10,533	5,656	8,565
Equity ratio (%)	38%	24%	34%
EPS - adjusted (NOK per share)	1.24	-0.13	2.08
Net interest bearing debt (NOK million) ⁽¹⁾	5,369	8,657	8,111
Leverage ratio based on LTM EBITDA (ratio)	1.3	NA	2.6

(1) Excluding other restricted deposits and interest-bearing assets

Quarter and year to date

As at 31 March 2018, Elkem's equity amounts to NOK 10,533 million. The equity is positively affected by the primary offering in the IPO where Elkem raised new equity of NOK 5,171 million. Part of the proceeds were used to acquire Xinghuo Silicones and Yongdeng Silicon Materials from Bluestar. As both Elkem and the acquired assets were controlled by the same group, the purchase price for the shares is booked against Elkem's equity. The purchase price for the shares amount to NOK 3,995 million. In addition, the profit for 1Q-2018 improves the equity. The equity ratio as of 31 March 2018 was 38%, up from 24% by end of 1Q-2017.

Elkem's net debt amounted to NOK 5,369 million by the end of first quarter, a reduction from NOK 8,657 million as at 31 March 2017. This debt reduction is explained by IPO proceeds, conversion of shareholder loans to equity for Xinghuo Silicones and Yongdeng Silicon Materials and positive cash flow generation.

Elkem signed a new loan facilities agreement 13 February 2018, consisting of a revolving credit facility (RCF) of EUR 250 million, a term loan facility of EUR 400 million, and a bridge financing term loan facility of EUR 500 million. The purpose of the new loan facilities agreement is to refinance the group's outstanding indebtedness, including Xinghuo Silicones and Yongdeng Silicon Materials after the IPO. The previous Elkem loans were refinanced simultaneously with the closing of the IPO, while the Chinese debt require approval from relevant authorities in China. Elkem has drawn the term loan of EUR 400 million, but the RCF and the bridge loan remain undrawn by end of 1Q-2018. The Chinese debt will be refinanced by utilising available cash on Elkem's balance sheet and by drawing on the bridge loan facility. The refinancing of Chinese debt is expected to be completed in 2Q-2018.

Segments

Silicones

KEY FIGURES	1Q 2018	1Q 2017	YTD 2018	YTD 2017	FY 2017
<i>MNOK except where indicated otherwise</i>					
Total operating income	3,209	1,861	3,209	1,861	10,026
EBITDA	783	135	783	135	1,515
EBITDA margin	24%	7%	24%	7%	15%
Sales volume (thousand mt)	86	58	86	58	300

Quarter and year to date

The Silicones division reported total operating income of NOK 3,209 million in 1Q-2018, which is NOK 1,348 million higher than 1Q-2017. The increase is mainly explained by higher sales prices and higher sales volumes, particularly in China. The Chinese operation has had a strong development since 1Q-2017 based on higher prices and higher production volumes. The plant's production capacity has been successfully ramped up over the course of 2017. Improved market conditions in China are partly explained by lower capacity for the silicones industry following environmental and safety audits by the Chinese authorities.

The division reports EBITDA for 1Q-2018 of NOK 783 million, up from NOK 135 million in 1Q-2017. Improved earnings are mainly due to higher sales prices and higher sales volumes. The positive development in EBITDA and EBITDA margin is also impacted by improved sales of specialty products. Raw materials prices for silicon metal and methanol have increased compared to 1Q-2017, and are to some extent offsetting the positive sales price and volume effects.

The upstream siloxane production has been good at both Roussillon and Xinghuo Silicones. The production at Xinghuo Silicones has reached new record levels.

Silicon Materials

KEY FIGURES	1Q 2018	1Q 2017	YTD 2018	YTD 2017	FY 2017
<i>MNOK except where indicated otherwise</i>					
Total operating income	1,687	1,492	1,687	1,492	6,412
EBITDA	341	103	341	103	804
EBITDA margin	20%	7%	20%	7%	13%
Sales volume (thousand mt) ¹⁾	62	74	62	74	278

1) Excluding Microsilica and quartz

Quarter and year to date

The Silicon Materials division reported total operating income of NOK 1,687 million in 1Q-2018, up 13% from NOK 1,492 million in 1Q-2017. Higher operating income is mainly due to higher sales prices. Sales volumes are lower in 1Q-2018 than 1Q-2017. Lower sales volumes are partly due to relining of one furnace at the Salten plant, and partly due to destocking effects for the Rana plant in 1Q-2017. After Elkem took over the Rana plant 1 December 2016, the inventory of certain ferrosilicon qualities was reduced, giving extra volume effects in first quarter 2017.

Silicon Materials generated an EBITDA of NOK 341 million in the 1Q-2018 compared to NOK 103 million in the corresponding quarter last year. Improved EBITDA is mainly driven by higher sales prices in the quarter compared to 1Q-2017. Market prices for silicon metal increased significantly in 2017, and has now been materialised in the division's contract prices. Weaker NOK versus EUR has also had favourable impact on the result.

Operations have been good at most production units, but the furnace relining at the Salten plant has impacted sales and production volumes negatively.

Foundry Products

KEY FIGURES	1Q 2018	1Q 2017	YTD 2018	YTD 2017	FY 2017
<i>MNOK except where indicated otherwise</i>					
Total operating income	1,324	1,020	1,324	1,020	4,247
EBITDA	306	139	306	139	707
EBITDA margin	23%	14%	23%	14%	17%
Sales volume (thousand mt) ¹⁾	72	69	72	69	260

1) Excluding Microsilica sales

Quarter and year to date

Total operating income for the Foundry Products division was NOK 1,324 million in 1Q-2018, which is up 30% from NOK 1,020 million in 1Q-2017. Increased operating income is mainly due to higher sales prices. In addition, higher sales volumes and increased sales of specialised products contribute to the revenue growth.

The EBITDA was NOK 306 million in 1Q-2018, compared to NOK 139 million in 1Q-2017. Increased EBITDA and EBITDA margins are mainly due to higher sales prices. Sales volume and product mix effects also contribute to the EBITDA improvements. The currency effects are modest, but weaker NOK versus EUR gives positive effects for the Norwegian plants. Raw material prices, such as coal, have increased slightly compared to 1Q-2017.

The production volumes have mainly been good at all plants with no major disturbances or stops.

Carbon

KEY FIGURES	1Q 2018	1Q 2017	YTD 2018	YTD 2017	FY 2017
<i>MNOK except where indicated otherwise</i>					
Total operating income	442	383	442	383	1,577
EBITDA	76	80	76	80	274
EBITDA margin	17%	21%	17%	21%	17%
Sales volume (thousand mt)	70	71	70	71	284

Quarter and year to date

The Carbon division reports total operating income of NOK 442 million in 1Q-2018, which is up 15% from NOK 383 million in 1Q-2017. Higher operating income is a result of higher sales prices. Sales volumes have been slightly down compared to 1Q-2017.

EBITDA for the 1Q-2018 is NOK 76 million, down from NOK 80 million in the corresponding quarter last year. Sales prices have increased to compensate for higher raw material prices. However, raw material prices, especially pitch, have continued to increase. The sales price increases have therefore been lagging the increase in raw material prices during 1Q-2018, causing lower margins than in 1Q-2017. Strong sales of specialty products are partly compensating for the negative raw material price effects.

Production volumes have been good in the first quarter.

Outlook

The market sentiment is still strong for all divisions, particularly Silicones. The result for second quarter is therefore expected to be in line with first quarter 2018.

Market prices for silicones, silicon and ferrosilicon are expected to soften going forward, as supply will likely increase, particularly in China. The wet season in China starts in April and May and normally leads to more supply from power intensive industries.

Based on uncertainty regarding future market conditions, management's expectations for the second half is more cautious.

There is a planned maintenance stop at Xinghuo Silicones for approximately four weeks in June and July, which is expected to affect sales volumes and results negatively. A major furnace upgrade will take place at Yongdeng Silicon Materials and mainly impact third quarter 2018. This upgrade is expected to take approximately three months.

The board of directors and chief executive officer

Elkem ASA

Oslo, 7 May 2018

Condensed consolidated interim statement of income

Amounts in NOK million	Note	First quarter		Year to date		Year
		2018	2017	2018	2017	2017
Revenues	2	6,398	4,536	6,398	4,536	21,133
Other operating income	2	49	37	49	37	236
Total operating income		6,447	4,573	6,447	4,573	21,368
Raw materials and energy for smelting		(3,001)	(2,384)	(3,001)	(2,384)	(10,825)
Employee benefit expenses		(847)	(759)	(847)	(759)	(3,145)
Other operating expenses		(1,149)	(989)	(1,149)	(989)	(4,245)
Gross operating profit (loss)		1,450	441	1,450	441	3,154
Amortisations and depreciations	4	(302)	(308)	(302)	(308)	(1,244)
Impairment losses	4	(2)	(5)	(2)	(5)	(17)
Other gains and losses	5	(201)	(37)	(201)	(37)	44
Operating profit (loss)		945	90	945	90	1,936
Income from associates and joint ventures		3	1	3	1	34
Finance income	6	9	7	9	7	30
Foreign exchange gains (losses)	6	(11)	3	(11)	3	(8)
Finance expenses	6	(117)	(113)	(117)	(113)	(474)
Profit (loss) before income tax		829	(12)	829	(12)	1,519
Income tax (expense) benefit		(100)	(58)	(100)	(58)	(269)
Profit (loss) for the period		729	(69)	729	(69)	1,249
Attributable to:						
Non-controlling interest's share of profit (loss)		6	8	6	8	39
Owners of the parent's share of profit (loss)		723	(77)	723	(77)	1,211
Interim earnings per share						
Basic and diluted earnings per share in NOK ¹⁾		1.71	(0.19)	1.71	(0.19)	3.01
Basic and diluted earnings per share in NOK - adjusted ²⁾		1.24	(0.13)	1.24	(0.13)	2.08
Weighted average number of outstanding shares (million)		422	402	422	402	402
Weighted average number of outstanding shares (million) - adj.		581	581	581	581	581

¹⁾ There were no diluting effects

²⁾ Adjusted earnings per share is calculated based on the number of shares after listing at Oslo Stock Exchange

Condensed consolidated interim statement of comprehensive income

Amounts in NOK million	First quarter		Year to date		Year
	2018	2017	2018	2017	2017
Profit (loss)	729	(69)	729	(69)	1,249
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Remeasurements of post employment benefit obligation	-	-	-	-	1
Tax effects on remeasurements of post employment benefit obligation	-	-	-	-	2
Share of profit (loss) from associates and joint ventures	(0)	-	(0)	-	-
	(0)	-	(0)	-	3
Items that may be reclassified to profit or loss					
Currency translation differences	(188)	46	(188)	46	279
Hedging of net investment in foreign operations	52	(25)	52	(25)	(209)
Tax effects hedging of net investment in foreign operations	(12)	6	(12)	6	48
Cash flow hedges	267	(170)	267	(170)	(6)
Tax effects on cash flow hedges	(62)	41	(62)	41	(4)
Share of profit (loss) from associates and joint ventures	(0)	-	(0)	-	(0)
Change in value of available-for-sale financial assets	-	-	-	-	0
	56	(103)	56	(103)	107
Other comprehensive income, net of tax	56	(103)	56	(103)	111
Total comprehensive income	785	(172)	785	(172)	1,360
Attributable to:					
Non-controlling interest's share of comprehensive income	3	8	3	8	40
Owners of the parent's share of comprehensive income	782	(180)	782	(180)	1,320
Total comprehensive income	785	(172)	785	(172)	1,360

Condensed consolidated interim statement of financial position

Amounts in NOK million	Note	31 March 2018	31 March 2017	31 December 2017
ASSETS				
Property, plant and equipment	4	11,811	11,347	11,950
Goodwill	4	335	349	326
Other intangible assets	4	903	886	911
Deferred tax assets		40	103	90
Investments accounted for using the equity method		138	166	159
Derivatives	8	19	62	152
Other non-current assets		421	432	407
Total non-current assets		13,668	13,345	13,995
Inventories		4,431	3,964	4,099
Accounts receivable		3,115	2,229	2,518
Derivatives	8	66	34	33
Other current assets		804	1,578	2,091
Restricted deposits		1,019	1,064	1,020
Cash and cash equivalents	7	4,621	1,382	1,751
Total current assets		14,057	10,251	11,513
TOTAL ASSETS		27,725	23,596	25,507
EQUITY AND LIABILITIES				
Paid-in capital	11	8,096	3,088	2,918
Retained earnings		2,332	2,475	5,545
Non-controlling interest		105	93	102
Total equity		10,533	5,656	8,565
Interest-bearing non-current liabilities	7	6,069	5,529	4,585
Deferred tax liabilities		115	106	105
Pension liabilities		430	423	445
Derivatives	8	288	545	379
Provisions and other non-current liabilities		454	502	426
Total non-current liabilities		7,357	7,105	5,940
Accounts payable		2,898	2,755	2,650
Income tax payables		197	130	139
Interest-bearing current liabilities	7	2,566	3,139	3,647
Bills payable	7	2,374	2,434	2,650
Derivatives	8	100	280	247
Provisions and other current liabilities		1,701	2,096	1,670
Total current liabilities		9,836	10,835	11,003
TOTAL EQUITY AND LIABILITIES		27,725	23,596	25,507

Condensed consolidated interim statement of cash flows

Amounts in NOK million	Note	First quarter		Year to date		Year
		2018	2017	2018	2017	2017
Operating profit (loss)		945	90	945	90	1,936
Changes in fair value commodity contracts		123	40	123	40	(79)
Amortisation, depreciation and impairment		304	313	304	313	1,261
Changes in working capital		(496)	12	(496)	12	(128)
Changes in provisions, pension obligations and other		29	(20)	29	(20)	(137)
Interest payments received		8	6	8	6	24
Interest payments made		(111)	(104)	(111)	(104)	(446)
Other financial items		2	(0)	2	(0)	(1)
Income taxes paid		(72)	(35)	(72)	(35)	(198)
Cash flow from operating activities		732	303	732	303	2,231
Investments in property, plant and equipment and intangible assets		(401)	(203)	(401)	(203)	(1,126)
Sale of property, plant and equipment		1	0	1	0	18
Dividend received from associates and joint ventures		23	-	23	-	25
Acquisition of subsidiaries, net of cash acquired	3	(4,049)	-	(4,049)	-	4
Acquisition of joint ventures and other shares		-	-	-	-	(20)
Payment received on loan to related parties		1,303	-	1,303	-	-
Loan to associate and joint venture		-	(2)	-	(2)	(12)
Other investments / sales		(7)	(12)	(7)	(12)	8
Cash flow from investing activities		(3,131)	(216)	(3,131)	(216)	(1,103)
Dividends paid to non-controlling interest		-	(3)	-	(3)	(26)
Dividends paid to owner of the parent		-	-	-	-	(144)
Capital increase		5,171	-	5,171	-	-
Net changes in bills payable		(250)	45	(250)	45	285
New interest-bearing loans and borrowings		3,766	187	3,766	187	60
Net repayment of short term loans from related parties		(241)	(127)	(241)	(127)	(30)
Repayment of interest-bearing loans and borrowings		(3,146)	(138)	(3,146)	(138)	(859)
Cash flow from financing activities		5,300	(37)	5,300	(37)	(714)
Change in Cash and cash equivalents		2,902	50	2,902	50	414
Currency exchange differences		(32)	12	(32)	12	17
Cash and cash equivalents Opening Balance		1,751	1,320	1,751	1,320	1,320
Cash and cash equivalents Closing Balance		4,621	1,382	4,621	1,382	1,751

Condensed consolidated interim statement of changes in equity

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 ¹⁾	5,177	-	5,177	-	5,177
Changes in the composition of the group ²⁾	-	(3,995)	(3,995)	-	(3,995)
Balance 31 March 2018	8,096	2,332	10,427	105	10,532

¹⁾ See note 11 Number of shares

²⁾ See note 3 Business combinations

Amounts in NOK million	Total paid in capital	Total retained earnings	Total owners share	Non-controlling interest	Total
Balance 1 January 2017	3,088	2,655	5,743	88	5,830
Profit (loss) for the period	-	(77)	(77)	8	(69)
Other comprehensive income	-	(103)	(103)	0	(102)
Total comprehensive income	-	(180)	(180)	8	(171)
Dividends to equity holders	-	-	-	(3)	(3)
Balance 31 March 2017	3,088	2,475	5,563	93	5,656

Amounts in NOK million	Total paid in capital	Total retained earnings	Total owners share	Non-controlling interest	Total
Balance 1 January 2017	3,088	2,655	5,743	88	5,830
Profit (loss) for the year	-	1,211	1,211	39	1,249
Other comprehensive income	-	109	109	1	111
Total comprehensive income	-	1,320	1,320	40	1,360
Conversion of liabilities ¹⁾	-	1,571	1,571	-	1,571
Dividends to equity holders ²⁾	(170)	-	(170)	(26)	(196)
Balance 31 December 2017	2,918	5,545	8,463	102	8,565

¹⁾ In May 2017 a shareholder loan of CNY 543 million in Yongdeng and in August 2017 a shareholder loan of CNY 761 million in Xinghuo was converted to equity

²⁾ Of the NOK 170 million in dividend paid, NOK 26 million was net settled against loans to shareholders.

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 2018 were approved at the meeting of the Board of Directors on 7 May 2018.

The condensed consolidated interim financial statements comprise Elkem ASA and its subsidiaries and the group's investments in associates and interests in joint arrangements. The interim financial statements are prepared in compliance with 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 combined financial statements for the year ended 31 December 2017, 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 2017, except for the adoption of new standards effective as of 1 January 2018. The group applies, for the first time, IFRS 15 Revenue from Contracts with Customers, IFRS 9 Financial instruments and several other amendments and interpretations. The new standards have no impact on the interim condensed financial statements of the group.

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 4 operating segments to the combined financial statements for the year ended 31 December 2017, 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 gross operating profit and operating profit (loss) before other gains and losses. Elkem's financing and taxes are managed on a group basis and are not allocated to operating segments.

Amounts in NOK million First quarter 2018	Silicones	Silicon materials	Foundry Products	Carbon	Other	Eliminations	Total
Revenue from sale of goods	3,161	1,295	1,253	377	188	-	6,274
Other revenue	27	19	19	16	42	-	124
Other operating income	19	22	6	2	0	-	49
Total operating income from external customers	3,207	1,336	1,278	395	231	-	6,447
Revenue from other group segments	2	350	46	47	83	(528)	-
Total operating income	3,209	1,687	1,324	442	314	(528)	6,447
Operating expenses	(2,426)	(1,346)	(1,018)	(366)	(366)	525	(4,997)
Gross operating profit (loss) / EBITDA	783	341	306	76	(52)	(3)	1,450
Operating profit (loss) before other gains and losses (EBIT)	621	272	256	60	(59)	(3)	1,147

Amounts in NOK million First quarter 2017	Silicones	Silicon materials	Foundry Products	Carbon	Other	Eliminations	Total
Revenue from sale of goods	1,819	1,148	970	321	172	-	4,431
Other revenue	24	25	13	10	32	-	105
Other operating income	17	15	4	0	2	-	37
Total operating income from external customers	1,860	1,188	987	332	206	-	4,573
Revenue from other group segments	1	305	32	51	57	(446)	-
Total operating income	1,861	1,492	1,020	383	263	(446)	4,573
Operating expenses	(1,726)	(1,389)	(881)	(303)	(285)	451	(4,132)
Gross operating profit (loss) / EBITDA	135	103	139	80	(21)	5	441
Operating profit (loss) before other gains and losses (EBIT)	(35)	37	85	65	(28)	5	128

Amounts in NOK million Year 2018 (YTD)	Silicones	Silicon materials	Foundry Products	Carbon	Other	Eliminations	Total
Revenue from sale of goods	3,161	1,295	1,253	377	188	-	6,274
Other revenue	27	19	19	16	42	-	124
Other operating income	19	22	6	2	0	-	49
Total operating income from external customers	3,207	1,336	1,278	395	231	-	6,447
Revenue from other group segments	2	350	46	47	83	(528)	-
Total operating income	3,209	1,687	1,324	442	314	(528)	6,447
Operating expenses	(2,426)	(1,346)	(1,018)	(366)	(366)	525	(4,997)
Gross operating profit (loss) / EBITDA	783	341	306	76	(52)	(3)	1,450
Operating profit (loss) before other gains and losses (EBIT)	621	272	256	60	(59)	(3)	1,147

Amounts in NOK million Year 2017 (YTD)	Silicones	Silicon materials	Foundry Products	Carbon	Other	Eliminations	Total
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Total operating income	1,861	1,492	1,020	383	263	(446)	4,573
Operating expenses	(1,726)	(1,389)	(881)	(303)	(285)	451	(4,132)
Gross operating profit (loss) / EBITDA	135	103	139	80	(21)	5	441
Operating profit (loss) before other gains and losses (EBIT)	(35)	37	85	65	(28)	5	128

Amounts in NOK million Year 2017	Silicones	Silicon materials	Foundry Products	Carbon	Other	Eliminations	Total
Revenue from sale of goods	9,807	4,955	3,987	1,310	565	-	20,623
Other revenue	116	52	47	47	249	-	510
Other operating income	93	71	39	5	28	-	236
Total operating income from external customers	10,015	5,077	4,072	1,362	841	-	21,368
Revenue from other group segments	11	1,335	175	214	376	(2,112)	-
Total operating income	10,026	6,412	4,247	1,577	1,218	(2,112)	21,368
Operating expenses	(8,510)	(5,608)	(3,540)	(1,303)	(1,337)	2,083	(18,215)
Gross operating profit (loss) / EBITDA	1,515	804	707	274	(119)	(28)	3,154
Operating profit (loss) before other gains and losses (EBIT)	840	527	492	209	(147)	(28)	1,893

Note 3 Business combinations

On 22 March 2018 Elkem acquired all the shares in Bluestar Silicone Material Co., Ltd. (hereafter Yongdeng Silicon Materials) and Jiangxi Bluestar Xinghuo Silicone (hereafter Xinghuo Silicones) for a purchase price of CNY 3,274 million, NOK 3,995 million from Bluestar Elkem Investment Co. Ltd. Both Elkem, Yongdeng Silicon Materials and Xinghuo Silicones are under common control by China National Bluestar (group) Co. Ltd. Business combinations involving entities under common control, are accounted for according to the 'pooling of interest method'. This method involves the following:

- Assets and liabilities of the combining entities are reflected at their carrying amounts in China National Bluestar (group) Co. Ltd.'s consolidated financial statements
- No new goodwill is recognised as a result of the combination

- The statement of income reflects the result of the combining entities for the full year/period, irrespective of when the combination took place. Comparable figures are restated.

An effect of this principle is that the purchase price of NOK 3,995 million is booked directly against equity. See note 33 Events after the reporting period to the combined financial statements for the year ended 31 December 2017, for more information.

Elkem acquired the UK company TM Technology Ltd and its production of the foundry alloy, Tenbloc® on 16 March 2018. Tenbloc® is used in the mould inoculation of ductile and grey iron. See note 4 Property, plant and equipment, intangible assets and goodwill for additions due to the purchase. In 2017, TM Technology had an operating income of GBP 3.8 million (approx. NOK 40.2 million), and operating profit of GBP 0.9 million (approx. NOK 9.2 million). The figures do not include purchase of a "Ball Mill" and related business that were completed through purchase of assets. The company was consolidated into Elkem's financial statements as of 16 March 2018.

Note 4 Fixed assets and intangible assets

31 March 2018	PPE	Goodwill	intangible assets
Balance 01.01.2018	11,950	326	911
Additions	310	-	14
Disposals	(0)	-	-
Reclassification	(19)	-	19
Impairment losses	(2)	-	-
Depreciation expenses	(276)	-	(26)
Business combination ¹⁾	6	18	-
Foreign currency exchange differences	(158)	(9)	(15)
Balance 31.03.2018	11,811	335	903

¹⁾ Purchase of TM Technology, see note 3 business combinations

31 March 2017	PPE	Goodwill	Other intangible assets
Balance 01.01.2017	11,410	343	892
Additions	179	-	11
Disposals	(0)	-	(0)
Reclassification	(1)	-	1
Impairment losses	(5)	-	-
Depreciation expenses	(285)	-	(24)
Business combination	-	2	-
Foreign currency exchange differences	49	4	6
Balance 31.03.2017	11,347	349	886

31 December 2017	PPE	Goodwill	Other intangible assets
Balance 01.01.2017	11,410	343	892
Additions	1,198	-	80
Disposals	(11)	-	0
Reclassification	1	-	(1)
Impairment losses	(17)	-	-
Depreciation expenses	(1,143)	-	(101)
Business combination	284	(20)	0
Foreign currency exchange differences	228	4	41
Balance 31.12.2017	11,950	326	911

Note 5 Other gains and losses

	First quarter		Year to date		Year
	2018	2017	2018	2017	2017
Net dividend / write-down external shares	(1)	1	(1)	1	6
Gains / losses disposal of subsidiaries	1	(0)	1	(0)	-
Change in fair value commodity contracts ¹⁾	(114)	(56)	(114)	(56)	26
Ineffectiveness on cash flow hedges	0	17	0	17	43
Net foreign exchange gains / losses - forward contracts	14	(5)	14	(5)	(3)
Operating foreign exchange gains / losses	(8)	8	(8)	8	(11)
Other expenses ²⁾	(93)	(1)	(93)	(1)	(18)
Total other gains and losses	(201)	(37)	(201)	(37)	44

¹⁾ Mainly fair value changes of the 30-øring contract, see note 26 financial instruments to the combined financial statements for the year ended 31 December 2017 for more information.

²⁾ Whereof NOK 92 million is IPO expenses

Note 6 Finance income and expenses

	First quarter		Year to date		Year
	2018	2017	2018	2017	2017
Interest income	9	7	9	7	29
Interest income from Bluestar Elkem International Co. Ltd. S.A	-	-	-	-	0
Other financial income	0	0	0	0	1
Total finance income	9	7	9	7	30
Interest expenses on interest-bearing liabilities	(78)	(82)	(78)	(82)	(317)
Interest expenses from other financial liabilities	(38)	(29)	(38)	(29)	(137)
Unwinding of discounted liabilities	(1)	(1)	(1)	(1)	(10)
Interest on net pension liabilities	(1)	(1)	(1)	(1)	(9)
Other financial expenses	1	(0)	1	(0)	(2)
Total finance expenses	(117)	(113)	(117)	(113)	(474)
Net foreign currency translation expenses	(11)	3	(11)	3	(8)
Net Finance income (expenses)	(119)	(103)	(119)	(103)	(452)

Note 7 Interest-bearing assets / debt

	31 Mar 2018	31 Mar 2017	31 Dec 2017
Non-current interest-bearing debt			
Loans from other related parties within China National Bluestar group	7	6	7
Financial leases	0	1	0
Loans from external part, other than bank	76	-	80
Bank financing	5 985	5 522	4 498
Total non-current interest-bearing debt	6 069	5 529	4 585
Current interest-bearing debt			
Financial lease	1	4	1
Loans from other related parties within China National Bluestar group	13	-	-
Bank financing	2 533	2 968	3 418
Loans from external part, other than bank	10	-	61
Accrued interest other related parties within China National Bluestar group	-	157	157
Accrued interest	10	10	10
Total current interest-bearing debt	2 566	3 139	3 647
Current bills payable	2 374	2 434	2 650
Total interest-bearing liabilities including bills payable	11 009	11 103	10 882
Cash and bank balances	4 621	1 382	1 751
Restricted deposits bills payable	1 016	1 061	1 016
Other restricted deposits, non-current and current	98	101	99
Interest-bearing financial assets	8	56	9
Accrued interest income	0	0	0
Total other interest-bearing assets	5 743	2 600	2 875
Net interest-bearing assets / (liabilities)	(5 266)	(8 502)	(8 007)

Elkem signed a new loan facilities agreement 13 February 2018, consisting of a revolving credit facility (RCF) of EUR 250 million, a term loan facility of EUR 400 million, and a bridge financing term loan facility of EUR 500 million.

The loan facilities agreement contains two financial covenants.

- The ratio of operating EBITDA to consolidated net interest payable, for each measurement period, which is calculated as the 12 months ending on the last day of a financial quarter, must not be less than 4.0:1.0.
- The ratio of total equity to total assets must be more than 30%.

The loan facilities are unsecured.

Note 8 Hedging

Derivatives as at Q1 2018

Purchase contracts	Fair value	Hereof recognised against OCI	Effects to be recycled from OCI			
			Within 1 year	Within 2 years	Within 3 years	Within 4 years or more
Forward foreign exchange contracts	31	13	13	-	-	-
Embedded EUR derivatives	(122)	(22)	(4)	(4)	(3)	(11)
Power contracts	(211)	(292)	(61)	(117)	(115)	(2)
Platinum contracts	(1)	-	-	-	-	-
Total derivatives	(303)	(301)	(53)	(121)	(118)	(12)

Realised effects hedge accounting, recycled from OCI	First quarter		Year to date		Full year
	2018	2017	2018	2017	2017
Realised effects from forward foreign exchange contracts, sales revenues	(24)	(0)	(24)	(0)	(41)
Realised effects from embedded derivatives EUR, sales revenues	(1)	(0)	(1)	(0)	(1)
Realised effect from power contracts, Raw materials and energy for smelting	29	(15)	29	(15)	(60)
Total realised hedging effects recycled from OCI	4	(16)	4	(16)	(103)

See note 26 Financial instruments and note 27 Financial risk and capital management to the combined financial statements for the year ended 31 December 2017, for more information.

Note 9 Events after reporting period

In March 2017, Elkem initiated an energy recovery project at its Silicon Materials plant, Elkem Salten. The Elkem Salten plant plans to utilise excess heat from the smelting furnace off-gas to produce approximately 275 GWh electricity, which amounts to approximately 28% of the energy consumption at the plant. Salten Energy Recovery Project is operated as a joint venture, where Elkem's share is 50 per cent. The final investment decision is approved by the board in April 2018. Estimated project cost is NOK 1 billion. The project cost will be covered by bank financing, Enova grants and equity contribution from the shareholders. Elkem is committed to cover its proportion of the capital injection, estimated to NOK 100 million. The project is estimated to be completed in 2020.

Elkem is obligated to deliver minimum 990 GWh heat energy to the energy plant and to purchase all the power produced for the first fifteen years to a fixed price. Estimated purchase commitment for the power produced for the first fifteen years is EUR 123 million.

Note 10 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 2018	1
Share split	401,999,999
Capital increase	179,310,344
As at 31 March 2018	581,310,344

In an extraordinary general meeting in Elkem ASA 23 February 2018, it was approved a split of Elkem's one share into 402 million shares.

22 March 2018 Elkem ASA's shares were listed on Oslo Stock Exchange. At the same date the share capital was increased with 179,310,344 shares. The capital increase was completed at an offer price of NOK 29 per share, which gives a gross capital increase of NOK 5,200 million. Expenses related to the capital increase amount to NOK 29 million. Net expenses after taxes was NOK 23 million.

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. At the date of issuing the first quarter report no options are granted.

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, income from associates and joint ventures, other gains and losses, impairment loss and amortisation and depreciation are managed on a group basis and are not allocated to each segment. 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.

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

- EBIT is defined as Elkem's profit (loss) for the year on a combined basis, and profit (loss) for the year, less income tax (expense), finance expenses, foreign exchange gains (losses), finance income, income from associates and joint ventures and other gains (losses).
- EBITDA, also referred to as gross operating profit (loss), is defined as Elkem's profit (loss) for the year, less income tax (expense), finance expenses, foreign exchange gains (losses), finance income, income from associates and joint ventures, other gains (losses), 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

Amounts in NOK million First quarter 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)
Income from associates and joint ventures							(3)
Other gains and losses							201
EBIT	621	272	256	60	(59)	(3)	1,147
Impairment losses							2
Amortisations and depreciations							302
EBITDA	783	341	306	76	(52)	(3)	1,450

Amounts in NOK million First quarter 2017	Silicones	Silicon materials	Foundry Products	Carbon	Other	Eliminations	Elkem
Profit (loss) for the year							(69)
Income tax (expense) benefit							58
Finance expenses							113
Foreign exchange gains (losses)							(3)
Finance income							(7)
Income from associates and joint ventures							(1)
Other gains and losses							37
EBIT	(35)	37	85	65	(28)	5	128
Impairment losses							5
Amortisations and depreciations							308
EBITDA	135	103	139	80	(21)	5	441

Amounts in NOK million Year 2017	Silicones	Silicon materials	Foundry Products	Carbon	Other	Eliminations	Elkem
Profit (loss) for the year							1,249
Income tax (expense) benefit							269
Finance expenses							474
Foreign exchange gains (losses)							8
Finance income							(30)
Income from associates and joint ventures							(34)
Other gains and losses							(44)
EBIT	840	527	492	209	(147)	(28)	1,893
Impairment losses							17
Amortisations and depreciations							1,244
EBITDA	1,515	804	707	274	(119)	(28)	3,154

The remaining APMs described above and related measures are defined as follows:

- ROCE, Return on capital employed, is defined as EBIT divided by the average capital employed, where capital employed comprises working capital and fixed assets.
- Working capital is defined as accounts receivable, inventory, accounts payable, other current assets, and other current liabilities. Accounts payable is defined as accounts payable less accounts payable related to purchase of non-current assets. Other current assets included in working capital is defined as other current assets less current receivables to related parties, current interest-bearing receivables, tax receivables, grants that are net settled against tax payables and accrued interest income. Other current liabilities is defined as provisions and other current liabilities less current provisions and liabilities to related parties.
- 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:

	31 March 2018	31 March 2017	December 2017
Inventories	4,431	3,964	4,099
Accounts receivable	3,115	2,229	2,518
Other current assets	804	1,578	2,091
Current Interest bearing receivables	0	0	0
Other current receivables to related parties interest free	-9	-410	-1,354
Grants that are net settled against tax payables	-58	-63	-56
Tax receivable	-50	-61	-25
Accrued interest	0	0	0
Other current assets included in working capital	687	1,045	656
Accounts payable	2,898	2,755	2,650
Accounts payable related to purchase of non-current asse	-348	-266	-439
Accounts payable included in working capital	2,551	2,489	2,211
Provisions and other current liabilities	1,701	2,096	1,670
Current provisions	-150	-151	-155
Liabilities to related parties	-190	-912	-324
Other current liabilities included in working capital	1,361	1,033	1,191
Working capital	4,322	3,715	3,871
Property, plant and equipment	11,811	11,347	11,950
Capital employed	16,133	15,062	15,822