

Elkem Group, Interim Report

Third quarter 2018



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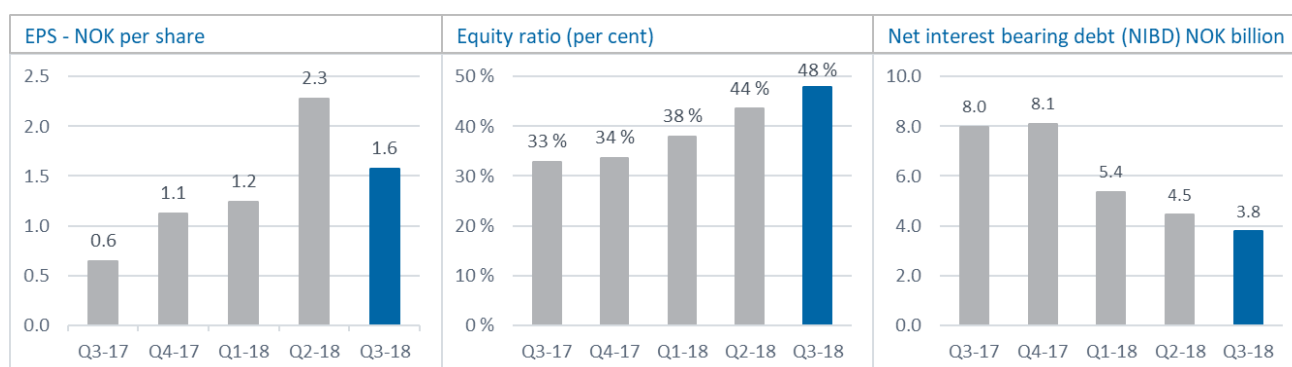
Highlights 3rd quarter 2018

- Total operating income for 3Q-2018 was NOK 6,050 million, an increase of 14% from third quarter last year
- EBITDA for 3Q-2018 was NOK 1,394 million, an increase of 63% from third quarter last year
- Increased operating income and EBITDA mainly explained by higher realised sales prices
- Operating income and EBITDA down compared to 2Q-2018, affected by maintenance stops in China and lower prices in key markets
- Weaker market conditions for silicones in China have resulted in softer demand and lower prices
- Earnings per share was NOK 1.57 in the quarter

Key figures

(NOK million, except where specified)	3Q 2018	3Q 2017	YTD 2018	YTD 2017	FY 2017
Total operating income	6,050	5,306	19,620	15,039	21,402
EBITDA	1,394	858	4,817	2,111	3,188
EBITDA margin (%)	23%	16%	25%	14%	15%
EBIT	1,077	546	3,881	1,160	1,927
Profit (loss) for the period ⁽¹⁾	915	373	2,964	555	1,211
Cash flow from operations	721	842	2,682	1,478	2,336
ROCE - annualised (%)	26%	14%	32%	10%	12%

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



A strong quarter despite weaker market conditions

Elkem's result for the third quarter was strong, despite being affected by maintenance stops and weaker market prices for its main products. The result was significantly stronger than the corresponding quarter last year, but weaker than the second quarter this year. All divisions reported stronger results compared to third quarter 2017.

The total operating income for the third quarter 2018 was NOK 6,050 million, which was 14% higher than third quarter 2017. EBITDA for the quarter amounted to NOK 1,394 million, up from NOK 858 million in the corresponding quarter last year. Earnings per share (EPS) was NOK 1.57 in third quarter, giving accumulated EPS of NOK 5.10 year-to-date.

Higher operating income and EBITDA compared to the corresponding quarter last year, were primarily explained by higher sales prices. Elkem's growth in operating income and EBITDA were mainly driven by Silicones and Foundry Products.

Despite significant improvements compared to last year, Elkem's result for the third quarter 2018 has been impacted by maintenance stops at Xinghuo Silicones and Yongdeng Silicon Materials in China and by lower sales prices.

Xinghuo Silicones stopped production from mid-July to mid-August to undertake regular maintenance, required for this type of chemical industry facilities. The maintenance stop reduced the group's production and sales in the quarter. In addition, Yongdeng Silicon Materials stopped production at two of its furnaces from end of July for technical upgrades. This project will be finalised early December 2018.

The silicones market in China has been negatively affected by the new US trade tariffs. Direct export of intermediary silicone products from China to the US has been reduced. In addition, the export of other goods containing silicones has also been reduced. This has resulted in weaker demand in China and negatively impacted sales prices for intermediary silicone products.

Elkem's financial position is strong. The group's equity as at 30 September 2018 amounted to NOK 12,983 million, giving a ratio of equity to total assets of 48%. Net interest-bearing debt at quarter-end was NOK 3,788 million, which gave a ratio of net debt to EBITDA of 0.6 times.

The fundamental market demand is expected to be good in the coming quarters. However, inventories for silicones in China have increased recently, and prices for silicones commodities have declined significantly during October. The effect of US trade tariffs imposed on imports from China has been more significant than expected and further impact is unclear. Particularly for silicones, prices are expected to be lower in the fourth quarter. On this basis, the fourth quarter result is expected to be clearly weaker than the third quarter result.



Financial review

Group results

KEY FIGURES	3Q 2018	3Q 2017	YTD 2018	YTD 2017	FY 2017
<i>MNOK except where indicated otherwise</i>					
Total operating income	6,050	5,306	19,620	15,039	21,402
EBITDA	1,394	858	4,817	2,111	3,188
EBIT	1,077	546	3,881	1,160	1,927
Other items	86	47	-268	-23	44
Net financial items	-98	-131	-295	-344	-452
Profit (loss) before income tax	1,065	463	3,318	793	1,519
Tax	-142	-81	-332	-211	-269
Profit (loss) for the period	923	382	2,986	583	1,249

Quarter

The Elkem group reported total operating income of NOK 6,050 million in 3Q-2018, up 14% from NOK 5,306 million in 3Q-2017. The growth in operating revenue was primarily driven by Silicones and Foundry Products. Higher sales prices were the main driver. Volumes were down compared to 3Q-2017, mainly due to maintenance stops at Xinghuo Silicones and Yongdeng Silicon Materials in China.

EBITDA for 3Q-2018 was NOK 1,394 million, up 63% from NOK 858 million in 3Q-2017. The EBITDA margin was 23% in 3Q-2018 compared to 16% in the corresponding quarter last year. The improvements in earnings and margins were primarily a result of higher sales prices and to some extent improved sales mix. Raw material costs have generally been trending upwards.

EBIT for 3Q-2018 was NOK 1,077 million, up from NOK 546 million in 3Q-2017. There were no significant one-off items in the quarter.

Other items include fair value changes, gains/losses on currency forward contracts, certain provisions and IPO expenses. Other items amounted to NOK 86 million in 3Q-2018. The fair value change of power contracts amounted to NOK 96 million and represented the main item. The mark-to-market value of the respective power contracts, have increased due to higher long-term power prices.

Net financial items were NOK -98 million in 3Q-2018, compared to NOK -131 million in 3Q-2017. Financial items mainly consist of interest expenses, which amounted to NOK 87 million. Interest expenses were reduced from 3Q-2017 due to lower interest-bearing debt. Losses related to foreign exchange amounted to NOK 26 million, while finance income was NOK 15 million. The planned refinancing in China has been delayed but is expected to be concluded before year-end.

Profit before income tax was NOK 1,065 million compared to NOK 463 million in 3Q-2017.

Tax expenses in 3Q-2018 were NOK 142 million, giving a tax rate for the group of approximately 13%. The tax rate was lower than for the corresponding quarter last year, but higher than the previous quarters this year. Compared to the previous quarters this year, a relatively higher share of profit, including fair value changes, has been generated in Norway, while the relative share of taxable profit generated by the silicones business in France and China has been lower. These entities were not in a tax position.

Profit for the period was NOK 923 million, compared to NOK 382 million in 3Q-2017. Owners of the parent's share of profit is NOK 915 million, which gave earnings per share of NOK 1.57 in the third quarter 2018.

Year to date

The group's total operating income was NOK 19,620 million YTD 2018, up 30% from NOK 15,039 million YTD 2017. EBITDA YTD 2018 amounted to NOK 4,817 million, up 128% from NOK 2,111 million YTD 2017. Higher operating income and EBITDA were mainly driven by higher realised sales prices across all divisions.

Cash flow

CASH FLOW FROM OPERATIONS	3Q 2018	3Q 2017	YTD 2018	YTD 2017	FY 2017
<i>NOK million</i>					
Operating profit (loss) before other items	1,077	546	3,881	1,160	1,927
Amortisation, depreciation and impairment	317	311	936	951	1,261
Changes in working capital	-470	196	-1,480	-82	47
Reinvestments	-203	-202	-675	-552	-890
Equity accounted investments	-	-10	19	1	-9
Cash flow from operations	721	842	2,682	1,478	2,336
Other cash flow items	-1,144	-937	-508	-1,207	-1,921
Change in cash and cash equivalents	-423	-94	2,174	270	414

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

Quarter

Cash flow from operations was NOK 721 million in 3Q-2018, compared to NOK 842 million in 3Q-2017. The reduction in cash flow was due to increased working capital. Inventory and account receivables have increased, which must be seen in connection with underlying revenue growth and higher prices for raw materials and finished goods. Elkem's focus is however, to reduce the working capital.

Reinvestments in 3Q-2018 amounted to NOK 203 million, which was in line with NOK 202 million in 3Q-2017. Reinvestments were according to plan and the full year estimate of approximately NOK 1,000 million.

Strategic investments are included in other cash flow items and amounted to NOK 180 million in 3Q-2018. This was higher than 3Q-2017 when strategic investments amounted to NOK 87 million. The main strategic investments in the third quarter 2018 were related to various downstream projects within silicones.

Cash and cash equivalents have decreased by NOK 423 million in 3Q-2018 to NOK 3,858 million, mainly as a result of debt repayments.

Year to date

Cash flow from operations amounted to NOK 2,682 million YTD 2018, compared to NOK 1,478 million YTD 2017, mainly explained by the significant growth in operating profit partly countered by higher working capital.

Financial position

FINANCIAL POSITION	3Q 2018	3Q 2017	FY 2017
Total equity (NOK million)	12,983	8,038	8,565
Equity ratio (%)	48%	33%	34%
EPS - adjusted (NOK per share)	1.57	0.64	2.08
Net interest bearing debt (NOK million) ⁽¹⁾	3,788	7,993	8,111
Leverage ratio based on LTM EBITDA (ratio)	0.6	NA	2.5

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

Quarter and year to date

As at 30 September 2018, Elkem's equity was NOK 12,983 million, up from NOK 8,565 million as at 31 December 2017. The equity has increased year to date due to net profit and net proceeds from the IPO. The acquisition of Xinghuo Silicones and Yongdeng Silicon Materials was booked against equity. The equity ratio as of 30 September 2018 was 48%, up from 34% by year-end 2017.

Elkem's net debt as at 30 September 2018 was NOK 3,788 million, a reduction from NOK 8,111 million by year-end 2017. The debt reduction was mainly explained by IPO proceeds and positive cash flow generation. Elkem's leverage ratio was 0.6x as at 30 September 2018.

The planned refinancing of Xinghuo Silicones and Yongdeng Silicon Materials has been delayed. The refinancing is however, expected to be completed before year-end 2018. The refinancing will be covered by utilisation of an available bridge loan facility of EUR 500 million. Elkem is also working on long-term financing solutions to replace the bridge loan facility.

Segments

Silicones

KEY FIGURES	3Q 2018	3Q 2017	YTD 2018	YTD 2017	FY 2017
<i>MNOK except where indicated otherwise</i>					
Total operating income	3,033	2,601	10,140	6,754	10,026
EBITDA	852	447	2,991	917	1,515
EBITDA margin	28%	17%	29%	14%	15%
Sales volume (thousand mt)	65	86	237	213	300

Quarter

Total operating income for the Silicones division was NOK 3,033 million in 3Q-2018, up 17% from NOK 2,601 million in 3Q-2017. Increased operating income was due to higher sales prices.

The EBITDA for 3Q-2018 was NOK 852 million, up 91% from NOK 447 in 3Q-2017. The EBITDA-margin was 28% in 3Q-2018 compared to 17% in the corresponding quarter last year. The improvement was explained by higher sales prices, which have more than offset lower volumes and higher raw material prices.

Both operating income and EBITDA have been negatively impacted by lower sales volumes. The Xinghuo plant in China was out of production from mid-July to mid-August due to a regular maintenance stop. In addition, Xinghuo lowered the production in September due to weaker market conditions in China.

Year to date

The Silicones division had total operating income of NOK 10,140 million YTD 2018, up 50% compared to NOK 6,754 million YTD 2017. Higher operating income was explained by higher sales prices. The sales volumes were lower than the corresponding period last year, due to maintenance stop and reduced production at Xinghuo in the third quarter. The EBITDA was NOK 2,991 million YTD 2018, up 226% from NOK 917 million YTD 2017. Higher EBITDA was explained by higher sales prices. The result for the third quarter 2018 was lower than the second quarter, mainly due to maintenance stop and lower prices in China.

Silicon Materials

KEY FIGURES	3Q 2018	3Q 2017	YTD 2018	YTD 2017	FY 2017
<i>MNOK except where indicated otherwise</i>					
Total operating income	1,472	1,555	4,912	4,650	6,412
EBITDA	237	234	886	566	804
EBITDA margin	16%	15%	18%	12%	13%
Sales volume (thousand mt) ¹⁾	52	67	180	208	278

1) Excluding Microsilica and quartz

Quarter

Total operating income for Silicon Materials was NOK 1,472 million in 3Q-2018, which was down 5% from NOK 1,555 million in 3Q-2017. The reduction was due to lower sales volumes, partly affected by production stop at two furnaces in Yongdeng, China from late July in connection with the technical upgrade and furnace relining.

Silicon Materials generated an EBITDA of NOK 237 million in 3Q-2018, which is up 1% from NOK 234 million in the corresponding quarter last year. The EBITDA-margin improved slightly to 16%, up from 15% in 3Q-2017. Higher EBITDA and EBITDA-margin were mainly due to higher sales prices.

The production was reduced in the quarter, due to maintenance stop at Yongdeng. The other plants operated according to plan.

Year to date

The Silicon Materials division reported total operating income of NOK 4,912 million YTD 2018, an increase of 6% from NOK 4,650 million YTD 2017. The division reported an EBITDA of NOK 886 million, which was up 57% from NOK 566 million YTD 2017, mainly due to higher sales prices.

Foundry Products

KEY FIGURES	3Q 2018	3Q 2017	YTD 2018	YTD 2017	FY 2017
<i>MNOK except where indicated otherwise</i>					
Total operating income	1,232	969	3,861	3,042	4,241
EBITDA	248	139	817	468	701
EBITDA margin	20%	14%	21%	15%	17%
Sales volume (thousand mt) ¹⁾	66	61	206	195	260

1) Excluding Microsilica sales

Quarter

Total operating income for Foundry Products was NOK 1,232 million in 3Q-2018, which was up 27% from NOK 969 million in 3Q-2017. Increased operating income was mainly due to higher sales prices and higher sales volumes.

The EBITDA was NOK 248 million in 3Q-2018, up 78% compared to NOK 139 million in the corresponding quarter last year. The EBITDA margin was 20%, up from 14% in 3Q-2017. Increased EBITDA and EBITDA margin were mainly explained by higher sales prices, improved sales mix and higher volumes.

The production has been good at most plants during the quarter.

Year to date

The Foundry Products division reported total operating income of NOK 3,861 million YTD 2018, up 27% from NOK 3,042 million YTD 2017. Increased operating income was due to higher sales prices and higher sales volumes. EBITDA amounted to NOK 817 million, up 75% from NOK 468 million YTD 2017, mainly explained by higher sales prices and improved sales mix. Prices for ferrosilicon were however, down from the start of the year, explaining the decline in EBITDA from the previous two quarters.

Carbon

KEY FIGURES	3Q 2018	3Q 2017	YTD 2018	YTD 2017	FY 2017
<i>MNOK except where indicated otherwise</i>					
Total operating income	480	395	1,367	1,160	1,577
EBITDA	98	65	253	217	274
EBITDA margin	20%	17%	19%	19%	17%
Sales volume (thousand mt)	73	72	215	211	284

Quarter

Total operating income for Carbon was NOK 480 million in 3Q-2018, up 22% from NOK 395 million in 3Q-2017. Higher operating income was predominately a result of higher sales prices.

EBITDA for the 3Q-2018 was NOK 98 million, which was up 49% from NOK 65 million in the corresponding quarter last year. Sales prices have been increased to compensate for higher raw material costs, and this has gradually improved the division's EBITDA-margin during 2018.

Production has been according to plan at all plants.

Year to date

The Carbon division reported total operating income of NOK 1,367 million YTD 2018, an increase of 18% compared to NOK 1,160 million YTD 2017. EBITDA was NOK 253 million YTD 2018, up 17% compared to NOK 217 million YTD 2017. Higher operating income and EBITDA were mainly due to higher sales prices, which have compensated for higher raw material costs.

Outlook

Elkem continues to deliver solid results. The company's specialisation strategy is continuing with increased sales of specialties in all four divisions. In addition, the operational performance has been strong and exceeded expectations.

The fundamental market demand is expected to be good in the coming quarters, but inventories for silicones in China have increased recently and the short-term market conditions are unclear.

Prices for silicones in China have declined significantly during October. In addition, the effects of US trade tariffs going forward are unclear. Due to lower price expectations, particularly for silicones in China, the fourth quarter result is expected to be clearly weaker than the third quarter result.

Elkem ASA

Oslo, 23 October 2018



Condensed consolidated interim statement of income

Amounts in NOK million	Note	Third quarter		Year to date		Year
		2018	2017	2018	2017	2017
Revenues	2	5,993	5,248	19,452	14,885	21,133
Other operating income	2	52	49	156	133	236
Share of profit from equity accounted companies	2	6	10	12	21	34
Total operating income		6,050	5,306	19,620	15,039	21,402
Raw materials and energy for smelting		(2,766)	(2,736)	(8,945)	(7,677)	(10,825)
Employee benefit expenses		(806)	(739)	(2,499)	(2,277)	(3,145)
Other operating expenses		(1,083)	(974)	(3,359)	(2,974)	(4,245)
Amortisations and depreciations	4	(317)	(311)	(929)	(937)	(1,244)
Impairment losses	4	0	0	(7)	(14)	(17)
Operating profit (loss) before other items		1,077	546	3,881	1,160	1,927
Other items	5	86	47	(268)	(23)	44
Operating profit (loss)		1,163	594	3,613	1,137	1,971
Finance income	6	15	8	37	23	30
Foreign exchange gains (losses)	6	(26)	(9)	(26)	(14)	(8)
Finance expenses	6	(87)	(130)	(306)	(352)	(474)
Profit (loss) before income tax		1,065	463	3,318	793	1,519
Income tax (expenses) benefits		(142)	(81)	(332)	(211)	(269)
Profit (loss) for the period		923	382	2,986	583	1,249
Attributable to:						
Non-controlling interest's share of profit (loss)		9	9	22	27	39
Owners of the parent's share of profit (loss)		915	373	2,964	555	1,211
Interim earnings per share						
Basic and diluted earnings per share in NOK ¹⁾		1.57	0.64	5.10	0.96	2.08
Diluted earnings per share in NOK ¹⁾		1.57	0.64	5.10	0.96	2.08
Weighted average number of outstanding shares (million)		581	581	581	581	581
Weighted average number of outstanding shares -diluted (million)		581	581	581	581	581

¹⁾Earnings per share has been presented as if the number of shares at the IPO date 22 March 2018 581,310,344 was outstanding for all periods presented.

Condensed consolidated interim statement of comprehensive income

Amounts in NOK million	Third quarter		Year to date		Year
	2018	2017	2018	2017	2017
Profit (loss) for the period	923	382	2,986	583	1,249
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Remeasurements of post employment benefit obligation	-	-	(0)	-	1
Tax effects on remeasurements of post employment benefit obligation	-	-	0	-	2
Share of profit (loss) from associates and joint ventures	-	-	(0)	-	-
	-	-	(0)	-	3
Items that may be reclassified to profit or loss					
Currency translation differences	(114)	(110)	(382)	41	279
Hedging of net investment in foreign operations	13	45	104	(91)	(209)
Tax effects hedging of net investment in foreign operations	(3)	(11)	(24)	22	48
Cash flow hedges	(21)	256	729	123	(6)
Tax effects on cash flow hedges	5	(62)	(168)	(30)	(4)
Share of profit (loss) from associates and joint ventures	-	1	(0)	1	(0)
Change in value of available-for-sale financial assets	-	-	-	-	0
	(119)	119	259	66	107
Other comprehensive income, net of tax	(119)	119	259	66	111
Total comprehensive income	804	501	3,245	649	1,360
Attributable to:					
Non-controlling interest's share of comprehensive income	8	8	20	8	40
Owners of the parent's share of comprehensive income	796	493	3,225	641	1,320
Total comprehensive income	804	501	3,245	649	1,360

Condensed consolidated interim statement of financial position

Amounts in NOK million	Note	30 September 2018	30 September 2017	31 December 2017
ASSETS				
Property, plant and equipment	4	11,619	11,105	11,950
Goodwill	4	328	331	326
Other intangible assets	4	888	875	911
Deferred tax assets		42	41	90
Investments equity accounted companies		158	181	159
Derivatives	8	101	96	152
Other non-current assets		392	501	407
Total non-current assets		13,529	13,130	13,995
Inventories		5,153	4,007	4,099
Accounts receivable	7	2,904	2,403	2,518
Derivatives	8	162	40	33
Other current assets		984	2,409	2,091
Restricted deposits	7	512	975	1,020
Cash and cash equivalents	7	3,858	1,546	1,751
Total current assets		13,573	11,380	11,513
TOTAL ASSETS		27,102	24,510	25,507
EQUITY AND LIABILITIES				
Paid-in capital	9	8,097	3,088	2,918
Retained earnings		4,775	4,849	5,545
Non-controlling interest		111	101	102
Total equity		12,983	8,038	8,565
Interest-bearing non-current liabilities	7	4,272	5,213	4,585
Deferred tax liabilities		226	101	105
Pension liabilities		428	428	445
Derivatives	8	154	373	379
Provisions and other non-current liabilities		348	476	426
Total non-current liabilities		5,428	6,592	5,940
Accounts payable		2,782	2,695	2,650
Income tax payables		388	193	139
Interest-bearing current liabilities	7	2,366	2,869	3,647
Bills payable	7	1,519	2,432	2,650
Derivatives	8	10	163	247
Provisions and other current liabilities		1,625	1,528	1,670
Total current liabilities		8,691	9,880	11,003
TOTAL EQUITY AND LIABILITIES		27,102	24,510	25,507

Condensed consolidated interim statement of cash flows

Amounts in NOK million	Note	Third quarter		Year to date		Year
		2018	2017	2018	2017	2017
Operating profit (loss)		1,163	594	3,613	1,137	1,971
Amortisation, depreciation and impairment		317	311	936	951	1,261
Changes in working capital ¹⁾		(470)	196	(1,480)	(82)	47
Equity accounted companies		0	(10)	19	1	(9)
Changes in fair value commodity contracts		(95)	(60)	156	(13)	(79)
Changes in provisions, pension obligations and other ¹⁾		3	(10)	(61)	(81)	(313)
Interest payments received		15	(59)	36	(45)	24
Interest payments made		(73)	(111)	(314)	(322)	(446)
Income taxes paid		(19)	(38)	(126)	(122)	(198)
Cash flow from operating activities		842	813	2,778	1,423	2,256
Investments in property, plant and equipment and intangible assets		(310)	(294)	(1,115)	(788)	(1,126)
Acquisition of subsidiaries, net of cash acquired	3	-	-	(4,049)	4	4
Payment received on loan to related parties		-	-	1,303	-	-
Other investments / sales		12	0	(23)	(18)	(6)
Cash flow from investing activities		(298)	(294)	(3,885)	(802)	(1,128)
Dividends paid to non-controlling interest		-	-	(10)	(12)	(26)
Dividends paid to owner of the parent		-	-	-	-	(144)
Capital increase		-	-	5,171	-	-
Net changes in bills payable		(438)	63	(522)	186	285
Net changes in other short term debt		-	(323)	-	-	-
New interest-bearing loans and borrowings		-	2	3,996	50	60
Net changes of short term loans from related parties		-	(77)	(241)	(126)	(30)
Repayment of interest-bearing loans and borrowings		(529)	(279)	(5,113)	(449)	(859)
Cash flow from financing activities		(966)	(614)	3,280	(350)	(714)
Change in Cash and cash equivalents		(423)	(94)	2,174	270	414
Currency exchange differences		(25)	(57)	(67)	(44)	17
Cash and cash equivalents Opening Balance		4,306	1,697	1,751	1,320	1,320
Cash and cash equivalents Closing Balance		3,858	1,546	3,858	1,546	1,751

1) Bills receivable are reclassified from changes in working capital to Changes in provisions, pension obligations and other. See note 1 General information.

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	-	2,964	2,964	22	2,986
Other comprehensive income	-	261	261	(2)	259
Total comprehensive income	-	3,225	3,225	20	3,245
Capital increase ¹⁾	5,177	-	5,177	-	5,177
Share-based payment ¹⁾	1	-	1	-	1
Changes in the composition of the group ²⁾	-	(3,995)	(3,995)	-	(3,995)
Dividends to equity holders	-	-	-	(10)	(10)
Balance 30 September 2018	8,097	4,775	12,872	112	12,983

¹⁾ See note 9 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	-	555	555	27	583
Other comprehensive income	-	68	68	(2)	66
Total comprehensive income	-	623	623	25	649
Conversion of liabilities ¹⁾	-	1,571	1,571	-	1,571
Dividends to equity holders	-	-	-	(12)	(12)
Balance 30 September 2017	3,088	4,849	7,937	101	8,038

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

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 third quarter of 2018 were approved at the meeting of the board of directors on 23 October 2018.

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 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 a number of other amendments and interpretations. The new standards have no impact on the interim condensed financial statements of the group.

Elkem has made one change to the presentation in the statement of income. Income from associates and joint ventures is renamed to Share of profit from equity accounted companies and is included in operating income. The investments are closely related to the group's main activities.

Elkem has made one change to the presentation in Statement of cash flows. Cash flow effects related to bills receivable are reclassified from changes in working capital to changes in provisions, pension obligations and other.

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 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, other, 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.

		Silicon	Foundry				
Third quarter 2018	Silicones	materials	Products	Carbon	Other	Eliminations	Total
Revenue from sale of goods	3,009	1,052	1,175	425	261	-	5,921
Other revenue	3	6	7	5	51	-	71
Other operating income	20	18	10	0	4	-	52
Share of profit from equity accounted companies	0	(1)	-	-	6	-	6
Total operating income from external customers	3,031	1,075	1,192	430	322	-	6,050
Revenue from other group segments	2	397	40	50	92	(581)	-
Total operating income	3,033	1,472	1,232	480	414	(581)	6,050
Operating expenses	(2,181)	(1,235)	(984)	(383)	(439)	566	4,656
EBITDA	852	237	248	98	(25)	(15)	1,394
Operating profit (loss) before other items (EBIT)	688	167	188	81	(32)	(15)	1,077

		Silicon	Foundry				
Third quarter 2017	Silicones	materials	Products	Carbon	Other	Eliminations	Total
Revenue from sale of goods	2,554	1,220	909	332	172	-	5,187
Other revenue	19	25	12	11	(6)	-	61
Other operating income	28	12	5	0	5	-	49
Share of profit from equity accounted companies	-	-	(2)	-	12	-	10
Total operating income from external customers	2,601	1,257	924	343	182	-	5,306
Revenue from other group segments	0	298	45	52	128	(523)	-
Total operating income	2,601	1,555	969	395	310	(523)	5,306
Operating expenses	(2,153)	(1,321)	(830)	(330)	(319)	505	(4,449)
EBITDA	447	234	139	65	(9)	(18)	858
Operating profit (loss) before other items (EBIT)	277	166	88	50	(16)	(18)	546

		Silicon	Foundry				
Year to date 2018	Silicones	materials	Products	Carbon	Other	Eliminations	Total
Revenue from sale of goods	10,050	3,641	3,673	1,191	655	-	19,210
Other revenue	17	27	28	25	145	-	242
Other operating income	62	56	22	2	14	-	156
Share of profit from equity accounted companies	0	(2)	-	-	14	-	12
Total operating income from external customers	10,129	3,723	3,722	1,218	828	-	19,620
Revenue from other group segments	11	1,189	138	150	245	(1,733)	-
Total operating income	10,140	4,912	3,861	1,367	1,073	(1,733)	19,620
Operating expenses	(7,149)	(4,026)	(3,044)	(1,114)	(1,185)	1,715	(14,803)
EBITDA	2,991	886	817	253	(112)	(18)	4,817
Operating profit (loss) before other items (EBIT)	2,499	676	652	205	(133)	(18)	3,881

		Silicon	Foundry				
Year to date 2017	Silicones	materials	Products	Carbon	Other	Eliminations	Total
Revenue from sale of goods	6,608	3,632	2,880	969	519	-	14,607
Other revenue	78	70	35	32	62	-	278
Other operating income	64	43	14	1	11	-	133
Share of profit from equity accounted companies	-	-	(6)	-	27	-	21
Total operating income from external customers	6,750	3,745	2,923	1,002	619	-	15,039
Revenue from other group segments	4	906	119	159	277	(1,464)	-
Total operating income	6,754	4,650	3,042	1,160	896	(1,464)	15,039
Operating expenses	(5,837)	(4,084)	(2,575)	(943)	(937)	1,448	(12,928)
EBITDA	917	566	468	217	(41)	(16)	2,111
Operating profit (loss) before other items (EBIT)	402	361	305	170	(62)	(16)	1,160

		Silicon	Foundry				
Year 2017	Silicones	materials	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
Share of profit from equity accounted companies	-	(1)	(6)	-	41	-	34
Total operating income from external customers	10,015	5,077	4,066	1,362	882	-	21,402
Revenue from other group segments	11	1,335	175	214	376	(2,112)	-
Total operating income	10,026	6,412	4,241	1,577	1,258	(2,112)	21,402
Operating expenses	(8,510)	(5,608)	(3,540)	(1,303)	(1,337)	2,083	(18,215)
EBITDA	1,515	804	701	274	(78)	(28)	3,188
Operating profit (loss) before other items (EBIT)	840	526	486	209	(107)	(28)	1,927

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.

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

30 September 2018	Property, plant and equipment	Goodwill	Other intangible assets
Cost			
Balance 01 January 2018	26,532	326	1,980
Additions	1,046	-	61
Transferred from CiP	(30)	-	30
Business combinations	6	18	-
Disposals	(107)	-	-
Exchange differences	(985)	(17)	(73)
Balance 30 September 2018	26,462	328	1,998
Accumulated depreciation			
Balance 01 January 2018	(11,934)	-	(1,068)
Addition	(851)	-	(78)
Disposals	27	-	-
Exchange differences	386	-	38
Balance 30 September 2018	(12,372)	-	(1,108)
Impairment losses			
Balance 01 January 2018	(2,647)	-	(1)
Addition	(7)	-	-
Disposals	38	-	-
Exchange differences	145	-	0
Balance 30 September 2018	(2,470)	-	(1)
Net book value 30 September 2018	11,619	328	888

30 September 2017	Property, plant and equipment	Goodwill	Other intangible assets
Cost			
Balance 01 January 2017	24,713	343	1,807
Additions	725	-	54
Transferred from CiP	1	-	(1)
Business combinations	-	(2)	(2)
Disposals	(102)	-	(3)
Exchange differences	(293)	(10)	24
Balance 30 September 2017	25,044	331	1,879
Accumulated depreciation			
Balance 01 January 2017	(10,690)	-	(914)
Addition	(863)	-	(74)
Disposals	96	-	3
Exchange differences	59	-	(18)
Balance 30 September 2017	(11,399)	-	(1,003)
Impairment losses			
Balance 01 January 2017	(2,612)	-	(1)
Addition	(14)	-	-
Disposals	1	-	-
Exchange differences	85	-	(0)
Balance 30 September 2017	(2,540)	-	(1)
Net book value 30 September 2017	11,105	331	875

31 Dec 2017	Property, plant and equipment	Goodwill	Other intangible assets
Cost			
Balance 01 January 2017	24,713	343	1,807
Additions	1,199	-	82
Transferred from CiP	1	-	(1)
Business combinations	284	(20)	(2)
Disposals	(177)	-	(5)
Exchange differences	512	4	99
Balance 31 December 2017	26,532	326	1,980
Accumulated depreciation			
Balance 01 January 2017	(10,690)	-	(914)
Addition	(1,143)	-	(101)
Disposals	144	-	5
Exchange differences	(246)	-	(58)
Balance 31 December 2017	(11,934)	-	(1,068)
Impairment losses			
Balance 01 January 2017	(2,612)	-	(1)
Addition	(17)	-	-
Disposals	21	-	-
Exchange differences	(39)	-	(0)
Balance 31 December 2017	(2,647)	-	(1)
Net book value 31 December 2017	11,950	326	911

Note 5 Other items

	Third quarter		Year to date		Year
	2018	2017	2018	2017	2017
Change in fair value commodity contracts ¹⁾	96	37	(149)	(37)	26
Ineffectiveness on cash flow hedges	0	21	6	40	43
Net foreign exchange gains / losses - forward contracts	6	15	29	10	(3)
Operating foreign exchange gains / losses	(16)	(27)	(29)	(32)	(11)
Other gains/losses	86	46	(142)	(19)	55
Net dividend / write-down external shares	0	1	0	2	6
Gains / losses disposal of subsidiaries	0	-	1	0	0
Other income	0	1	1	2	6
Expenses IPO	(3)	-	(95)	-	-
Other ²⁾	3	1	(32)	(6)	(18)
Other expenses	(0)	1	(128)	(6)	(18)
Total other items	86	47	(268)	(23)	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.

²⁾ Mainly related to provision for environmental measurements, infrastructure obligations and minor business projects/acquisitions.

Note 6 Finance income and expenses

	Third quarter		Year to date		Year
	2018	2017	2018	2017	2017
Interest income	15	8	36	22	29
Interest income from Bluestar Elkem International Co. Ltd. S.A	-	-	-	-	0
Other financial income	0	0	1	1	1
Total finance income	15	8	37	23	30
Interest expenses on interest-bearing liabilities measured at amortised cost	(63)	(79)	(222)	(243)	(317)
Interest expenses from other financial liabilities measured at amortised cost	(20)	(48)	(73)	(101)	(137)
Unwinding of discounted liabilities	(1)	(1)	(2)	(4)	(10)
Interest on net pension liabilities	(2)	(1)	(5)	(3)	(9)
Other financial expenses	(1)	(1)	(3)	(1)	(2)
Total finance expenses	(87)	(130)	(306)	(352)	(474)
Net foreign currency translation expenses	(26)	(9)	(26)	(14)	(8)
Net Finance income (expenses)	(98)	(131)	(295)	(344)	(452)

Note 7 Interest-bearing assets / debt

	30 September 2018	30 September 2017	31 December 2017
Non-current interest-bearing debt			
Loans from related parties	7	7	7
Financial leases	1	1	0
Loans from external parties, other than banks	81	-	80
Bank financing	4,183	5,206	4,498
Total non-current interest-bearing debt	4,272	5,213	4,585
Current interest-bearing debt			
Financial lease	1	1	1
Bank financing, current	2,165	2,645	3,418
Loans from external parties, other than banks	179	48	61
Accrued interest, related parties	0	149	157
Accrued interest	22	25	10
Total current interest-bearing debt	2,366	2,869	3,647
Current bills payable	1,519	2,432	2,650
Total interest-bearing liabilities including bills payable	8,158	10,514	10,882
Cash and cash equivalents	3,858	1,546	1,751
Current restricted deposits bills payable	498	974	1,016
Other current restricted deposits	14	2	4
Other non-current restricted deposits	88	95	95
Interest-bearing financial assets	9	81	9
Accrued interest income	0	0	0
Total other interest-bearing assets	4,467	2,698	2,875
Total interest-bearing assets / (liabilities)	(3,690)	(7,816)	(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. At the end of September 2018 only the term loan facility is drawn.

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%.

Elkem complies with the financial covenants as of 30 September 2018.

The loan facilities are unsecured.

Note 8 Cash flow hedging

Hedge Accounting

Elkem group is applying hedge accounting for parts of the foreign exchange forward contracts, certain parts of EUR loans, for embedded EUR derivatives in power contracts and for certain power contracts. The currency exchange contracts are designated in a cash flow hedge to hedge currency fluctuations in highly probable future sales, mainly in USD and EUR. The commodity 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 energy for smelting when realised.

Derivatives as at Q3 2018

	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 foreign exchange contracts	2,475	68	53	39	14	-	-
Embedded EUR derivatives	3,682	(94)	3	(0)	(2)	1	5
Power contracts ¹⁾	4,013	125	98	64	(32)	10	56
Platinum contracts	12	(1)	-	-	-	-	-
Total derivatives		99	154	103	(20)	11	61
EUR loan designed as cash flow hedging instrument		289	(13)	(2)	(2)	(2)	(6)
Total			141	100	(23)	8	55

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

Realised effects hedge accounting, recycled from OCI	Third quarter		Year to date		Full year
	2018	2017	2018	2017	2017
Realised effects from forward foreign exchange contracts, sales revenues	(6)	(6)	(37)	(19)	(41)
Realised effects from embedded derivatives EUR, sales revenues	(1)	0	(2)	0	(1)
Realised effects from EUR loans, sales revenues	0	0	(2)	(1)	(2)
Realised effects from power contracts, Raw materials and energy for smelting	90	(26)	151	(60)	(60)
Total realised hedging effects recycled from OCI	84	(32)	110	(79)	(105)

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.

Note 9 Number of shares

The development in share capital and other paid-in equity is set out in the Condensed consolidated interim statement of changes in equity. The development in the number of issued and outstanding shares is as follows:

	Outstanding
As at 1 January 2018	1
Share split	401 999 999
Capital increase	179 310 344
As at 30 September 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.

On 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.

On 19 September 2018 7,850,000 options are granted to members of the management and certain other key employees. Each option gives the option holder the right to subscribe or purchase one share in the Company at an exercise price of NOK 38.52, which is equal to the share price at closing on 13 September 2018. The options will vest over a period of three years from grant with one-third vesting each year and the first one-third vesting on 18 September 2019. The options will expire two years after vesting, i.e. on 18 September 2021, 2022 and 2023, respectively.

The fair value of options granted under the share incentive scheme is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

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, impairment loss and amortisation and depreciation 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.

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 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, 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

Amounts in NOK million Third quarter 2018	Silicones	Silicon materials	Foundry Products	Carbon	Other	Eliminations	Elkem
Profit (loss) for the year							923
Income tax (expense) benefit							142
Finance expenses							87
Foreign exchange gains (losses)							26
Finance income							(15)
Other items							(86)
EBIT	688	167	188	81	(32)	(15)	1,077
Impairment losses							(0)
Amortisations and depreciations							317
EBITDA	852	237	248	98	(25)	(15)	1,394

Amounts in NOK million Third quarter 2017	Silicones	Silicon materials	Foundry Products	Carbon	Other	Eliminations	Elkem
Profit (loss) for the year							382
Income tax (expense) benefit							81
Finance expenses							130
Foreign exchange gains (losses)							9
Finance income							(8)
Other items							(47)
EBIT	277	166	88	50	(16)	(18)	546
Impairment losses							(0)
Amortisations and depreciations							311
EBITDA	447	234	139	65	(9)	(18)	858

Amounts in NOK million YTD 2018	Silicones	Silicon materials	Foundry Products	Carbon	Other	Eliminations	Elkem
Profit (loss) for the year							2,986
Income tax (expense) benefit							332
Finance expenses							306
Foreign exchange gains (losses)							26
Finance income							(37)
Other items							268
EBIT	2,499	676	652	205	(133)	(18)	3,881
Impairment losses							7
Amortisations and depreciations							929
EBITDA	2,991	886	817	253	(112)	(18)	4,817

Amounts in NOK million YTD 2017	Silicones	Silicon materials	Foundry Products	Carbon	Other	Eliminations	Elkem
Profit (loss) for the year							583
Income tax (expense) benefit							211
Finance expenses							352
Foreign exchange gains (losses)							14
Finance income							(23)
Other items							23
EBIT	402	361	305	170	(62)	(16)	1,160
Impairment losses							14
Amortisations and depreciations							937
EBITDA	917	566	468	217	(41)	(16)	2,111

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)
Other items							(44)
EBIT	840	526	486	209	(107)	(28)	1,927
Impairment losses							17
Amortisations and depreciations							1,244
EBITDA	1,515	804	701	274	(78)	(28)	3,188

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 income statements) 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

Amounts in NOK million	Third quarter		Year to date		Year
	2018	2017	2018	2017	2017
Reinvestments	(203)	(202)	(675)	(551)	(890)
Strategic investments	(180)	(87)	(444)	(237)	(390)
Periodisations ¹⁾	73	(5)	3	1	154
Investments in property, plant and equipment and intangible assets	(310)	(294)	(1,115)	(788)	(1,126)

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:

Amounts in NOK million	Third quarter		Year to date		Year
	2018	2017	2018	2017	2017
Cash flow from operating activities	842	813	2,778	1,423	2,256
Income taxes paid	19	38	126	122	198
Interest payments made	73	111	314	322	446
Interest payments received	(15)	59	(36)	45	(24)
Changes in provisions, pension obligations and other	(3)	10	61	81	313
Changes in fair value commodity contracts	95	60	(156)	13	79
Other	(86)	(47)	268	23	(44)
Reinvestments	(203)	(202)	(675)	(551)	(890)
Cash flow from operations	721	842	2,682	1,478	2,336

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, accounts payable, other current assets, and other current liabilities. Accounts receivable is defined as accounts receivable less bills receivable. Other current assets 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. Accounts payable is defined as accounts payable less accounts payable related to purchase of non-current assets. Other current liabilities are 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:

	30 September 2018	30 September 2017	31 December 2017
Inventories	5,153	4,007	4,099
Accounts receivable	2,904	2,403	2,518
Bills receivable	-257	-156	-272
Accounts receivable	2,647	2,247	2,247
Other current assets	984	2,409	2,091
Current Interest bearing receivables	0	0	0
Other current receivables to related parties interest free	-11	-1,298	-1,354
Grants that are net settled against tax payables	-89	-36	-56
Tax receivable	-54	-86	-25
Accrued interest	0	-2	0
Other current assets included in working capital	830	987	656
Accounts payable	2,782	2,695	2,650
Accounts payable related to purchase of non-current assets	-418	-268	-439
Accounts payable included in working capital	2,364	2,427	2,211
Provisions and other current liabilities	1,625	1,528	1,670
Current provisions	-166	-123	-155
Liabilities to related parties	-172	-219	-324
Other current liabilities included in working capital	1,287	1,186	1,191
Working capital	4,978	3,628	3,600
Property, plant and equipment	11,619	11,105	11,950
Investments equity accounted companies	158	181	159
Accounts payable and prepayments related to purchase of non-current assets	-384	-266	-416
Capital employed	16,372	14,647	15,292