Elkem

Carnegie Enviro & Profitability Seminar

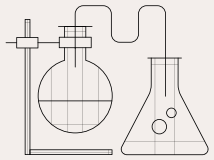
26 September 2023

Agenda

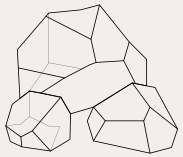
- Elkem at a glance
- Financial highlights
- Environmental projects
- Summary
- Q&A

We are Elkem

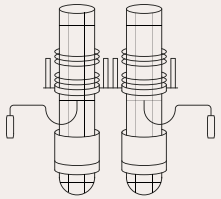
Advanced silicon-based materials shaping a better & more sustainable future



Silicones



Silicon Products



Carbon Solutions

Elkem

A strong track record since 1904 – with our focus on the future

- Elkem started as a Norwegian company founded in 1904 by Sam Eyde, representing strong industrial traditions and continuous improvement
- The chemical business in France was integrated in 2015 adding a strong culture for specialisation, innovation and R&D
- Our presence in China was significantly expanded in 2017, adding to the dynamic and agile business perspective, and positioning for the Asian market

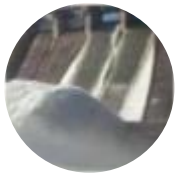
Sustainable business model delivering good results

Low cost sustainable input factors


Quartz


Coal

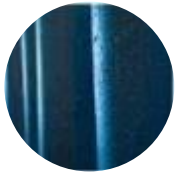

Biocarbon


Power

High temperature/chemical production processes


Silicones


Silicon, ferrosilicon, foundry products and microsilica


Carbon solutions

Examples of high value applications and markets

Financial figures LTM June 2023

Total operating income
NOK 40.9 bn.

EBITDA
NOK 7.7 bn.

EBITDA margin
19 %

Head office in Norway
31 plants worldwide

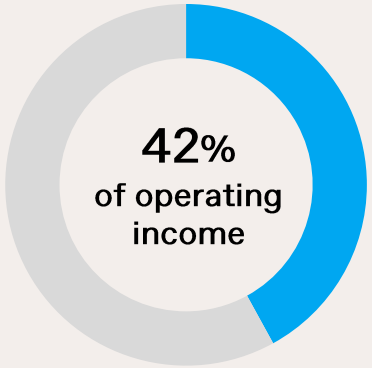
Employees worldwide
~ 7,300

R&D centres in Norway, France and China
>600 R&D people

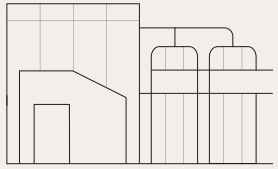
Elkem

Elkem operates through three divisions: All with global scale, leadership positions and global footprint

Silicones
Fully integrated silicones manufacturer with focus on specialities

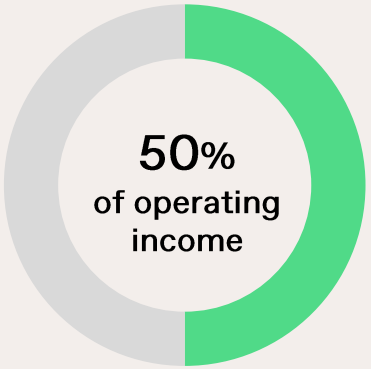


End markets
- Construction
- Automotive
- Chemical formulators
- Personal care
- Healthcare
- Paper & film release
- Silicone rubber
- Textile

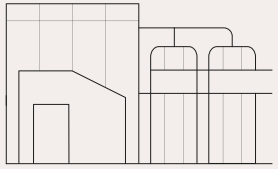


14 main worldwide

Silicon Products
Global producer and provider of silicon, ferrosilicon and specialties

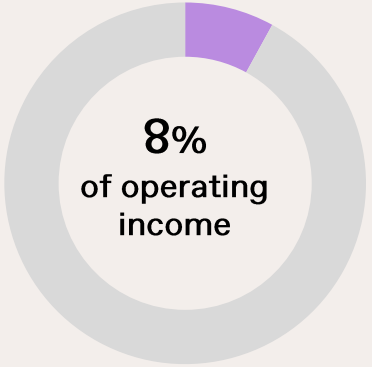


End markets
- Automotive
- Construction/industrial equipment
- Electronics
- Specialty steel
- Solar & wind turbines
- Refractories
- Oil & gas

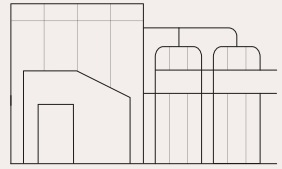


10 main plants

Carbon Solutions
Leading producer of electrode paste and specialty products



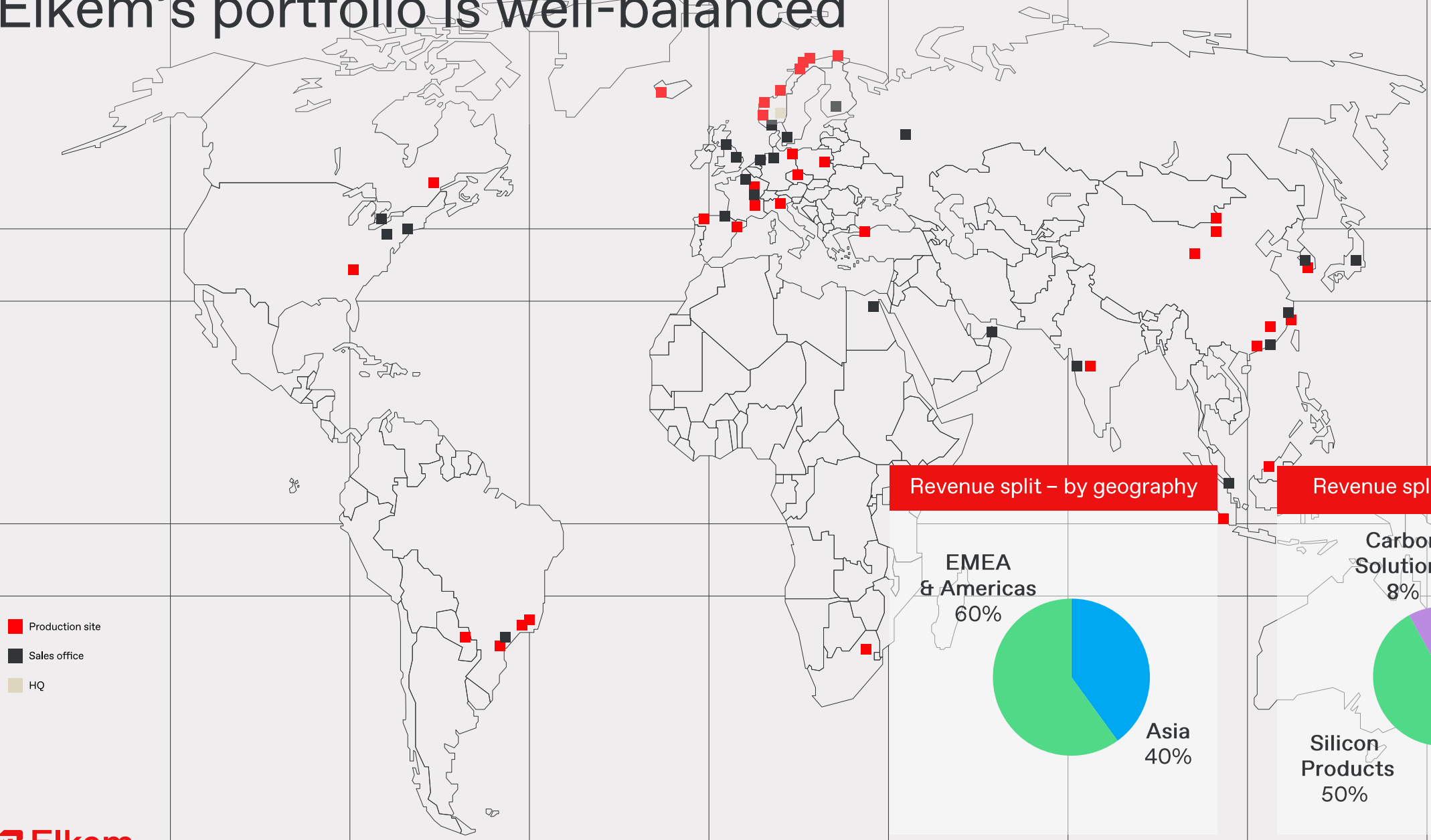
End markets
- Ferroalloys
- Silicon
- Aluminium
- Iron foundries



7 main plants
(from 2023)

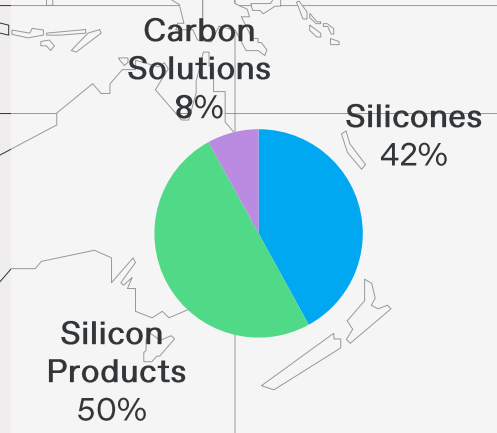
**Share of operating income from external customers ex. Other FY-2022*

Elkem's portfolio is well-balanced



Revenue split – by geography

Revenue split – by division

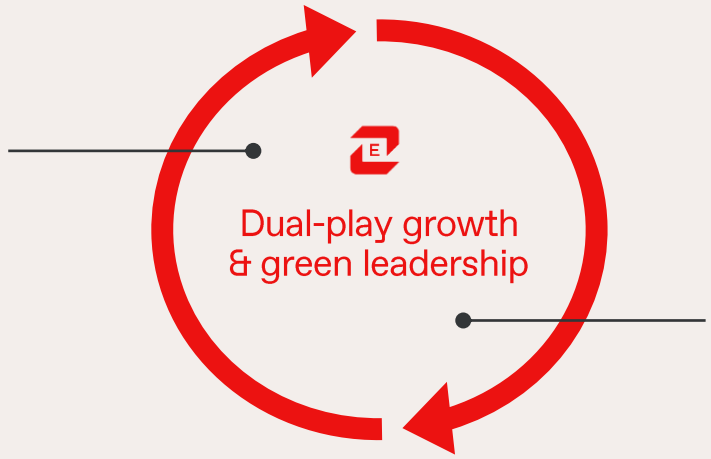


Elkem

Delivering on strategy - dual-play growth & green leadership

Profitable growth:
Top 3 in silicones worldwide
Number 1 in silicon products and carbon solutions in the West

Dual-play growth
→ Balanced between geographic regions (East & West)
→ Balanced across the value chain (Upstream & Downstream)



Green leadership
→ Strengthening position as best in the industry on low CO_2
→ Growing supplies to green transition & creating green ventures

Silicones	Silicon Products	Carbon Solutions
→ Balanced geographical growth → Improve cost position → Higher degree of specialisation	→ Selective growth → Secure leading cost positions → Lower carbon emissions	→ Selective growth in West → Sustainable low-cost position → Preferred supplier with high quality

We are Elkem

Advanced silicon-based materials shaping a better & more sustainable future

Growth >5% per year	**EBITDA** >15% per year
Reduce CO_2 -28% 2020-31	**Net zero** By 2050

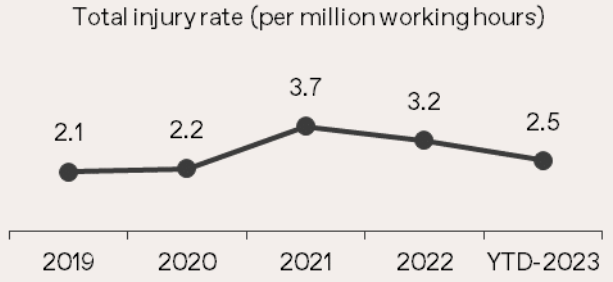
Strong ESG focus and performance

Green leadership

- Product carbon footprint reduced by 7% from 2021 to 2022
- Elkem is a key supplier to the green transition with silicon defined as a critical material in EU and the US
- Elkem and the environmental foundation Zero have entered into a partnership for industrial climate solutions
- Elkem has recently demonstrated solutions for recycling of silicones, potential to reduce carbon footprint by up to 70%

Safety

Ambition: Zero injuries



Sustainability targets

39% Reduction in CO_2 product footprint by 2031

Net zero CO_2 emissions by 2050

Rated among the world's leading companies

EcoVadis: Gold rating for 2023, in the 99th percentile

CDP

Climate Change	Forests	Water Security
A-	A-	B

S&P Global CSA: Top 90 percentile

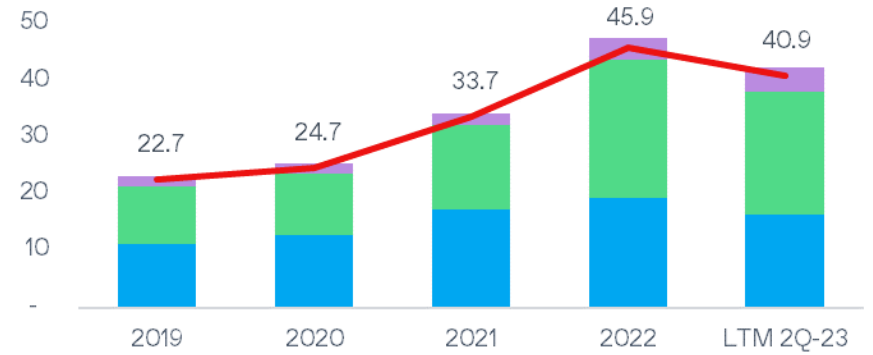
ESG100 Rated A+ for ESG reporting in 2023

Overview financial results

- Strong financial performance in 2021 and 2022 despite challenging market conditions
- Results in 2023 impacted by weak macro economic conditions and lower demand
- Silicones division suffering from weaker market sentiment and overcapacity in China
- Silicon Products and Carbon Solutions have continued to deliver excellent results based on superior cost and market positions

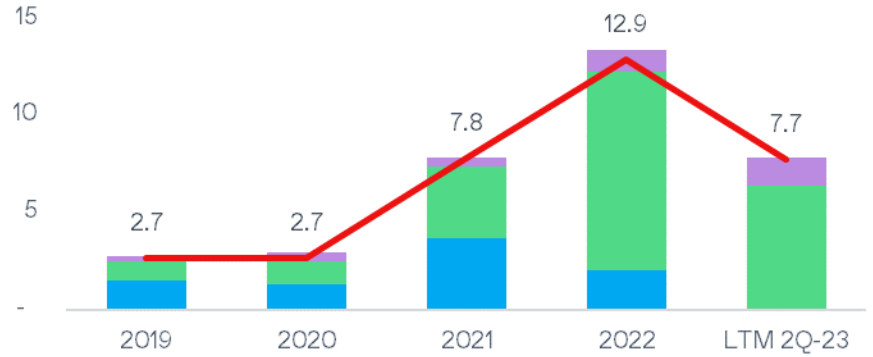
Operating income

BNOK



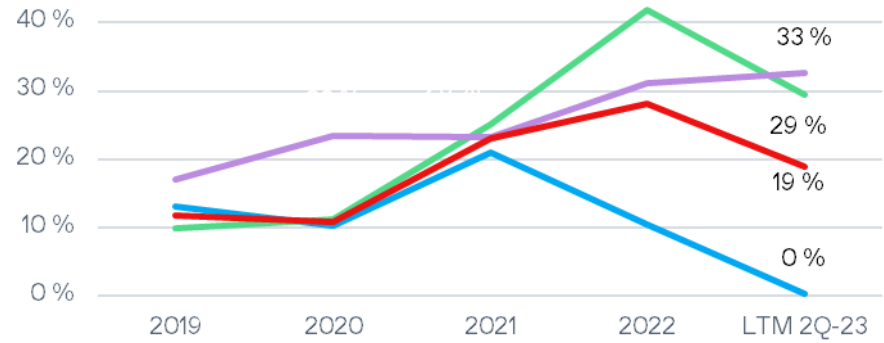
EBITDA

BNOK



EBITDA margin

Pre cent



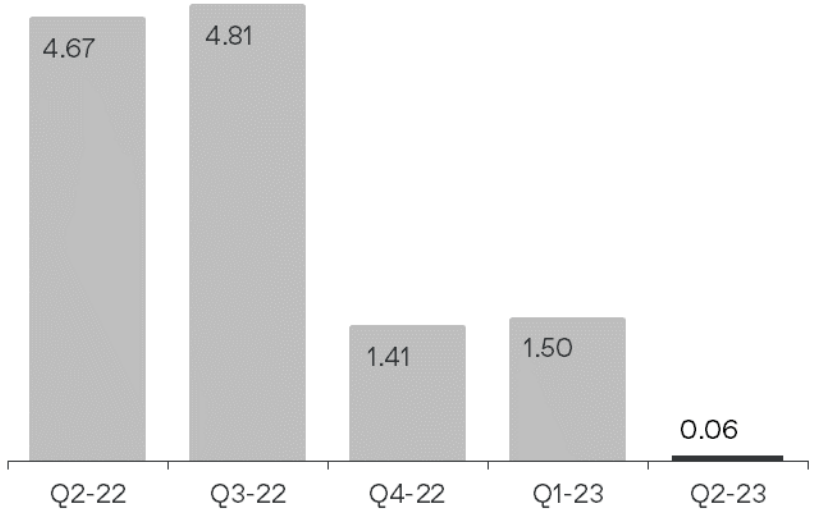
Robust equity ratio, but low earnings per share

- Earnings per share (EPS) amounted to NOK 0.06 in the second quarter impacted by weaker results
  - EPS YTD-2023 was NOK 1.56

- Total equity amounted to BNOK 26.1 as at 30 June 2023, down BNOK 2.7 from year-end 2022 mainly due to dividend payment
  - Equity to total assets (equity ratio) of 50%, slightly down following the dividend payment for 2022

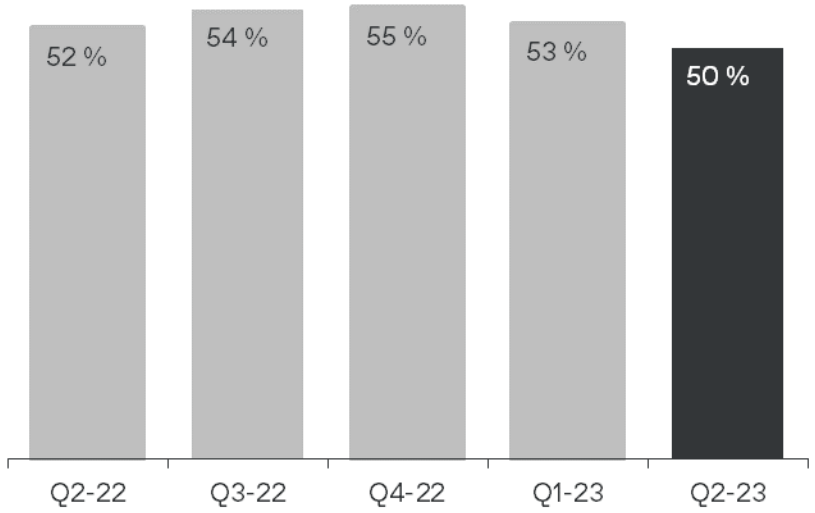
Earnings per share (EPS)

NOK per share



Equity ratio

In percent of total assets



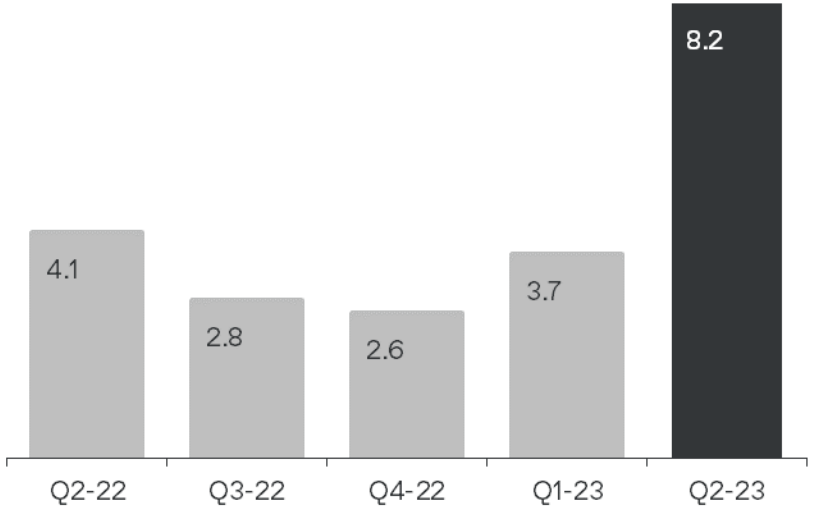
Good financing position despite higher leverage

- Net interest-bearing debt (NIBD) of BNOK 8.2 as at 30 June 2023
  - Leverage ratio of 1.1x based on LTM EBITDA of BNOK 7.7

- Strong financing position
  - Well managed and distributed debt maturity profile
  - Debt maturities in 2023 in China consist of local working capital financing, which are regularly rolled over
  - Green bond loan of NOK 1,000 million raised in August 2023 to refinance bond maturities in February 2024

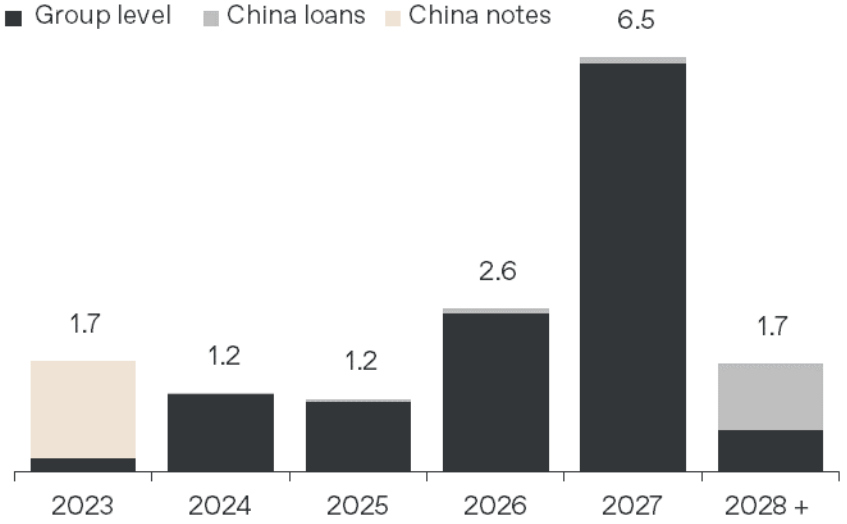
Net interest-bearing debt (NIBD)

NOK billion



Maturity profile as of 30 June 2023

NOK billion



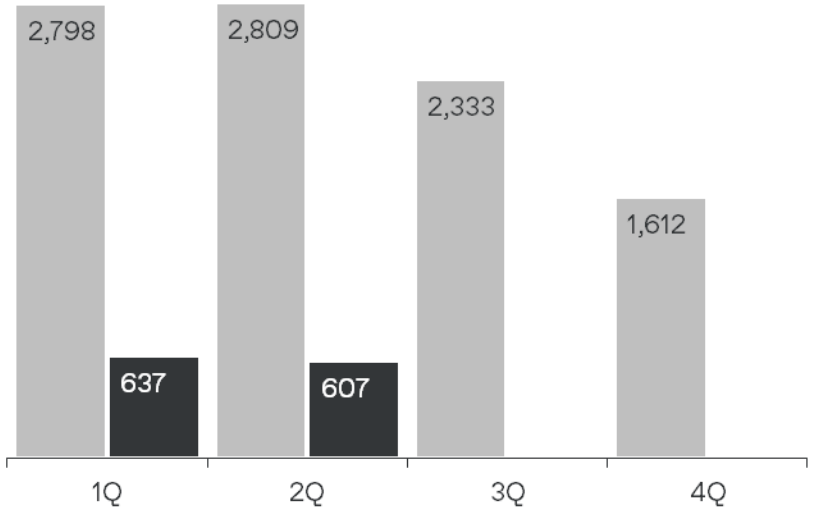
Investment levels remain high, impacted by upgrades

- Cash flow from operations[(1)] was MNOK 607 in the second quarter 2023
  - Lower cash flow compared to corresponding quarter last year mainly explained by lower EBIT and major reinvestment projects in Norway and China

- Investments ex. M&A of MNOK 1,463 in the second quarter 2023
  - Reinvestments were MNOK 729 in second quarter, amounting to 128% of D&A, driven by maintenance projects in Norway and China. Target is 80-90% of D&A
  - Strategic investments were MNOK 733 in the quarter, mainly related to Silicones projects in France and China

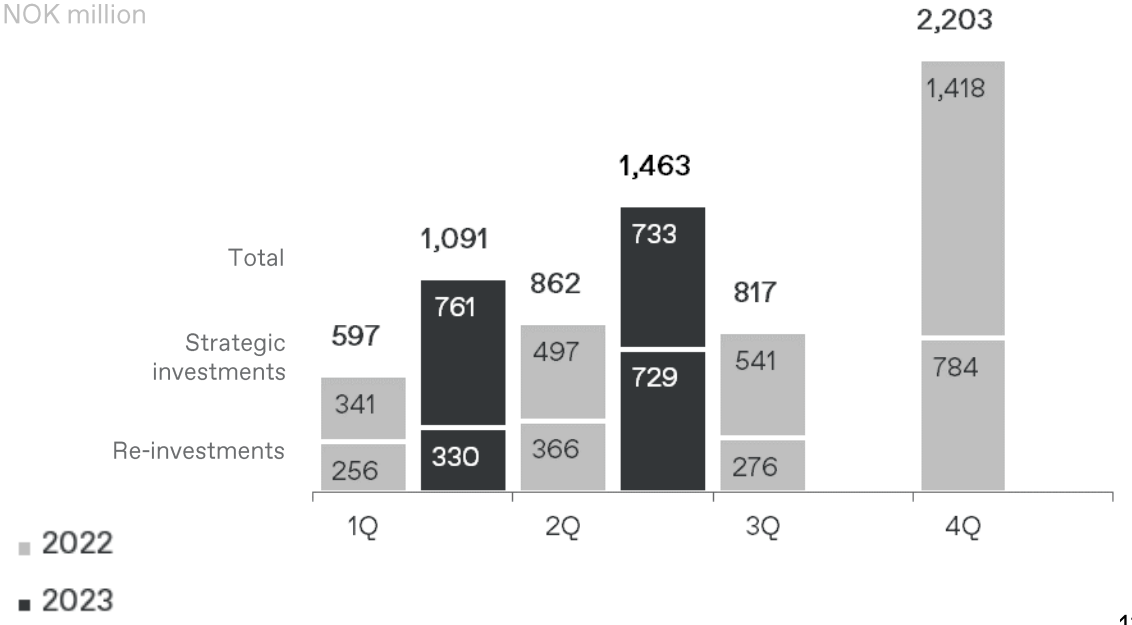
Cash flow from operations

NOK million



Investments ex. M&A

NOK million



(1) Cash flow from operations is according to Elkem management definition and includes reinvestments

Elkem Climate Roadmap :

Elkem's actions: Reducing our emissions

Elkem will reduce fossil CO_2 emissions in line with the Paris agreement: We will contribute to limiting long-term temperature according to Paris agreement

By 2031:

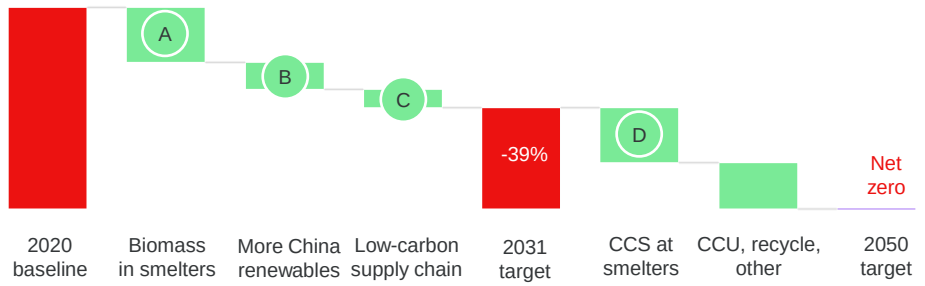
- Reducing absolute emissions* by **28%** from 2020-2031
- Delivering **39%** improvement in product footprint**

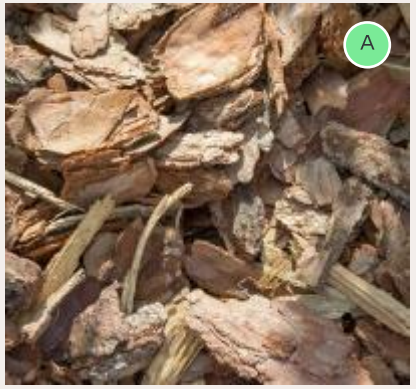
By 2050:

- Achieving fully carbon neutral production (zero fossil emissions) globally

Our roadmap to climate neutral products

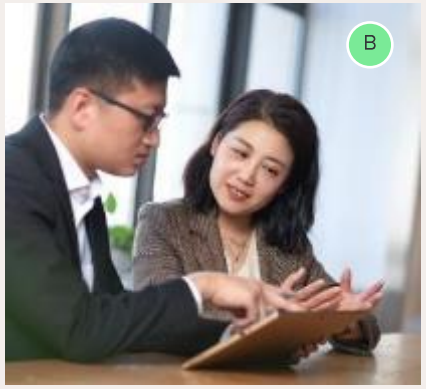
(Illustrative)





Changing to biomass as reduction material

Increasing share of bio-based materials from wood waste as reduction material in our smelters



Shifting to renewable power also in China

Future decarbonisation of China's power mix will support Elkem's low carbon transition

Low-carbon supply chain

Actively pursue long-term sourcing of renewable-based silicon metal as well as emission-free logistics

Exploring potential of more CCS at smelters

Exploring both Carbon Capture & Utilisation (CCU) and Carbon Capture & Storage (CCS) at our smelters

Elkem

* Total global fossil CO2 emissions, scope 1 and 2
** Main products average fossil CO2 emissions, scope 1-3

Elkem's actions: Reducing our emissions

Changing to biomass as reduction material

- Biocarbon can replace fossil materials in metallurgical processes. Increasing the share of biocarbon is important to reduce Elkem's fossil CO_2 emissions
- The goal is to reach a biocarbon share of 50% by 2031
- Elkem has constructed a pilot plant for biocarbon production in Canada to verify technology and product quality. The project has received grants from Canadian authorities
- Volatile prices for coal, make it challenging to assess the profitability. However Elkem expects the project to be attractive based on
  - Biocarbon being exempted from CO_2 quota costs
  - Access to fossil coal potentially a future constraint
  - Customers requiring lower fossil product carbon footprint

Biocarbon pilot plant in Canada

Elkem's new biocarbon pilot plant in Canada aims to secure industrial verification of our technology for renewable biocarbon

- Investment: Total investment of approx. NOK 180 million
- Purpose: Develop an industrial biocarbon process tailor-made for silicon and ferrosilicon production using raw materials from local sawmills, including recycled bark, wood chips, sawdust and wood shaves
- Contribution: Contributes to Elkem's strategy of replacing fossil coal as a reduction agent and to the goal of reaching a climate neutral production

Elkem's actions: Reducing our emissions

Energy Recovery Management

- Production of silicon and ferrosilicon require significant consumption of electricity due to high temperature processes
- Energy efficiency and sustainable sourcing of energy is of key importance to improve cost and ensure low a GHG footprint
- The energy recovery project at Salten contributes to Elkem's efficiency goal by increasing energy recovery from surplus heat
- Large capex represents a challenge to reach acceptable return on capital. Grants from Enova important to enable investment
- Elkem considers energy recovery to be financially attractive long-term as it reduces OpEx and makes the plant more resilient due to lower electricity consumption

Energy Recovery Plant at Elkem Salten

Elkem Salten is one of the world's largest and most modern silicon plants, exporting silicon and silica fume products worldwide

- Investment: The total investment in the energy recovery plant was around NOK 1,180 million, including a NOK 350 million grant from Enova
- Purpose: Recovering 28% of the electrical energy feed into the plant's three smelting furnaces, equalling the power consumption of about 15,000 Norwegian households
- Contribution: Contributes to Elkem's leading position within energy recovery, and improving energy efficiency

Carbon capture

- Silicon and ferrosilicon production require use of carbon based reduction materials resulting in emissions of CO_2
- Elkem's target is net zero GHG emissions by 2050
- Carbon capture would be crucial to reach the net zero goal
- The CCS pilot at the Elkem Rana plant, has verified the technology with proven capture rates of 85%, 90% and 95%, and is deemed very promising
- However, the challenges with CCS are high investment costs and high energy consumption. CCS is currently not financially viable

Carbon Capture pilot at Elkem Rana

Elkem is a proud to be part of the world's first carbon capture storage (CCS) pilot for smelters, which was announced in January 2023

- Investment: The pilot test is part of a larger R&D project, CO_2 HUB Nord, which runs over two years and is funded by Climit Demo. The total budget is approx. NOK 24 million
- Purpose: verify the technology to prepare a full-scale plant for industrial carbon capture. **A** full-scale plant would give 1.5 million tonnes of CO_2 that could be captured from their combined emissions
- Contribution: Carbon capture could contribute significantly towards Elkem's climate roadmap while growing supplies to the green transition

Introduction of CBAM

- CBAM is intended as a tool to avoid carbon leakage
  - Imported goods will pay a CO_2 fee corresponding to the CO_2 cost faced by European industry
  - The implication is that CO_2 costs will be passed on to consumers rather than industries receiving CO_2 allowances
- Elkem's products are currently not under the ambit of CBAM
- We consider this to be advantageous as CBAM so far seems to have several shortcomings
  - Too easy for imported products to avoid CBAM duty due loopholes in documentation requirements and semi-finished goods being exempted from CBAM
  - Exports out of Europe is not being addressed putting European producers at a disadvantage in export markets

Summary

- Green leadership is a key part of Elkem's strategy
- We are well positioned to supplying the green transition based on materials critical to e.g. renewable energy and electrification
- Our product carbon footprint is best in the industry, based on renewable energy
- Elkem targets a reduction of the group product carbon footprint by 39% by 2031. The target is net zero CO_2 emissions by 2050
- Several measures have been implemented to reach the target, additional future initiatives to be launched
- Elkem has strong financial capabilities to develop the company's green leadership strategy

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Q&A ?

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Delivering your potential