



# Second quarter results 2023

# Agenda

## Business update

By CEO Helge Aasen

## Financial performance

By CFO Morten Viga

## Outlook

By CEO Helge Aasen



## Highlights

# An overall good performance in weak markets

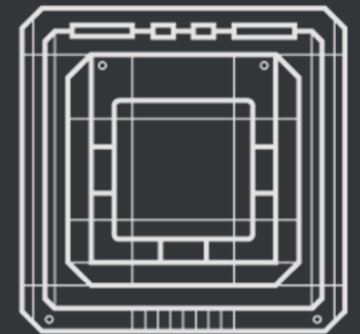
- Elkem delivered an EBITDA of NOK 1,039 million in the second quarter 2023. The result was negatively impacted by NOK 250 million related to one-offs
- Silicon Products and Carbon Solutions continue to deliver strong results, based on superior cost and markets positions
- Weak results for the Silicones division, impacted by challenging markets, inventory write down, and maintenance stop in China
- Elkem well positioned for demand recovery and improved market conditions, based on maintenance and growth investments
- Acquisition of VUM, a Slovak producer of carbon materials, in second quarter to further increase Elkem's capacity in attractive markets



Total operating income  
**MNOK 9,258**

EBITDA  
**MNOK 1,039**

EBITDA margin  
**11%**



# Strong ESG focus and performance



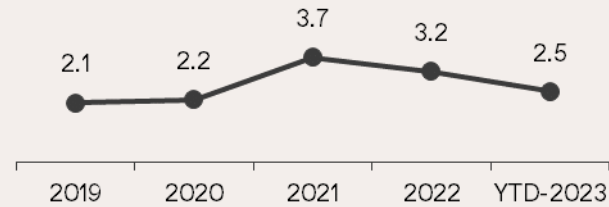
## Green leadership

- 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

Total injury rate (per million working hours)



## Sustainability targets

**39%** Reduction in CO<sub>2</sub> product footprint by 2031



Net zero CO<sub>2</sub> emissions by 2050

Rated among the world's leading companies



EcoVadis: Gold rating for 2023, in the 99<sup>th</sup> percentile



A- Climate Change  
A- Forests  
B Water Security



S&P Global CSA: Top 90 percentile



Rated A for ESG reporting in 2022

# 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<sub>2</sub>  
→ Growing supplies to green transition & creating green ventures

Silicones
→ Balanced geographical growth
→ Improve cost position
→ Higher degree of specialisation

Silicon Products
→ Selective growth
→ Secure leading cost positions
→ Lower carbon emissions

Carbon Solutions
→ 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

<b>Growth</b> >5% per year	<b>EBITDA</b> >15% per year
<b>Reduce CO<sub>2</sub></b> -28% 2020-31	<b>Net zero</b> By 2050



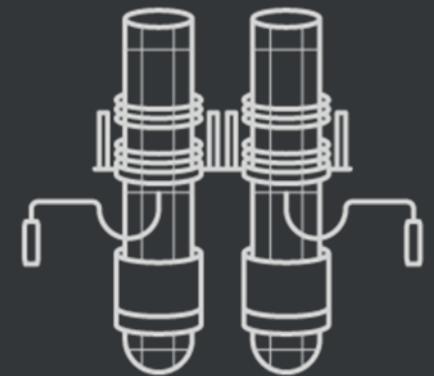
# Increasing capacity in attractive specialty markets

- Elkem has entered into an agreement to acquire VUM, a Slovak producer of carbon based-materials
- The company produces carbon-based materials for industrial smelters, including anode paste, electrode paste and recarburisers
- The transaction will further increase Elkem's capacity and competence in attractive specialty markets and increase its flexibility in the supply chain
- Another example of Elkem delivering on its dual strategy with focus on diversified geographical growth across the value chain



Additional annual sales:  
~MNOK 360

Capacity  
~Up to 50,000 mt



# Upgrades and digitalisation enhancing efficiency and cost improvements

- Accelerated maintenance and improvement projects at the Thamshavn and Rana plants successfully completed
- Both plants have restarted production, well positioned for future demand recovery and with enhanced competitive positions
- New state-of-the-art control room opened at the Bremanger plant (picture), enhancing safety and improving efficiencies
- Silicones developing a complete digital chain, from online process analysis to process control, leveraging on advances in digitalisation and AI



## Upgrading and digitalisation projects

Projects at Thamshavn, Rana and Bremanger in Norway, and Lyon in France

Improving efficiency and cost position

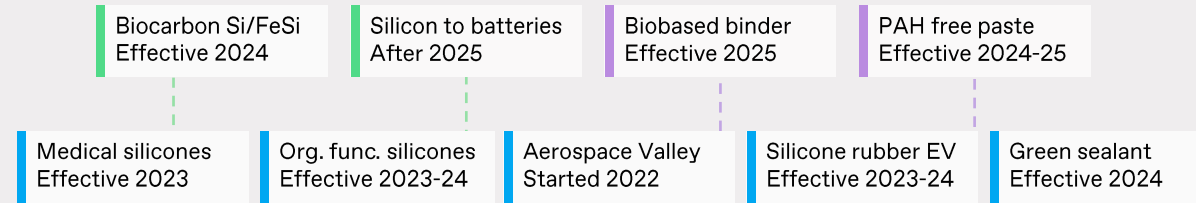
Limited project investments totalling MNOK 300



# Delivering on dual-play growth strategy

- Elkem has several ongoing growth and specialisation projects, which will provide a combination of top line growth, increased specialisation, and cost improvements
- The projects are well balanced across geographies and end-markets in line with Elkem's dual-play growth strategy
- The primary focus is on attractive growth markets where Elkem already holds strong positions
- The target is to enhance and stabilise margins throughout cycles

## Ongoing specialisation projects



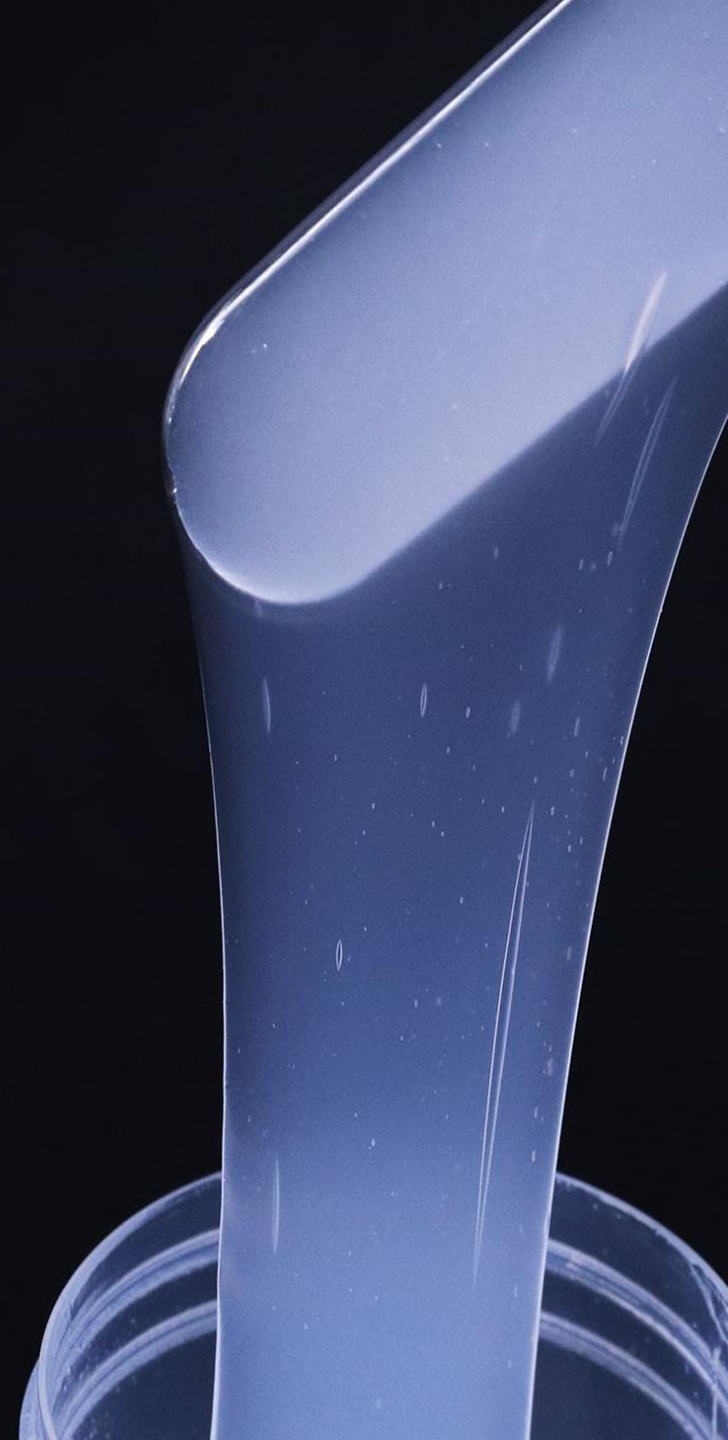
## Ongoing capacity expansion projects





# Systematic improvement work to counter weak Silicones markets

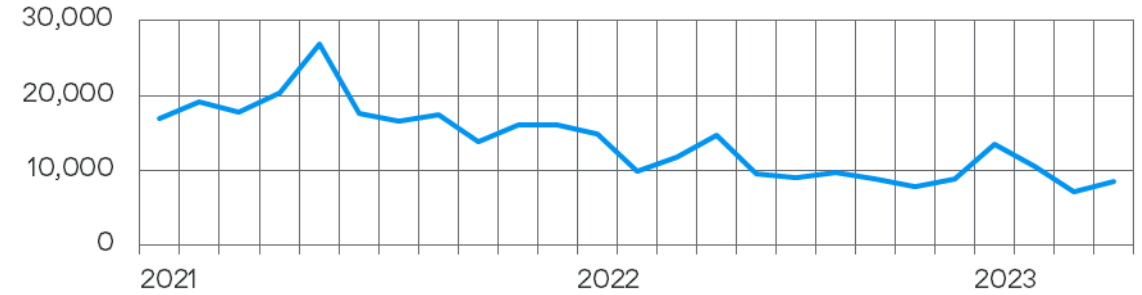
- Elkem taking measures to counter challenging markets for Silicones
- Systematic improvement work organised along several dimensions
  - Fixed cost reductions, e.g. freezing new hires, reduction of manning, reduce third party services, lowering logistics and warehousing costs
  - Capacity optimisation e.g. curtailing commodity exposure and optimising utilisation of production lines
  - Increase waste recycling and by-product value, identified potential of MNOK 300
  - Capex optimisation, e.g. cost measures and postponements



# Challenging construction and automotive markets

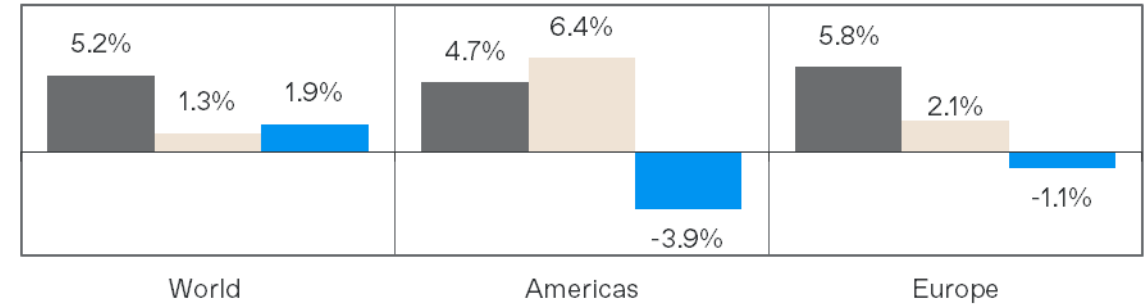
- Challenging market conditions persist in construction and automotive, albeit signs of improvement in some markets
- In China, new construction areas at significantly lower levels than the preceding years, impacting e.g. silicones markets
- Other regions, particularly Europe and Americas, also showing a weak development
- Global light-vehicle production growing modestly in line with expectations, but significant regional differences

China – New construction areas (unit 10,000 square meters)



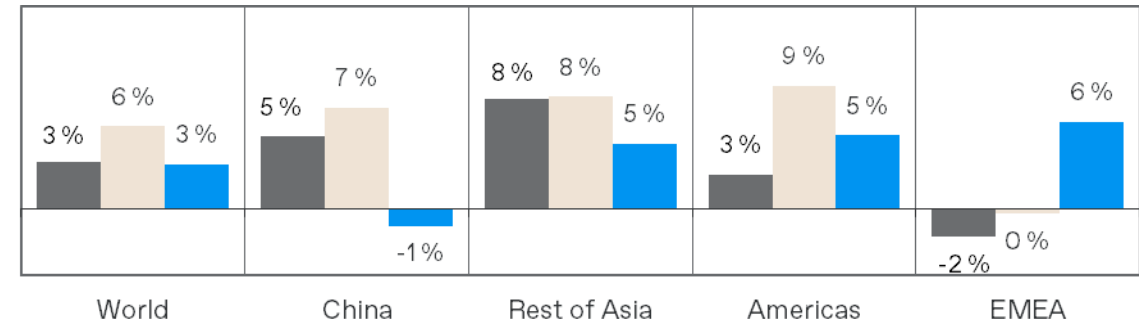
Source: China National Bureau of Statistics

Construction – global annual growth and key regions (in %)



Source: Oxford Economics

Light-vehicles production: Annual growth in key regions (changes in %)



Source: IHS Markit

■ 2021 ■ 2022 ■ 2023\*

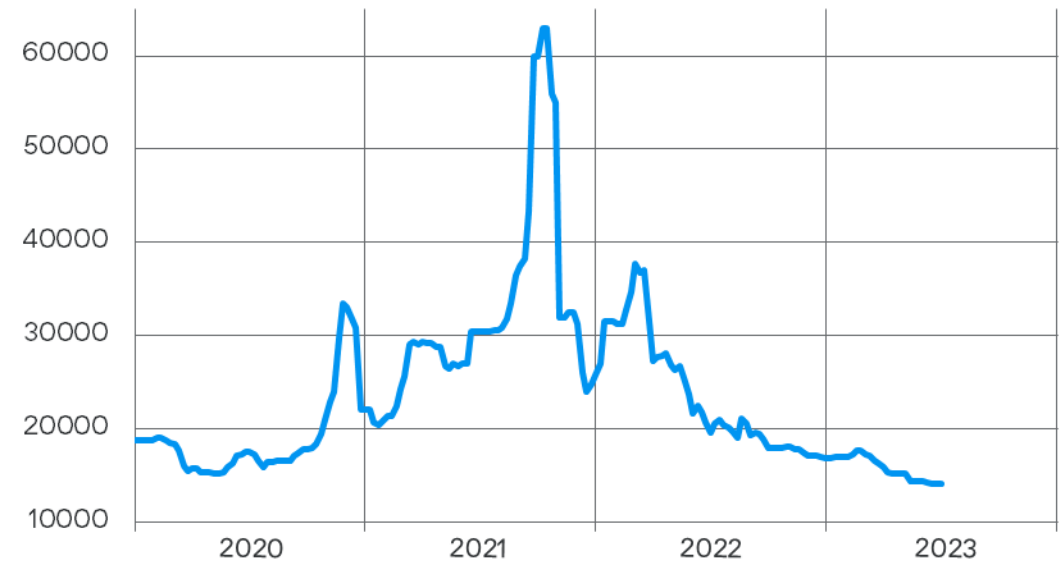
\*2023: FY estimate

# Weak demand, destocking and Chinese overcapacity

- Silicones markets impacted by weak demand and lower prices
- Low demand for specialties in EU and the US due to destocking effects and weak macro economic sentiment
- China impacted by significant overcapacity combined with low demand from construction sector and other commodity markets
- Prices in China have fallen to the lowest level since 2016, due to high inventory and weak demand
- Low commodity prices in China also putting pressure on prices WW



DMC reference price China (CNY/mt)



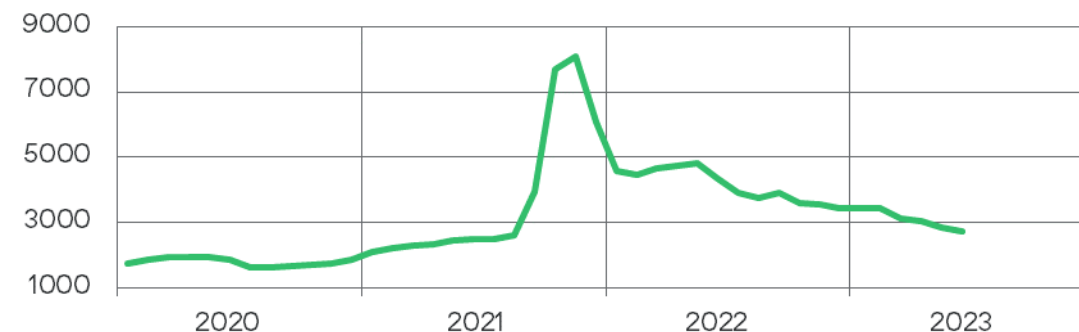
DMC reference prices are based on quotes incl. VAT and transportation. Quotes may not always reflect accurate sales prices.

# Weaker demand and declining prices

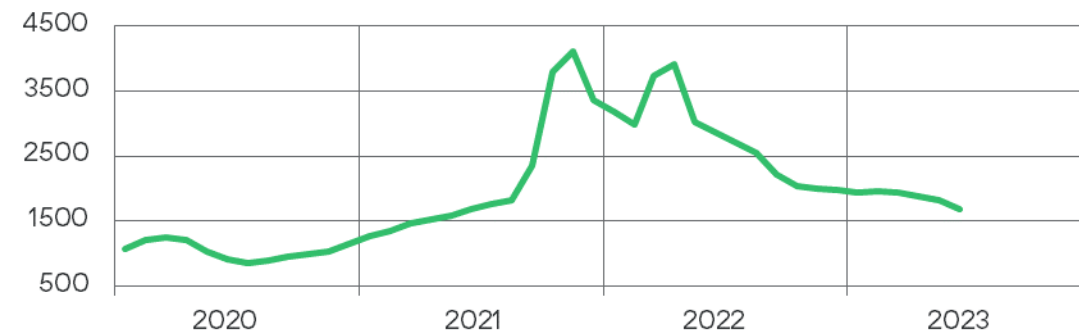
- Silicon and ferrosilicon demand still weak, impacted by lower economic activity and destocking
- Market prices in EU on a downward trajectory, impacted by weak demand and pricing pressure from China
- Prices in China declining due to high inventory, weak demand, and seasonally lower electricity prices during wet season
- Producers in China shutting down capacity due to weak markets, with leading player reducing by 1,000 tonnes per day



CRU silicon 99 price EU (EUR/mt)



CRU ferrosilicon 75 price EU (EUR/mt)



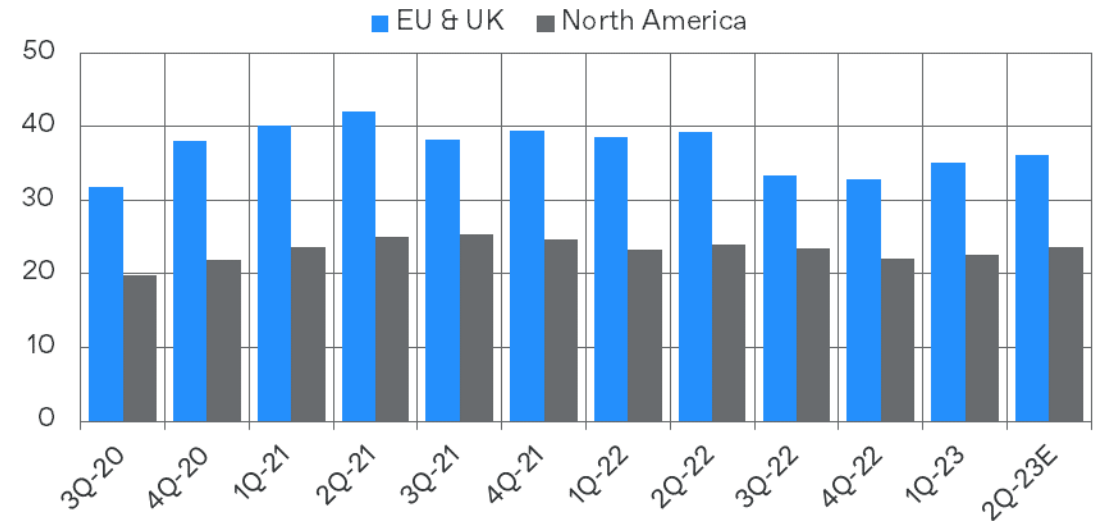


# Regional market differences provide stability

- Demand for carbon products varies by region driven by steel, ferroalloys, and aluminium
- Global steel production in 2Q-2023 estimated up 4% vs. 1Q-2023
  - Production up 5% in both Europe and North America, while China increased by around 3%
- Weak demand for carbon products persisted in 2Q-2023, despite the modest recovery in steel markets, especially in Europe. Elkem's global position and diversified product portfolio providing stability
- Raw material costs have stabilised at high levels



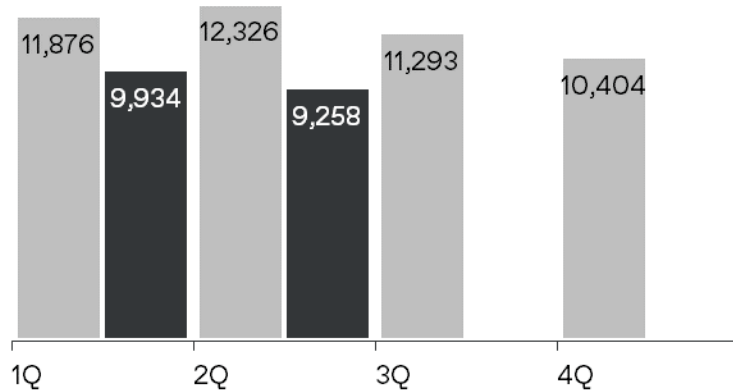
Crude steel production (million mt)



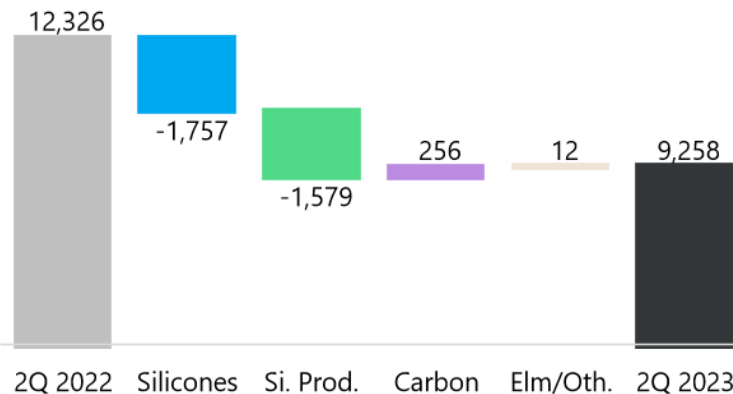
# Still strong in Silicon Products and Carbon Solutions, but weak results for Silicones

## Total operating income

- Down from 2Q-2022, due to lower sales prices and volumes

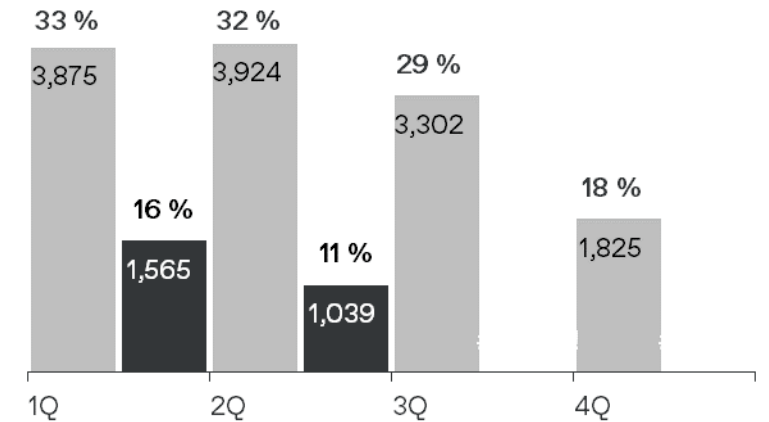


- ... impacting Silicones and Silicon Products

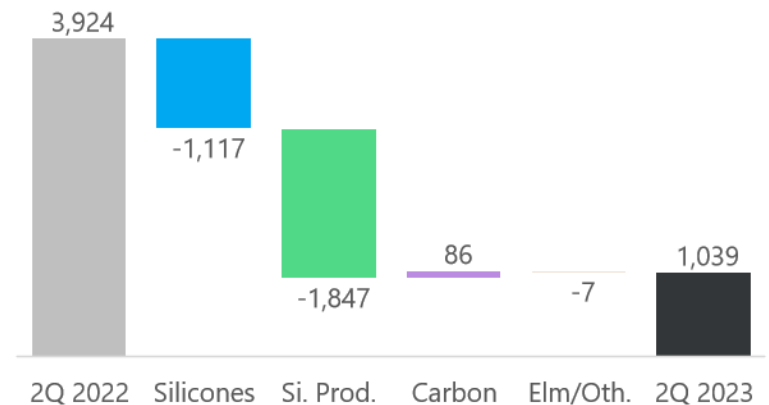


## EBITDA

- Down from a historic record level in 2Q-2022



- ... but results for Silicon Products and Carbon Solution still strong



# Overview financial ratios

- EBITDA MNOK 1,039
  - Segment Other included realised currency hedging losses of MNOK -119
- Other items MNOK 37
  - Mainly loss on power and currency derivatives MNOK -86, offset by currency gains on working capital items MNOK 129
- Net finance income (expenses) MNOK -182
  - Consist of net interest expenses MNOK -124. currency loss of MNOK -53 and other financial expenses of MNOK -5
- Tax MNOK -193
  - Resulting in a tax rate of 76% for the second quarter 2023
  - The high tax rate was explained by low results in France and China where losses are not capitalised as deferred tax assets

## Consolidated key figures

<i>(NOK million, except where specified)</i>	2Q 2023	2Q 2022	YTD 2023	YTD 2022	FY 2022
Total operating income	9,258	12,326	19,192	24,201	45,898
EBITDA	1,039	3,924	2,604	7,798	12,925
EBIT <sup>(1)</sup>	469	3,428	1,494	6,827	10,898
Other items	37	465	590	552	2,151
Net finance income (expenses)	-182	10	-291	42	-161
Profit (loss) before income tax	255	3,773	1,640	7,174	12,236
Tax	-193	-790	-596	-1,522	-2,594
Profit (loss) for the period <sup>(2)</sup>	36	2,962	989	5,621	9,561
<b>Key ratios</b>					
EPS (NOK per share)	0.06	4.67	1.56	8.87	15.09
Equity ratio (%)	50 %	52 %	50 %	52 %	55 %
Net interest bearing debt (NIBD) <sup>(3)</sup>	8,191	4,051	8,191	4,051	2,615
Leverage ratio	1.1	0.3	1.1	0.3	0.2
Reinvestments % of D&A	128 %	74 %	96 %	64 %	84 %
ROCE (annualised) (%)	6 %	50 %	9 %	51 %	39 %

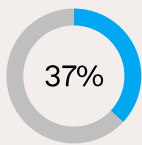
*(1) Operating profit before other items and hedge adjustments*

*(2) Owners of the parent's share of profit (loss)*

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

# Impacted by weak markets, maintenance and write down

- Total operating income of MNOK 3,454, down 34% from the second quarter last year
  - Mainly explained by lower sales prices and lower volumes
- EBITDA was MNOK -374, clearly down from second quarter last year
  - Mainly explained by lower sales prices and lower volumes
  - The result was negatively impacted by maintenance stop in China of MNOK 100 and inventory write down MNOK 70
- Lower sales volumes explained by weak demand and reduced production due to maintenance stop



Share of operating income



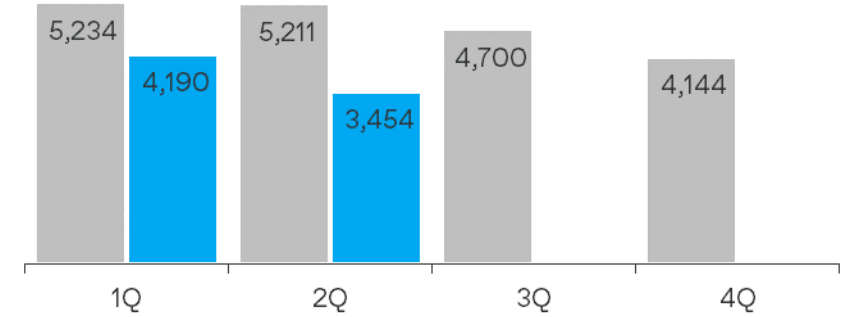
Share of EBITDA

Share of operating income from external customers ex. Other

Share of EBITDA ex. Other and Eliminations

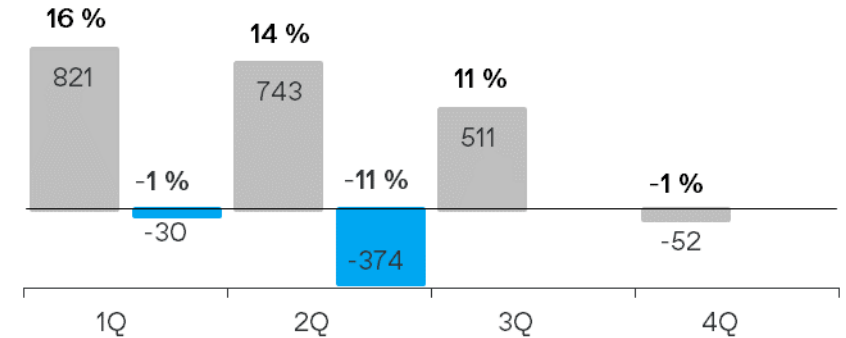
## Total operating income

NOK million



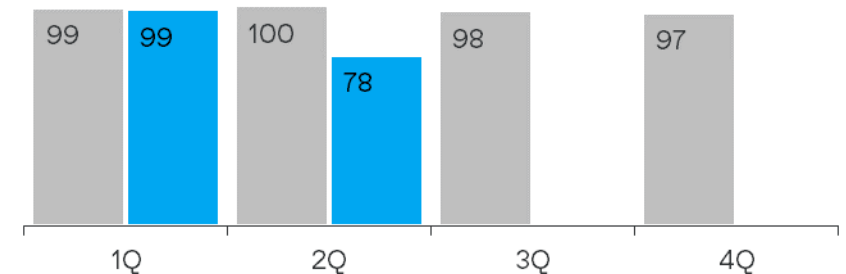
## EBITDA and margin

NOK million and %



## Sales volume

In 1,000 mt



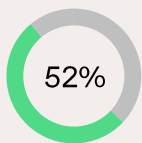
■ 2022

■ 2023



# Weaker markets partly offset by specialities and lower costs

- Total operating income of MNOK 4,941, down 24% from the second quarter last year
  - Explained by lower sales prices and lower sales volumes
- EBITDA of MNOK 1,120, down 62% from a strong quarter last year
  - Lower EBITDA explained by lower sales prices and lower volumes
  - Strong performance in speciality segments and lower costs partly offsetting negative price and volume effects
  - EBITDA negatively impacted by maintenance stops at Thamshavn and Rana, estimated to MNOK 80
- Sales volumes down due to weaker demand and destocking effects



Share of operating income



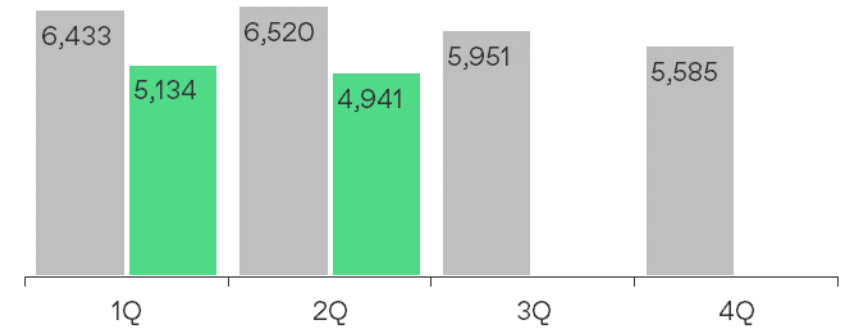
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Share of EBITDA ex. Other and Eliminations

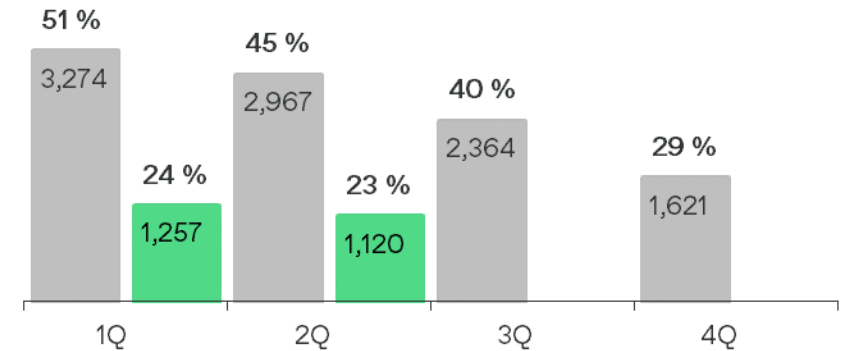
## Total operating income

NOK million



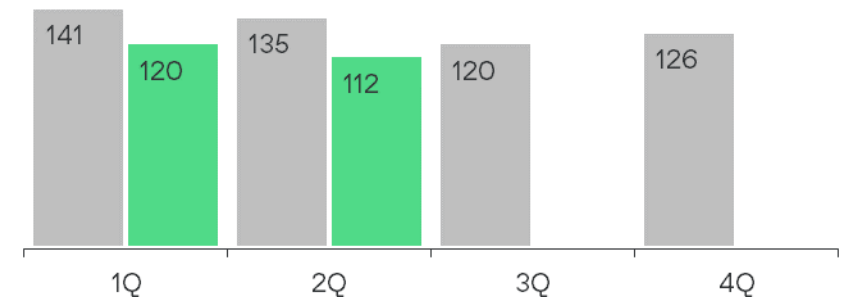
## EBITDA and margin

NOK million and %



## Sales volume

In 1,000 mt

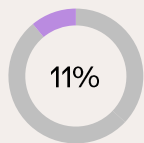


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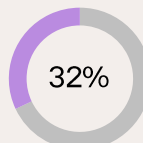
■ 2023

# Strong results in weak markets

- Total operating income MNOK 1,162, up 28% from the second quarter last year
  - New all-time high operating income explained by high sales prices and inclusion of newly acquired plant in Slovakia
- EBITDA of MNOK 354, up 32% from the second quarter last year
  - Strong EBITDA mainly explained by good sales prices, but countered by high raw material costs
- Sales volumes lower than second quarter last year, due to weak markets



Share of operating income



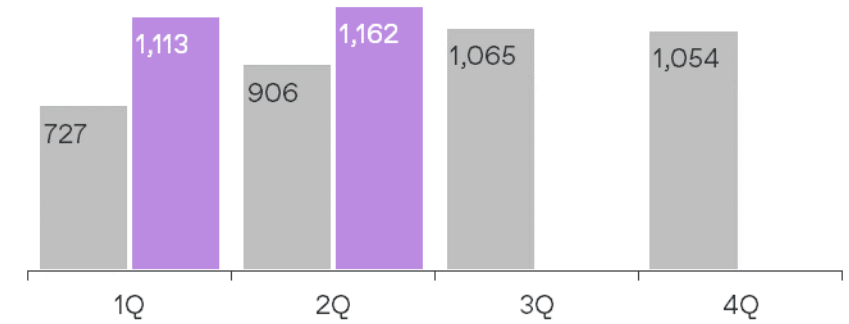
Share of EBITDA

Share of operating income from external customers ex. Other

Share of EBITDA ex. Other and Eliminations

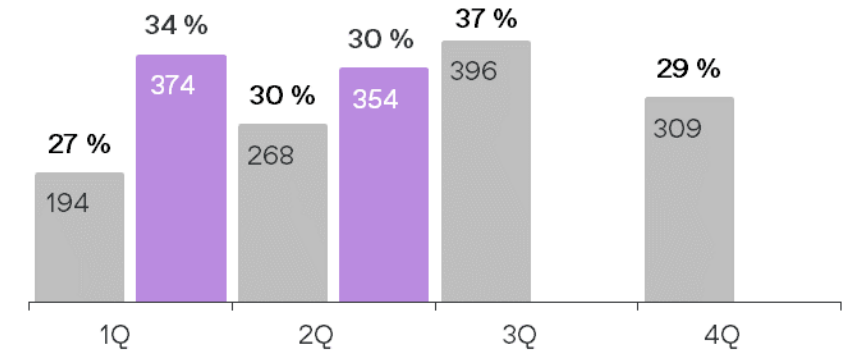
## Total operating income

NOK million



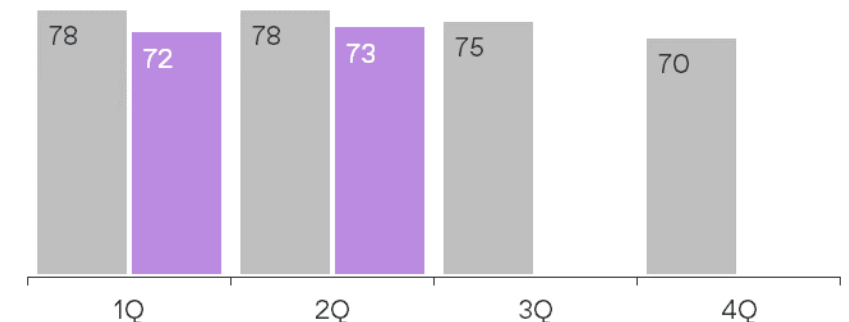
## EBITDA and margin

NOK million and %



## Sales volume

In 1,000 mt



■ 2022

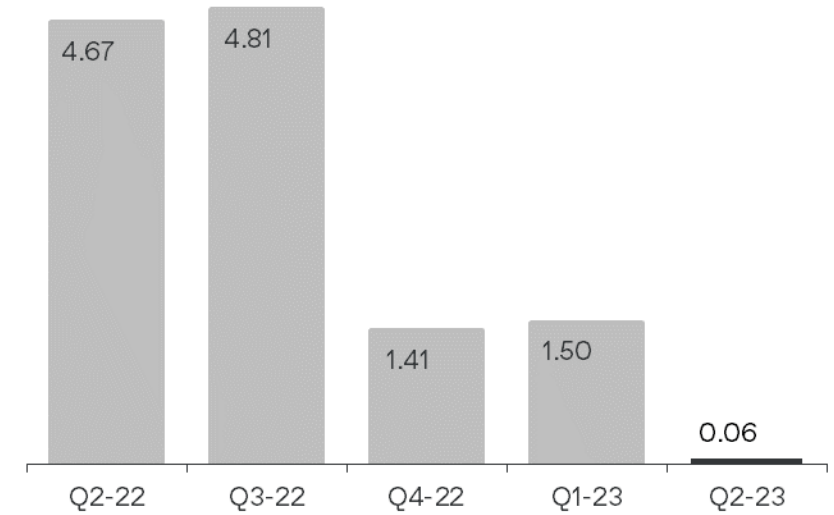
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# Robust equity ratio, but low earnings per share

- 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

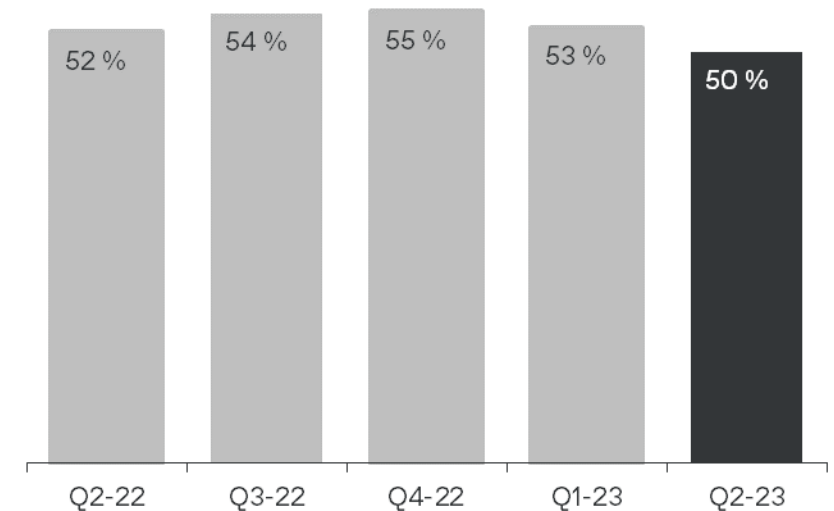
## Earnings per share (EPS)

NOK per share



## Equity ratio

In percent of total assets

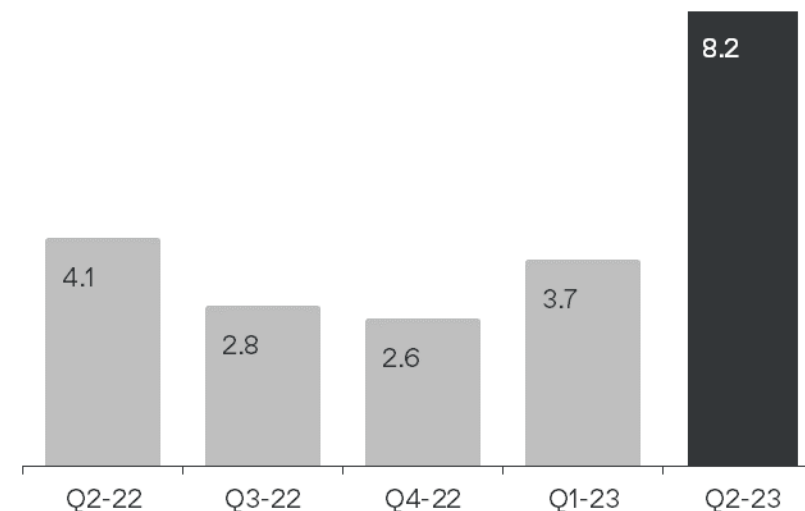


# Good financing position despite higher leverage

- 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

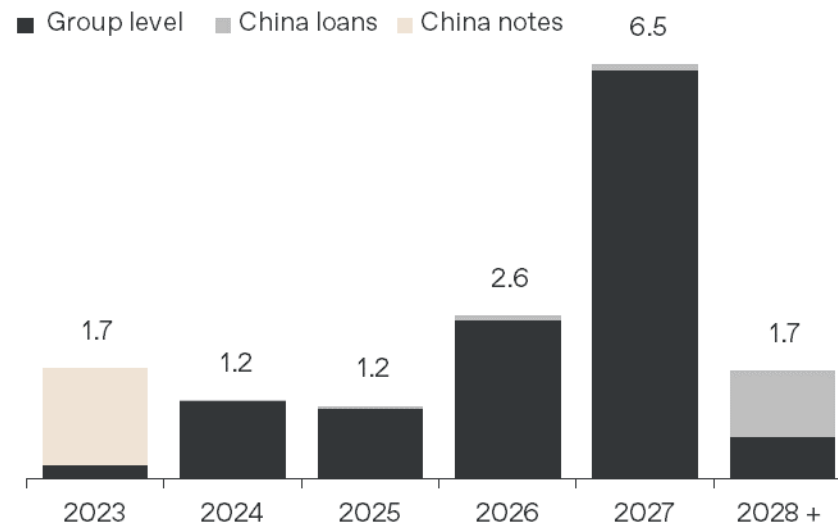
## Net interest-bearing debt (NIBD)

NOK billion



## Maturity profile

NOK billion





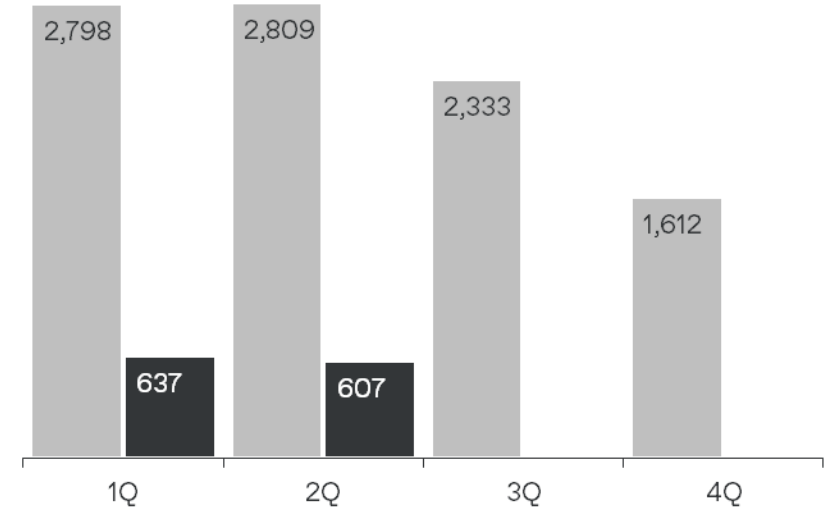
# Investment levels remain high, impacted by upgrades

- Cash flow from operations<sup>(1)</sup> 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

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

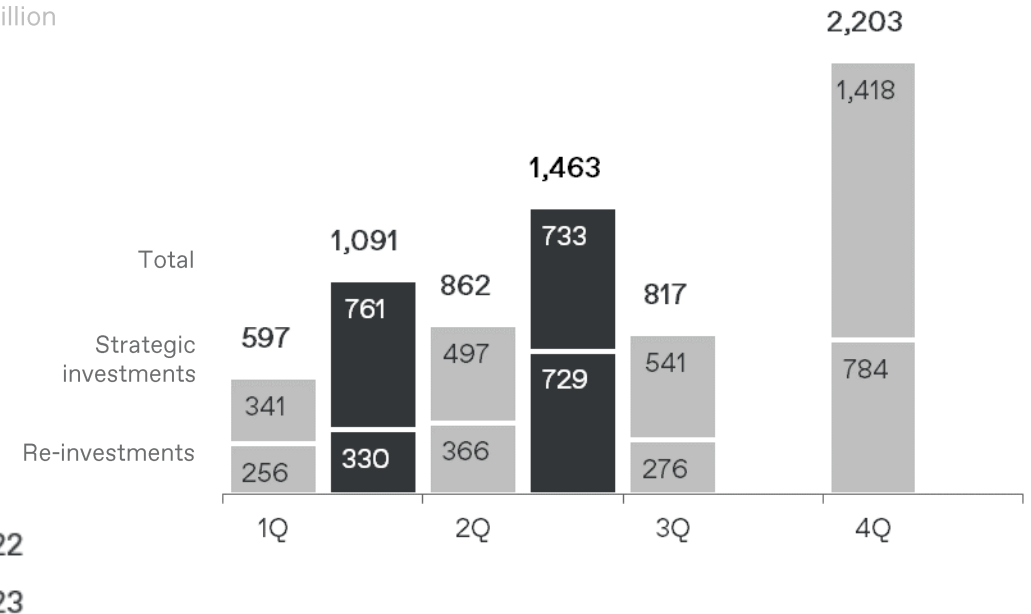
## Cash flow from operations

NOK million



## Investments ex. M&A

NOK million



# Outlook for the third quarter 2023

- Continued weak market sentiment. Elkem well positioned to benefit from recovery due to strong market positions and robust financials
- Silicones markets expected to remain challenging, and Elkem plans to run at reduced capacity to optimise product mix
- Prices for Silicon Products in a downward trajectory going into third quarter, partially countered by lower raw material costs. Higher capacity utilisation is expected, following completion of maintenance projects
- Carbon Solutions expected to remain at a good level, despite weak markets



# Important notice

Any statement, estimate or projection included in this presentation (or upon which any of the conclusions contained herein are based) with respect to anticipated future performance (including, without limitation, any statement, estimate or projection with respect to the condition (financial or otherwise), prospects, business strategy, plans or objectives of the company and/or any of its affiliates) may prove not to be correct.

No representation or warranty is given as to the completeness or accuracy of any forward-looking statement contained in this presentation or the accuracy of any of the underlying assumptions. Nothing contained herein shall constitute any representation or warranty as to the future performance of the company, any financial instrument, credit, currency rate or other market or economic measure.

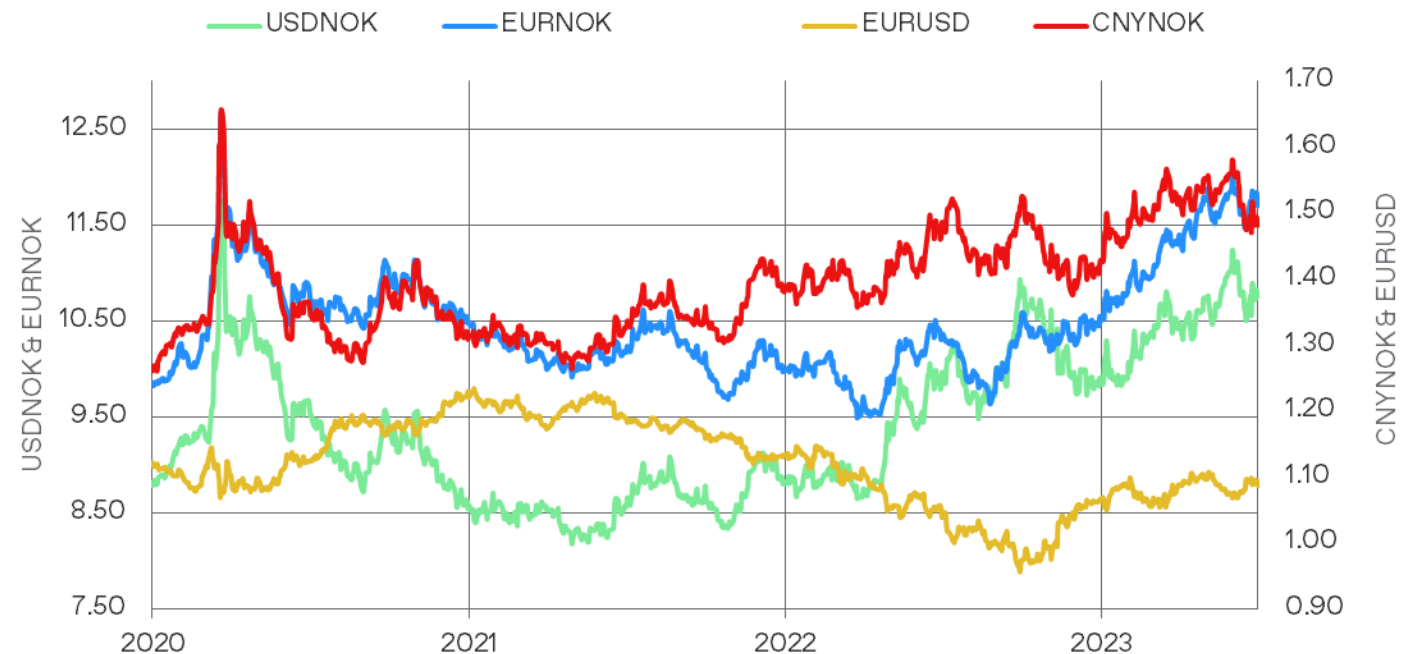
Information about past performance given in this presentation should not be relied upon as, and is not, an indication of future performance.



# Appendix

# Currency sensitivity

- The result and cash flow are exposed to currency fluctuations. The main currencies are EUR, USD and CNY
  - EUR - exposure approx. MEUR 550
  - USD - exposure approx. MUSD 100
  - CNY - exposure approx. MCNY 200
- Current cash flow hedging programme
  - 90% hedging of net cash flows occurring within 0-3 months
  - 45% hedging of forecasted net cash flows within 4-12 months
- Before hedging activities, a 10% strengthening or weakening of NOK versus all other currencies would have an EBITDA effect of approx. MNOK 800 over the coming 12 months. CNY is not hedged



## Currency development

- As of 30 June 2023, the NOK closed 3% weaker against the EUR, 3% weaker against USD, and 3% stronger against CNY compared to 31 March 2023
- In 2Q-2023, the NOK was on average 16% weaker against EUR, 14% weaker against USD, and 7% weaker against CNY compared to 2Q-2022



# Other financial sensitivities

## POWER

- Electric power is a key input factor in Elkem's production. The normal consumption is around 6.5 TWh of which approx. 3.6 TWh is in Norway. Near term exposure to spot power prices is limited
  - Norway, hedging programme mainly consisting of long-term contracts covering around 80% of full capacity consumption until 2026. After 2026, Elkem has a high but gradually declining hedging ratio in line with its long-term hedging strategy
  - Outside Norway, power prices are mostly based on long term contracts or regulated power tariffs

## SALES PRICES

- Changes in sales prices could significantly affect operating income and EBITDA
  - 10% price change on silicon metal is expected to affect result by approx. MNOK 150 per year<sup>(\*)</sup>
  - 10% price change on ferrosilicon is expected to affect result by approx. MNOK 450 per year<sup>(\*)</sup>

*(\*) Sensitivities are on group level and based on annual sales volumes. Sales prices are based on LTM CRU prices.*



Delivering your potential