



Elkem ASA
Kepler Cheuvreux
Digital Autumn Conference

13 September 2021

Agenda

- Introduction
- Financial performance 2Q-2021
- Business update
- Strategy

Speakers

- Morten Viga, CFO
- Odd-Geir Lyngstad, VP Finance & Investor Relations



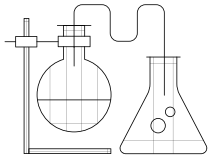
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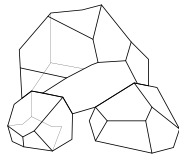


We are Elkem

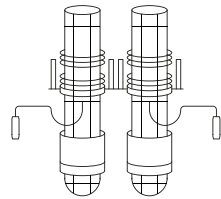
Advanced material solutions shaping a better and more sustainable future



Silicones



Silicon Products



Carbon Solutions




Global business combining the strengths of three unique platforms

Elkem's global business combines the strengths of three unique platforms

- Elkem was founded in 1904 and the metallurgical business in Norway represents strong industrial traditions and continuous improvement
- The chemical business in France adds a strong culture for specialisation, innovation and R&D
- Elkem's strong presence in China provides strong growth opportunities and adds a dynamic and agile business perspective



Annualised 1H-2021 numbers


Total operating income

NOK **29.0** bn.


EBITDA

NOK **5.2** bn.

%
EBITDA margin

18 %


Head office in Norway

29 plants worldwide


Employees worldwide

~ 6,800

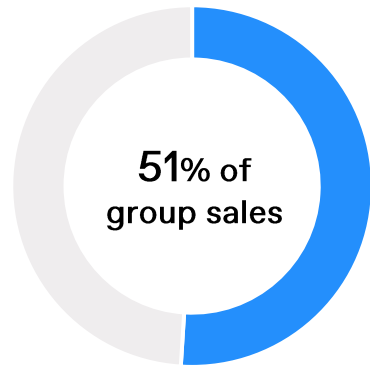

R&D centres in Norway, France and China

>450 R&D people

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

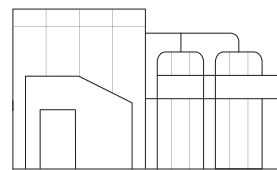
Silicones

Fully integrated silicones manufacturer with focus on specialities



Markets

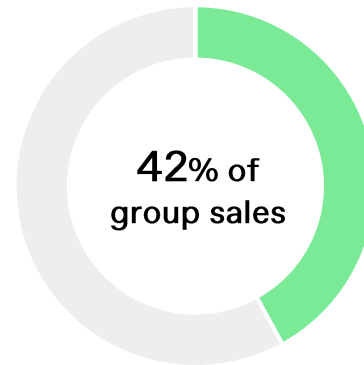
- Paper & film release
- Automotive
- Silicone rubber
- Chemical formulators
- Personal care
- Textile
- Healthcare
- Construction



12 plants worldwide

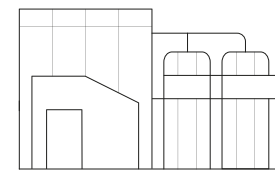
Silicon Products

Global producer and provider of silicon, ferrosilicon and specialties



Markets

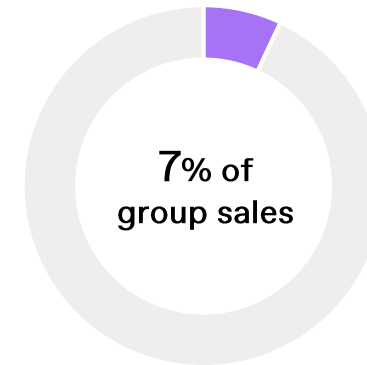
- Silicones
- Construction/Engineering
- Automotive
- Electronics
- Solar & wind
- Specialty steel
- Refractories
- Oil & gas



11 plants worldwide

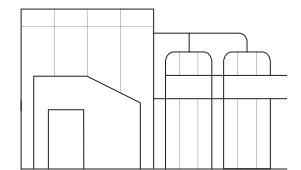
Carbon Solutions

Leading producer of electrode paste and specialty products



Markets

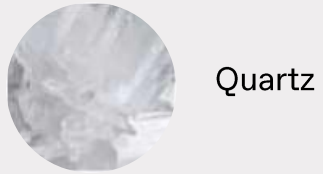
- Ferroalloys
- Silicon
- Aluminium
- Iron foundries



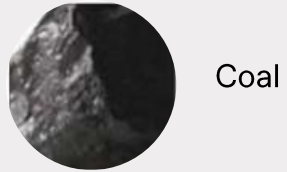
6 plants worldwide

Our products are vital for modern societies and you meet them in your life every day

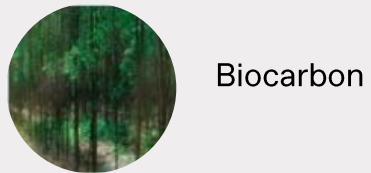
Low cost sustainable input factors



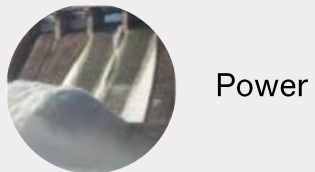
Quartz



Coal



Biocarbon



Power

High temperature/chemical production processes



Silicones



Silicon, foundry products and microsilica

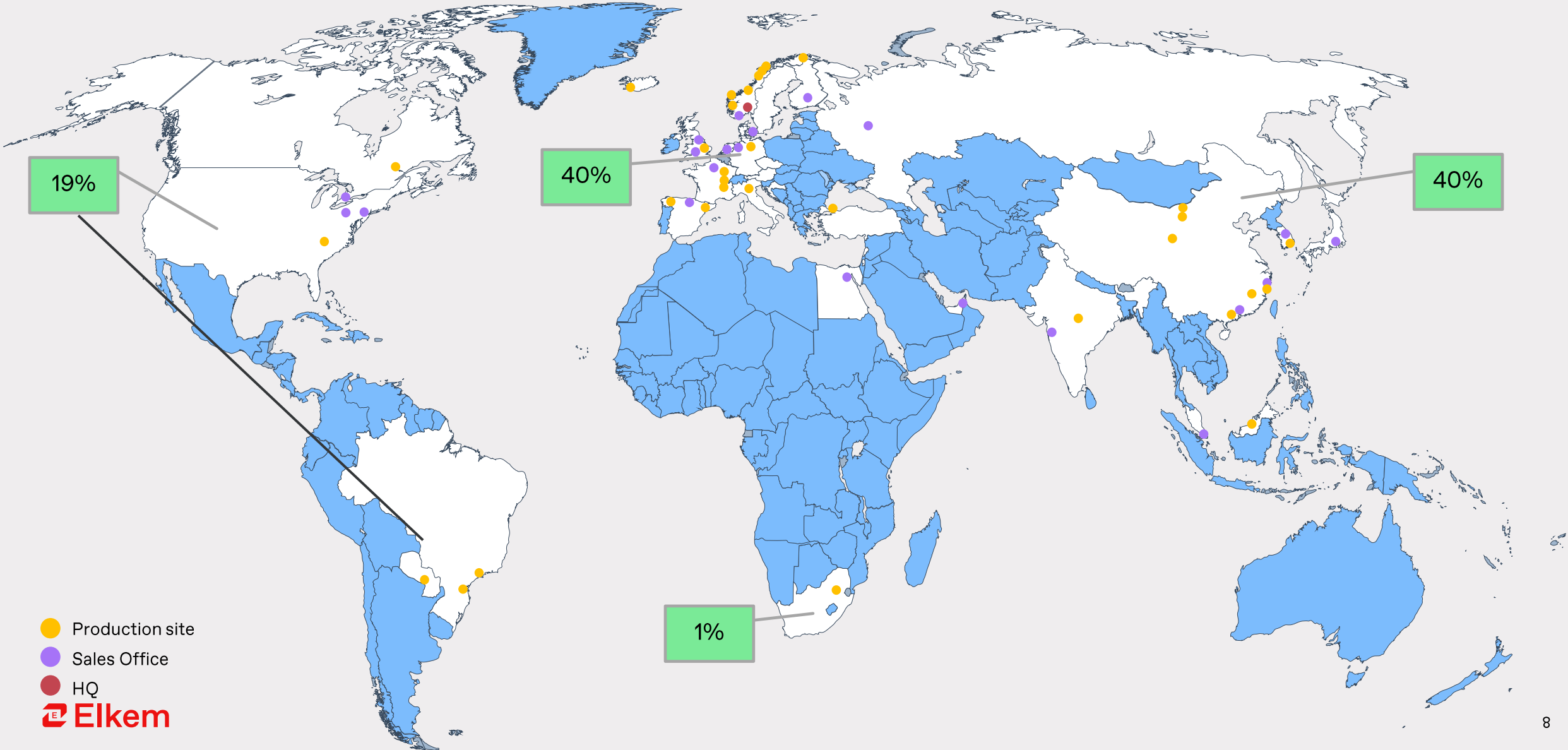


Carbon solutions

Examples of high value applications and markets



Global positions and strong geographical diversification



ESG – a key priority

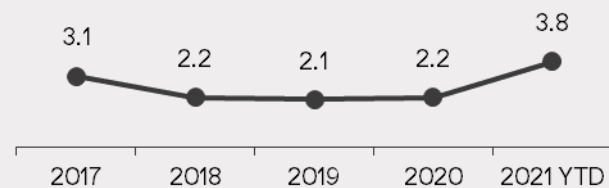


A clear focus on ESG

- In 2020, Elkem received an A rating from CDP, ranking in the world's top 5% on climate
- In 2Q 2021 Elkem announced an investment of MNOK 140 in Rana, Norway to enable use of biocarbon
- Elkem's pilot plant for biocarbon production in Canada is expected to start operations in January 2022
- Feasibility studies for carbon capture at smelters in Norway and Iceland, comprising carbon capture & storage, and carbon capture & utilisation

Safety

Ambition: Zero injuries



Social

- A truly diverse work force built on respect and an inclusive work culture
- Actively promoting equality – 58% share of women in the trainee programme for 2020

Environment

- 20% of CO2 emissions from renewable biogenic sources
- 83% of electrical consumption from renewable energy
- Energy recovery totalling of approx. 1,000 GWh

Governance

- Adherence to Norwegian Code of Practice for Corporate Governance
- TCFD framework for climate risk management is being implemented in 2021

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Strong 2Q result and good market conditions

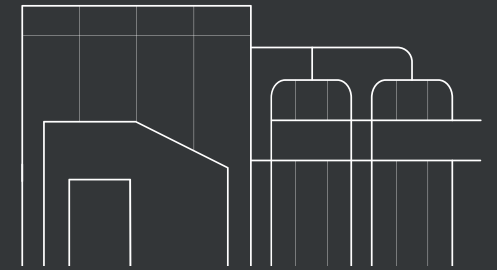
- Elkem is delivering another strong quarterly result, despite the planned maintenance stops for Silicones both in China and France
- Market conditions have been good in all major regions in the second quarter
- The strategic expansion of the Silicones plant in China has started and the battery pilot plant has commenced production
- The financial position is strong and the capital increase in April provides an excellent platform for further growth
- CEO Michael Koenig resigned from Elkem with effect from 30 June. Former CEO Helge Aasen will act as the interim CEO



Total operating income
MNOK 7,332

EBITDA
MNOK 1,371

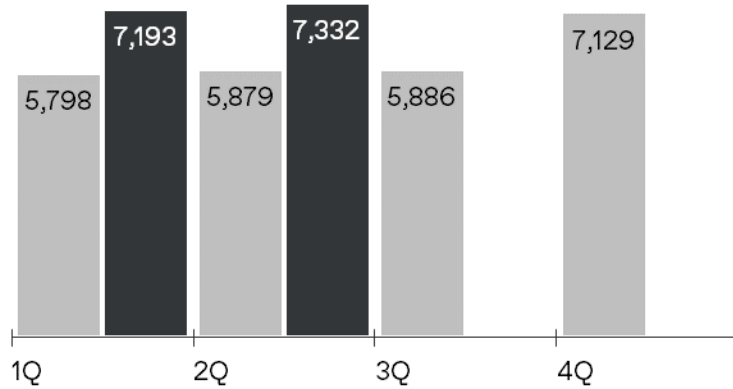
EBITDA margin
19 %



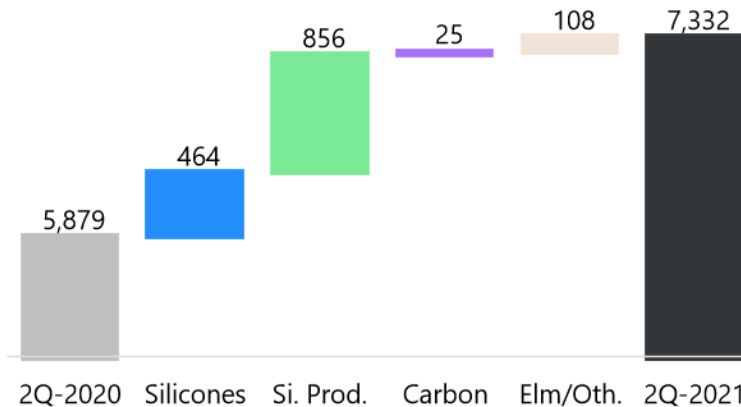
Another strong quarter driven by good markets and attractive market positions

Total operating income

- Reaching all-time high for the third consecutive quarter

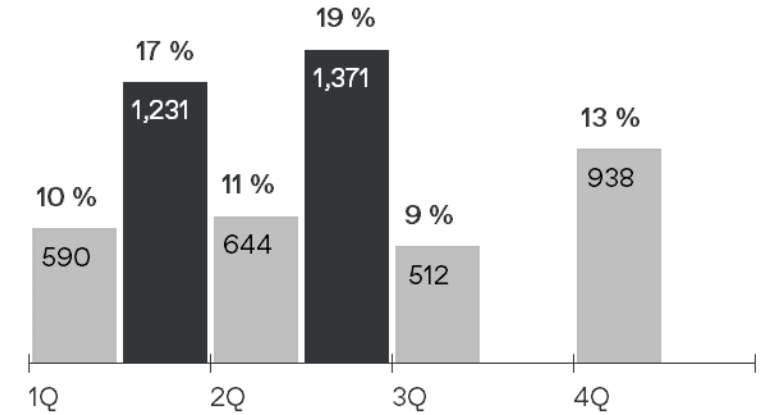


- ... driven by attractive market conditions and higher prices

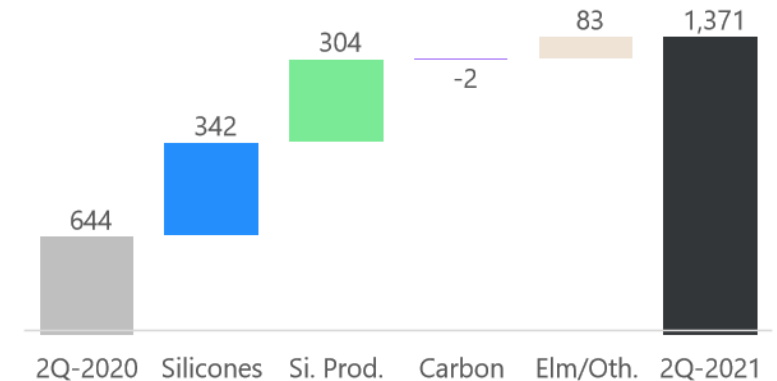


EBITDA

- Improved EBITDA and higher margins



- ... reflecting strong market positions and good operations



Good EBITDA and strong financial ratios

- EBITDA MNOK 1,371
 - Segment Other included realised currency hedging gains of MNOK 48
- The Productivity Improvement Programme continues according to plan
 - By end of 2Q-2021 the annualised run-rate was MNOK 261 versus target of MNOK 350 by end of 2021
- Other items MNOK 18
 - Positive effects on interest element in embedded derivatives in power contracts MNOK 7 and currency gains of MNOK 16 from working capital items, partly offset by change in fair value of commodity contracts MNOK -3 and other net effects of MNOK -3
- Net financial items MNOK -70
 - Mainly explained by net interest expenses MNOK -60 and net currency losses of MNOK -6
- Tax MNOK -171
 - Giving a tax rate of 22% for the second quarter

Consolidated key figures

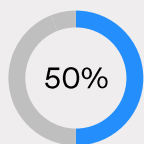
<i>(NOK million, except where specified)</i>	2Q 2021	2Q 2020	YTD 2021	YTD 2020	FY 2020
Total operating income	7,332	5,879	14,525	11,677	24,691
EBITDA	1,371	644	2,602	1,234	2,684
EBIT	841	212	1,646	409	957
Other items	18	-107	-44	22	-130
Net financial items	-70	-93	-13	-26	-229
Profit (loss) before income tax	789	16	1,614	380	584
Tax	-171	-16	-304	-119	-306
Profit (loss) for the period ⁽¹⁾	609	-13	1,293	238	239
Key ratios					
EPS (NOK per share)	0.98	-0.02	2.15	0.41	0.41
Equity ratio (%)	46 %	39 %	46 %	39 %	41 %
Net interest bearing debt (NIBD) ⁽²⁾	5,630	8,122	5,630	8,122	8,058
Leverage ratio	1.4	3.4	1.4	3.4	3.0
Reinvestments % of D&A	73 %	72 %	67 %	68 %	81 %
ROCE (annualised) (%)	18 %	4 %	18 %	4 %	5 %

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

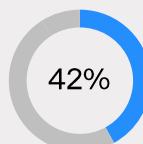
⁽²⁾ Excluding receivables from related parties, loans to external parties, accrued interest income and non-current other restricted deposits

Strong and stable market conditions

- Total operating income of MNOK 3,588 up 15% from second quarter 2020
 - Increased operating income explained by higher sales prices
- EBITDA of MNOK 573, up 148% from second quarter last year
 - Improved EBITDA explained by higher sales prices, but partly offset by higher raw material costs and currency effects
 - EBITDA positively impacted by sales mix effects and other operating expenses
- The result in 2Q-2021 was impacted by the planned maintenance stops in China and France resulting in lower sales volumes



Share of operating income



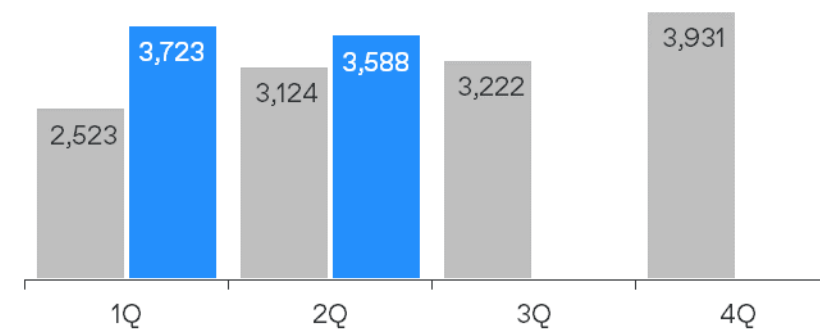
Share of EBITDA

Share of operating income from external customers ex. Other

Share of EBITDA ex. Other and Eliminations

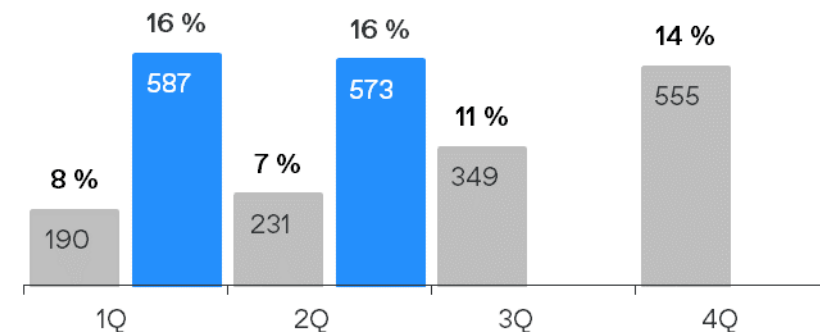
Total operating income

NOK million



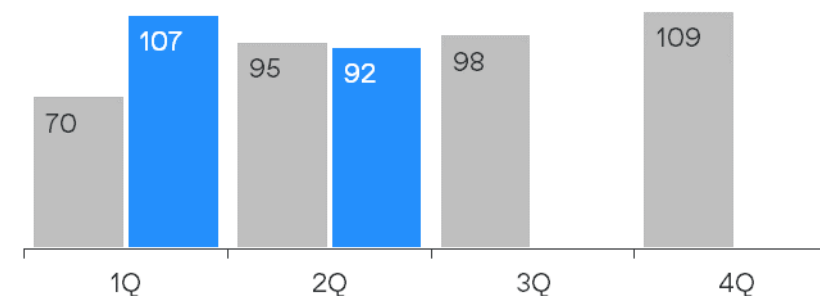
EBITDA and margin

NOK million and %



Sales volume

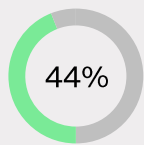
In 1,000 mt



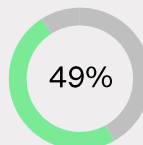
■ 2020
■ 2021

Good results reflecting strong markets

- Total operating income of MNOK 3,355 up 34% from second quarter last year
 - Higher sales prices and higher sales volumes, partly offset by effects of stronger NOK
- EBITDA of MNOK 672, up 83% compared to second quarter last year
 - Mainly explained by higher sales prices and higher sales volumes
 - EBITDA positively impacted by sales mix effects
 - Last year included a one-off gain of MNOK 61 from arbitration
- Stable sales volumes reflecting good operations and strong markets



Share of operating income



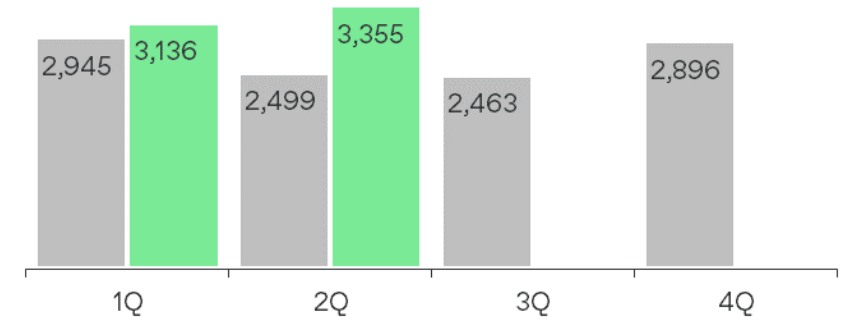
Share of EBITDA

Share of operating income from external customers ex. Other

Share of EBITDA ex. Other and Eliminations

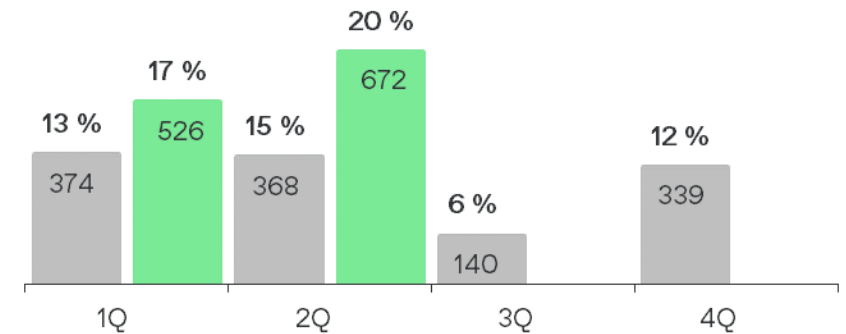
Total operating income

NOK million



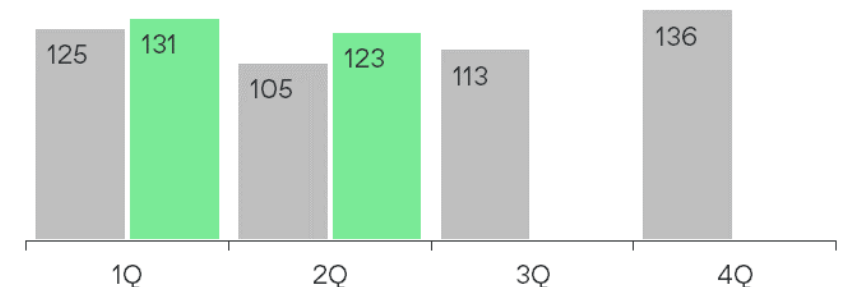
EBITDA and margin

NOK million and %



Sales volume

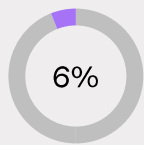
In 1,000 mt



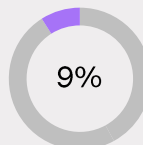
■ 2020
■ 2021

Stable results, but raw material costs increasing

- Total operating income MNOK 506, up 5% from second quarter last year
 - Higher sales volumes partly offset by currency impact
- EBITDA of MNOK 118, down 2% from second quarter last year
 - Lower EBITDA and reduced margin mainly explained by currency
 - Raw material costs are rising
- Higher sales volumes reflecting strong market recovery



Share of operating income



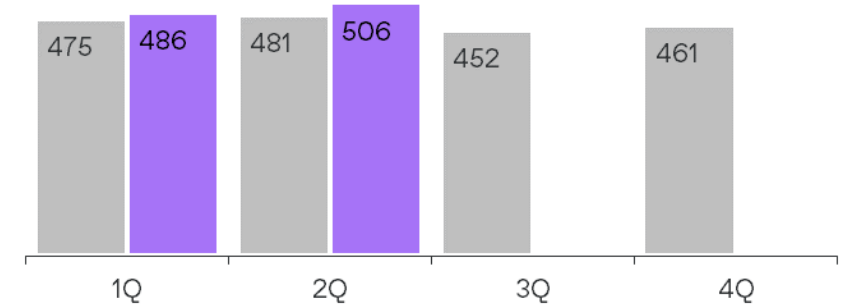
Share of EBITDA

Share of operating income from external customers ex. Other

Share of EBITDA ex. Other and Eliminations

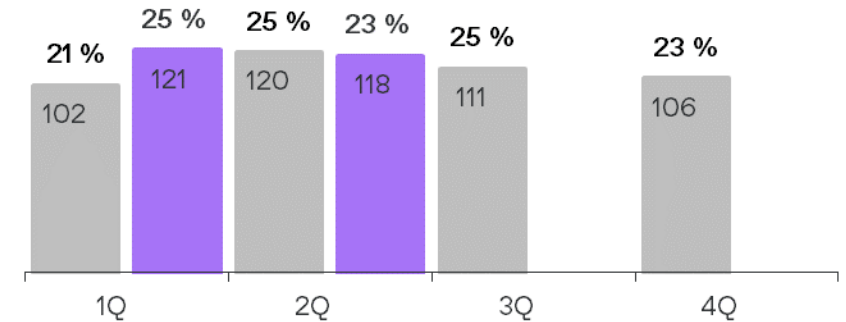
Total operating income

NOK million



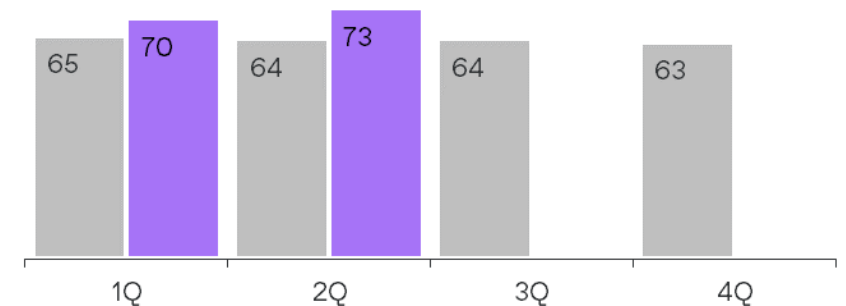
EBITDA and margin

NOK million and %



Sales volume

In 1,000 mt



■ 2020
■ 2021

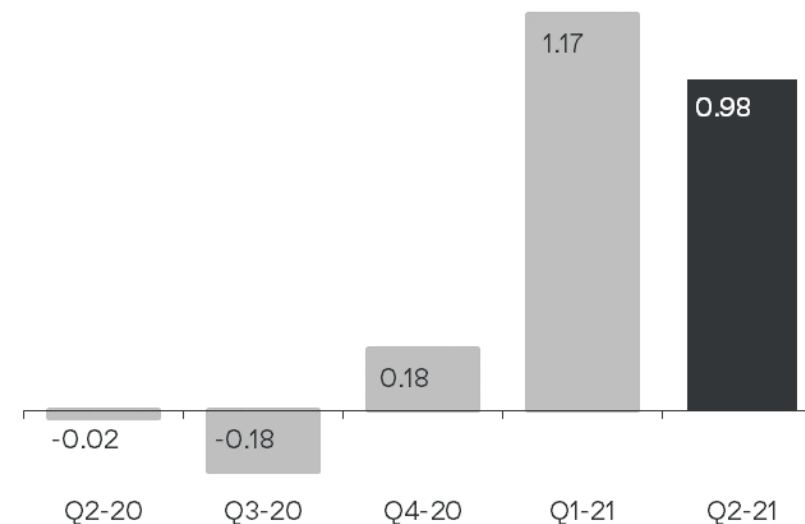
Robust financial position and attractive EPS

- Earnings per share (EPS)
 - EPS amounted to NOK 0.98 in the second quarter and NOK 2.15 YTD-2021
 - EPS clearly up from Q2-20 due to strong improvement in results

- Total equity amounted to BNOK 16.0 as at 30 June 2021, up by BNOK 3.4 from year-end 2020
 - Increase in equity explained by capital increase of BNOK 1.9 in April 2021 and profit YTD of BNOK 1.3
 - Equity ratio at 46%

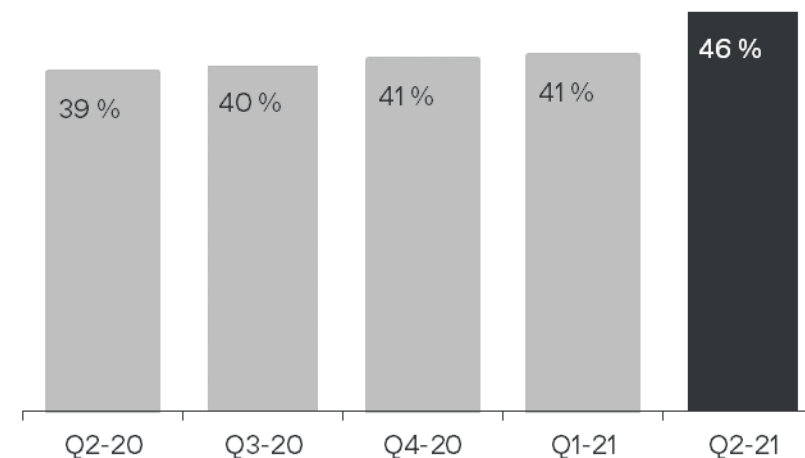
Earnings per share (EPS)

NOK per share



Equity ratio

In percent of total assets



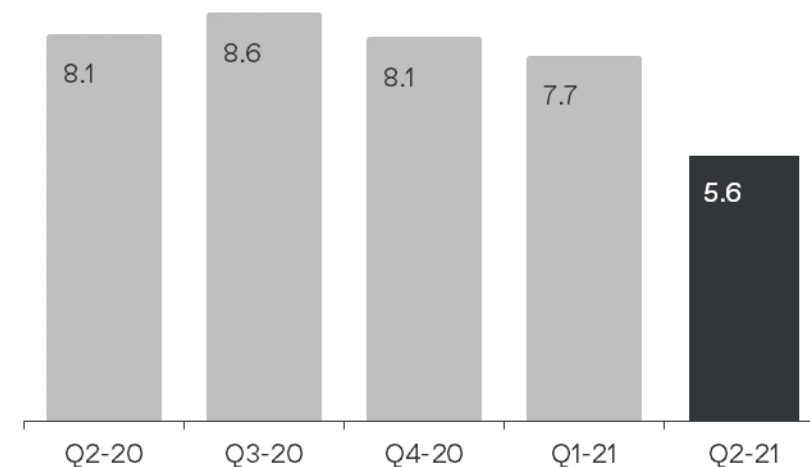
Significant reduction in debt and leverage

- Net interest-bearing debt (NIBD) was BNOK 5.6 as at 30 June 2021
 - Leverage ratio was 1.4x based on LTM EBITDA of BNOK 4.1
 - The leverage ratio down significantly due to capital increase and improved LTM EBITDA

- Debt maturities in 2021 well managed
 - Elkem successfully raised new bond loans in February and August 2021 each of MNOK 1,250 for refinancing of maturities in 2021. Pro-forma maturity profile reflects the bond issue of MNOK 1,250 in August
 - The debt maturities in China mainly consist of local working capital financing, which are regularly rolled over

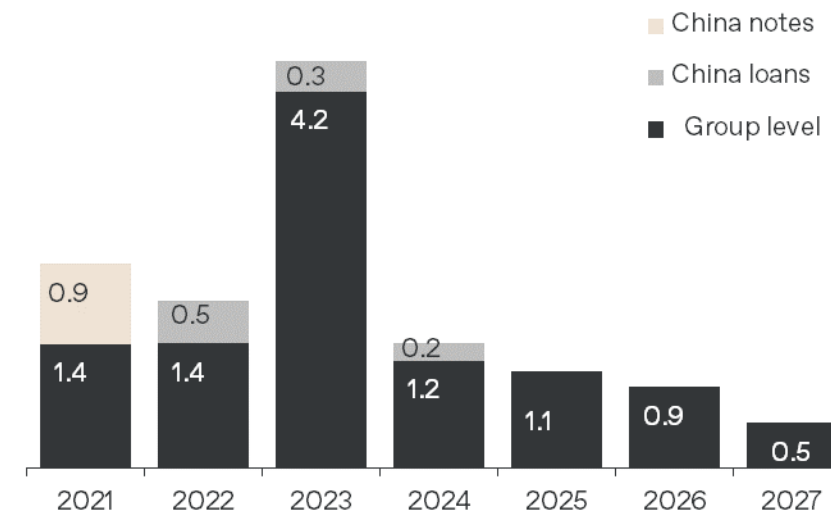
Net interest-bearing debt (NIBD)

NOK billion



Maturity profile (pro-forma)

NOK billion



Strong cash flow generation

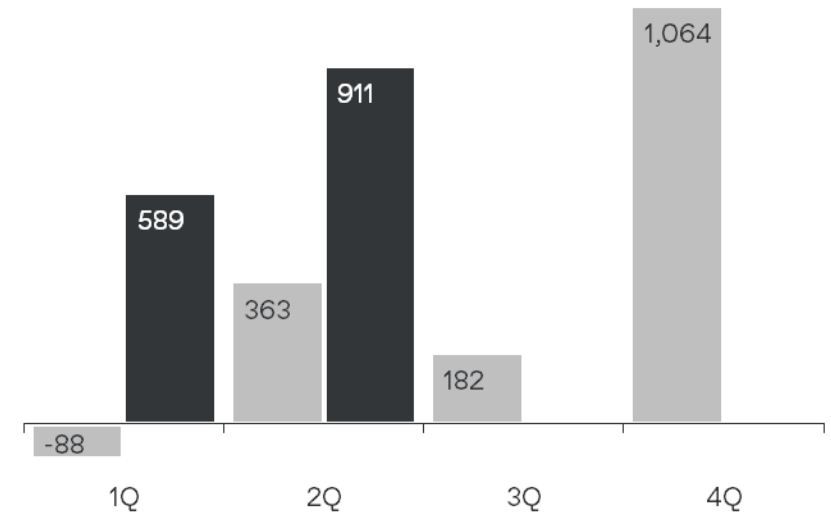
- Cash flow from operations⁽¹⁾ was MNOK 911 in the second quarter and clearly improved from the corresponding quarter last year
 - Improvement mainly explained by higher EBITDA

- Investments ex. M&A amounted to MNOK 552 in the second quarter 2021, slightly higher than second quarter 2020
 - Reinvestments was MNOK 339 in the quarter, amounting to 73% of D&A
 - Strategic investments of MNOK 213, primarily silicones specialisation projects, silicon furnace upgrades and the battery materials project

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

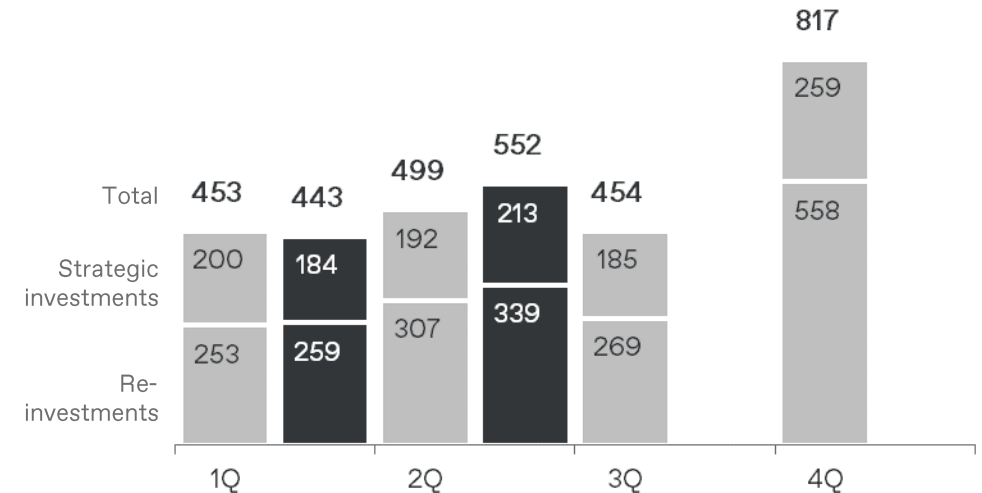
Cash flow from operations

NOK million



Investments ex. M&A

NOK million



■ 2020
■ 2021

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Strong development in key sectors

- All major economies except China contracted in 2020. As the markets emerge from Covid-19 effects economies are recovering
 - EU is expected to grow by around 4% in 2021
 - The US economy is expected to grow around 6% in 2021
 - China has a projected growth of more than 6% in 2021
- The economic recovery is reflected in construction and automotive, which are important sectors to Elkem
- The global auto industry has continued to recover. However, microchip shortages creates uncertainty going forward
- Strong upward pricing pressure on finished products and certain raw materials



Automotive – units sold (million)



Strong market conditions and all-time high DMC prices

- Global silicones prices have continued to increase into third quarter 2021
- DMC prices in China have reached all-time high with 37,400 RMB per tonne early September
- Prices driven by good underlying demand and tight market balance, but also significant increases in raw material prices, e.g. silicon metal
- Elkem is well positioned with an integrated value chain and strong market positions in Europe, US and China



DMC reference price China (CNY/mt)

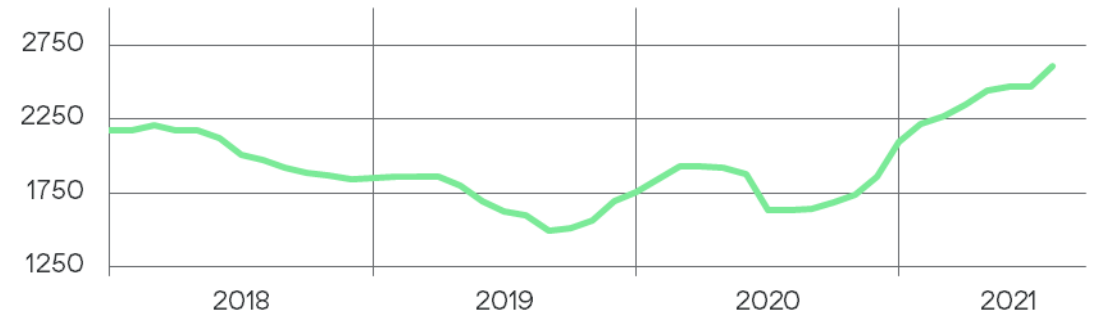


Strong demand and all-time high prices

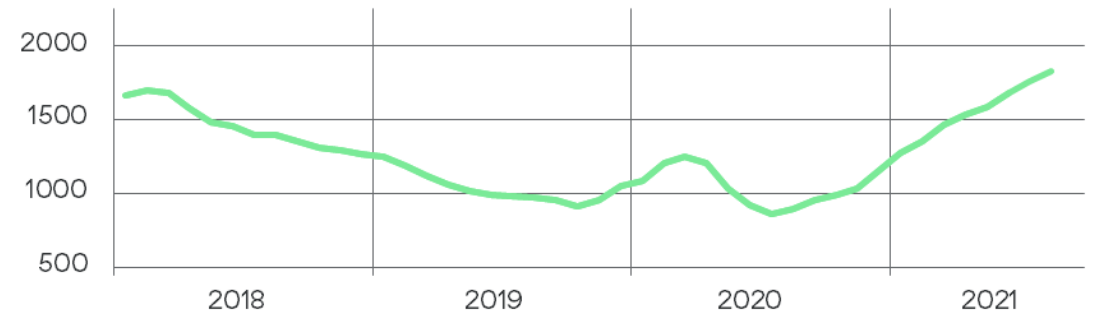
- Market prices for silicon and ferrosilicon have reached new all-time high levels in the third quarter in Europe, US and China
- Chinese silicon prices have risen significantly impacted by energy curtailments, high energy prices and raw material constraints
- The underlying silicon demand is strong, particularly from silicones and solar
- Foundry products and ferrosilicon demand also strong, and so far not impacted by lower automotive production
- Market balance expected to remain tight



CRU silicon 99 price EU (EUR/mt)



CRU ferrosilicon 75 price EU (EUR/mt)

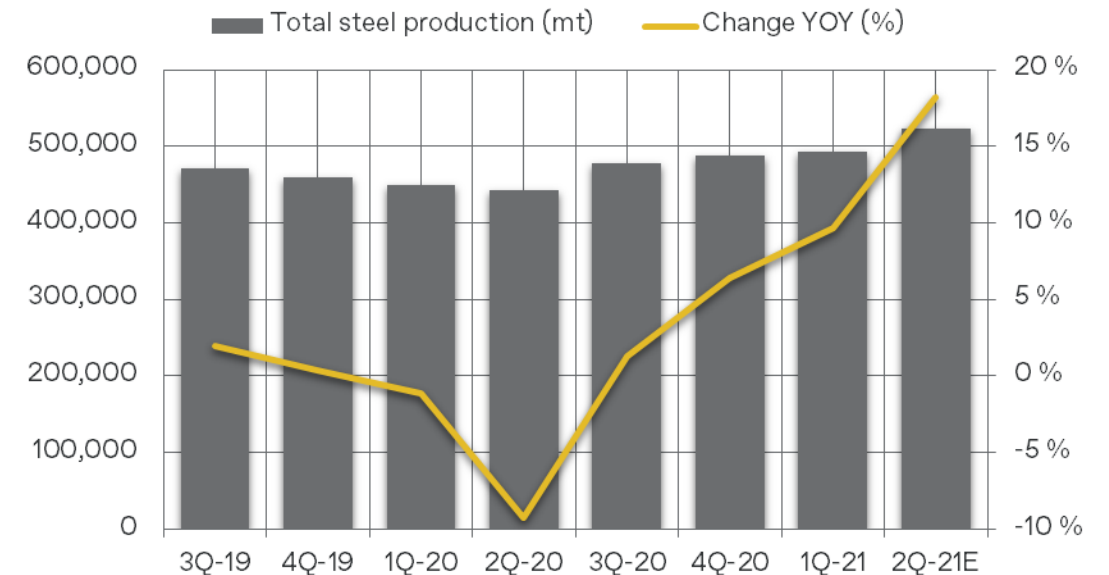


Increasing demand, raw material prices up

- Steel markets and ferroalloys are key demand drivers for carbon products
- Global crude steel production has shown strong recovery since Q2-2020
 - Production estimated to grow by 18% in Q2-2021 vs Q2-2020
 - Low production in most regions in Q2-2020 due to Covid-19
- Estimated growth in Q2-2021 vs Q1-2021 is 6%
 - Growth in all regions except for India
- Increasing raw material prices



World steel production



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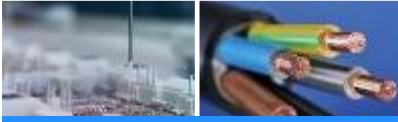
Growth driven by operational excellence and increased specialisation

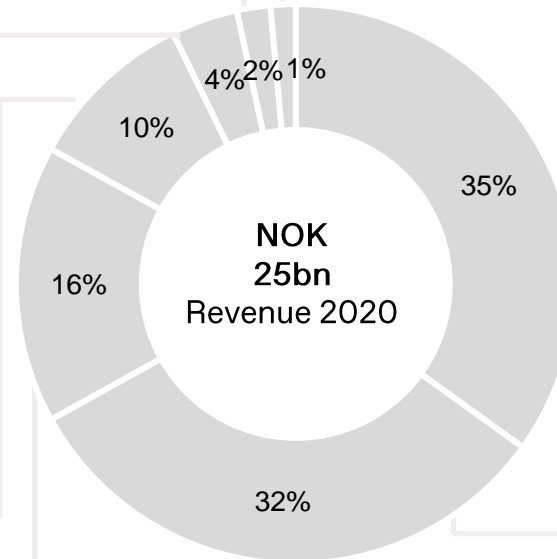
Elkem benefits well from a multitude of global megatrends underpinning a higher and increasingly diversified demand





Several global megatrends...

....driving demand for silicones across a range of end-markets

 Sustainability	
 Growing energy demand	
 Rapid urbanisation	
 Increased standard of living	
 Ageing and growing population	
 Digitalisation	
 Mobility and electrification	

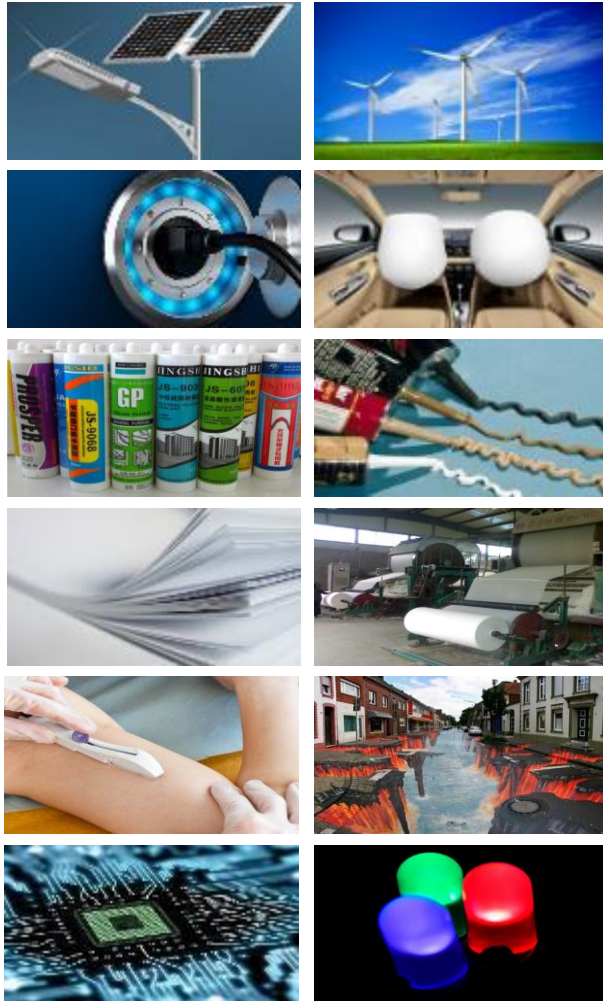
 Health & Personal Care
 Consumer goods
 Electronics



 Chemicals
 Transportation
 Construction
 Energy

Growth driven by operational excellence and increased specialisation

Significant investments in R&D capabilities and downstream silicones to accelerate specialisation



Organic projects (examples)



- Consumer goods products for tissue softening, hygiene and labels



- Power & Mobility products for encapsulation for electronics



- New products designated for 3D printing in health care & industrials



- Ultra-high purity silicones for long-term implants in life science (Silbione®)



- New investment in organo-functional silicones manufacturing plant, as well as in low viscosity silicones fluid capacity (2021)

Award winning products

PURESIL™ ORG01 wins 2020 Ringier Technology Innovation Award for Personal Care

New R&D centre in Lyon

operational in 2021 bringing together 130 researchers to reinforce innovation

Sizeable R&D centers

in all regions with +450 dedicated R&D employees working closely with customers

Downstream M&A

BaselChemie

- Tech driven downstream silicones producer
- High-end specialty portfolio for skin care, cosmetic applications, and water repellents for construction industry – focus on green, sustainable products

POLYSIL

- Strong silicones production & innovation platform
- Develops Polysil – a well-known brand in South China for applications in automotive, food, power, medical devices and PSA electronic

Specialisation strategy

New R&D centre in France to further drive specialisation

- Elkem opened its new R&D centre, ATRiON, in Lyon on 1 July
 - ATRiON is short for “atrium and innovation” and will host 120+ researchers. The investment amounted to NOK 250 million
 - Focus will be on circular economy, digitalisation, consumer goods, living comfort and new materials for energy and mobility
- Ongoing projects for advanced silicones solutions represent significant revenue potential from 2022
 - Partnership with 3Deus Dynamics, a start-up developing ground-breaking solutions for 3D printing
 - Acquisition of plant for organo-functional silicones in France
 - Investment in low-viscosity silicones fluids for personal care applications in China
 - Investment in medical silicones for long-term implants in the US

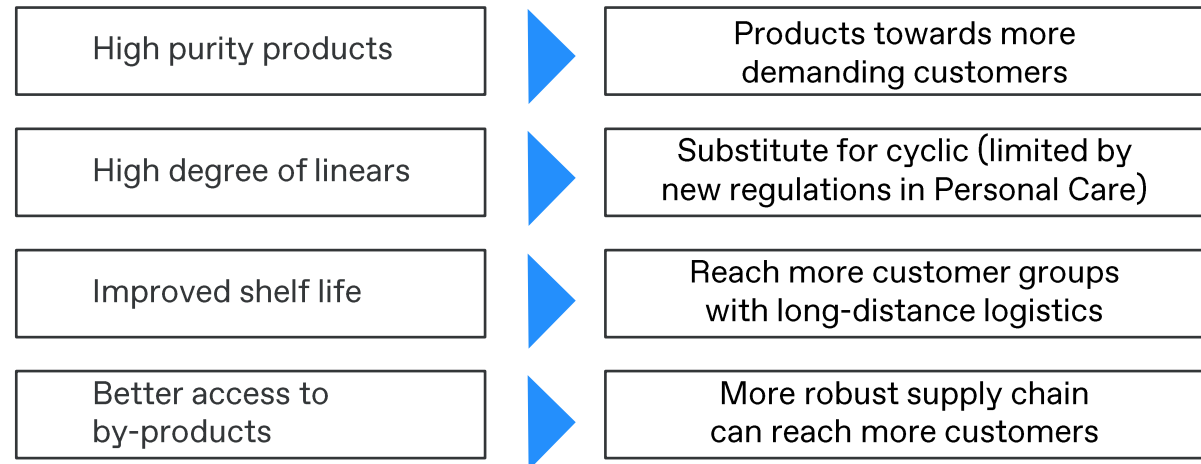


Silicones Xinghuo expansion leveraging on growth and specialisation in Asia

- The expansion of Silicones Xinghuo has started and the cornerstone for the project was laid in April 2021. The project is scheduled to be completed within 3 years
- Integral part of Elkem's growth and specialisation strategy
 - Raising profitability with EBITDA margin of +35%
 - Enhanced environmental performance based on lower emissions, lower raw materials use and reduced waste
 - Better product quality with higher purity and improved properties
- Strengthening Elkem's position in the main growth markets. Asia Pacific is expected to grow by ~7% in 2021 and Elkem is well placed with its silicones operations in China, Korea and India



Supporting the specialisation strategy

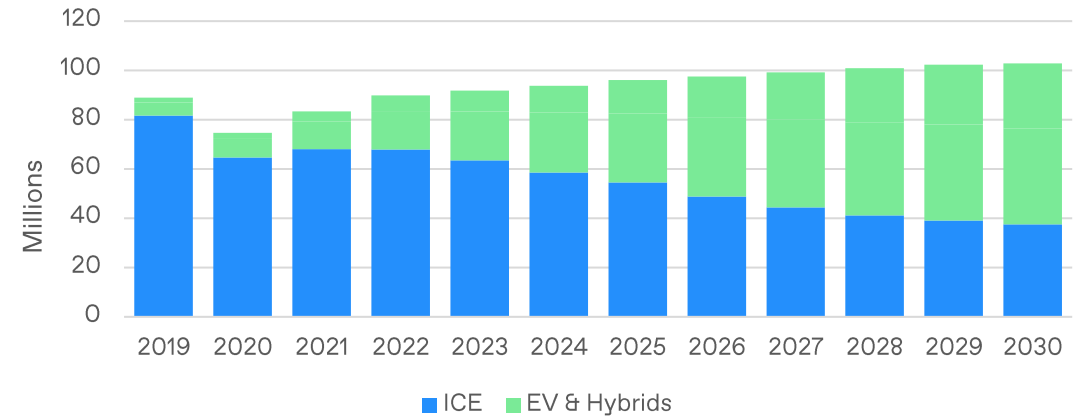


Electric vehicles (EV) providing attractive growth

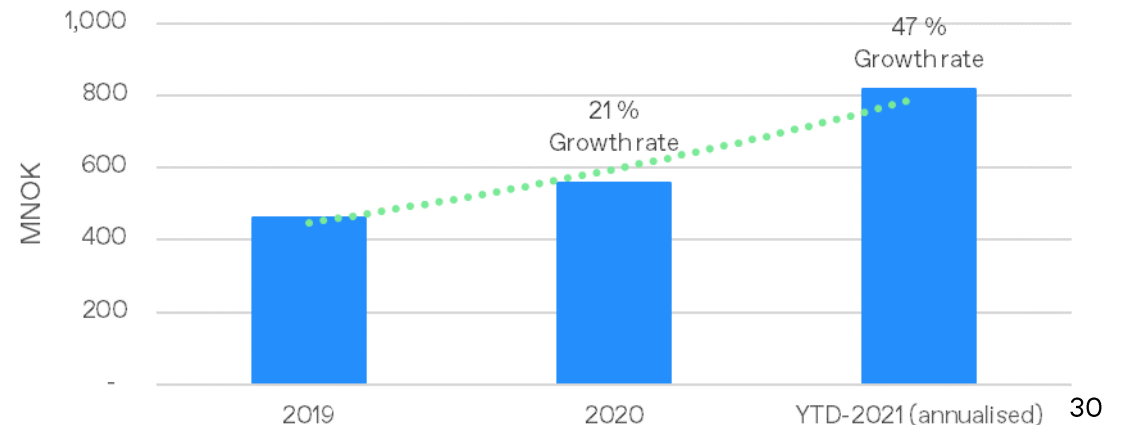
- EVs contain about 4 times more silicones than traditional combustion engine cars (ICE)
- The sale of EVs are projected to grow significantly towards 2030
- In EU production of EVs is expected to increase from around 1 million units in 2021 (7.4% of production), to 3.3 million units in 2025 (24.2%)
- In China, EV is approx. 10% of the total automobile production in 2021, up significantly from 2020
- Elkem is well positioned to benefit from the growth in EVs
 - Sale of silicones to EVs increased by 21% from 2019 to 2020. Sales YTD-2021 indicates an annual growth of 47%



Global sales forecast by drive train



Elkem's sales development to EVs (sealing & thermal management)

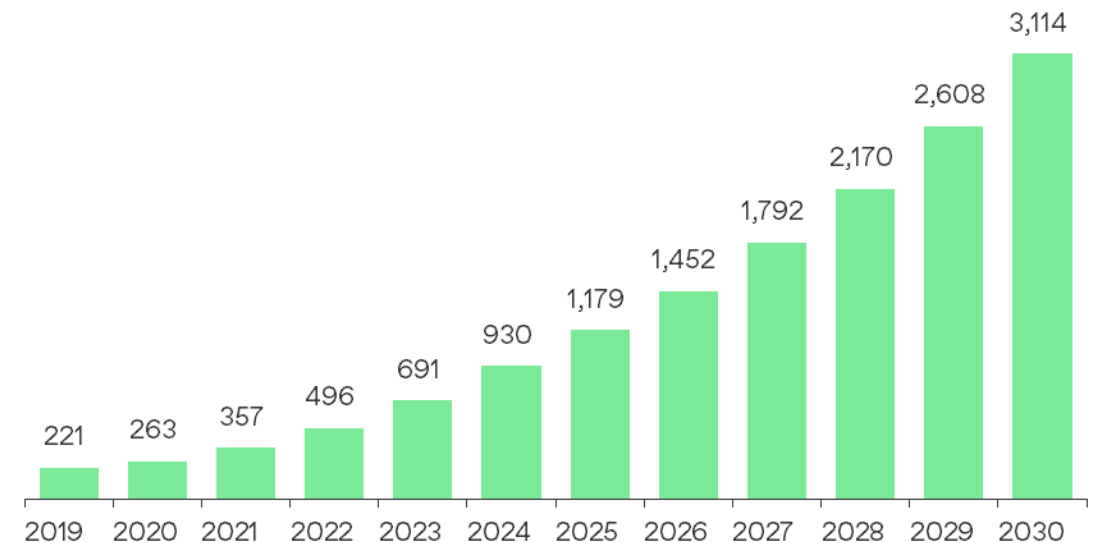


Battery materials pilot plant in operation, preparing for industrial scale project

- Elkem aims to establish a leading position in the fast-growing market for advanced battery materials
 - Vianode is established as a new company and brand for production of sustainable battery materials
 - Environmentally friendly processes, reducing total emissions by more than 90%
- The pilot plant in Kristiansand is in operation
 - Qualification processes with prospective customers have reached advanced levels. Supplier discussions in progress
 - A fast-track option is being considered to address the strong demand from customers and shorten time to market
 - On that basis the exact timing of the financial investment decision is pending
- The ongoing process with potential partners is coordinated with the development and key milestones of Vianode



Global Li-ion battery cell demand, (GWh) expected to increase more than 10x from today's level by 2030, mainly driven by EVs



Battery materials opportunity

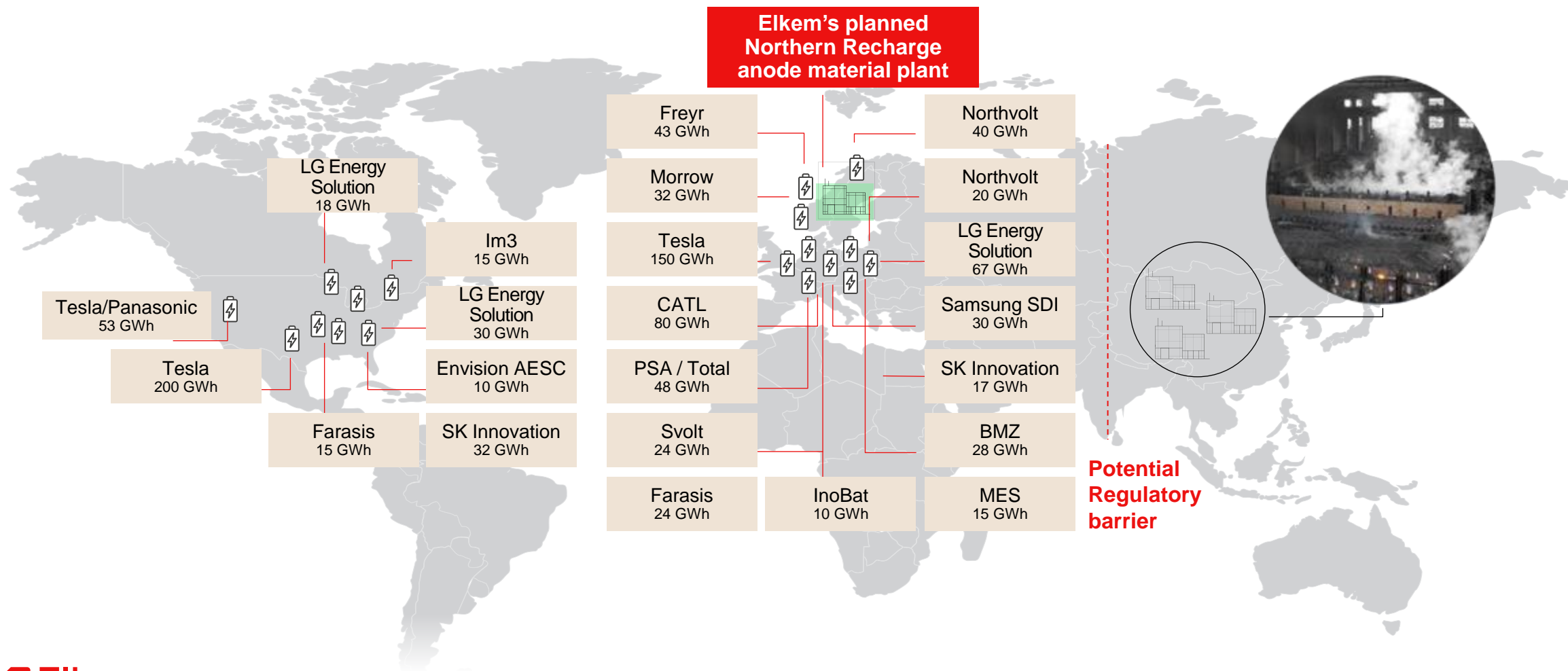
High number of cell manufacturing projects in Europe and North America

...but production of critical anode material is currently dominated by Asian players

Gigafactory capacity (2030)

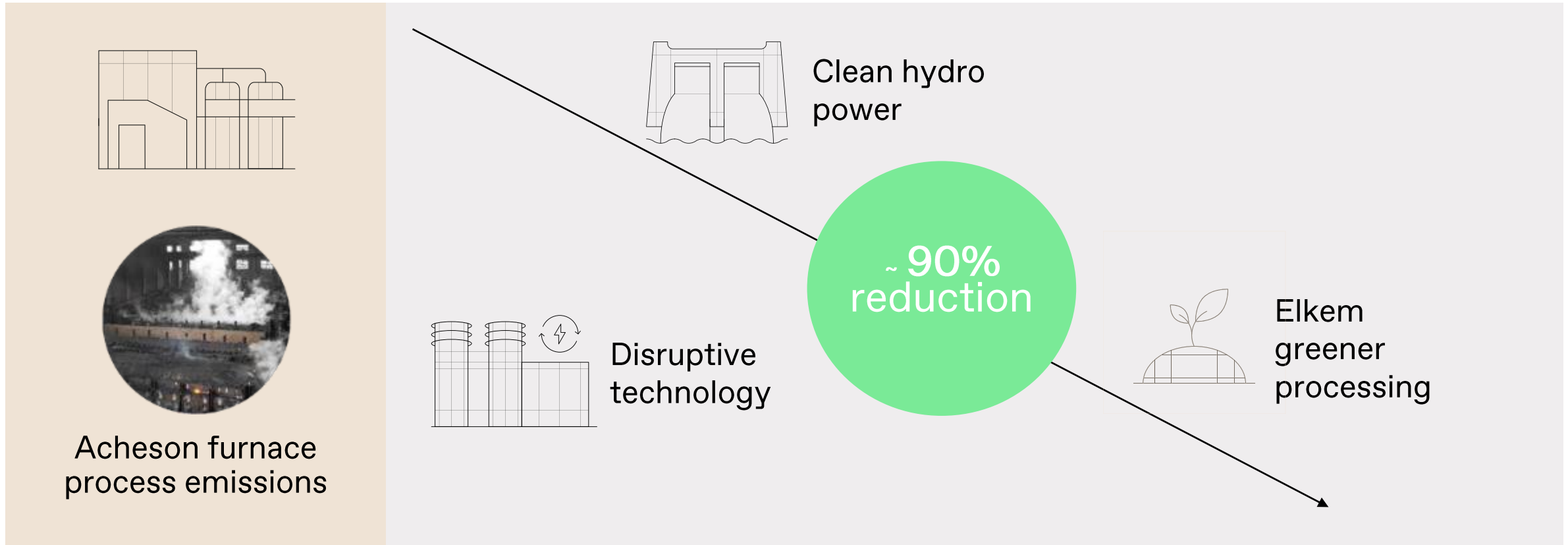
Europe ~ 610 GWh
North America ~ 383 GWh

TOTAL ~ 1,000 GWh



Elkem's disruptive technology and access to clean hydropower enable close to zero emissions

Emission reductions vs market standard production process¹



Important notice

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