

Morgan Stanley ChemTech Day

25 March 2021



Agenda

- Brief introduction
- Financial performance
- Business update
- Innovations and growth opportunities

Morten Viga
CFO
morten.viga@elkem.no

Odd-Geir Lyngstad
VP Finance & Investor Relations
odd-geir.lyngstad@elkem.no



Elkem: more than 110 years of innovative and dynamic industry tradition

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



Figures as at 31.12.2020



Total operating income

NOK **24.7** bn.



EBITDA

NOK **2.7** bn.



EBITDA margin

11 %



Head office in Norway

29 plants worldwide



Employees worldwide

~ 6,800



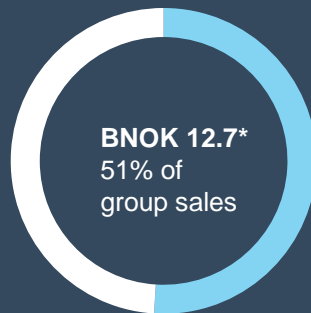
R&D centres in Norway, France and China

>450 R&D people

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

Silicones

One of the foremost fully integrated silicones manufacturers in the world



End-markets

- Paper & Film Release
- Automotive
- Silicone Rubber
- Chemical Formulators
- Personal Care
- Textile
- Oil Field
- Construction



Silicon Products

Global producer and provider of silicon, ferrosilicon and related specialty products



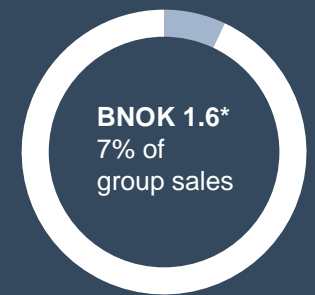
End-markets

- Silicones
- Automotive
- Construction/Engineering
- Electronics
- Solar
- Specialty Steel
- Refractories
- Oil & Gas



Carbon Solutions

Leading producer of electrode paste and specialty products



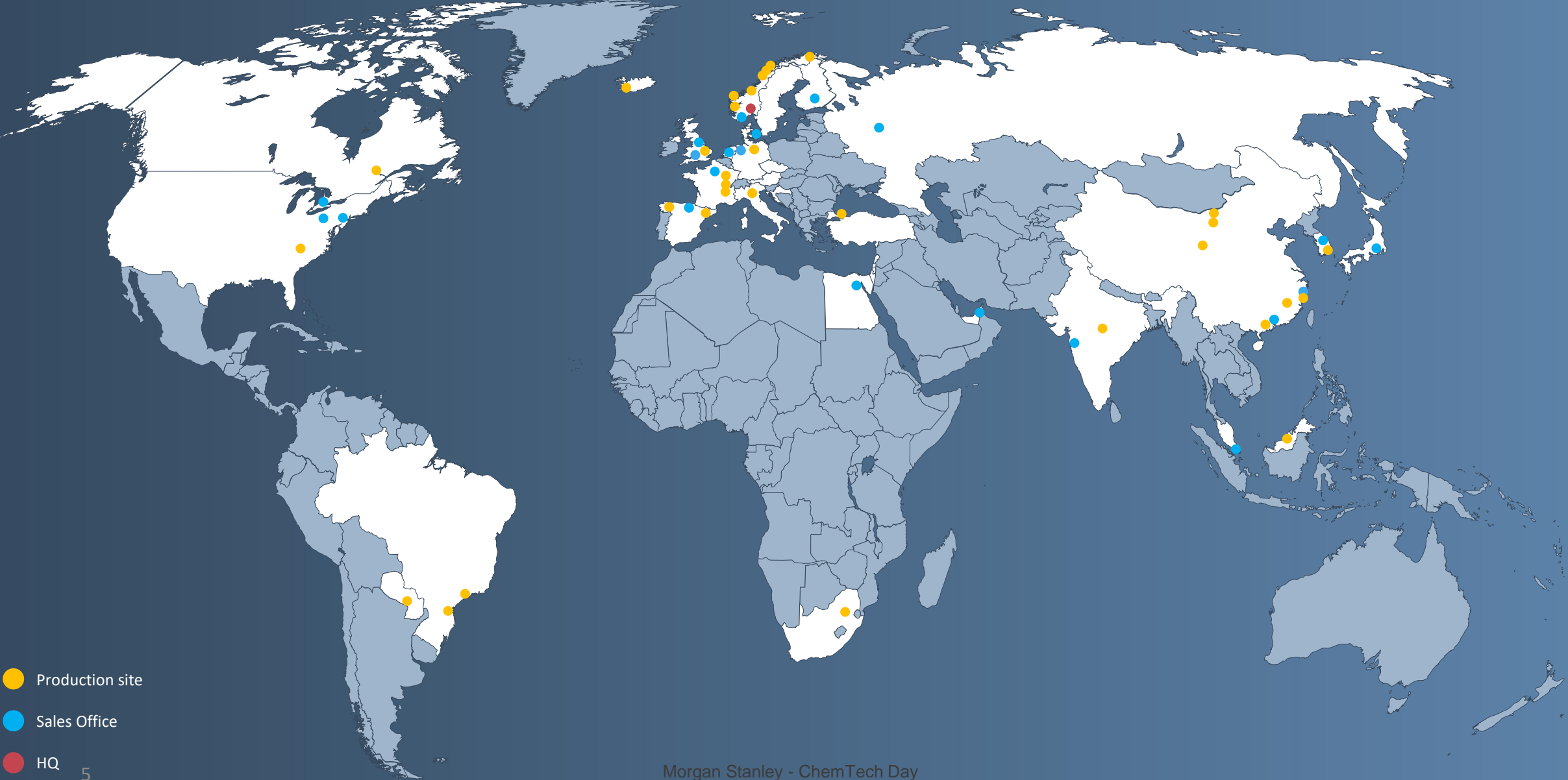
End-markets

- Ferroalloys
- Silicon
- Aluminium
- Iron Foundries



* Based on external sales FY 2020

Global positions and strong geographical diversification



- Production site
- Sales Office
- HQ

Environment, Social and Governance

Top ESG ratings achieved – strengthening Elkem’s competitive position



**A LIST
2020**

CLIMATE

Selected for CDP’s A List on climate change for 2020, ranking Elkem in the top 5 per cent of the 5,800+ companies scored by CDP

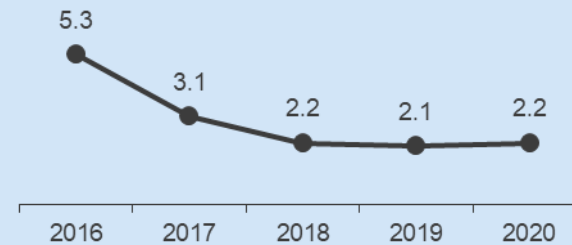
ecovadis

Gold performance rating for 2020 ranking Elkem in the top 5 per cent



Safety

Ambition zero injuries



Environment

Biocarbon strategy to reduce fossil CO2 emissions 40% by 2030

Silicones contribute to greenhouse gas reductions that are approx. 9 times greater than emissions from silicones manufacturing.



Social

Ambition best practice standards on human rights and community involvement



Governance

Adherence to Norwegian Code of Practice for Corporate Governance

Management and board of directors actively engaged in ESG issues

Strong 4Q-2020 results driven by a robust business model and improved markets

- ◆ Elkem's EBITDA for the fourth quarter reached the highest level since 2018
- ◆ The business model shows improved results in terms of specialisation, operational performance, good cost management and record sales volumes
- ◆ Elkem has received an A rating in corporate sustainability by CDP, recognising the company among the world's leading companies for tackling climate change
- ◆ The board has proposed a dividend of NOK 0.15 per share representing a dividend pay-out ratio of 36% of profit for the period
- ◆ The market outlook is good, but macroeconomic uncertainty still persists



Total operating income

MNOK 7,129



EBITDA

MNOK 938

%

EBITDA margin

13 %

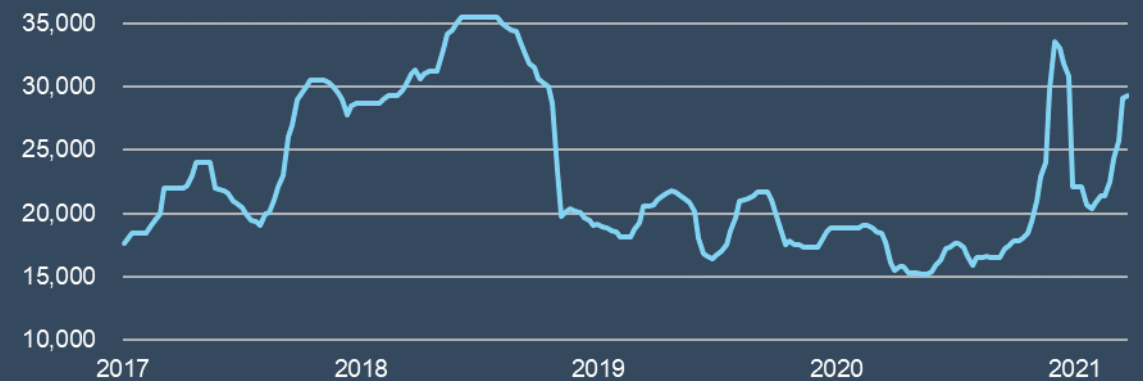


Silicones market update, strong demand and rising prices

- ◆ Silicones demand in China was strong in 4Q-2020 but the pricing was volatile
 - ▶ Lack of available material caused an artificial price spike in spot markets
 - ▶ Supply was further disrupted by a fire at a silicones plant in Zhejiang
- ◆ Prices normalised before year-end, but spot prices have again increased substantially after Chinese New Year
 - ▶ High spot prices indicate a tight market balance, but peak spot levels not representative for the main volumes
- ◆ Prices in Europe and the US also increasing
 - ▶ Major suppliers have recently announced price increases in the range of 10 – 20%



DMC reference price China (CNY/mt)



Silicon and ferrosilicon market update, good price and demand recovery

◆ Silicon and ferrosilicon

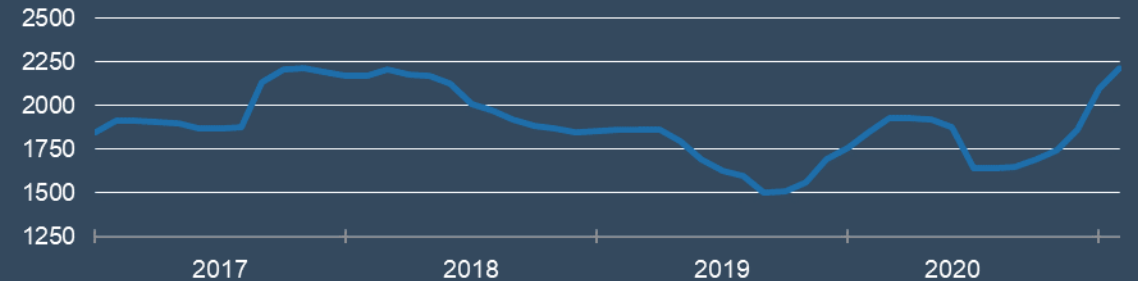
- ▶ Market prices have continued to rise into first quarter 2021
- ▶ Strong demand, back to pre-covid levels, mainly driven by steel and automotive
- ▶ Supply still low, but some restarts of idled capacity expected
- ▶ Global supply chain is challenging due to low container availability
- ▶ European stock levels are historically low

◆ Specialty products

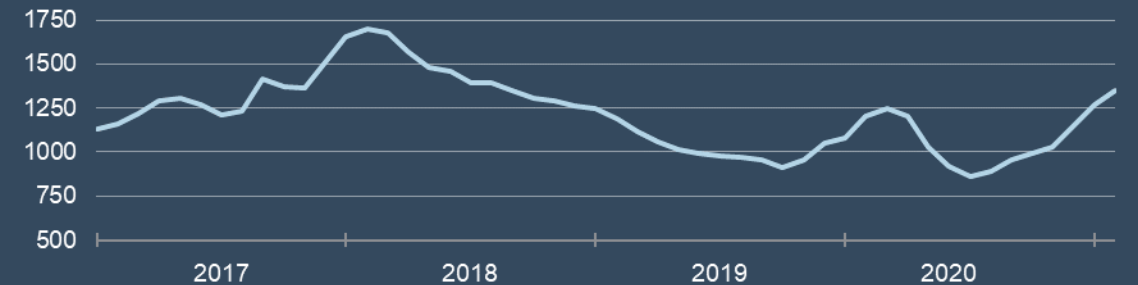
- ▶ Good recovery due to improvements in automotive



CRU silicon 99 price EU (EUR/mt)



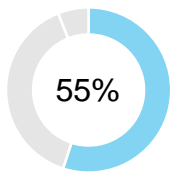
CRU ferrosilicon 75 price EU (EUR/mt)



Silicones

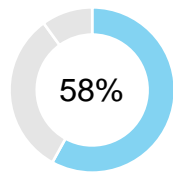
stronger markets and good operations

- ◆ Total operating income of MNOK 3,891 up 38% from fourth quarter last year
 - ▶ Increased operating income explained by higher sales volumes and price recovery in China
- ◆ EBITDA of MNOK 577, up 84% from fourth quarter last year
 - ▶ Significant improvement explained by strong sales volumes, higher sales prices and strong operational performance
- ◆ All-time high sales volumes reflecting attractive market positions and stronger demand in all major regions, particularly in specialty segments



Share of operating income

Share of operating income from external customers ex. Other

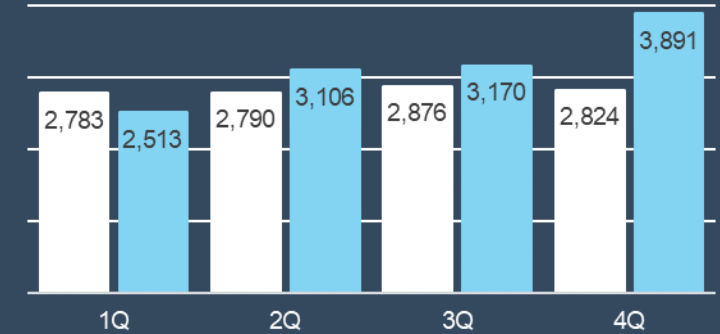


Share of EBITDA

Share of EBITDA ex. Other and Eliminations

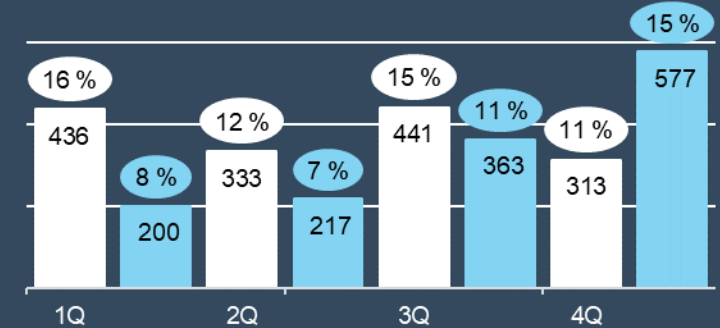
Total operating income

NOK million



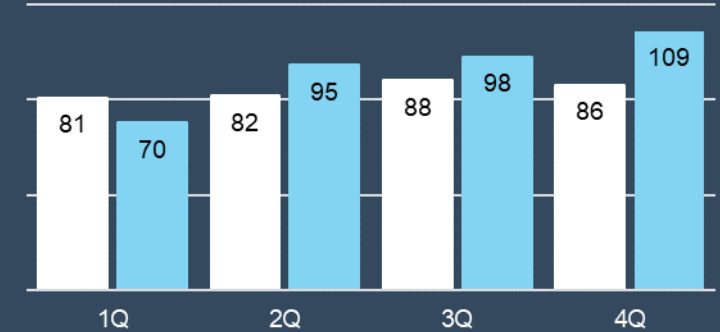
EBITDA and margin

NOK million and %



Sales volume

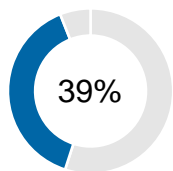
In 1,000 mt



■ 2019 ■ 2020

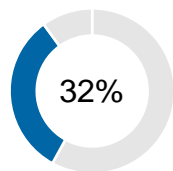
Silicon Products improvements reflecting strong market positions

- ◆ Total operating income of MNOK 3,084 up 19% from fourth quarter last year
 - ▶ Strong increase mainly explained by higher sales volumes
- ◆ EBITDA of MNOK 318, up 76% compared to fourth quarter last year
 - ▶ Explained by strong sales volumes and good operational performance. EBITDA also impacted by higher realised sales prices
- ◆ Sales volume are all-time high reflecting strong positions in standard and specialised product grades



Share of operating income

Share of operating income from external customers ex. Other

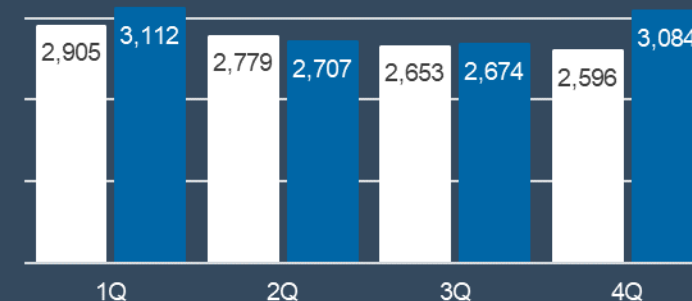


Share of EBITDA

Share of EBITDA ex. Other and Eliminations

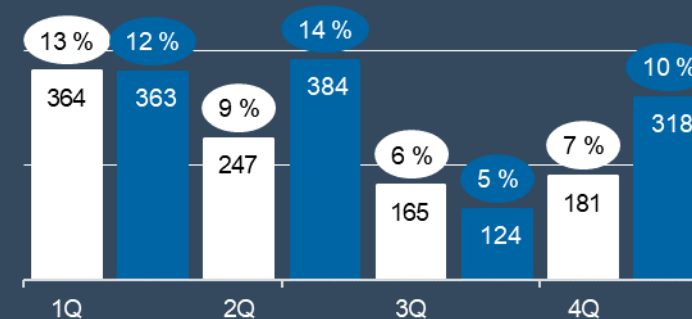
Total operating income

NOK million



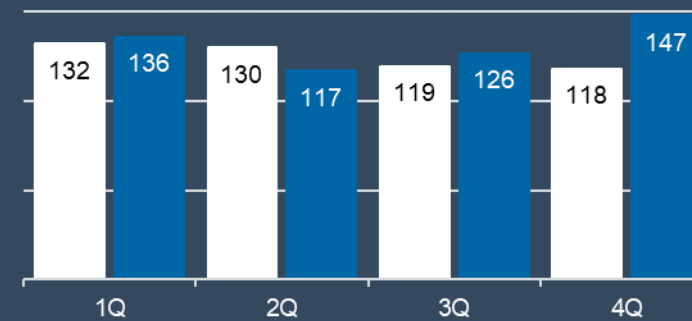
EBITDA and margin

NOK million and %



Sales volume

In 1,000 mt

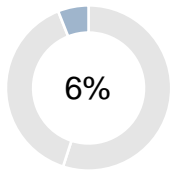


■ 2019 ■ 2020

Carbon Solutions

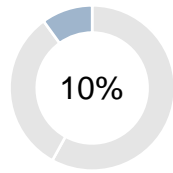
strong quarter and best annual result ever

- ◆ Total operating income MNOK 461, in line with the fourth quarter last year
 - ▶ Stable volumes and sales prices
- ◆ EBITDA of MNOK 106, up 46% from fourth quarter last year
 - ▶ Improved EBITDA explained by better product mix with higher sales of specialty products, and good cost management
- ◆ The sales volume was in line with the corresponding quarter last year
 - ▶ Crude and stainless-steel markets continue to recover



Share of operating income

Share of operating income from external customers ex. Other

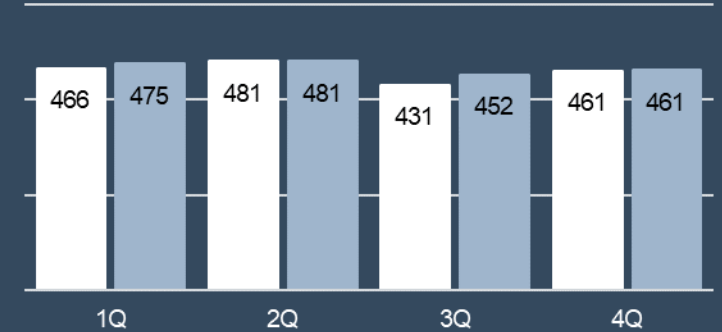


Share of EBITDA

Share of EBITDA ex. Other and Eliminations

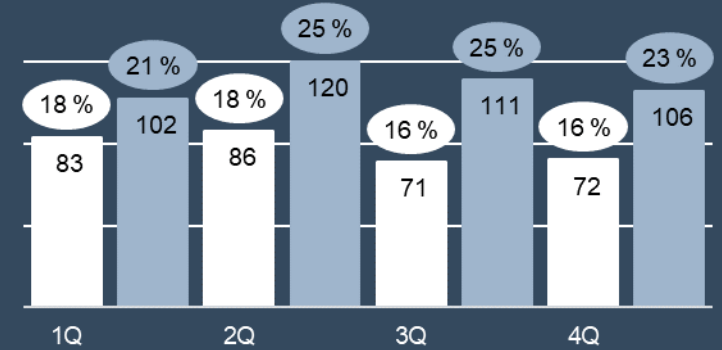
Total operating income

NOK million



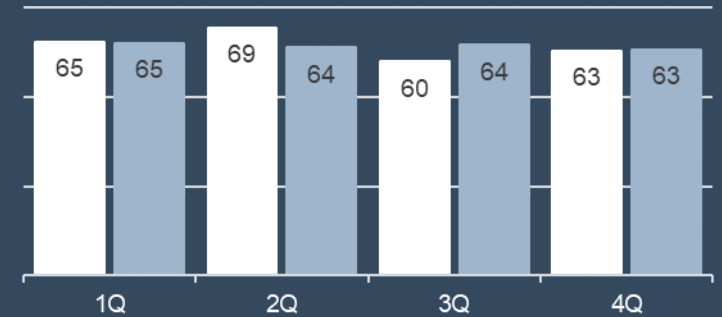
EBITDA and margin

NOK million and %



Sales volume

In 1,000 mt



■ 2019 ■ 2020

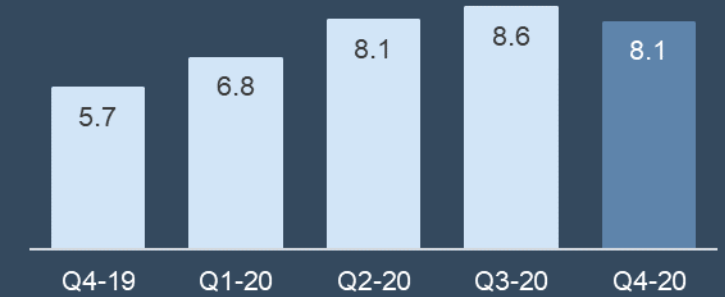
Elkem group improved leverage ratio and robust equity

- ◆ Net interest bearing debt (NIBD) was BNOK 8.1 as at 31 December 2020
 - ▶ Leverage ratio was 3.0x based on LTM EBITDA of BNOK 2.7
 - ▶ The leverage ratio clearly improved from 3.8x in the previous quarter explained by higher EBITDA and lower NIBD

- ◆ Total equity amounted to BNOK 12.6 as at 31 December 2020, marginally down from year-end 2019
 - ▶ Equity ratio of 41%
 - ▶ Lower equity ratio compared to 31.12.2019 mainly explained by increased value of total assets due to currency translation effects

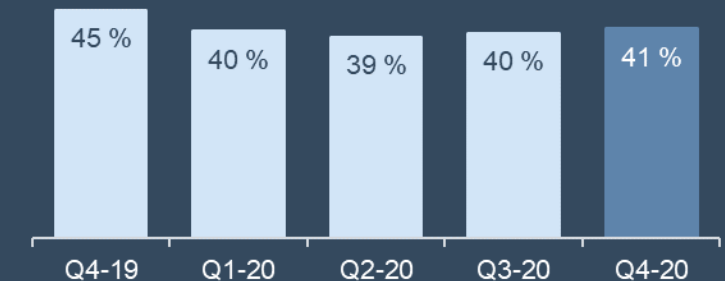
Net interest-bearing debt (NIBD)

NOK billion



Equity ratio

In %



China notes net of restricted deposits

Attractive growth opportunities based on specialisation and innovation

- ◆ Elkem is well positioned for growth based on leading market positions and strong R&D capabilities
- ◆ A new global R&D centre will open in Lyon in 2Q-2021 to further support Elkem's specialisation strategy



Fast growing markets

Elkem is well positioned in the fastest growing silicones market globally



Silicones specialisation

Product specialisation in silicones through organic projects and M&A



Battery Materials

Competence in high temperature processes enabling new environmental friendly production of synthetic graphite for batteries



Biocarbon

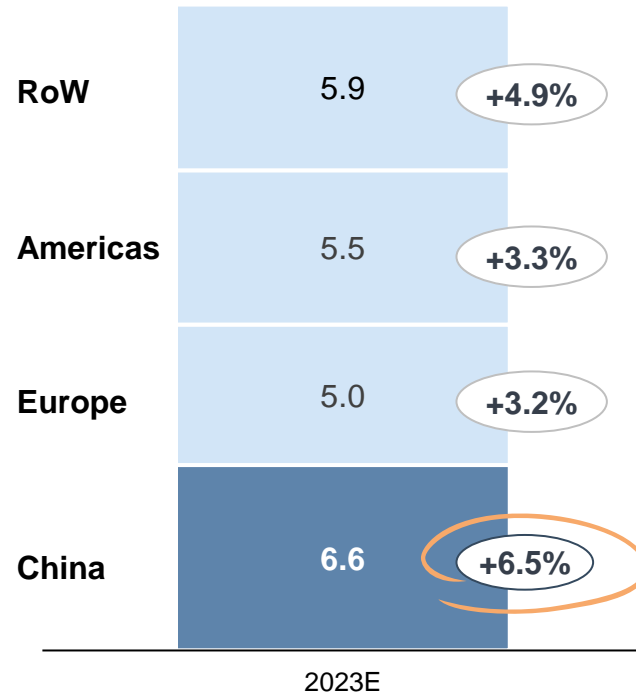
New breakthrough technology for biocarbon material to reduce fossil coal as reduction material



An integrated silicones producer with clear stronghold in the fastest-growing market

- ◆ Silicones growing at attractive rates
 - ▶ Expected ~4.5% annual growth globally driven by several megatrends
 - ▶ Attractive industry margins over-the-cycle for integrated silicones producers
- ◆ China is the fastest growing silicones market globally
 - ▶ Expected +6.5% annual growth (CAGR)
 - ▶ Increasing need of local supply of more specialised products and higher purities
- ◆ Elkem has a #2 position both globally and in China based on net siloxane capacity

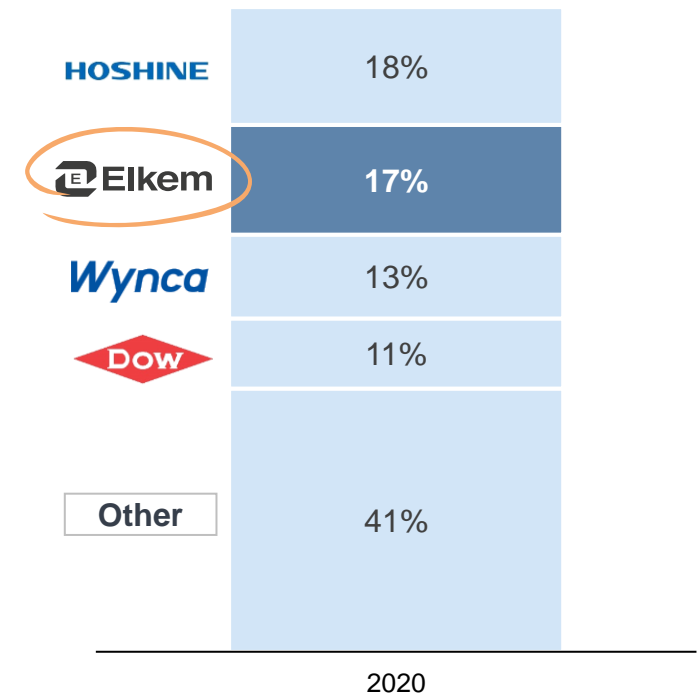
Market size (BUSD) and CAGR ('20-23E)
Global



Source: Freedonia

1) Based on net siloxane capacity

Largest silicones companies
(net capacity)¹
China



Specialisation strategy

securing higher and more stable margins

Est. industry EBITDA margins / Price volatility

Margins
0-15 %

Price volatility
High

Margins
15-25 %

Price volatility
Low/medium

Margins
> 25 %

Price volatility
Low

Upstream

Siloxane

Generally not marketable but transformed into silicone intermediates

Intermediates

Core products

Include DMC, gum, HCR, linears and construction sealants

Downstream

Volume specialities

POYSIL

Value specialities

LV fluids

OFS

Medical silicones

POYSIL

Basel Chemie

- Elkem has a strong position in upstream silicones production and is integrated through the value chain from quartz and silicon metal to downstream silicone specialties

- Downstream specialisation through organic growth and acquisitions
- Polysil and Basel Chemie with strong specialised product positions
- Organic growth into areas such as organo-functional silicones, medical applications and low viscosity fluids

Long-term implants positioning Elkem in the medical silicones market

- ◆ Elkem continues to strengthen its position in the medical silicones market
- ◆ Investing in production of ultra-high purity silicone raw materials to meet specialty life science market demand
- ◆ Utilising ISO 8 and 7 certified clean rooms for formulation, testing and packaging of Silbione® Biomedical grade materials
- ◆ Actively developing innovative raw materials with several top tier global medical device companies
- ◆ Continuing investment projects, opening more opportunities in an attractive growth market exceeding BUSD 1.2



New specialised silicones complementing Elkem's portfolio

- ◆ Elkem will invest in organo-functional silicones (OFS) and low viscosity (LV) silicones fluids, complementing the specialised product offering to customers
- ◆ Elkem has signed an agreement to acquire a custom-designed, purpose-built plant for manufacturing of OFS
 - ▶ The plant is brand new, but never started in regular production, and located in France close to Elkem Silicones' global research centre
 - ▶ The purchase price is in the low double-digit millions of euros and production is expected to start within 12 months
- ◆ A decision has also been made to invest in a new production workshop for LV silicones fluids at the Xinghuo site in China
 - ▶ The new workshop will produce low viscosity silicones fluids for personal care, textile and leather markets in Asia-Pacific
 - ▶ The investment will be CNY 100 million and is scheduled to open in January 2022

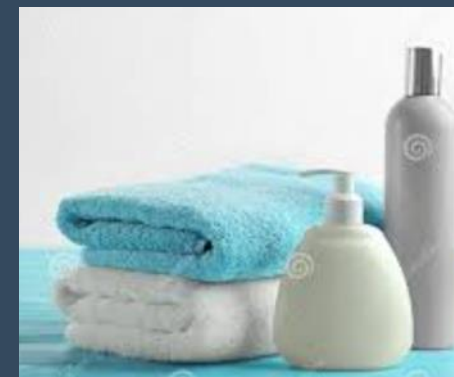
Organo-functional silicones (OFS)

- ◆ OFS combine the unique performance of silicones with the functionality, compatibility and potential reactivity that organics can provide
- ◆ Advanced manufacturing process creates OFS products with highly specialised properties enabling enhanced formulating compatibility to aid spreading and wetting performance in surface treatments



Low viscosity silicones fluids

- ◆ Low viscosity fluids are used in many personal & textile care applications
- ◆ They will gradually replace “cyclic” siloxane building blocks to reduce environmental concerns
- ◆ The project will enable Elkem to meet future market growth through a major technology shift and keep up with new environmental regulations



Strategic acquisitions enhancing specialisation and innovation

- ◆ Elkem has made two strategic acquisition over the past 12 months
 - ▶ The acquisitions accelerate Elkem's R&D capabilities and pipeline
- ◆ Polysil provide a strong platform for further innovation and specialisation based on leading technology positions in production and development of Heat Cured Rubber (HCR) and Liquid Silicone Rubber (LSR)
- ◆ Basel Chemie is a technology driven downstream silicones producer with a high-end speciality portfolio for skin care, cosmetic applications, and water repellents for the construction industry
 - ▶ A demonstration of the joint success is PURESIL™ ORG01 which recently won the 2020 Ringier Technology Innovation Award for Personal Care



POLYSIL™

- A well-known silicones brand in South China with strong silicones technology in silicone rubber.
- Includes several applications such as automotive, food contact, power transmission, home appliance, medical devices, PSA electronic.



PURESIL™

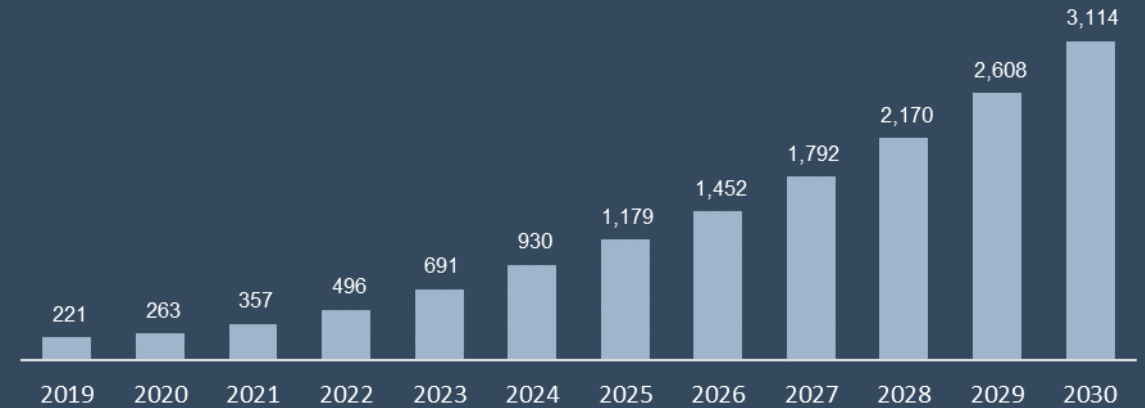
- Created a new brand PURESIL™ for specialised personal care offerings.
- Composed of elastomer gels for applications in skin care, sun care and colour cosmetics.
- Meets consumers' increasing desire for natural, "green", eco-friendly products with a low carbon footprint.

Battery materials project a significant green value creation opportunity

- Elkem aims to establish a leading position in the fast-growing market for battery anode materials in Europe and North America, with a clear path to further growth
 - Demand for rechargeable lithium-ion batteries expected to increase more than ten times from today's level by 2030, mainly driven by EVs
- Elkem's pilot plant in Kristiansand has started initial testing to prepare for production start up in March/April 2021
 - The purpose of the pilot is to qualify products and verify the business case for a large-scale industrial plant
- Herøya, Norway has been selected as site for the industrial plant, with final investment decision expected in 2021
 - Elkem has received NOK 10 million from Enova to fund the initial planning and has also applied for EU support to the project
- Elkem will invite industrial and financial partners to participate in the project. ABG Sundal Collier is acting as financial advisor



Global Li-ion battery cell demand, GWh



Source WEF and McKinsey

Breakthrough technology for production of sustainable biocarbon

- ◆ Elkem has developed new breakthrough technology for production of sustainable biocarbon
- ◆ The project is important to increase use of biocarbon in the smelting processes to reduce fossil coal as reduction material
- ◆ The technology combines utilisation of low cost raw materials, i.e. wood waste products, with high yield conversion processes to produce high density briquettes with excellent mechanical properties and reactivity
- ◆ Elkem will invest approx. MNOK 180 to establish a pilot plant in Canada for industrial verification of the product and the production process
 - ▶ The project will receive government support reducing Elkem's net investment to MNOK 60
- ◆ Elkem will search for business partners to realise full scale industrial production



Use of biocarbon in the production

- ◆ The production of silicon and ferrosilicon require use of carbon materials
- ◆ Carbon is used as a reducing agent in the smelting process to remove oxygen from the quartz, resulting in CO₂ emissions
- ◆ The strategy is to reduce the use of fossil coal to reach sustainability goals

Summary

- ◆ Elkem has a robust financial position and a favourable ESG profile compared to competition
- ◆ Markets have recovered after Covid-19, good demand and price increases in all major regions
- ◆ Elkem is well positioned for growth holding a leading position in China, the fastest growing silicones market
- ◆ Specialisation strategy based on organic projects and M&A provide attractive growth opportunities going forward
- ◆ Strong R&D competence drive improvements in ESG performance and strong value propositions in areas such as battery materials and biocarbon



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