



# Fourth quarter results 2021

# Agenda

## Business update

By CEO Helge Aasen

## Financial performance

By CFO Morten Viga

## Outlook

By CEO Helge Aasen



# A strong fourth quarter concludes a record year

- Elkem has delivered the best quarterly and annual result ever, benefitting from excellent cost and market positions
- All divisions delivered strong results; the fourth quarter was particularly driven by strong performance for Silicon Products
- Elkem has obtained BBB/Stable credit rating from Scope Ratings, reflecting a strong financial profile and solid market positions
- The board has proposed a dividend of NOK 3.00 per share for 2021, subject to approval from the annual general meeting



Q4: Record quarter

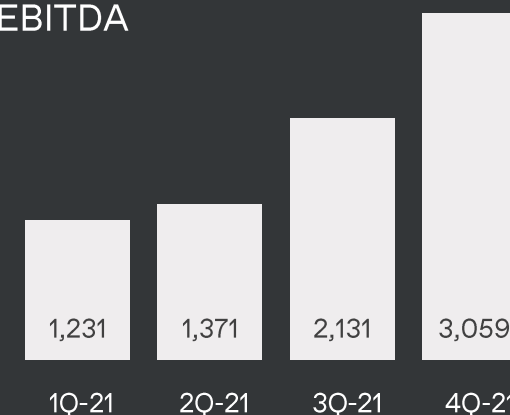
Total operating income  
MNOK 10,397

EBITDA  
MNOK 3,059

EBITDA margin  
29 %

2021: Record year

EBITDA



# Sustainable business model delivering record results in 2021

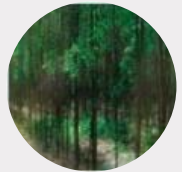
## Low cost sustainable input factors



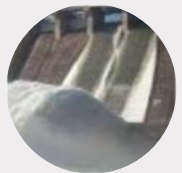
Quartz



Coal



Biocarbon



Power

## High temperature/chemical production processes



Silicones



Silicon, ferrosilicon, foundry products and microsilica



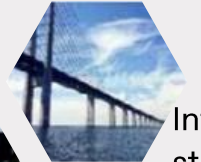
Carbon solutions

## Examples of high value applications and markets

Wind turbines



Infrastructure



Airbags



Solar



Automotive



Electronics



Cooking, utensils



Release coating



All numbers as of 31.12.2021



Total operating income

NOK 33.7 bn.



EBITDA

NOK 7.8 bn.



EBITDA margin

23 %



Head office in Norway

30 plants worldwide



Employees worldwide

~ 7,000



R&D centres in Norway, France and China

>500 R&D people

# ESG – a key priority

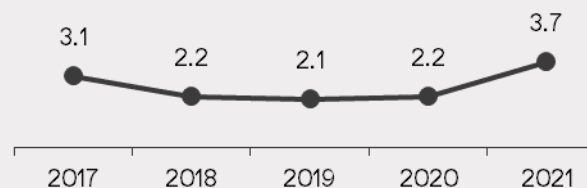


## A clear focus on ESG

- On 15 November 2021, Elkem's new energy recovery plant at Salten was opened by the Norwegian PM
- Elkem's CO<sub>2</sub> roadmap will reduce emissions in line with the Paris agreement
- The pilot plant in Canada for production of bio-carbon will start production in 1Q-2022
- Elkem has received A- rating from CDP Climate in 2021

## Safety

Ambition: Zero injuries



## Social

- Global and diverse work force built on respect and an inclusive culture
- Key focus on Human Rights Impact Assessment and human rights in supply chain

## Environment

- Providing advanced materials essential to the green transition
- 83% of electrical consumption from renewable energy

## Governance

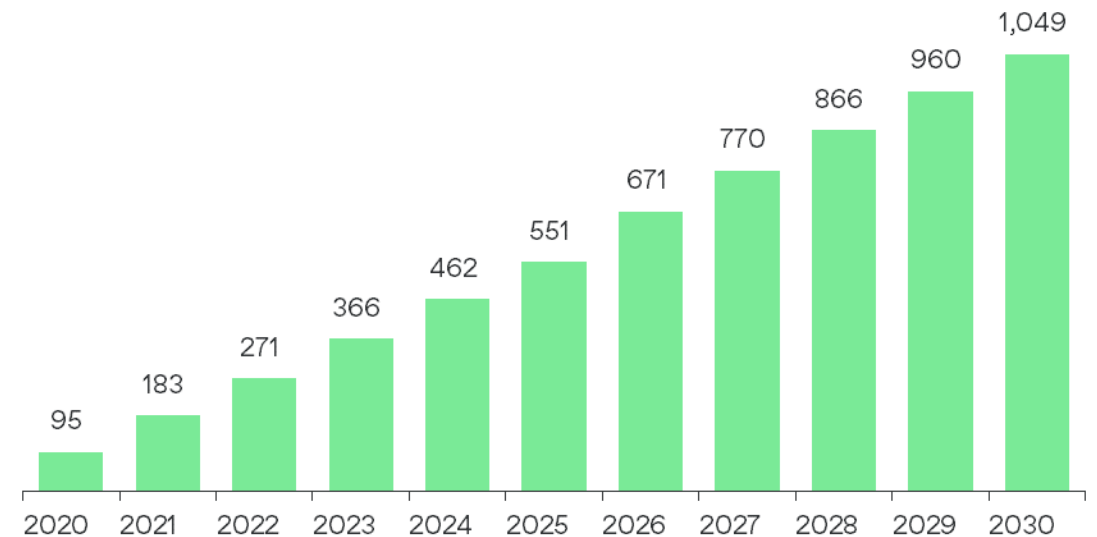
- TCFD report released 8 December 2021
- Advanced level of anti-bribery training. Code of Conduct signed by 98% of employees

# Vianode – commercial and technological development ongoing

- Vianode, developing as a newly established company and brand, successfully commissioned its industrial pilot for battery materials in April 2021
- The business represents cutting-edge technology development and processes are ongoing with potential customers and investors to verify the process technology and project plans
- In addition, Vianode is awaiting clarifications related to framework conditions in Norway
- A potential investment decision for a fast-track development is expected in the first half of 2022



**Anode material demand in Europe and North America  
(thousand tonnes)**

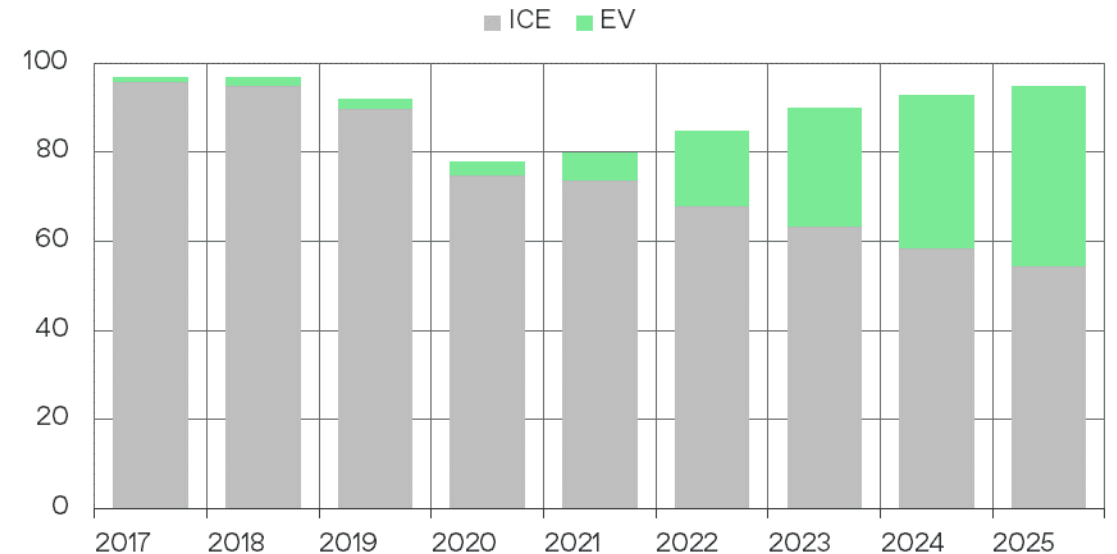


# Automotive recovering, attractive EV growth

- Automotive markets have recovered in 2021, but the growth was hampered by lack of semiconductors, constrained transportation capacity and covid shutdowns in Asia
- Global sale of light vehicles was around 80 million in 2021, 13% below pre-covid sales
- For 2022, the expected growth is approx. 5% still hampered by access to semiconductors and covid shutdowns
- EVs growing faster than expected, up 98% from 2020
  - This development is supporting Elkem's silicones sales as EVs contain approx. 4 times more silicones than regular cars



Light vehicles sales (in million)



# Specialty prices increasing, commodity prices in China normalising

- Significant price increases in China going into 4Q-2021 driven by tight supply and raw material constraints
- Improved power situation in China during 4Q has eased market conditions, and prices for silicon and commodity silicones have normalised
- Significant price increases implemented worldwide for silicones specialties from 1Q-2022
- Good demand development for Elkem's products
- DMC prices in China have increased back to levels above 30,000 CNY/mt early 1Q-2022



DMC reference price China (CNY/mt)



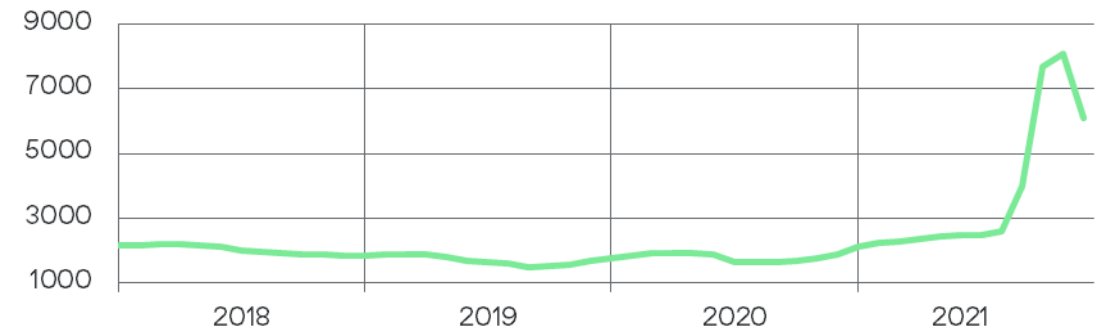


# Strong market conditions continue

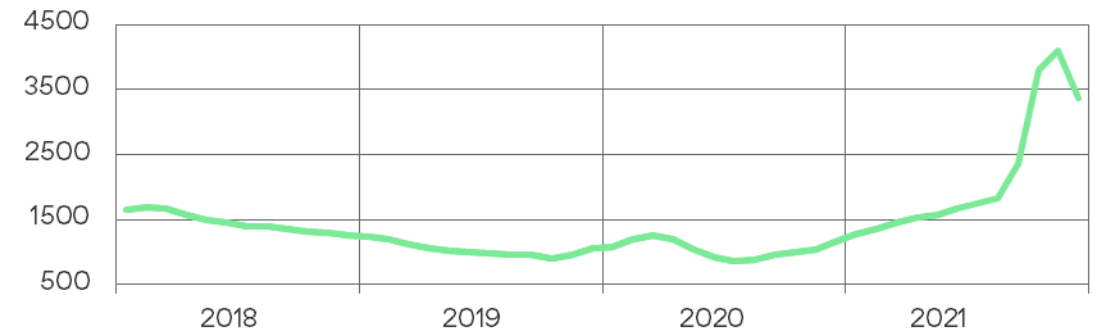
- Market prices reaching new record levels in 4Q, but started to level off towards the end of the quarter
- Silicon and ferrosilicon index prices expected to continue to decrease, but still remain at high levels due to tight supply and high energy costs in most regions
- Elkem continues to see strong demand despite weakness in automotive
- Time lag in contract prices will increase realised silicon prices significantly in 1Q-2022. Significant price increases for foundry alloys implemented from 1Q-2022



CRU silicon 99 price EU (EUR/mt)



CRU ferrosilicon 75 price EU (EUR/mt)

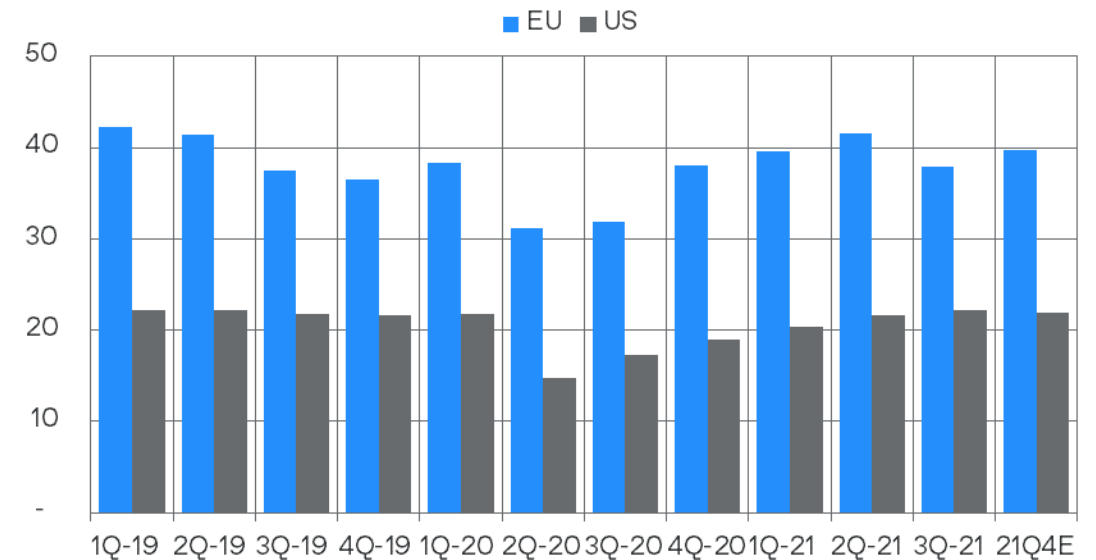


# Increased steel production outside China driving demand for Elkem's products

- Global steel demand growing by ~3% in 2021
  - Demand outside China has returned to pre-covid levels
- China is restricting steel production as a measure to reduce energy consumption and CO<sub>2</sub> emissions
  - Estimated production down 22% in fourth quarter 2021 compared to fourth quarter 2020
- Outside China, steel production estimated to increase by 6% in fourth quarter 2021 compared to fourth quarter 2020
- Increased steel production in Western markets driving demand for ferroalloys. Both markets important for carbon products
- High demand and tight energy markets continuing to drive increases in raw materials



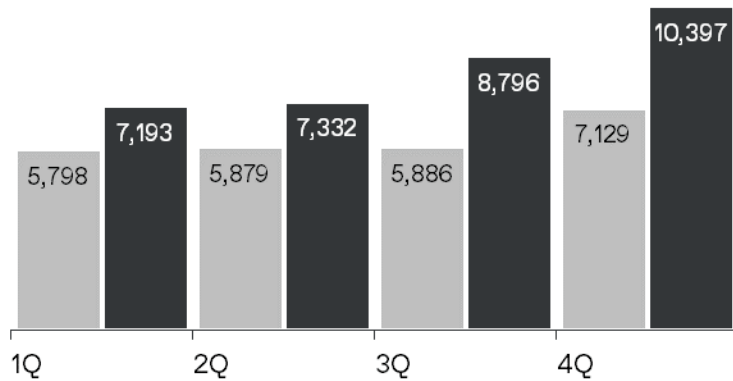
Total steel production million mt



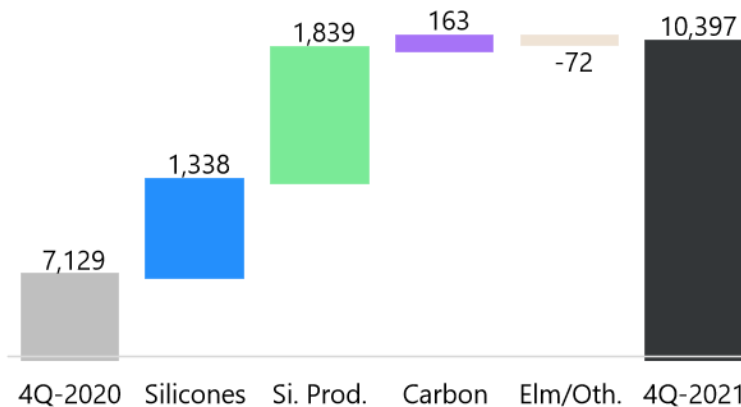
# New record levels in 4Q concluding the best year ever

## Total operating income

- New all-time high driven by higher sales prices

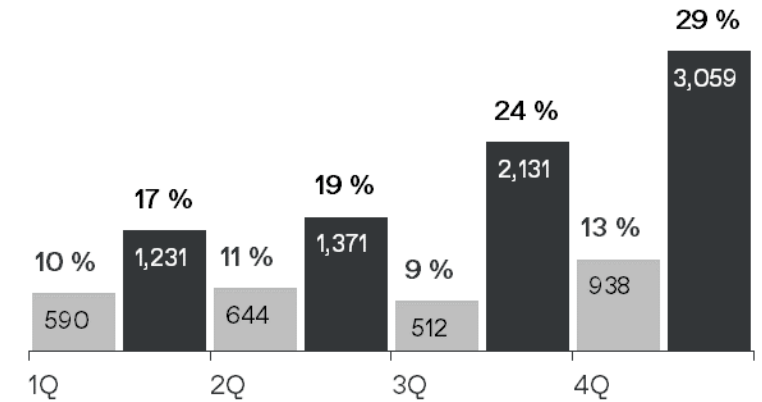


- ... all divisions reaching new record levels

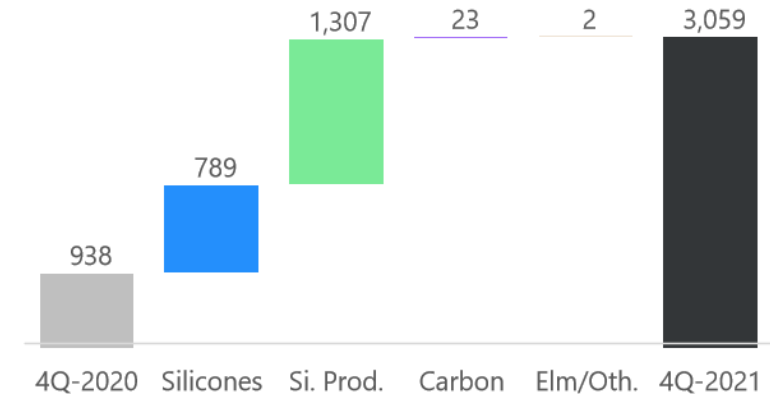


## EBITDA

- New all-time high for group EBITDA



- ... 4Q particularly driven by strong performance in Silicon Products



# Strong financial ratios

- EBITDA MNOK 3,059
  - Segment Other included realised currency hedging gains of MNOK 24
- Productivity Improvement Programme concluded ahead of plan
  - By end of 4Q-2021 the annualised run-rate was MNOK 395 which was above the initial target of MNOK 350
- Other items MNOK -85
  - Mainly consisting of provision of MNOK -192 related to the Xinghuo plant in China for relocation of buildings and freeing up land for expansion. Countered by net gains from commodity contracts, foreign exchange and embedded derivatives in power contracts of MNOK 62 and net reversal of restructuring expenses MNOK 43
- Net finance income (expenses) MNOK 28
  - Consist of net interest expenses MNOK -40, other financial expenses of MNOK -5 and currency gains amounting to MNOK 73
- Tax MNOK -564
  - Resulting in a tax rate of 22% for the fourth quarter

## Consolidated key figures

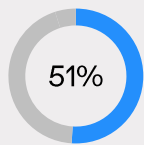
<i>(NOK million, except where specified)</i>	4Q 2021	4Q 2020	YTD 2021	YTD 2020	FY 2020
Total operating income	10,397	7,129	33,717	24,691	24,691
EBITDA	3,059	938	7,791	2,684	2,684
EBIT	2,586	449	5,899	957	957
Other items	-85	-134	-114	-130	-130
Net finance income (expenses)	28	-49	6	-229	-229
Profit (loss) before income tax	2,538	279	5,827	584	584
Tax	-564	-165	-1,163	-306	-306
Profit (loss) for the period <sup>(1)</sup>	1,964	106	4,628	239	239
<b>Key ratios</b>					
EPS (NOK per share)	3.11	0.18	7.49	0.41	0.41
Equity ratio (%)	47 %	41 %	47 %	41 %	41 %
Net interest bearing debt (NIBD) <sup>(2)</sup>	4,827	8,058	4,827	8,058	8,058
Leverage ratio	0.6	3.0	0.6	3.0	3.0
Reinvestments % of D&A	145 %	117 %	91 %	81 %	81 %
ROCE (annualised) (%)	50 %	10 %	30 %	5 %	5 %

<sup>(1)</sup> Owners of the parent's share of profit (loss)

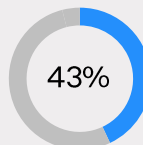
<sup>(2)</sup> Excluding receivables from related parties, loans to external parties, accrued interest income and non-current other restricted deposits

# Strong 4Q result, despite increasing raw material costs

- Total operating income of MNOK 5,269, up 34% from the fourth quarter last year
  - Increased operating income was driven by higher sales prices, particularly in China at the beginning of the quarter
- EBITDA of MNOK 1,344, more than doubled from the fourth quarter last year
  - Improved EBITDA explained by higher sales prices
  - Higher raw material costs, mainly for silicon, and lower volumes were partly offsetting the high sales prices
- Sales volumes were strong, but somewhat down due to a weaker construction market in China



Share of operating income



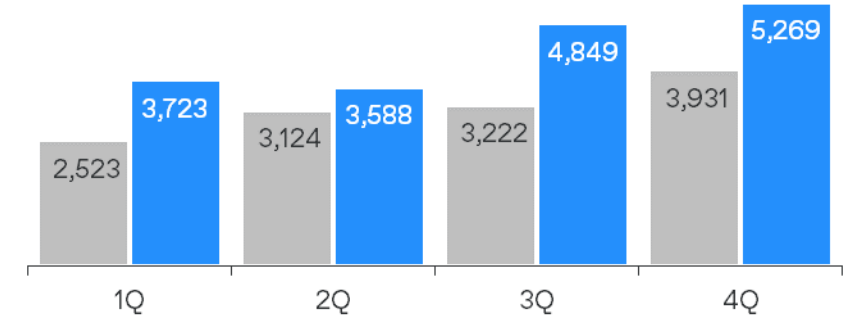
Share of EBITDA

Share of operating income from external customers ex. Other

Share of EBITDA ex. Other and Eliminations

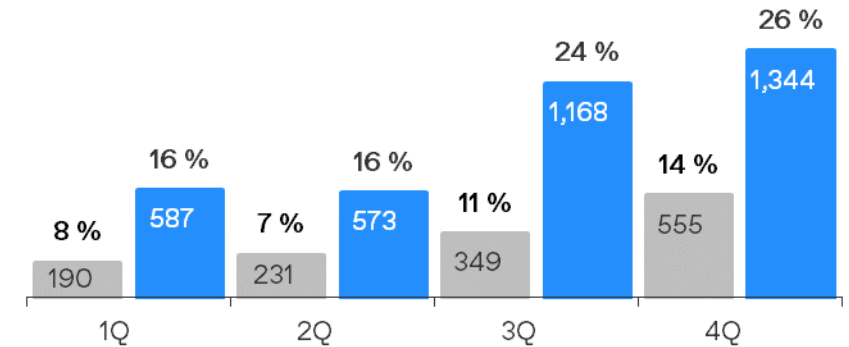
## Total operating income

NOK million



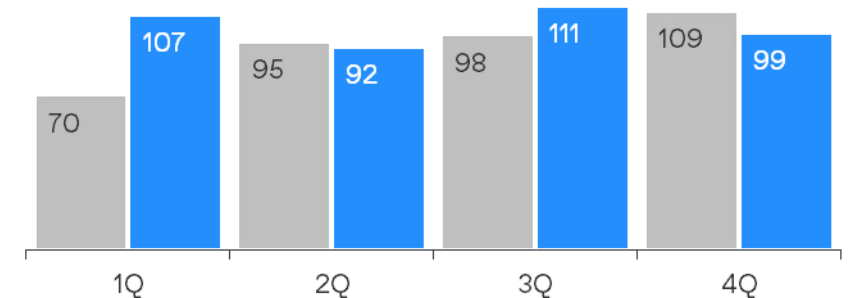
## EBITDA and margin

NOK million and %



## Sales volume

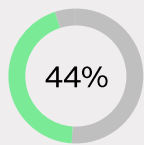
In 1,000 mt



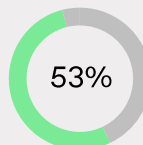
■ 2020  
■ 2021

# Favourable market prices driving new record results

- Total operating income of MNOK 4,735 up 64% from the fourth quarter last year
  - Increased operating income was driven by higher sales prices
- EBITDA of MNOK 1,646, up 386% from fourth quarter last year
  - Strong EBITDA explained by higher sales prices
  - Increased sales prices partly countered by higher raw material costs and stronger NOK
- Good and stable operations, setting new production records
- Stable, high sales volumes as Elkem continues to see strong demand



Share of operating income



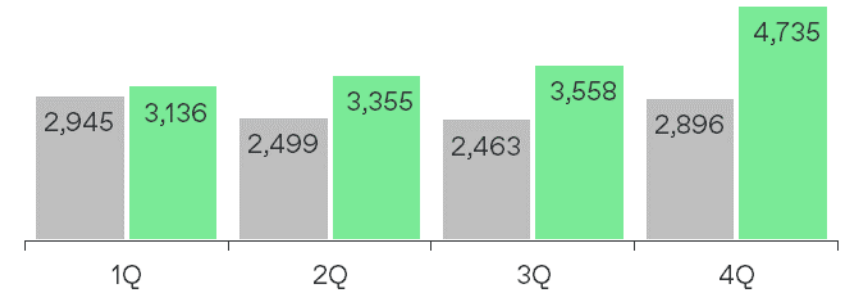
Share of EBITDA

Share of operating income from external customers ex. Other

Share of EBITDA ex. Other and Eliminations

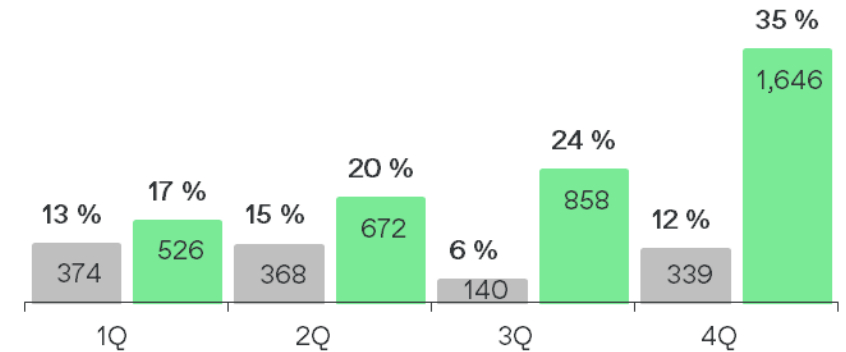
## Total operating income

NOK million



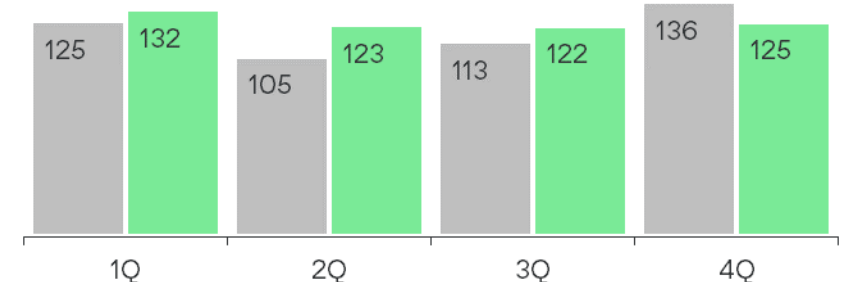
## EBITDA and margin

NOK million and %



## Sales volume

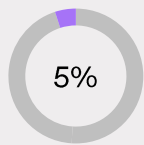
In 1,000 mt



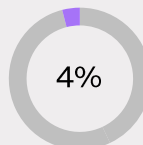
■ 2020  
■ 2021

# High sales volumes, but increasing raw material costs

- Total operating income MNOK 624, up 35% from the fourth quarter last year
  - Operating income reaching all-time high, explained by higher sales volumes and sales prices
- EBITDA of MNOK 129, up 22% from fourth quarter last year
  - Improved EBITDA mainly explained by higher sales volumes
  - Higher raw material costs and currency have impacted margins negatively
- Increased sales volumes reflecting good underlying markets for steel and ferroalloys in Elkem’s key markets



Share of operating income



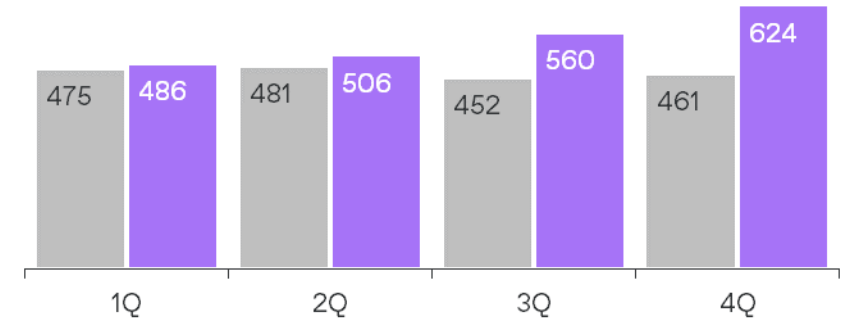
Share of EBITDA

Share of operating income from external customers ex. Other

Share of EBITDA ex. Other and Eliminations

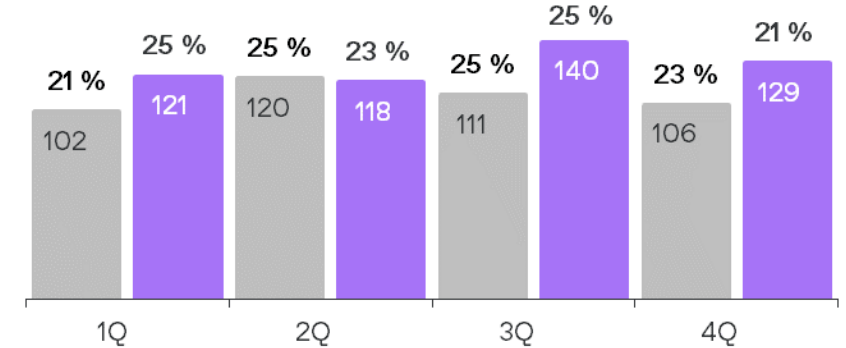
## Total operating income

NOK million



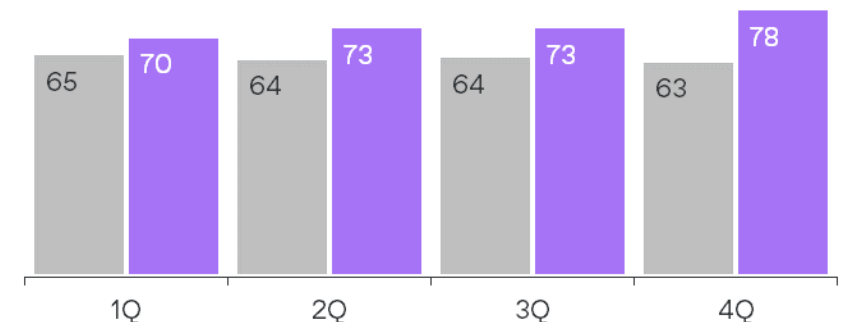
## EBITDA and margin

NOK million and %



## Sales volume

In 1,000 mt



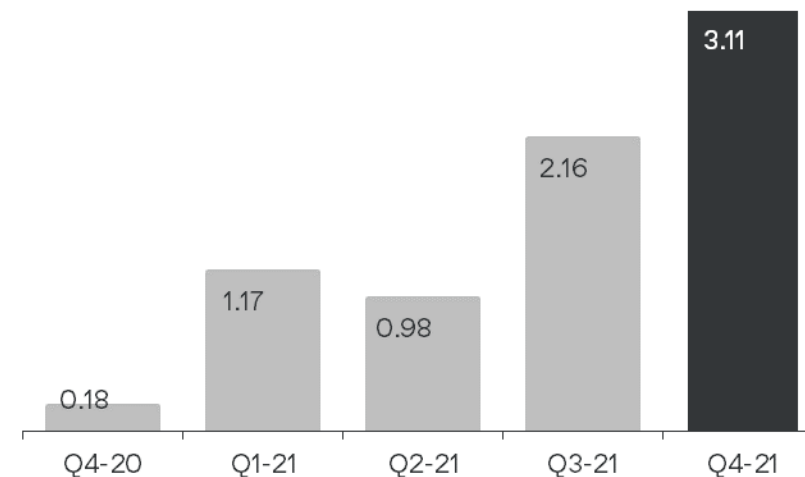
■ 2020  
■ 2021

# Strong EPS, proposed dividend NOK 3.00 per share

- Earnings per share (EPS)
  - EPS amounted to NOK 3.11 in the fourth quarter and NOK 7.49 YTD-2021
  - EPS clearly up from 2020 due to strong improvement in results
  - Proposed dividend NOK 3.00 per share, 41% of profit for 2021
  
- Total equity amounted to BNOK 19.9 as at 31 December 2021, up by BNOK 7.2 from year-end 2020
  - Increase in equity explained by capital increase of BNOK 1.9 in April 2021, profit for the period of BNOK 4.7 and other changes in equity of BNOK 0.7
  - Equity ratio at 47%

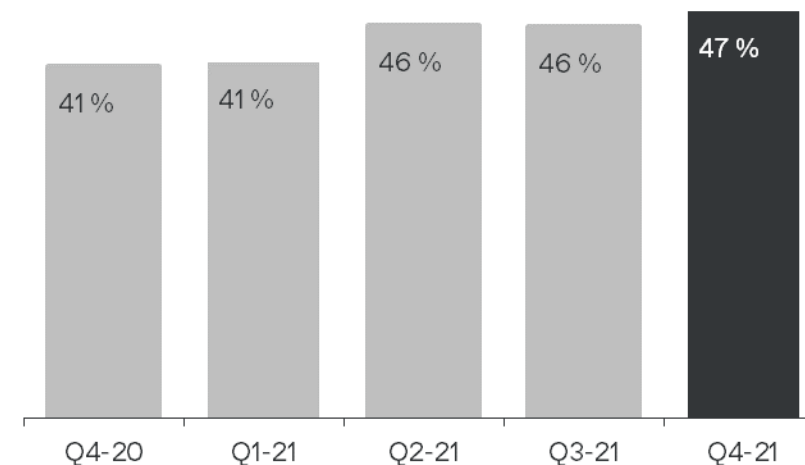
## Earnings per share (EPS)

NOK per share



## Equity ratio

In percent of total assets



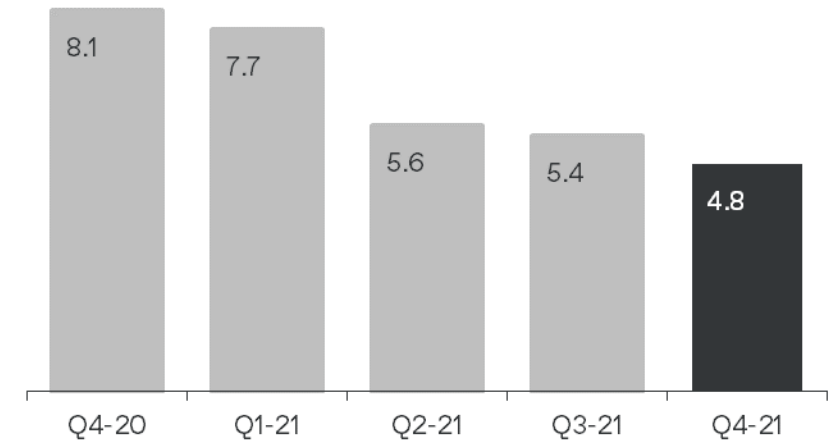


# Further strengthened financing position

- Net interest-bearing debt (NIBD) of BNOK 4.8 as at 31 Dec. 2021
  - Leverage ratio of 0.6x based on LTM EBITDA of BNOK 7.8
  - Reduction in leverage ratio driven both by improved EBITDA and reduction in NIBD
  
- Well managed maturity profile
  - The debt maturities in China mainly consist of local working capital financing, which are regularly rolled over
  - Maturities in 2023 mainly consist of a term loan with Elkem’s relationship banks. The plan is to refinance the loan well ahead of final maturity date
  - Elkem obtained a BBB/Stable investment grade rating from Scope in December 2021, reflecting Elkem’s strong financial profile, global footprint and solid market positions

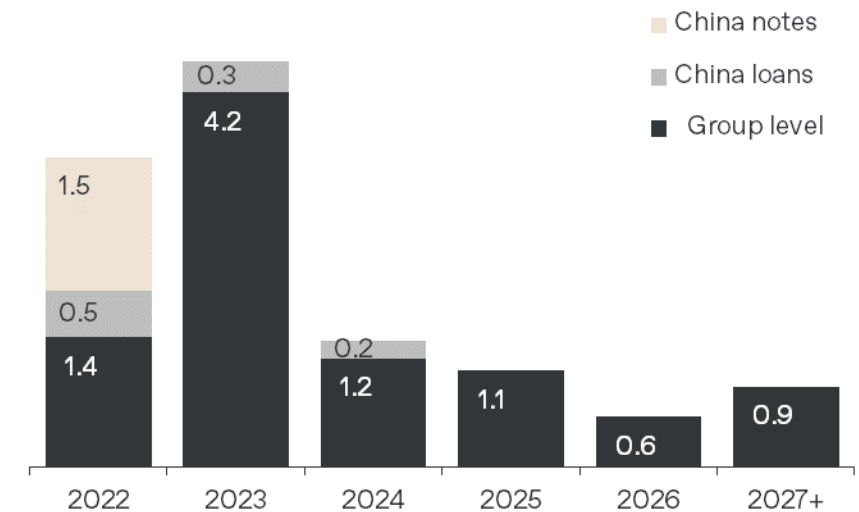
## Net interest-bearing debt (NIBD)

NOK billion



## Maturity profile

NOK billion



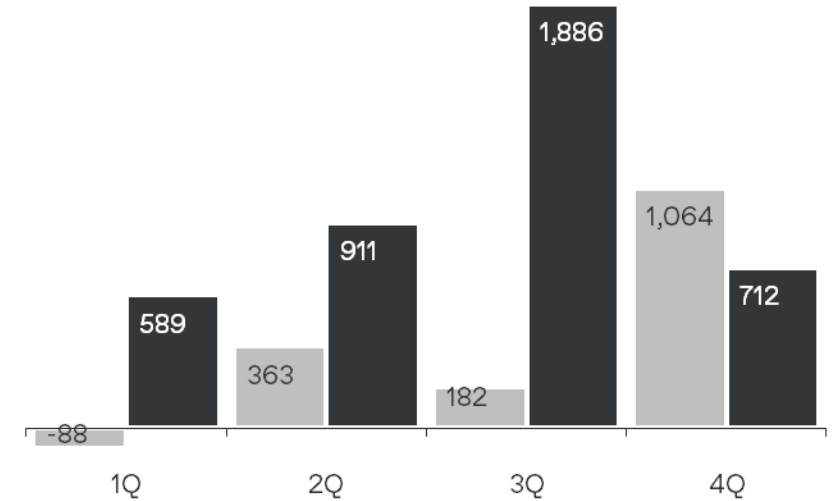
# High strategic growth investments

- Cash flow from operations<sup>(1)</sup> was MNOK 712 in the fourth quarter, which was down from fourth quarter last year
  - Higher operating profit was more than offset by increased working capital
  - Increased working capital mainly explained by higher inventory due to increased prices for raw materials and finished goods
  
- Investments ex. M&A amounted to MNOK 1,554 in the fourth quarter 2021, up from MNOK 817 in the fourth quarter 2020
  - Reinvestments was MNOK 675 in the quarter. Reinvestments in 2021 was 91%, of D&A in line with group target of 80-90%
  - Strategic investments were MNOK 879 in the quarter, mainly driven by Silicones Xinghuo expansion and acquisition of a plant in France for organo-functional silicones

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

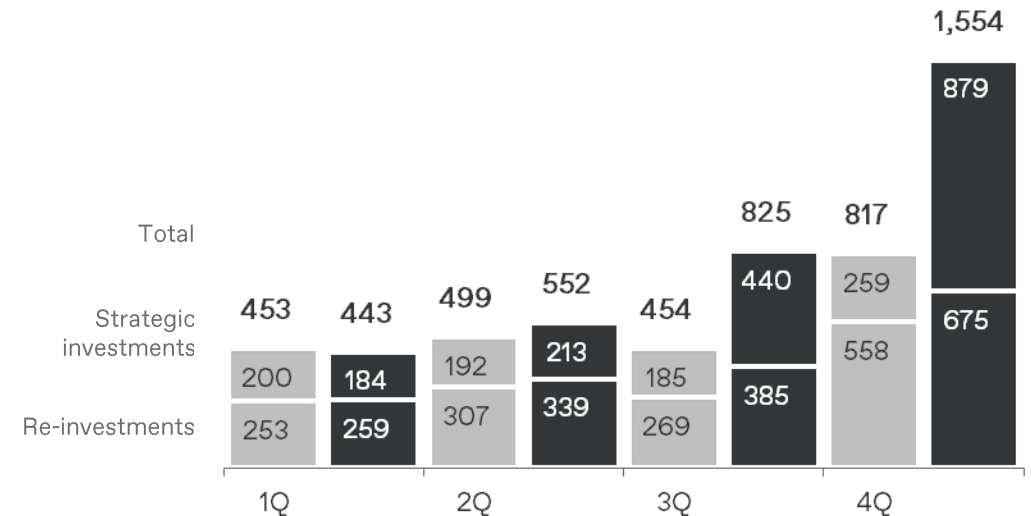
## Cash flow from operations

NOK million



## Investments ex. M&A

NOK million



■ 2020  
■ 2021

# Outlook for the first quarter 2022

- Strong demand for Elkem's products, driven by strong market positions. Elkem's integrated value chain providing sustainable competitive edge as a basis for solid profitability going forward
- Price increases implemented for specialties in Silicones from 1<sup>st</sup> quarter 2022, but current high price level for silicon metal could more than offset this effect
- Silicon Products will benefit from significantly higher contract prices for silicon in the first quarter and significant price increases for foundry alloys
- Carbon Solutions continues to benefit from strong steel and ferroalloys markets but is impacted by higher raw material costs



# 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.

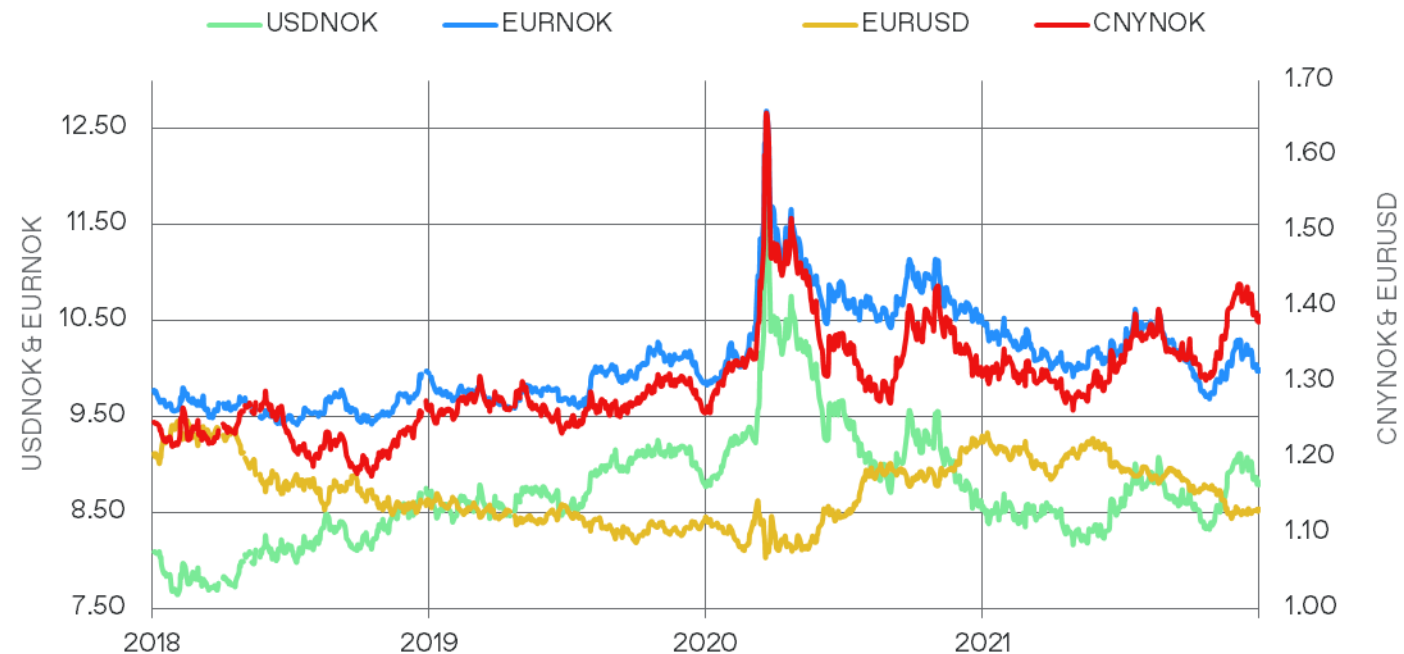
Information about past performance given in this presentation should not be relied upon as, and is not, an indication of future performance.



# 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 430 in 2022
  - USD - exposure approx. MUSD 250 in 2022
  - CNY - exposure approx. MCNY 1,700 in 2022
- 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 850 over the coming 12 months. CNY is not hedged



## Currency development

- As of 31 December 2021, the NOK closed 2% stronger against the EUR, almost unchanged against USD and 2% weaker against CNY compared to 30 September 2021
- In 4Q-2021, the NOK was on average 7% stronger against EUR and 3% stronger against USD compared to 4Q-2020. The NOK was on average unchanged against CNY

# Other financial sensitivities

## POWER

- Electric power is a key input factor in Elkem's production. The normal consumption is around 6.4 TWh of which approx. 3.7 TWh is in Norway. Near term exposure to spot power prices is limited
  - Norway, hedging programme mainly consisting of long-term contracts covering more than 80% of the maximum power consumption for 2022 and 2023. After 2023, 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 80 per year<sup>(1)</sup>
  - 10% price change on ferrosilicon is expected to affect result by approx. MNOK 250 per year<sup>(1)</sup>

*(1) Cost absorption effects of 25% are assumed for both silicon and ferrosilicon*



Delivering your potential