



Second quarter results 2021

Agenda

Business update

Financial performance

Outlook



Strong quarterly result and good market conditions

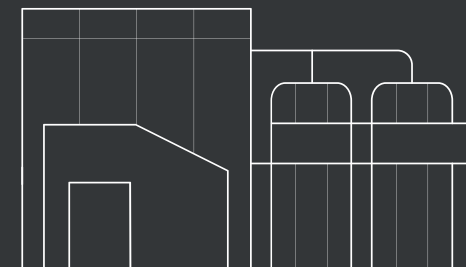
- Elkem is delivering another strong quarterly result, despite the planned maintenance stops for Silicones both in China and France
- Market conditions have been good in all major regions in the second quarter
- The strategic expansion of the Silicones plant in China has started and the battery pilot 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
- The market outlook is good with strong demand and attractive conditions



Total operating income
MNOK 7,332

EBITDA
MNOK 1,371

EBITDA margin
19 %



Succession process for new CEO

- CEO Michael Koenig handed in his resignation and left Elkem with effect from 30 June
- The board has initiated the process to find the new CEO
 - Helge Aasen will act as the interim CEO
- Elkem's strategy remains firm
 - Focus on implementation of the ongoing strategic projects, including the silicones expansion in China and the battery materials project



Helge Aasen - Chief Executive Officer (Interim)

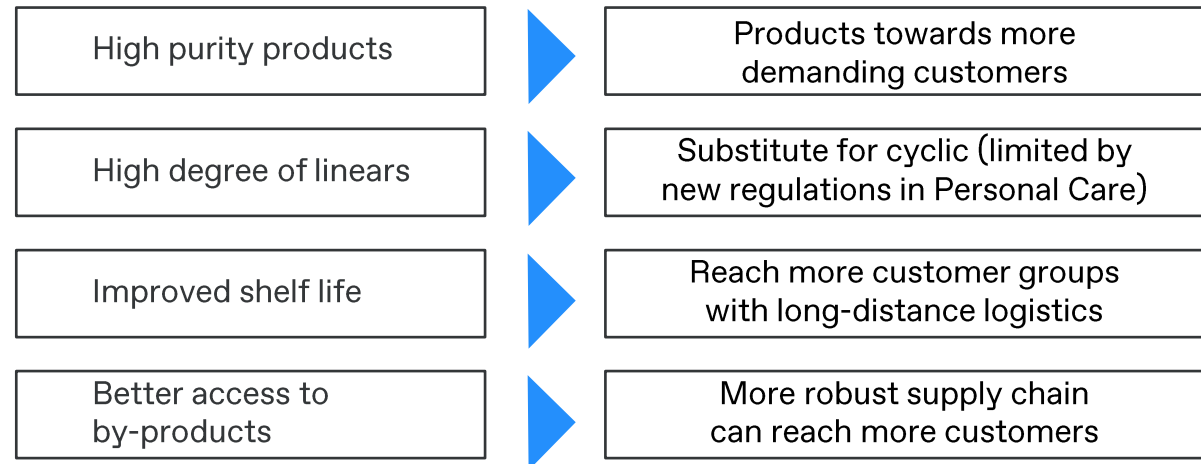
Helge Aasen was the CEO of Elkem ASA from 2009 to 2019 and has held a position as board member from 1 December 2019 to 1 July 2021

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

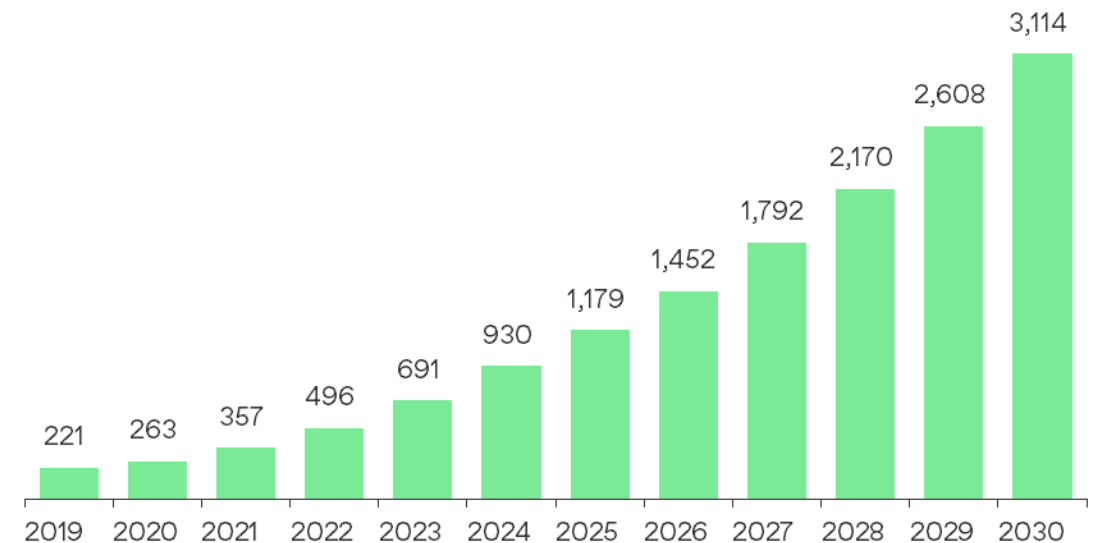


Battery materials pilot plant in operation, preparing for industrial scale project

- 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



ESG – a key priority

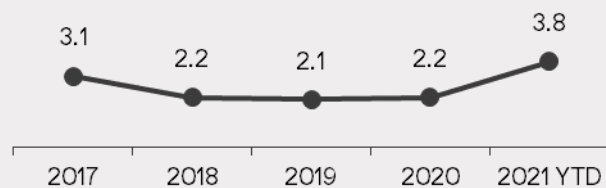


A clear focus on ESG

- 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

Specialisation strategy

R&D and advanced solutions driving 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

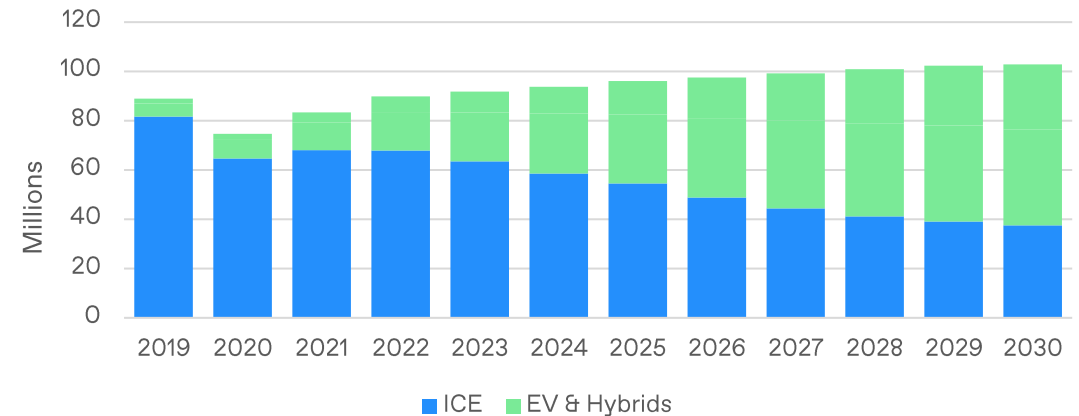


Electric vehicles (EV) providing attractive growth

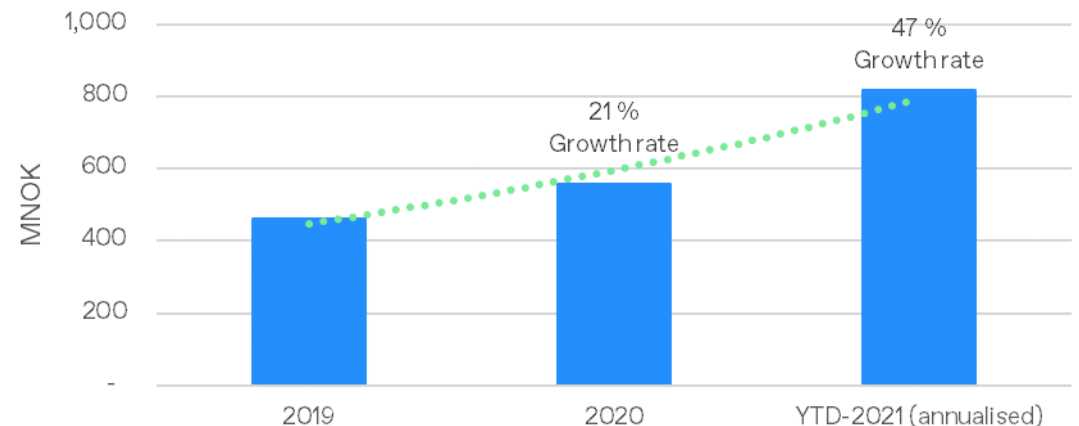
- EVs contain about 4 times more silicones than traditional combustion engine cars (ICE)
- The sale of EVs are projected to grow significantly towards 2030
- In EU production of EVs is expected to increase from around 1 million units in 2021 (7.4% of production), to 3.3 million units in 2025 (24.2%)
- 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)

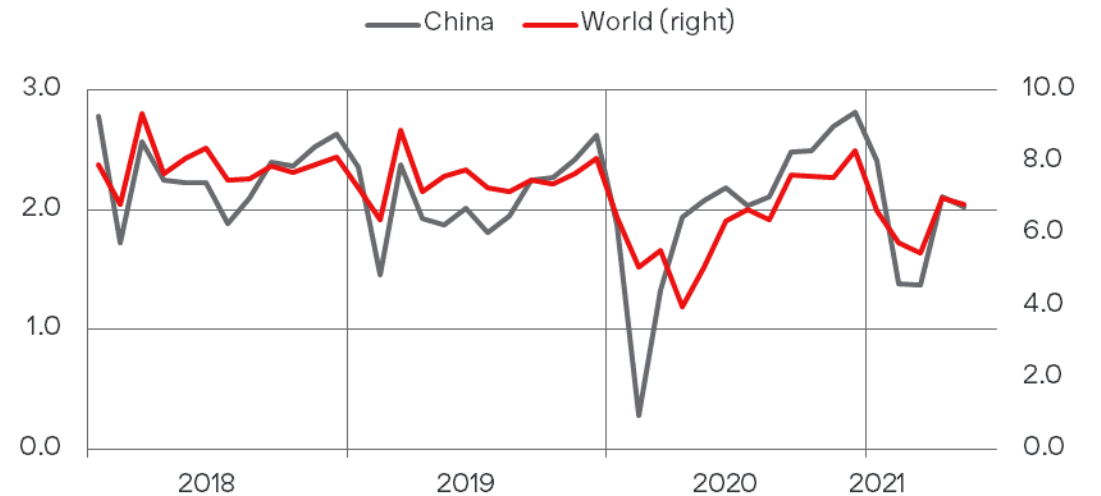


Strong development in key sectors

- 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 continues its strong recovery. Sales in April and May were approaching the YTD-2019 levels, despite microchip and shipping container shortages
- General upward pressure on commodity and raw material prices



Automotive – units sold (million)



Markets conditions remain attractive

- Global silicones prices have remained at attractive levels in the second quarter
- DMC prices in China increased to above 30,000 RMB per tonne in June, impacted by a fire at a large-scale plant
- Demand is strong and the market balance is currently tight. Most producers in China are operating at full capacity
- Limited new capacity is expected in the second half of 2021, but could still impact market prices
- Elkem is well positioned with strong market positions in Europe, US and China



DMC reference price China (CNY/mt)

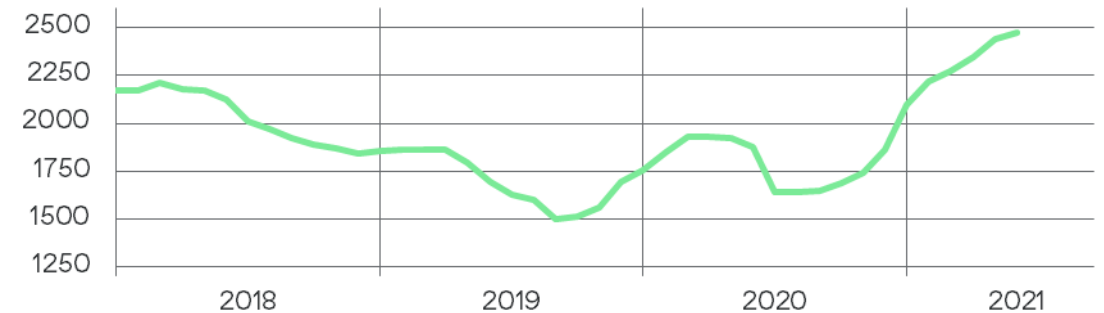


Tight supply resulting in continued price increases

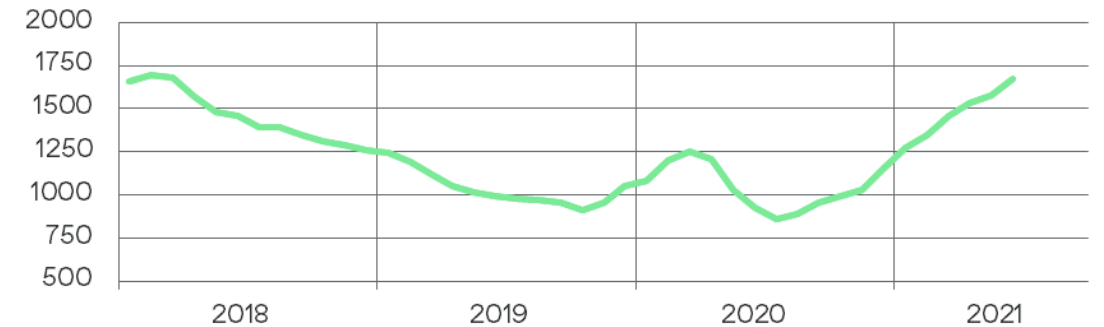
- Market prices for silicon and ferrosilicon have continued to rise during the second quarter
 - EU silicon prices up 9% and ferrosilicon prices up 15% from end of 1Q-21 to end of 2Q-21
 - Low supply resulting in a tight market balance
- Chinese silicon prices impacted by energy curtailments, high energy prices and very strong demand
- China increased the export tax for ferro-alloys by 5% to 25% to discourage exports of energy intensive products
- Market balance expected to remain tight going forward
- The drought in Brazil may hamper the production of silicon metal and ferroalloys in 2H-2021



CRU silicon 99 price EU (EUR/mt)



CRU ferrosilicon 75 price EU (EUR/mt)

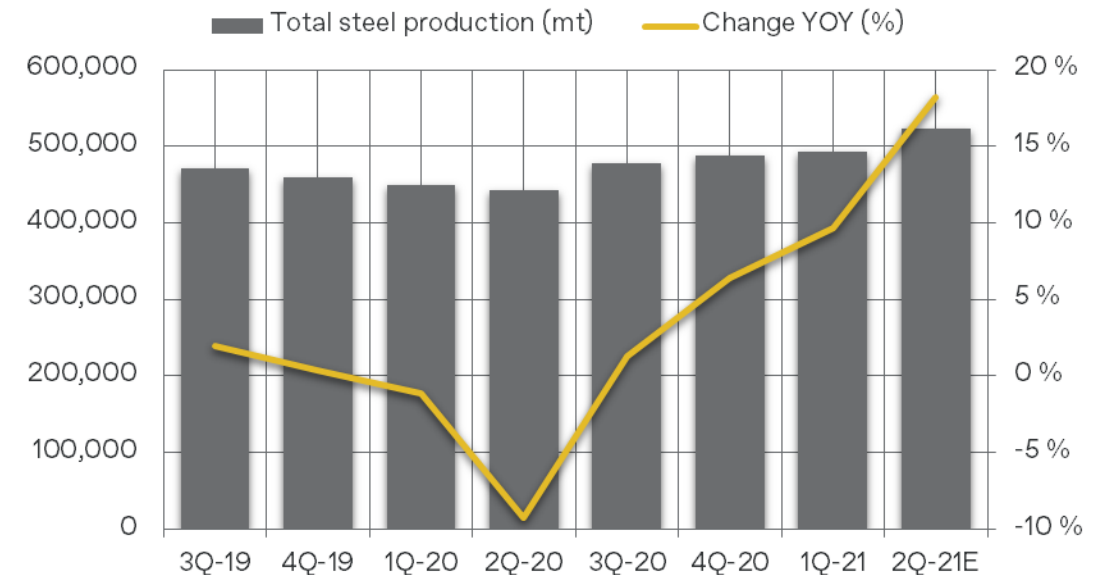


Increasing demand, raw material prices up

- 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



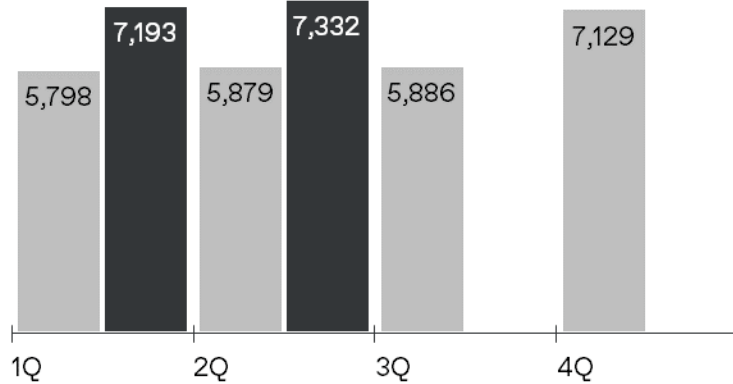
World steel production



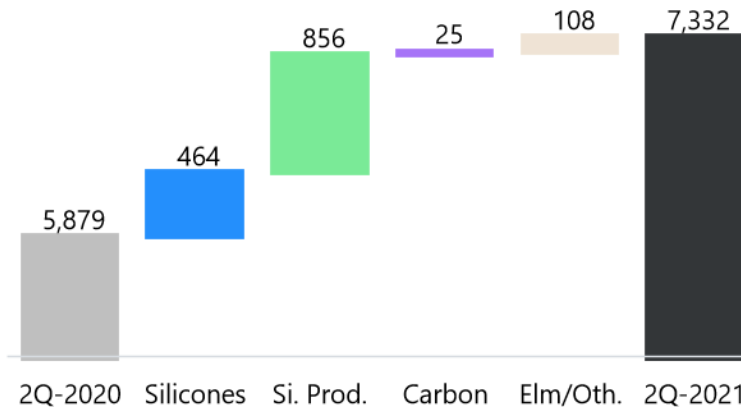
Another strong quarter driven by good markets and attractive market positions

Total operating income

- Reaching all-time high for the third consecutive quarter

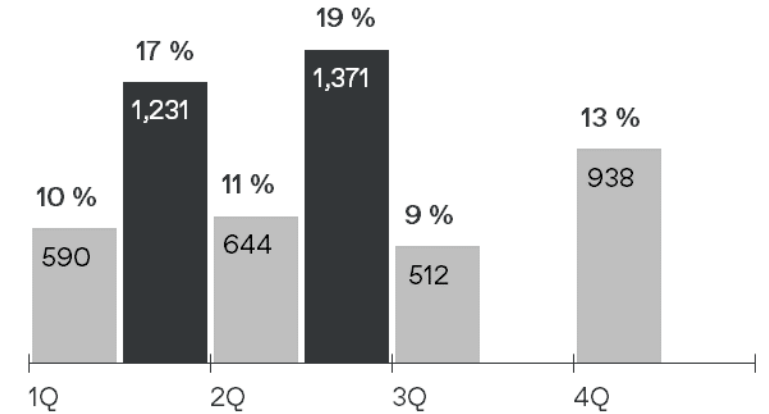


- ... driven by attractive market conditions and higher prices

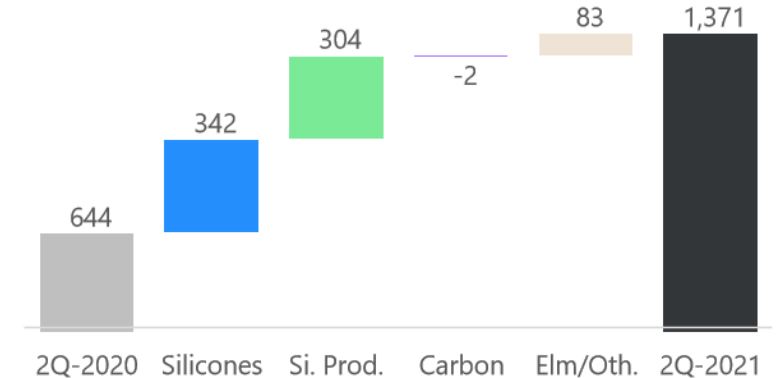


EBITDA

- 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

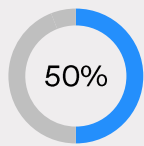
<i>(NOK million, except where specified)</i>	2Q 2021	2Q 2020	YTD 2021	YTD 2020	FY 2020
Total operating income	7,332	5,879	14,525	11,677	24,691
EBITDA	1,371	644	2,602	1,234	2,684
EBIT	841	212	1,646	409	957
Other items	18	-107	-44	22	-130
Net financial items	-70	-93	-13	-26	-229
Profit (loss) before income 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)

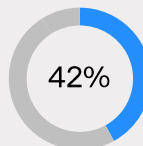
(2) Excluding receivables from related parties, loans to external parties, accrued interest income and non-current other restricted deposits

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



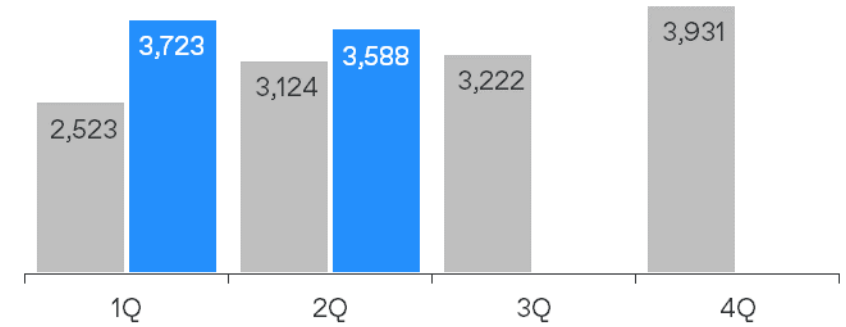
Share of EBITDA

Share of operating income from external customers ex. Other

Share of EBITDA ex. Other and Eliminations

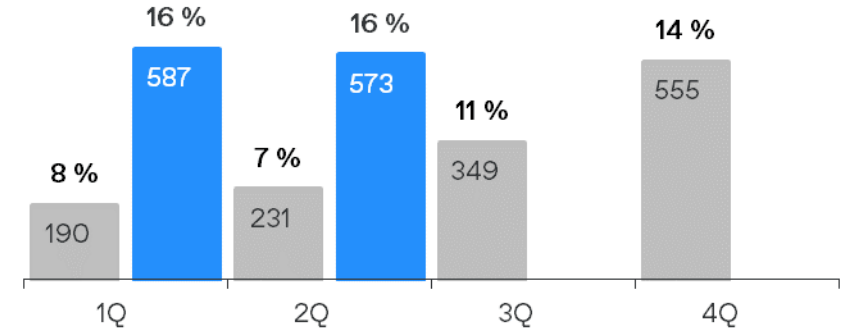
Total operating income

NOK million



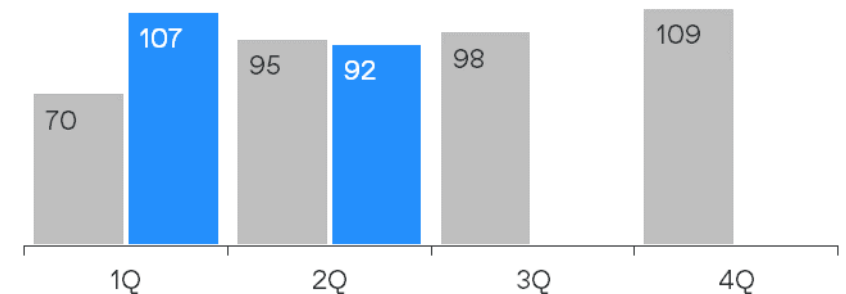
EBITDA and margin

NOK million and %



Sales volume

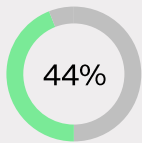
In 1,000 mt



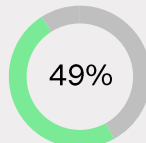
■ 2020
■ 2021

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



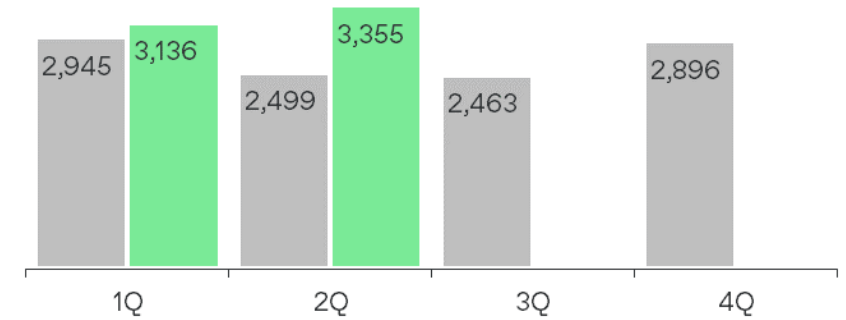
Share of EBITDA

Share of operating income from external customers ex. Other

Share of EBITDA ex. Other and Eliminations

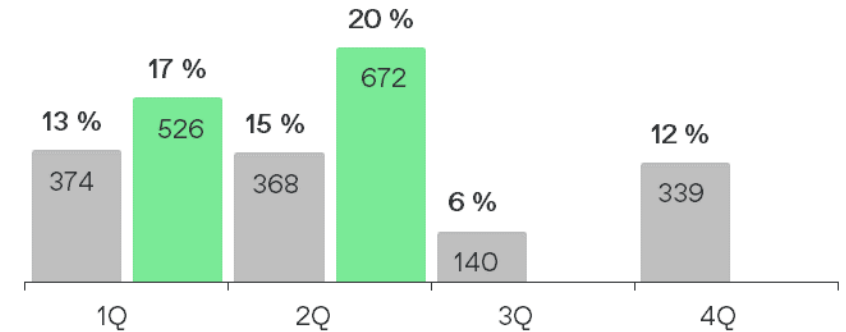
Total operating income

NOK million



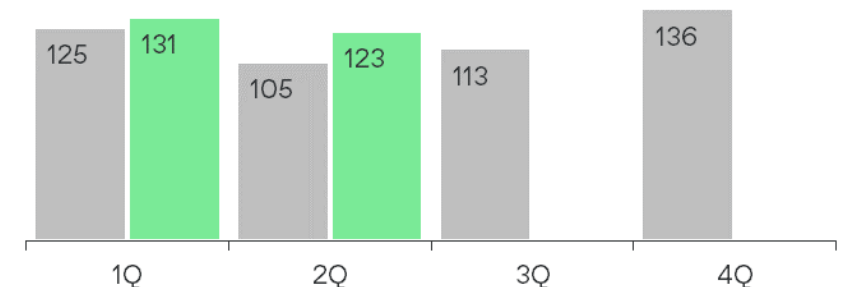
EBITDA and margin

NOK million and %



Sales volume

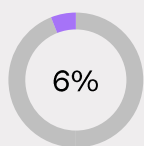
In 1,000 mt



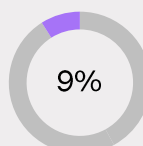
■ 2020
■ 2021

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



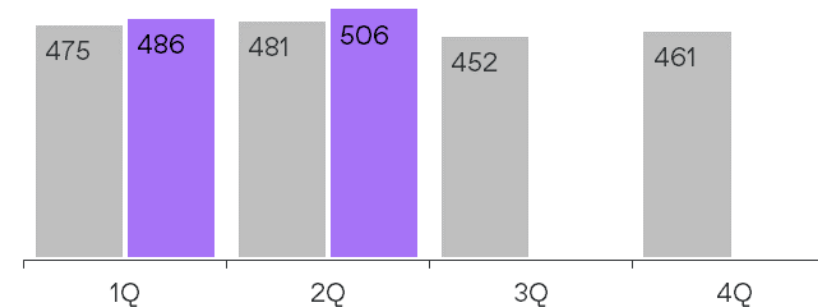
Share of EBITDA

Share of operating income from external customers ex. Other

Share of EBITDA ex. Other and Eliminations

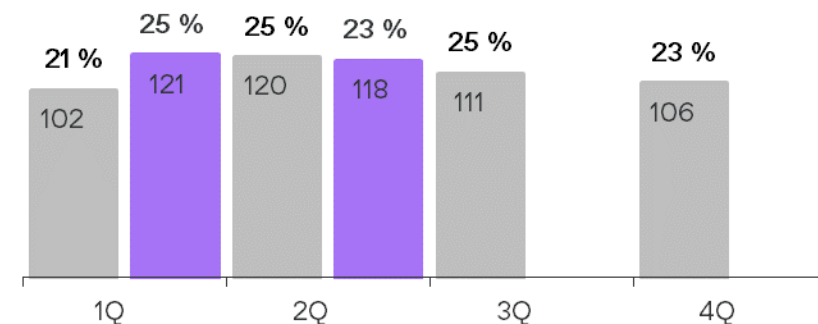
Total operating income

NOK million



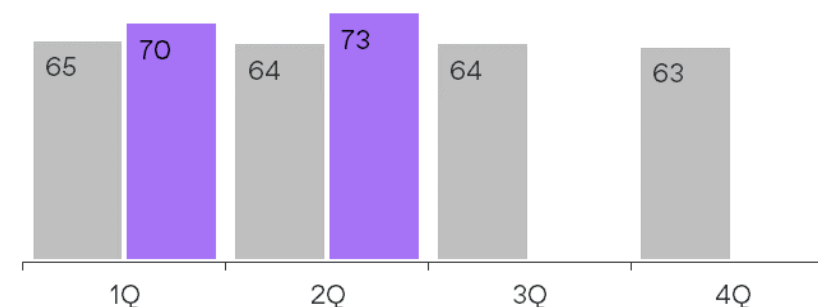
EBITDA and margin

NOK million and %



Sales volume

In 1,000 mt



■ 2020
■ 2021

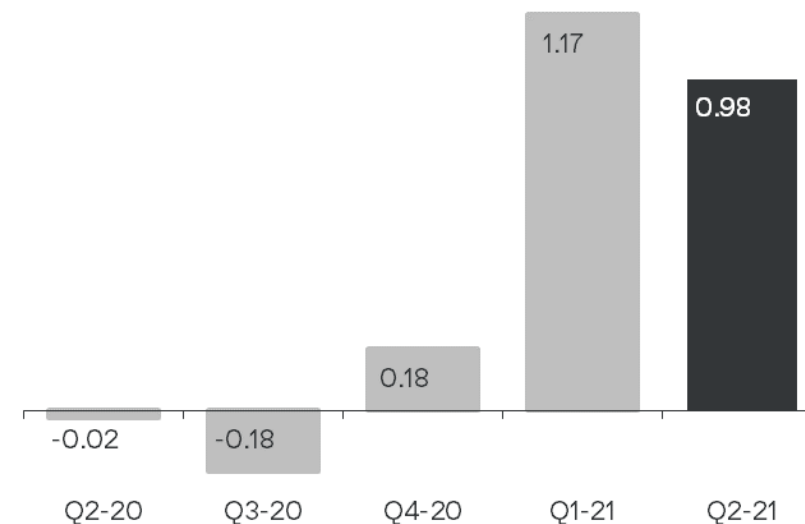
Robust financial position and attractive EPS

- 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%

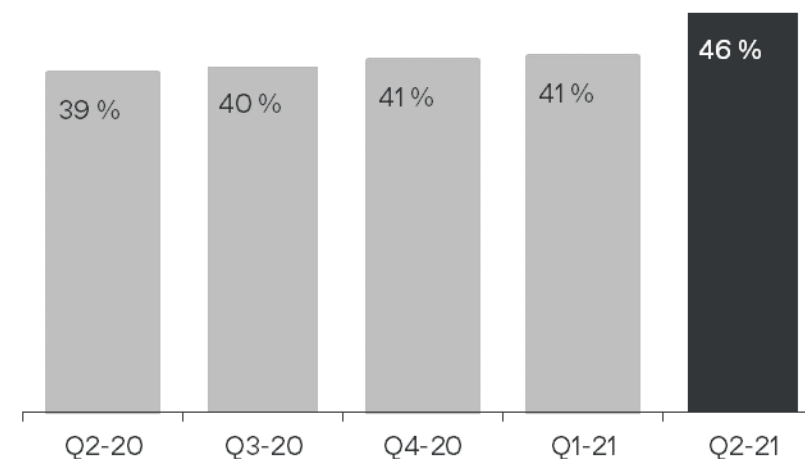
Earnings per share (EPS)

NOK per share



Equity ratio

In percent of total assets



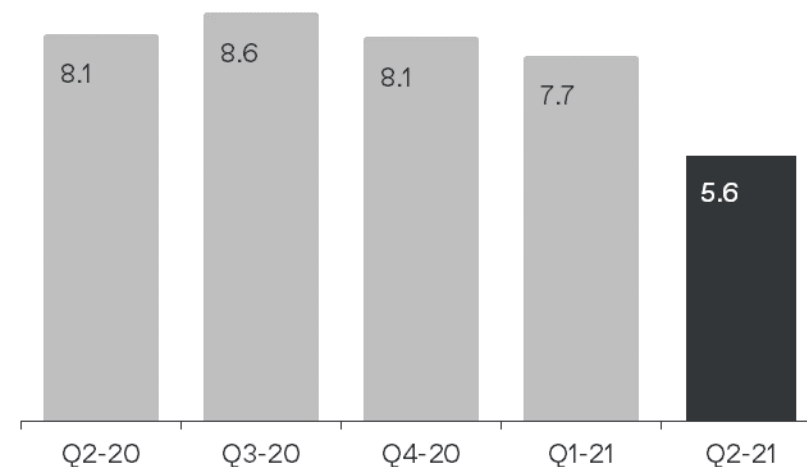
Significant reduction in debt and leverage

- 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 2021 of MNOK 1,250 for partly refinancing of maturities in 2021
 - In addition, a bank facility of MNOK 750 is available for repayment of 2021 maturities
 - The debt maturities in China mainly consist of local working capital financing, which are regularly rolled over

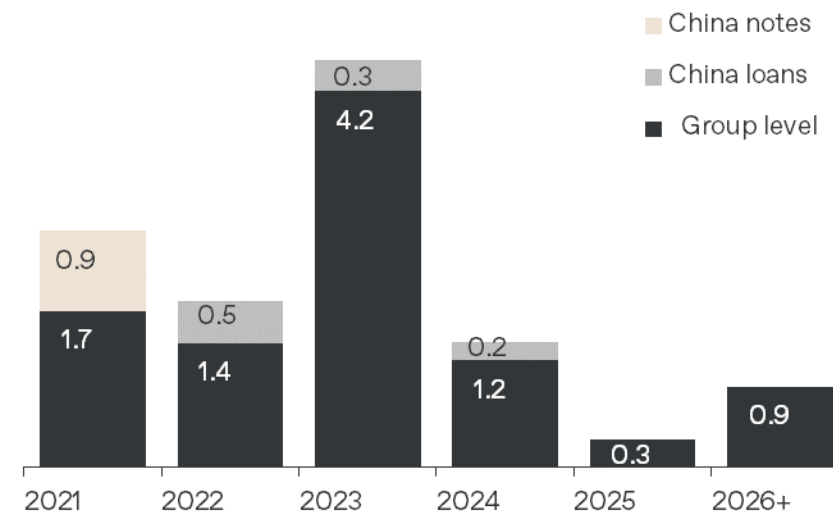
Net interest-bearing debt (NIBD)

NOK billion



Maturity profile

NOK billion



Strong cash flow generation

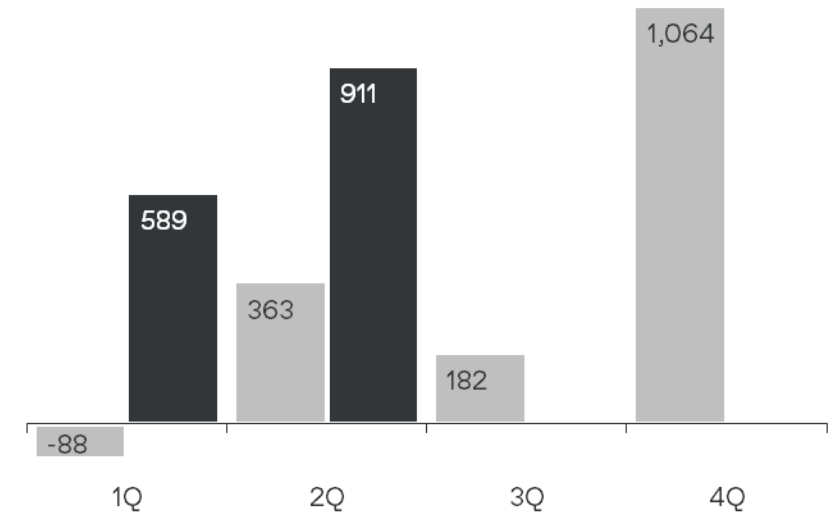
- Cash flow from operations⁽¹⁾ was MNOK 911 in the second quarter and clearly improved from the corresponding quarter last year
 - Improvement mainly explained by higher EBITDA

- 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

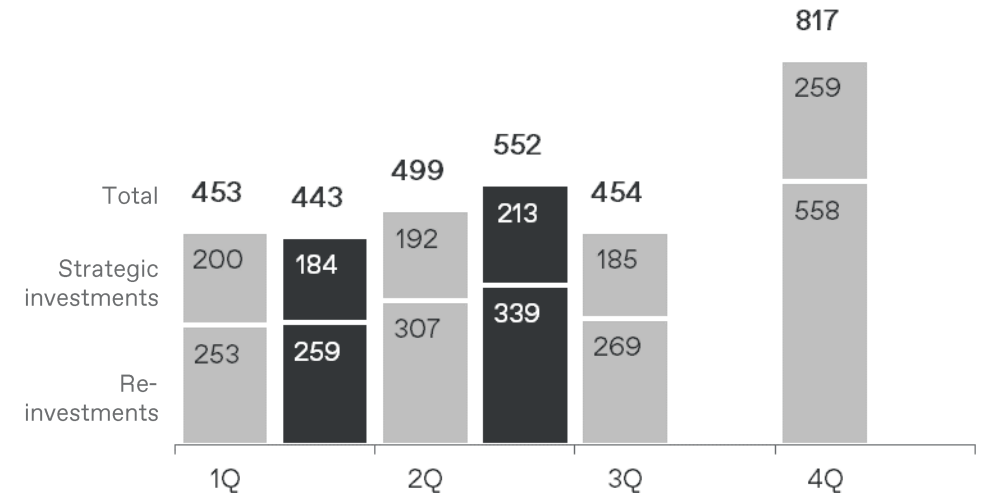
Cash flow from operations

NOK million



Investments ex. M&A

NOK million



■ 2020
■ 2021

Outlook for the third quarter 2021

- Strong market sentiment across all divisions
- The market momentum for silicones is strong. Prices are at high levels in China and expected to increase in Europe and the US. The high price level in China not seen as sustainable
- Market prices for silicon- and ferrosilicon-based products stable at a high level due to tight market conditions. However, slower demand expected in the third quarter due to holiday effects
- Carbon products continue to benefit from strong steel and ferroalloys markets. Raw material costs increasing
- General cost increases and constraints in global logistics and raw material supply are a concern



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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.

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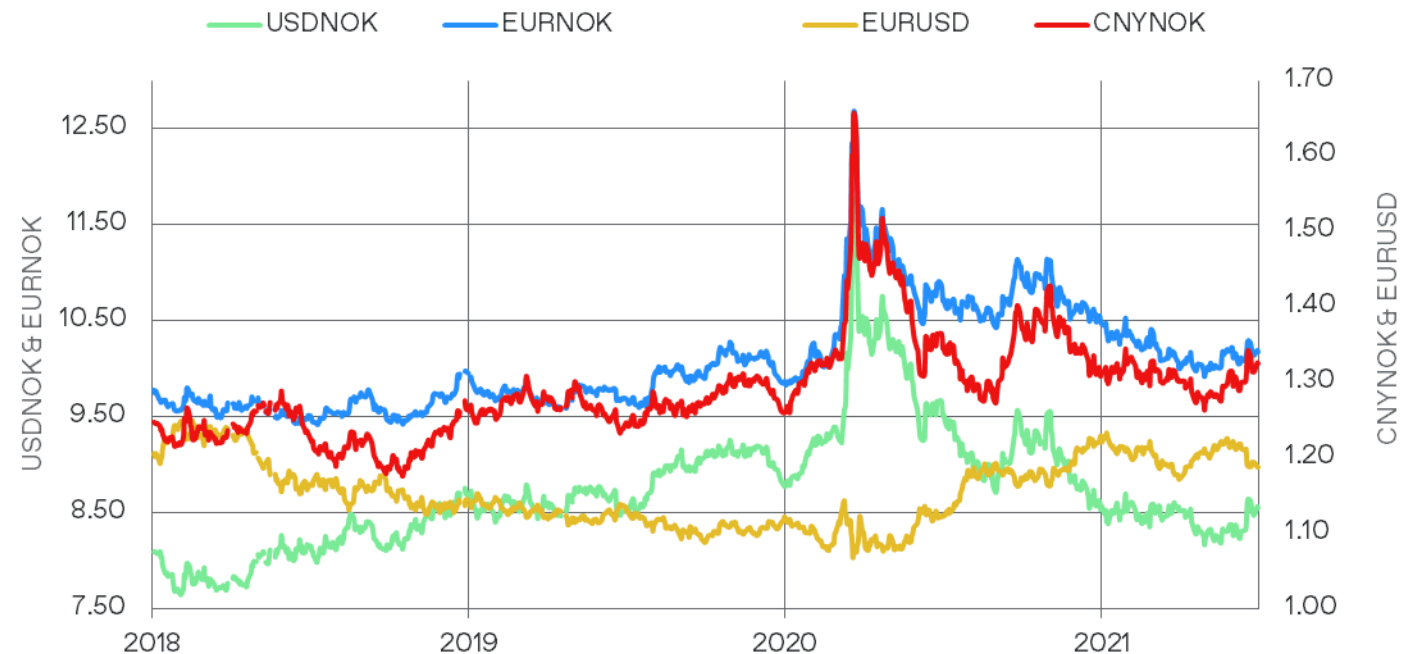
Information about past performance given in this presentation should not be relied upon as, and is not, an indication of future performance.



Appendix

Currency sensitivity

- The result and cash flow are exposed to currency fluctuations. The main currencies are EUR and USD
 - EUR - net exposure approx. MEUR 300
 - USD - net exposure approx. MUS\$ 150
- 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 600 over the coming 12 months



Currency development

- In 2Q-2021, the NOK was on average 8% stronger against EUR, 16% stronger against USD and 8% stronger against CNY compared to 2Q-2020
- As of 30 June 2021, the NOK closed 2% weaker against EUR, and marginally weaker against USD and 2% weaker against CNY compared to 31 March 2021

Other financial sensitivities

POWER

- Electric power is a key input factor in Elkem's production. Total consumption for the group was 6.4 TWh in 2020. Near term exposure to spot power prices is limited
 - Norway, hedging programme mainly consisting of long-term contracts covering 80% of the power consumption for the current and next year
 - 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
 - 1% margin change for silicones products is expected to affect result by MNOK 130 per year
 - 10% price change on silicon metal is expected to affect result by approx. MNOK 80 per year⁽¹⁾
 - 10% price change on ferrosilicon is expected to affect result by approx. MNOK 160 per year⁽¹⁾

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



Delivering your potential