

First quarter results 2020



Agenda

Business update

By CEO Michael Koenig

Financial performance

By CFO Morten Viga

Outlook

By CEO Michael Koenig



Results holding up in challenging market environment

- ◆ Elkem generated stable operations and results compared to previous quarters despite a challenging market environment
- ◆ Covid-19 impact in Asia was significant in the first quarter
- ◆ EBITDA was NOK 590 million in the first quarter 2020, down versus first quarter 2019, but up compared to the preceding quarter
- ◆ Polysil acquisition closed in April and will be consolidated from 1 April 2020
- ◆ New productivity improvement programme introduced with an annual improvement target of more than NOK 350 million, mainly personnel costs
- ◆ Market outlook characterised by high level of uncertainty, but Elkem's operational and financial position considered to be robust



Environment, Social and Governance

A key priority

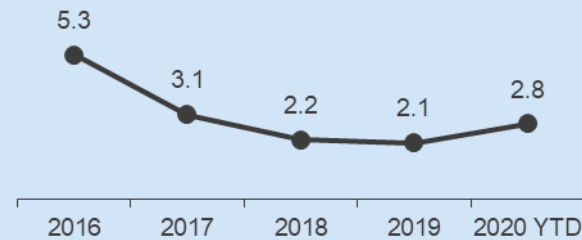


83 % share of renewables
of 2019 total electricity consumption



Safety

Ambition zero injuries



Environment

Fossil CO2 emissions in Norway
reduced by 18% by use of biocarbon
Ambition 40% biocarbon by 2030

NOx emissions down 13% since 2015
Ambition 10% reduction in 2020



Social

Human rights; conduct impact
assessment and update policy

Ambition best practice policy standard
for whistleblower programme and
community involvement



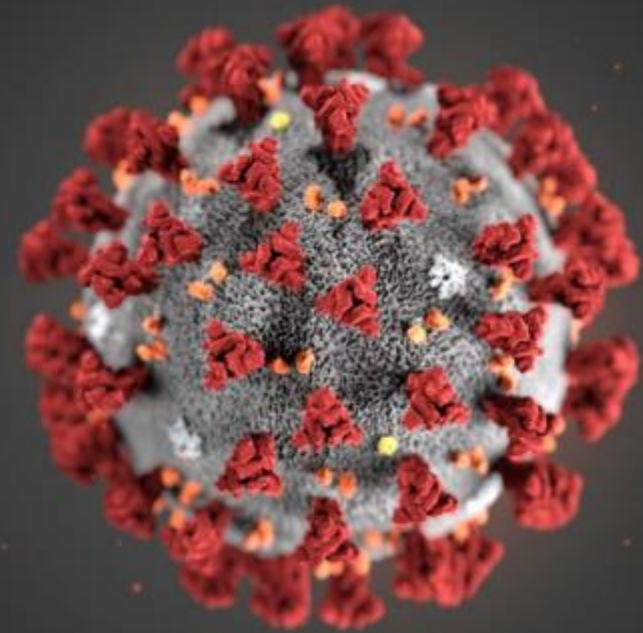
Governance

Adherence to Norwegian Code of
Practice for Corporate Governance

Employees' commitment to Code of
Conduct and Anti-bribery/corruption
policy up from 70% to 100% in 2019
Ambition maintain 100%

Covid-19 impact and response

- ◆ With more than 3,000 employees and extensive operations in China, Elkem was early exposed to Covid-19
- ◆ First confirmed case was however, in Norway and led to a temporary closure of the head office on 6 March
- ◆ A corporate task force established to coordinate the Covid-19 response worldwide
- ◆ Mostly normal production during the first quarter
 - ▶ However, China impacted after Chinese New Year, now back to normal
 - ▶ India, Malaysia, Paraguay and partly South-Africa faced disruptions due to government restrictions, however limited impact on group level
 - ▶ Logistical challenges, but manageable with only some delays
- ◆ Covid-19 negatively impacting several industries served by Elkem
 - ▶ Elkem proactively searching for business opportunities to compensate for reduced sales to affected customers



Corporate task force to coordinate Covid-19 response

- ◆ Primary focus is the health and safety of our people
 - ▶ Heightened standards of hygiene
 - ▶ Increased distance between workers
 - ▶ Encouraging home office where appropriate
 - ▶ A global ban on international travel in affected areas
 - ▶ Ensure compliance with all local governmental measures

Strong basis for managing the crisis

- ◆ Diversified product portfolio
 - ▶ Strong and specialised product mix
 - ▶ Diversified end-markets
- ◆ Broad geographical presence
 - ▶ Serving customers worldwide
 - ▶ Mitigating effects of local and regional lockdowns
- ◆ Financially robust position
 - ▶ Strong balance sheet with equity ratio of 40%
 - ▶ Strong liquidity with BNOK 4.7 in available cash and more than BNOK 3.5 in available undrawn credit lines
 - ▶ Comfortable financial covenant headroom
 - ▶ Equity ratio > 30% (actual as at 31 March 2020 was 40%)
 - ▶ Interest-cover ratio > 4.0x (actual LTM March 2020 was 10.5x)



Elkem's products key enablers for health and sustainability

- ◆ Silicones are key for several medical applications used in hospitals
 - ▶ Applications to health care is part of the specialisation strategy. Delivering raw materials to masks, tubes and medical devices
 - ▶ Double digit growth from 1Q-2019 to 1Q-2020 based on general market growth and expansion into new product areas
 - ▶ Acquisition of Polysil will strengthen Elkem's position, mainly in liquid silicon rubber (LSR) for medical accessories
- ◆ Silicon is key in computers and mobile phones, important in all digital communication
- ◆ Government stimulus packages to counter negative economic impact from Covid-19
 - ▶ China promoting investments in e.g. 5G and construction, both supporting demand for silicones and silicon



Polysil acquisition closed in April

- ◆ Purchase price up to MCNY 941, consisting of base price and variable elements based on pre-defined criteria
- ◆ Polysil's main product areas
 - ▶ Electrical applications i.e. wire and cable accessories, insulation and connectors
 - ▶ Medical applications, i.e. catheters, drainage tubes, laryngeal masks and tubes, negative pressure ball etc.
 - ▶ Automotive, i.e. parts for high temperature and oil resistance
 - ▶ Consumer, i.e. baby feeding, kitchen ware, food preservation etc.
- ◆ Strategic rationale for the Polysil acquisition
 - ▶ Access to advanced technology, especially in Liquid Silicone Rubber (LSR) & Pressure Sensitive Adhesives (PSA)
 - ▶ Increase market share in specialties in China
 - ▶ Downstream captive use of materials from Xinghuo
- ◆ Polysil had operating revenue in 2019 of MCNY 624 with EBITDA of MCNY 116 (18%) and earnings after tax of MCNY 95



- Located in Zhongshan in Guangdong, China
- Research and development centre with more than 50 engineers
- Leading technology positions in production and development of Heat Cured Rubber (HCR), Liquid Silicone Rubber (LSR)
- More than 350 employees



Productivity improvement programme to further streamline the organisation

- ◆ New Productivity Improvement Programme launched with an identified potential of more than NOK 350 million in annual improvements
 - ▶ Permanent savings related to personnel costs
 - ▶ Implementation started in 1Q-2020 and will be finalised by the end of 2021
- ◆ The programme addresses all divisions, as well as the corporate functions. The aim is to improve Elkem's profitability to fund future growth and specialisation in line with long-term strategy
- ◆ Provision of MNOK 200 booked in the first quarter in Other items
- ◆ Programme progressing according to plan despite Covid-19 challenges
- ◆ By end of 1Q-2020 the annual savings run rate was MNOK 39. The main effects are expected in 2021



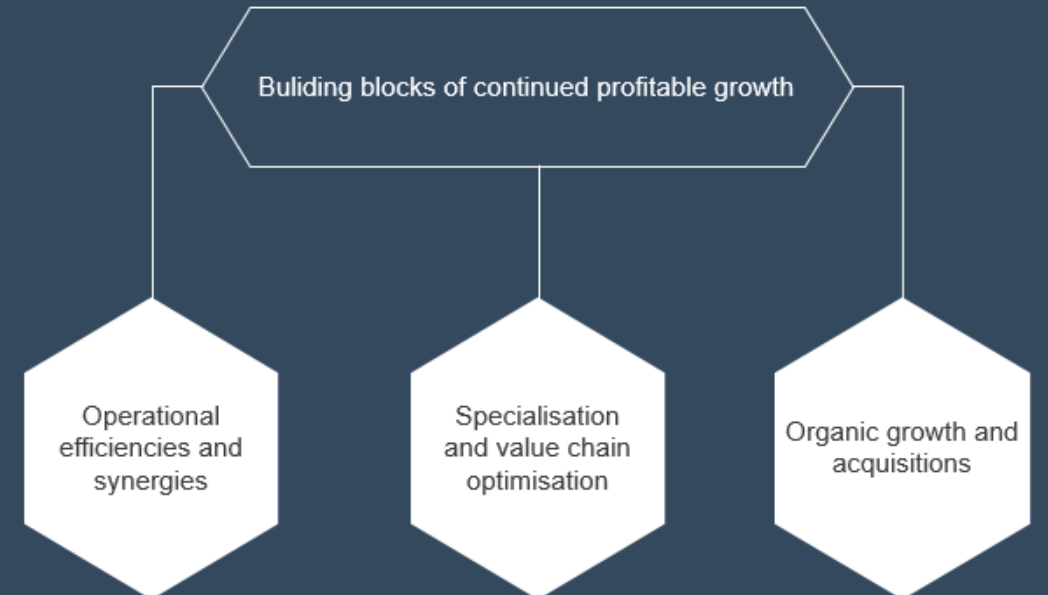
Savings run rate by end of 1Q-2020

NOK million



Looking beyond the crisis: Long-term specialisation

- ◆ Silicones to batteries
 - ▶ Elkem has a strong position in cabling and insulation for EV battery packs
 - ▶ Market position expanded from US and Europe to the Asian EV market
 - ▶ New contracts in Asia quickly ramping up
- ◆ Silicon for high performance solutions
 - ▶ Elkem produces high quality silicon material suitable for battery applications
 - ▶ A number of new initiatives ongoing, including potential deliveries to new battery projects
 - ▶ Material for large scale producers proceeding to advanced test stages
- ◆ Carbon with synthetic graphite to batteries
 - ▶ Pilot plant to develop high-end synthetic anode graphite for lithium-ion battery cells ready in 2020



Group results holding up despite impact from Covid-19

- ◆ Generally satisfactory results in first quarter, considering the market impact of Covid-19
- ◆ Weaker Norwegian krone (NOK) has impacted the results positively, mainly in March. However, the equity and leverage ratios were negatively impacted
- ◆ Restructuring expenses of MNOK 200 in connection with the new productivity improvement programme booked in Other items
- ◆ The board and management have carefully considered the dividend for 2019 and decided to keep the proposal of NOK 0.60 per share



Total operating income

MNOK 5,798



EBITDA

MNOK 590

%

EBITDA margin

10 %



Silicones a mixed picture

- ◆ Silicones are very versatile and used in a large number of end-markets affected to a varying degree by Covid-19
 - ▶ Industrial markets, e.g. automotive and construction have been weak
 - ▶ Consumer products e.g. home and personal care have been stable
 - ▶ Healthcare and release coatings have seen significant demand increases
- ◆ DMC prices in China were stable at around 18,800 CNY/mt until March, then prices dropped to around 15,500 CNY/mt
 - ▶ Mainly explained by higher inventory for upstream producers due to weak downstream demand in domestic and overseas markets
- ◆ Chinese government introducing new infrastructure policy with significant stimulus packages supporting e.g. the construction sector



DMC reference price China (CNY/mt)

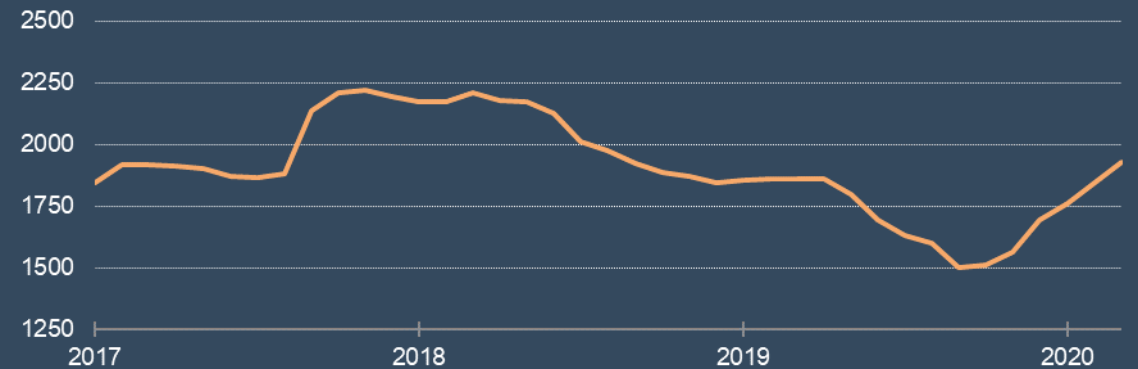


Silicon prices up, outlook uncertain

- ◆ Strong price recovery for silicon during the first quarter
 - ▶ CRU EU reference price for March up approx. 15% from end of 4Q-2019
- ◆ Stable demand from all main end-user segments in the first quarter
 - ▶ Chemical and electronics/solar sectors holding up well
 - ▶ Aluminium relatively good, but exposed to automotive and likely impacted by car plant closures going forward
- ◆ Higher prices also explained by limited supply and increased uncertainty due to Covid-19



CRU silicon 99 price EU (EUR/mt)



Ferrosilicon prices up on low supply

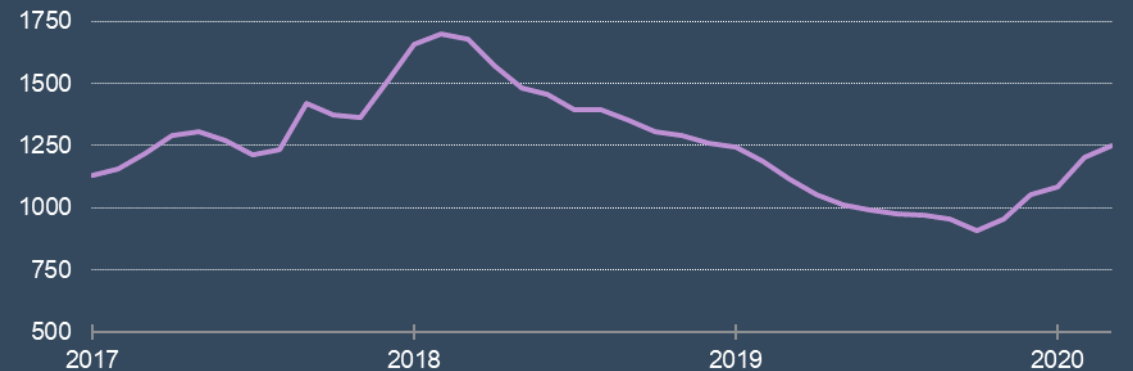
- ◆ Market prices for ferrosilicon (FeSi) continued to recover in the first quarter
 - ▶ CRU EU reference price for March up approx. 20% from end of 4Q-2019
- ◆ Higher prices in EU mainly driven by low supply, combined with low inventory levels and low imports. Global markets impacted by low Chinese FeSi output
- ◆ Steel markets expected to drop even further in 2Q with much of the Western world going into lockdown
 - ▶ Uncertain magnitude and duration of disruptions to manufacturing and construction activity due to Covid-19



Carbon stable demand

- ◆ Stable demand for electrodes and carbon material, customers securing supply due to Covid-19 uncertainty
- ◆ Risk that continued weak development in automotive and construction will affect steel markets and hence demand for carbon products

CRU ferrosilicon 75 price EU (EUR/mt)

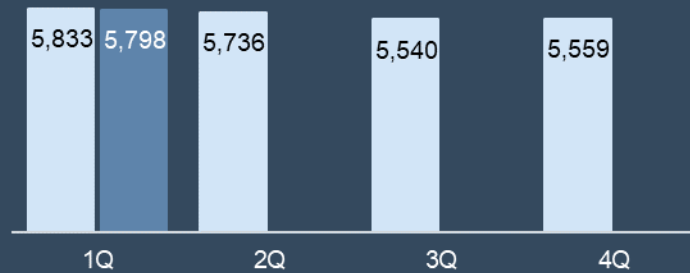


Elkem group

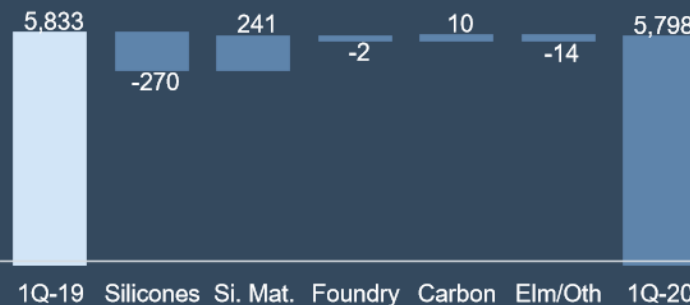
stable operating income, results down vs. 1Q-2019

Total operating income

- Stable compared to 1Q-2019

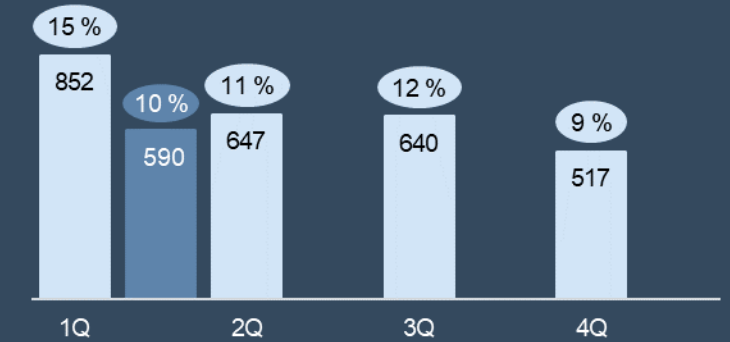


- Lower operating income in Silicones mainly offset by Silicon Materials

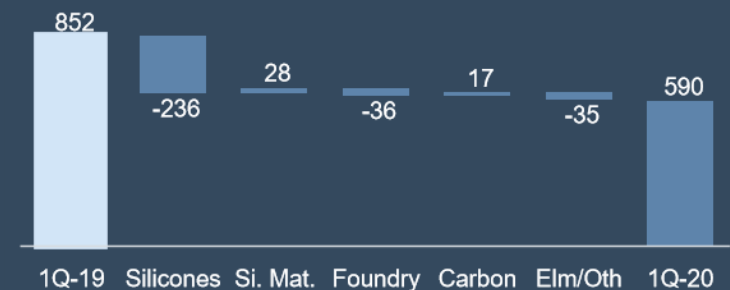


EBITDA

- Down 31% compared to 1Q-2019



- Mainly explained by Silicones impacted by Covid-19 disruptions



■ 2019 ■ 2020

Elkem group

key ratios impacted by currency

Other items MNOK 129

- ▶ Negative fair value changes in commodity contracts MNOK 85 and restructuring expenses MNOK 200, more than offset by positive value changes in embedded derivatives in power contracts MNOK 214 and positive currency effects MNOK 204, mainly consisting of translation effects on bank deposits and working capital

Net financial items MNOK 66

- ▶ Net interest expenses MNOK 60 offset by foreign exchange gains of MNOK 129, mainly translation effects on inter-company loans in CNY

Tax MNOK -102

- ▶ Tax expenses of MNOK 102 giving a tax rate of 28% explained by different mix of taxable income in high and medium tax jurisdictions, and that tax losses were not utilised

Consolidated key figures

<i>(NOK million, except where specified)</i>	1Q 2020	1Q 2019	YTD 2020	YTD 2019	FY 2019
Total operating income	5,798	5,833	5,798	5,833	22,668
EBITDA	590	852	590	852	2,656
EBIT	197	514	197	514	1,189
Other items	129	151	129	151	195
Net financial items	66	-27	66	-27	-239
Profit (loss) before income tax	364	640	364	640	1,134
Tax	-102	-143	-102	-143	-237
Profit (loss) for the period ⁽¹⁾	251	490	251	490	855
Key ratios					
EPS (NOK per share)	0.43	0.84	0.43	0.84	1.47
Equity ratio (%)	40 %	46 %	40 %	46 %	45 %
Net interest bearing debt (NIBD) ⁽²⁾	6,772	3,685	6,772	3,685	5,722
Leverage ratio	2.8	0.7	2.8	0.7	2.2
Reinvestments % of D&A	64 %	54 %	64 %	54 %	80 %
ROCE (annualised) (%)	4 %	12 %	4 %	12 %	7 %

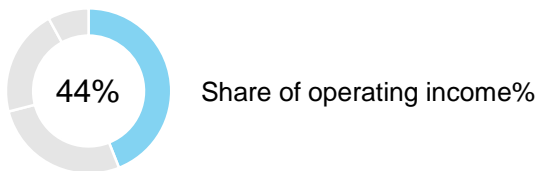
(1) Owners of the parent's share of profit (loss)

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

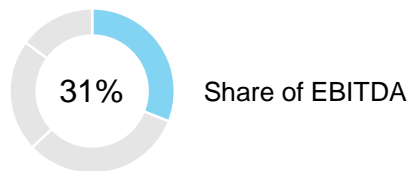
Silicones

impacted by Covid-19 and lower prices in China

- ◆ Total operating income of MNOK 2,513, down 10% from first quarter last year
 - ▶ Reduction mainly due to lower volumes and lower sales prices in China
 - ▶ Lower volumes explained by delayed start up after Chinese New Year due to Covid-19
- ◆ EBITDA of MNOK 200, down 54% from first quarter last year
 - ▶ Lower EBITDA explained by delayed start up and lower prices in China, partly countered by lower raw material costs



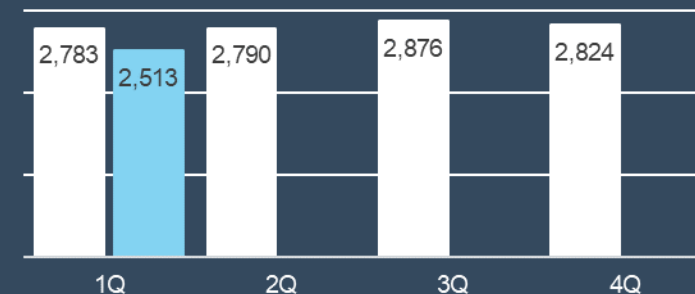
Share of operating income from external customers ex. Other



Share of EBITDA ex. Other and Eliminations

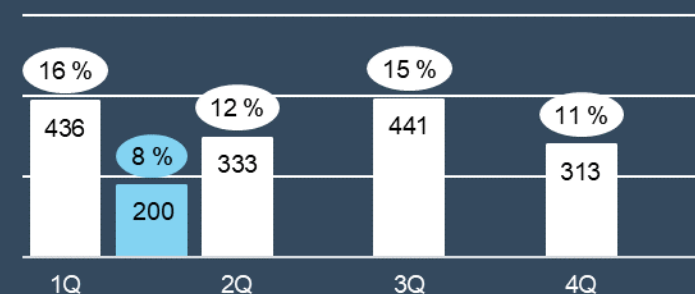
Total operating income

NOK million



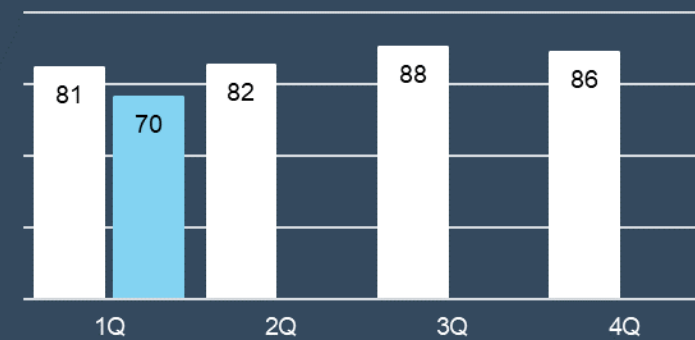
EBITDA and margin

NOK million and %



Sales volume

In 1,000 mt

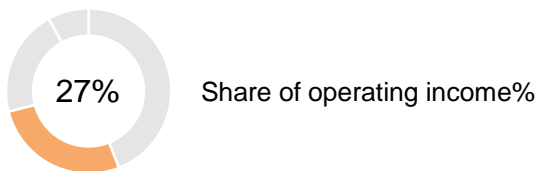


■ 2019 ■ 2020

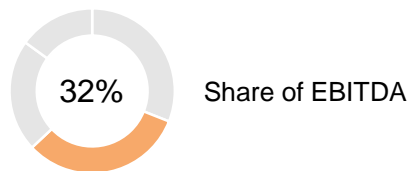
Silicon Materials

best results since 4Q-18

- ◆ Total operating income of MNOK 1,895, up 15% compared to first quarter 2019
 - ▶ Higher operating income explained by weaker NOK and higher volumes
 - ▶ Silicon market prices stable, but realised sales prices lower due to time-lag
- ◆ EBITDA of MNOK 211, up 15% compared to first quarter last year
 - ▶ The increase was mainly explained by higher volumes and improved operations
 - ▶ Weakening of the NOK had positive effects, particularly in March



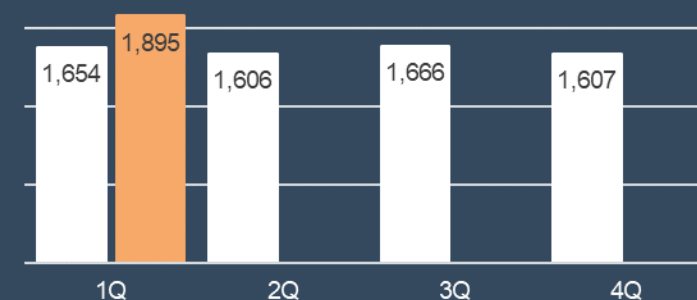
Share of operating income from external customers ex. Other



Share of EBITDA ex. Other and Eliminations

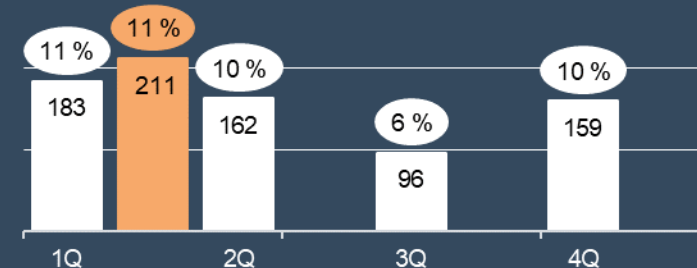
Total operating income

NOK million



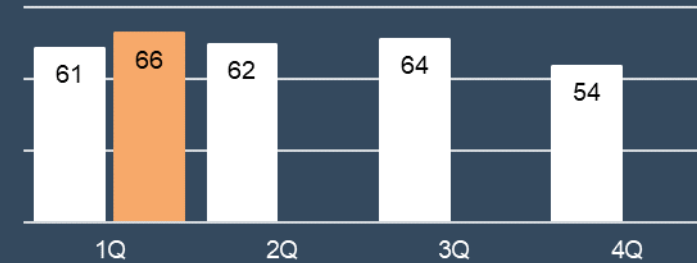
EBITDA and margin

NOK million and %



Sales volume

In 1,000 mt

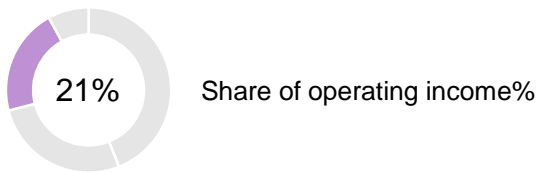


■ 2019 ■ 2020

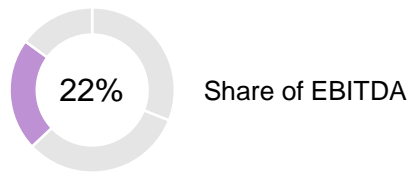
Foundry Products

lower specialty sales impacting results

- ◆ Total operating income of MNOK 1,264, in line with first quarter last year
 - ▶ Lower realised sales prices compared to last year due to lag-effects, but compensated by currency
 - ▶ Stable sales volumes
- ◆ EBITDA of MNOK 143, down 20% from first quarter last year
 - ▶ Lower sales of specialty foundry alloys impacted by weak automotive sector
 - ▶ Partly compensated by higher volume of standard FeSi and stronger EUR and USD vs. other currencies



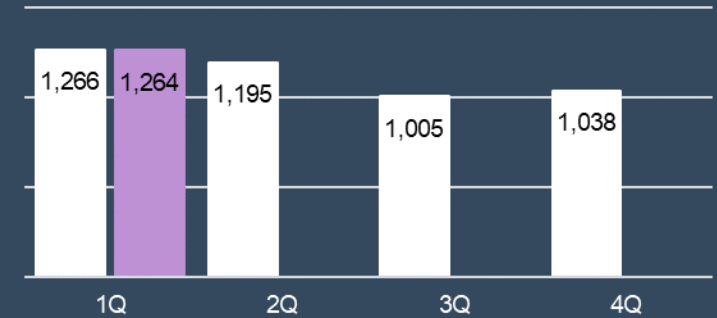
Share of operating income from external customers ex. Other



Share of EBITDA ex. Other and Eliminations

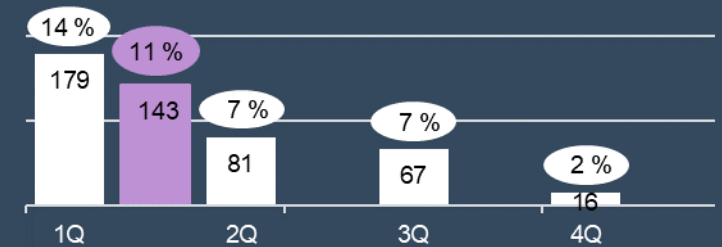
Total operating income

NOK million



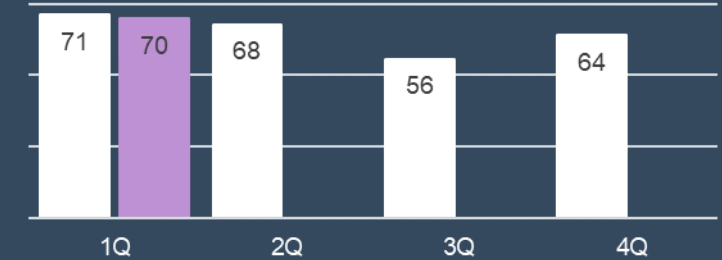
EBITDA and margin

NOK million and %



Sales volume

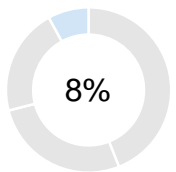
In 1,000 mt



■ 2019 ■ 2020

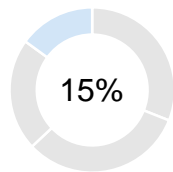
Carbon strong performance

- ◆ Total operating income MNOK 475, in line with corresponding quarter last year
 - ▶ Stable sales prices and sales volumes
- ◆ EBITDA MNOK 100, up 20% from first quarter last year
 - ▶ Improved EBITDA mainly explained by lower raw material prices and currency effects



Share of operating income%

Share of operating income from external customers ex. Other

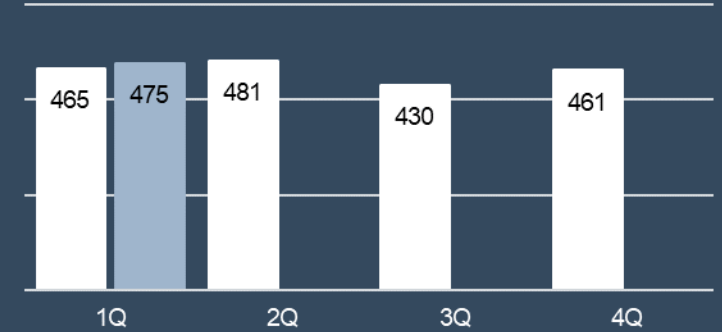


Share of EBITDA

Share of EBITDA ex. Other and Eliminations

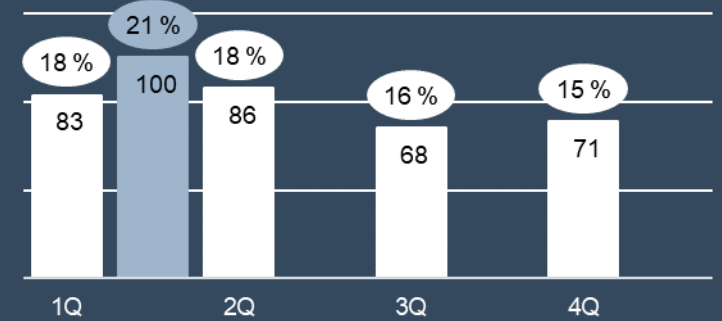
Total operating income

NOK million



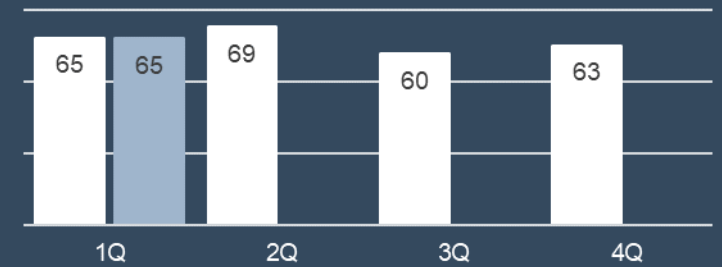
EBITDA and margin

NOK million and %



Sales volume

In 1,000 mt



■ 2019 ■ 2020

Elkem group higher EPS, but lower equity ratio

◆ Earnings per share (EPS)

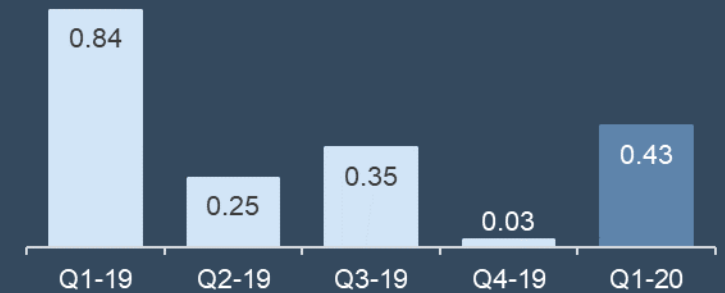
- ▶ EPS amounted to NOK 0.43 in the first quarter
- ▶ Positively impacted by gains in other items and foreign exchange gain, but partly offset by negative value changes in commodity contracts and restructuring expenses and higher tax

◆ Total equity amounted to BNOK 13.2 as at 31 March, slightly up from year-end 2019 due to first quarter profit

- ▶ Equity ratio of 40%
- ▶ Equity ratio down despite higher equity as total assets increase by approx. BNOK 3.7 from year-end 2019, mainly due to currency translation effects

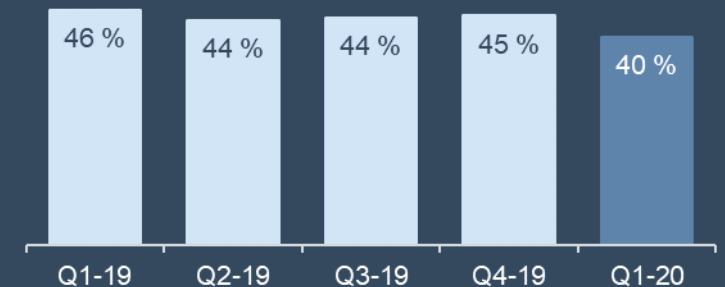
Earnings per share (EPS)

NOK per share



Equity ratio

In %



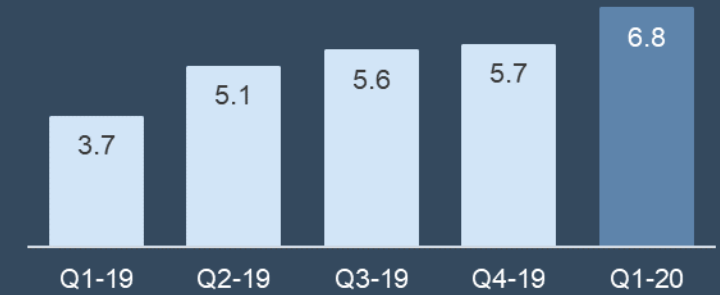
Elkem group debt ratios impacted by NOK weakening

- ◆ Net interest bearing debt (NIBD) amounted to BNOK 6.8 as at 31 March 2020
 - ▶ Leverage ratio of 2.8x based on LTM EBITDA of BNOK 2.4
 - ▶ Increased NIBD and higher leverage partly explained by currency rates
 - ▶ Dividend and Polysil closing likely to further increase leverage ratio

- ◆ Well distributed debt maturity profile
 - ▶ Debt maturities in 2020 mainly consist of local bilateral working capital financing in China, which is short-term by nature
 - ▶ Total drawn debt in China amounted to BCNY 1.5 as at 31 March. Total available credit lines incl. drawn amount was BCNY 2.3
 - ▶ Undrawn revolving credit facility of MEUR 250 maturing in 2023

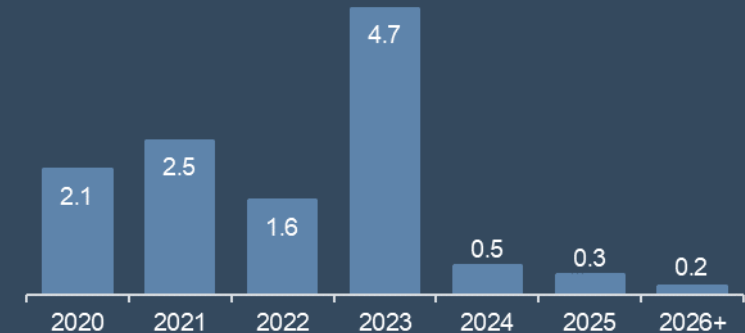
Net interest-bearing debt (NIBD)

NOK billion



Maturity profile

NOK billion



Elkem group

cash flow negatively impacted by working capital

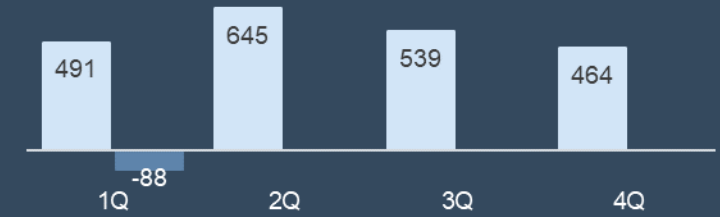
- ◆ Cash flow from operations⁽¹⁾ was MNOK -88 in the first quarter, down from the corresponding quarter last year
 - ▶ Reduced cash flow was mainly due to lower operating profit, higher working capital and higher reinvestments

- ◆ Investments amounted to MNOK 453 in the first quarter 2020
 - ▶ Reinvestments was MNOK 253 in the quarter, amounting to 64% of D&A
 - ▶ Strategic investments of MNOK 200, primarily Silicones R&D centre and other specialisation projects, furnace upgrades for Silicon Materials biocarbon project in Foundry Products and the Carbon battery project

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

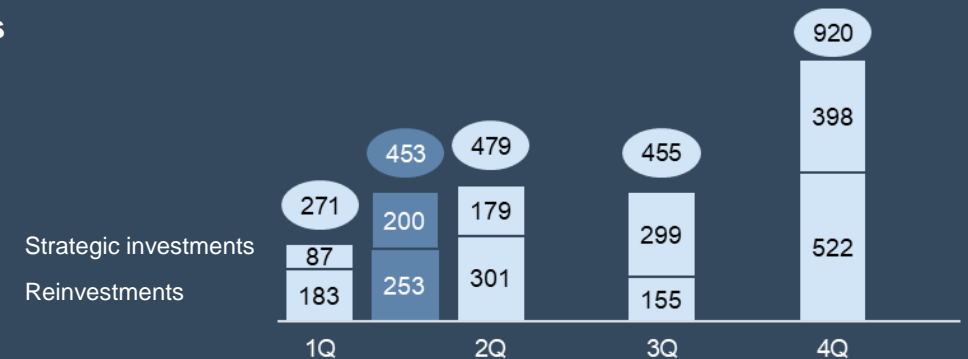
Cash flow from operations

NOK million



Investments

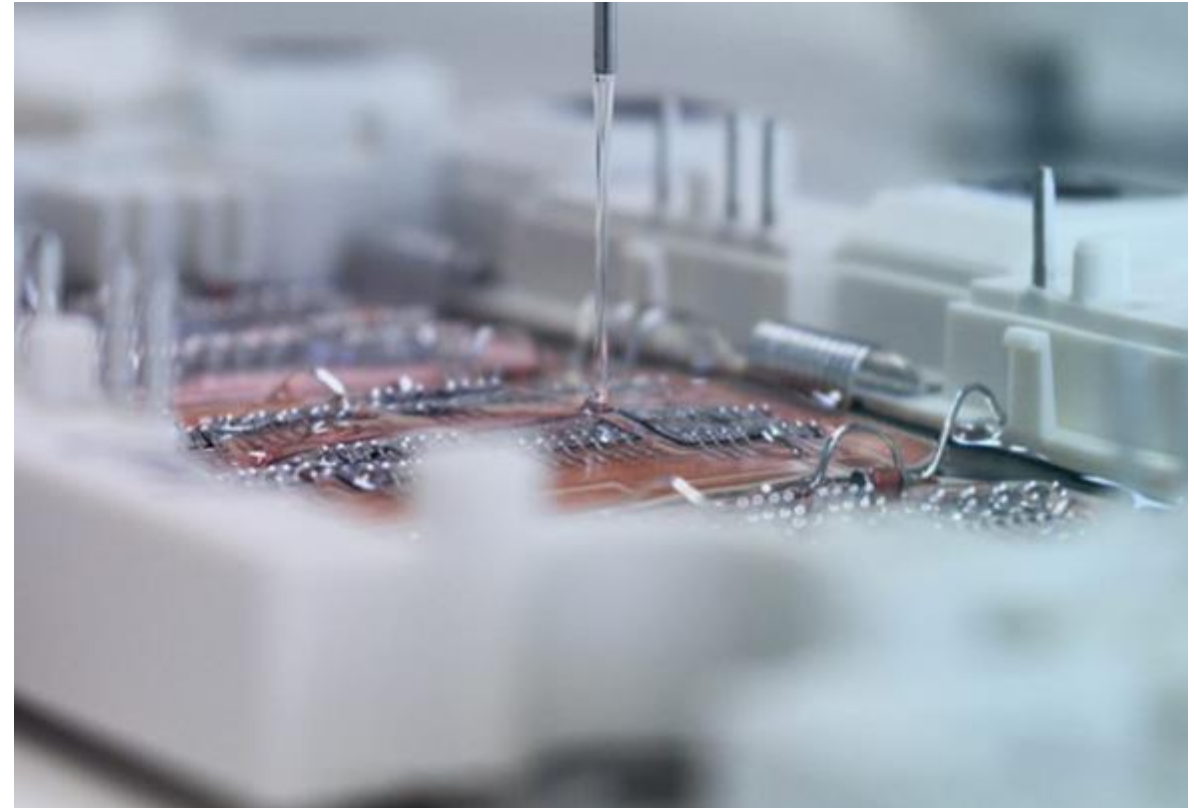
NOK million



■ 2019 ■ 2020

Outlook for the second quarter

- ◆ Current market environment characterised by high level of uncertainty
- ◆ Elkem has a strong position facing the challenges ahead; competitive low-cost positions, diversified product portfolio, broad geographical footprint and robust financial position
- ◆ DMC prices in China currently at low levels, but stable sales prices for specialty products. Overall demand development uncertain, depending on magnitude and impact of global economic slowdown in e.g. construction and automotive
- ◆ Silicon and ferrosilicon markets affected by production stops in US and European automotive industry, however the extent and duration is uncertain
- ◆ Market for Carbon materials may slow down due to lower industrial activity



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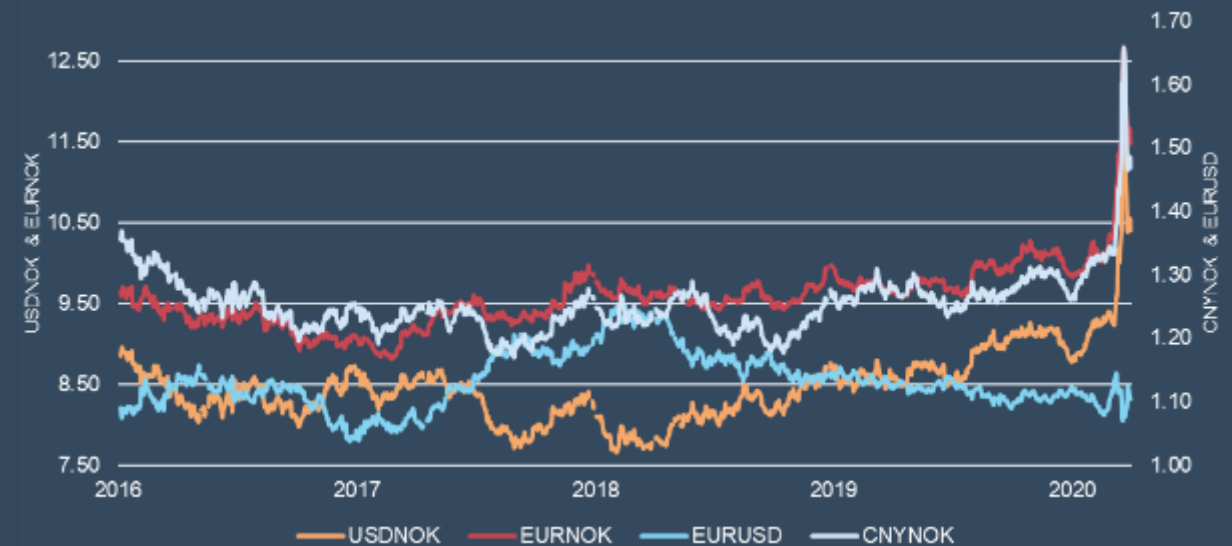


Appendix

Currency sensitivity

- ◆ The cash flow is exposed to operating income and costs in different currencies. The main currencies are EUR and USD
 - ▶ EUR - net cash flow approx. MEUR 350
 - ▶ USD - net cash flow approx. MUSD 100
- ◆ 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



- The Norwegian krone weakened considerably against major currencies towards the end of 1Q-2020 to reach historic record low levels
- Compared to 1Q-2019, the NOK ended the quarter 19% weaker against EUR, 22% weaker against USD and 16% weaker against CNY

Other financial sensitivities

POWER

- ◆ Electric power is a key input factor in Elkem's production. Total consumption for the group was 6.0 TWh in 2019. 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
- ◆ Elkem applies hedge accounting for most of its power contracts. Fair value changes of financial contracts which are not included in the hedging portfolio are booked in Other items

SALES PRICES

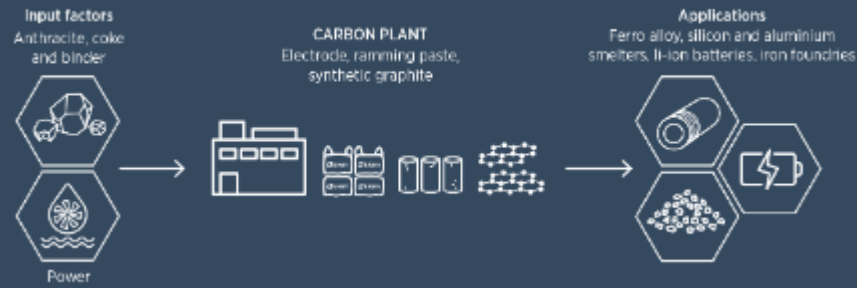
- ◆ Changes in sales prices could significantly affect operating income and EBITDA
 - ▶ 1% margin change for silicones products is expected to affect result by MNOK 120 per year
 - ▶ 10% price change on silicon metal is expected to affect result by approx. MNOK 120 per year⁽¹⁾
 - ▶ 10% price change on ferrosilicon is expected to affect result by approx. MNOK 130 per year⁽²⁾

(1) Cost absorption effects are assumed for both silicon metal and silicones. Neutral effect

(2) Sensitivities for ferrosilicon include 35% raw materials cost absorption

Value chains

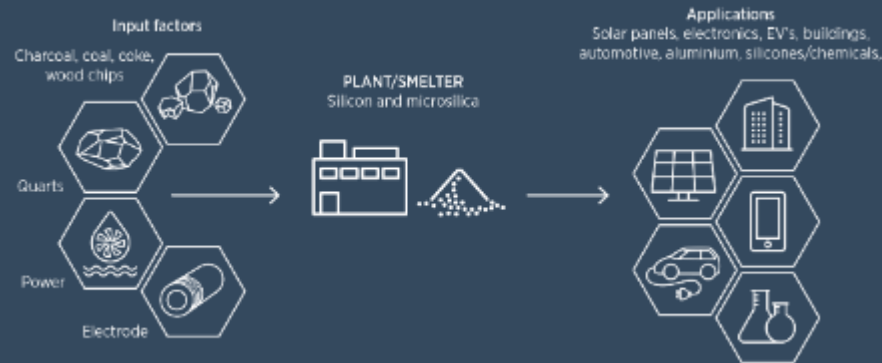
Carbon value chain



Foundry products value chain



Silicon materials value chain



Silicones value chain

