

Digital Roadshow

UBS

21 September 2020



Elkem: a global company with more than 110 years of history in advanced materials

Elkem has a strong global platform combining the historic and cultural traditions of three unique business platforms

- ◆ Elkem started as a Norwegian company founded in 1904 by Sam Eyde, representing strong industrial traditions and continuous improvement
- ◆ The chemical business in France was integrated in 2015 adding a strong culture for specialisation, innovation and R&D
- ◆ The presence in China was significantly expanded in 2018, adding to the dynamic and agile business perspective, and positioning for the Asian market



Total income FY 2019

NOK **22.7** bn.



EBITDA FY 2019

NOK **2.7** bn.



EBITDA margin FY 2019

12 %



Head office in Norway

31 plants worldwide



Employees worldwide

~ **6,700**



R&D centres in Norway, France and China

>450 R&D people

Three strong business areas

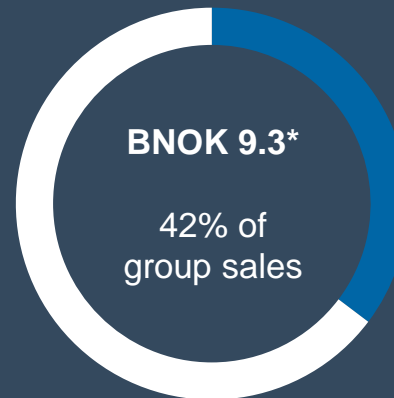
Silicones



End-markets

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

Silicon Products



End-markets

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

Carbon Solutions



End-markets

- Ferroalloys
- Silicon
- Aluminium
- Iron Foundries

* Based on external sales FY 2019

Strong competitive position demonstrated in weak markets

- ◆ Elkem had high capacity utilisation and good sales volumes in the second quarter despite very challenging market conditions
- ◆ EBITDA was NOK 644 million in the second quarter 2020, including a one-off gain of NOK 61 million from an arbitration case in Silicon Materials
- ◆ The Silicon Materials division and Foundry Products division are merged into Silicon Products with effect from 1 July 2020
- ◆ The productivity improvement programme with targeted annual savings of more than NOK 350 million, proceeds ahead of plan
- ◆ Market outlook is still characterised by high level of uncertainty due to the economic impact of Covid-19 and related government measures



Total operating income

MNOK 5,879



EBITDA

MNOK 644



EBITDA margin

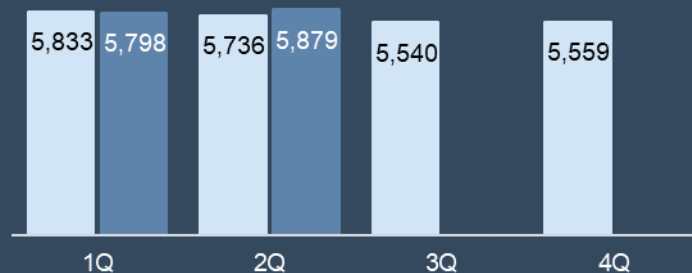
11 %



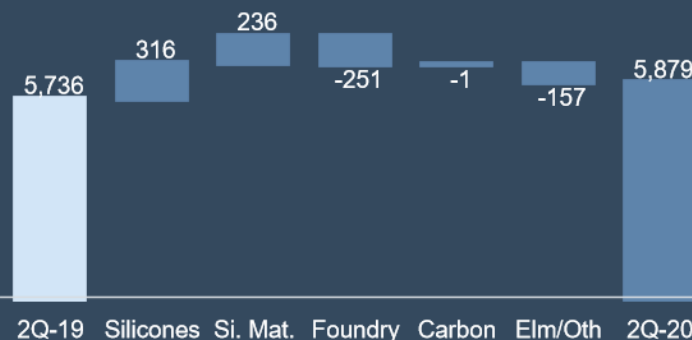
Stable operating income and EBITDA

Total operating income

- Operating income up 2% compared to 2Q-2019

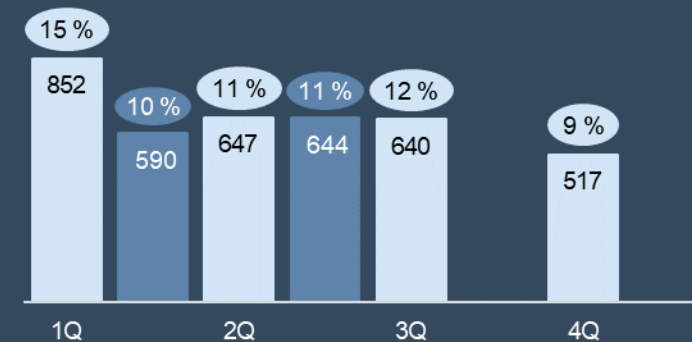


- Increase driven by Silicones and Silicon Materials

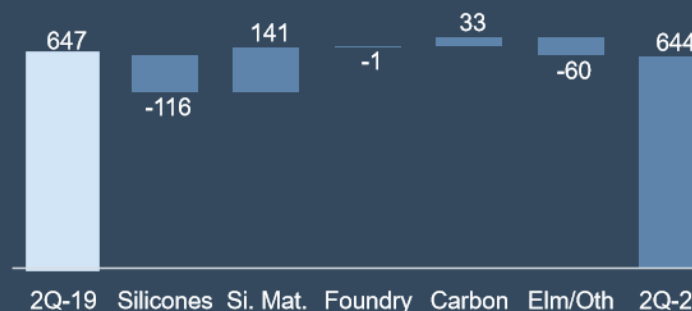


EBITDA

- In line with 2Q-2019



- Lower result in Silicones offset by Silicon Materials and Carbon



■ 2019 ■ 2020

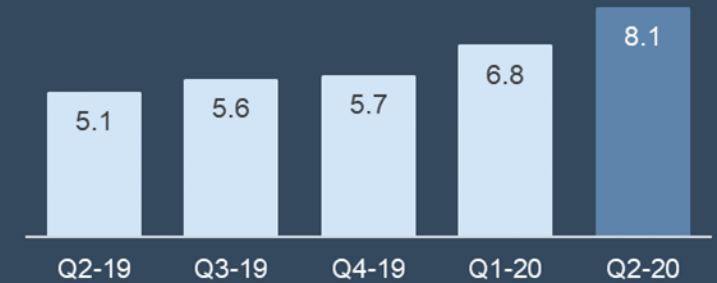
Robust financial position

- ◆ Net interest bearing debt (NIBD) amounted to BNOK 8.1 as at 30 June 2020
 - ▶ Leverage ratio of 3.4 based on LTM EBITDA of BNOK 2.4
 - ▶ Increase in leverage ratio compared to previous quarter explained by dividend payment and closing of Polysil acquisition

- ◆ Total equity amounted to BNOK 12,8 as at 30 June, slightly down from year-end 2019
 - ▶ Equity ratio of 39%
 - ▶ Lower equity ratio explained by dividend payment and increased value of total assets due to currency translation effects

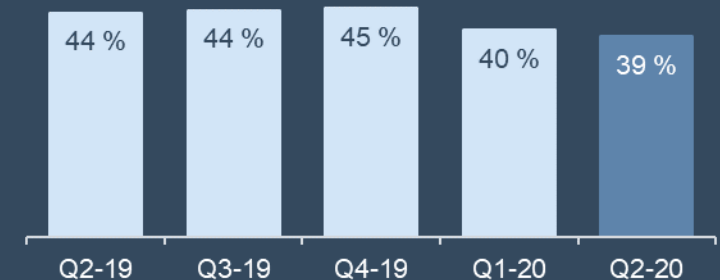
Net interest-bearing debt (NIBD)

NOK billion



Equity ratio

In %

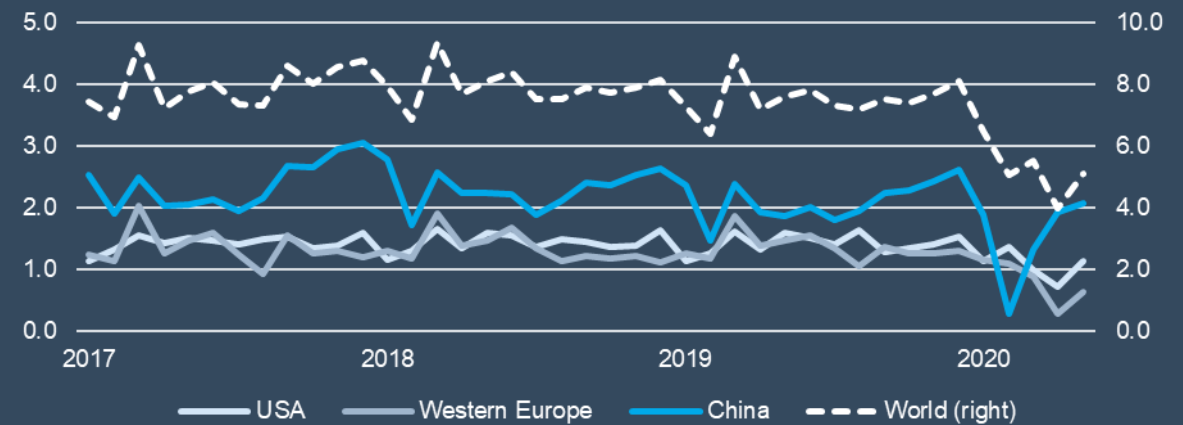


Covid-19 impacting global markets

- ◆ Elkem has generally strong sales volumes in the second quarter despite weak market conditions impacted by Covid-19
 - ▶ In the third quarter, capacity utilisation will on average be reduced to around 90% across all divisions due to maintenance and weak demand. However, Elkem's capacity utilisation will remain above industry average
- ◆ Sales prices are generally low, however Elkem is benefitting from excellent costs positions
- ◆ Construction is weak in Europe but China shows continued growth, although at lower rates than before Covid-19
- ◆ The automotive market is still weak in Europe and the US, but sales in China seem to pick up quickly



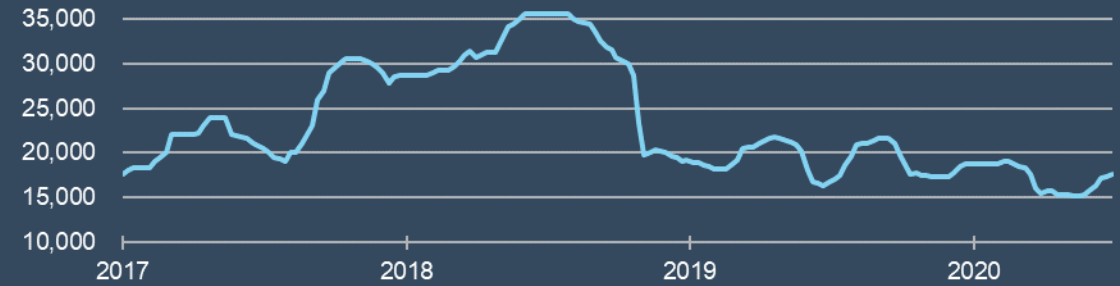
Automotive – units sold (million)



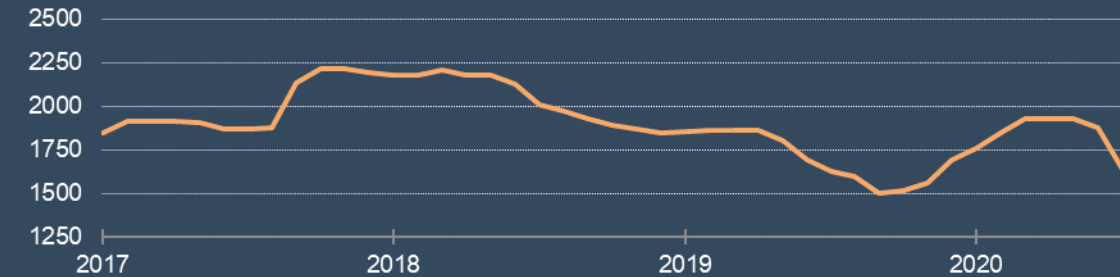
Market update prices at low levels

- ◆ Markets are negatively impacted by the Covid-19 situation
- ◆ DMC prices in China were at low levels, but recovered towards the end of second quarter, mainly driven by the government's CNY 50 trillion new infrastructure policy
- ◆ Silicon reference prices were holding up for most of 2Q-2020
 - ▶ However, reference prices were lagging underlying market development
 - ▶ Mixed demand from end-user segments; aluminium down due to weakness in automotive, chemicals negatively impacted by Covid-19 while electronics/solar grade polysilicon holding up well
- ◆ Ferrosilicon reference prices dropped significantly in the second quarter
 - ▶ Weak ferrosilicon demand impacted by low steel consumption, largely driven by weakness in automotive and construction
- ◆ Carbon products were stable but some lower demand due to weakness in automotive and construction markets
- ◆ Markets generally characterised by high uncertainty and limited visibility as time and pace of recovery is highly uncertain

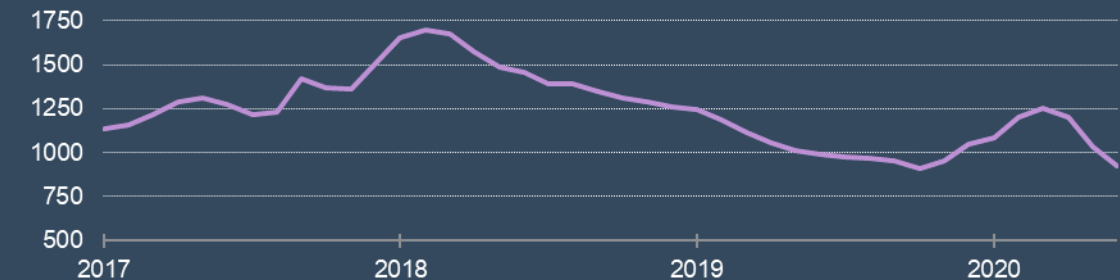
DMC reference price China (CNY/mt)



CRU silicon 99 price EU (EUR/mt)



CRU ferrosilicon 75 price EU (EUR/mt)



Environment, Social and Governance

A key priority



83 % share of renewables of 2019 total electricity consumption

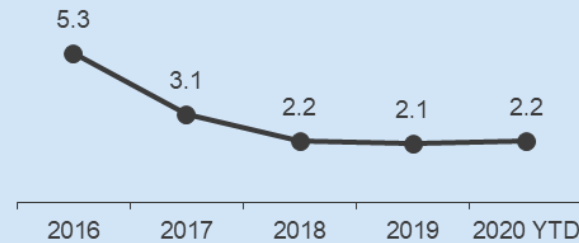


Elkem is certified as a Nasdaq ESG Transparency Partner



Safety

Ambition zero injuries



Social

Human rights; conduct impact assessment and update policy

Ambition best practice policy standard for whistleblower programme and community involvement



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



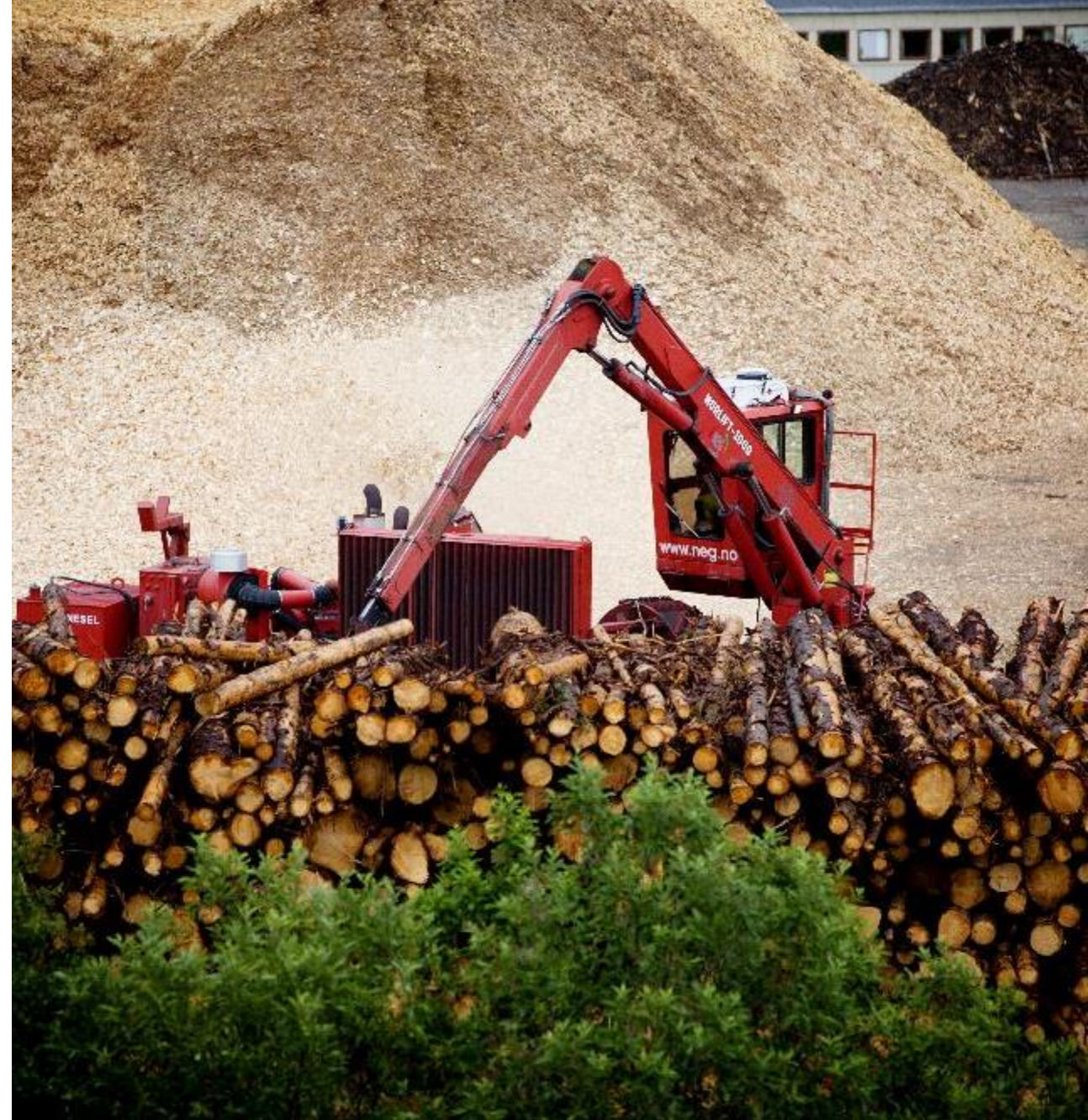
Governance

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%

Biocarbon strategy for environmental sustainability

- ◆ 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
- ◆ Elkem has developed new breakthrough technology for production of sustainable biocarbon
 - ▶ The technology combines utilisation of low cost raw materials with high yield conversion processes
- ◆ Elkem has now decided to 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



Battery project site selected for potential materials plant in Norway

- ◆ Rechargeable batteries are used in a wide range of applications
- ◆ Graphite is the leading anode material in lithium-ion battery cells and demand is expected to increase more than ten times from today's level to 2030, mainly driven by EVs
- ◆ Elkem is currently constructing a pilot plant for battery graphite in Kristiansand, Norway. The pilot, which represents an investment of NOK 65 million, aims to conclude process route and qualify products, and is expected to open in the beginning of 2021
- ◆ Elkem's Northern Recharge project aims to take a competitive position in this market, contribute to a strong European battery industry and build new Norwegian export industry based on renewable hydropower
- ◆ Elkem will progress the project towards a planned final investment decision in 2021
- ◆ Elkem will invite industrial and financial partners to participate in the project.



Specialisation and growth

Polysil acquisition a key strategic move

- ◆ 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
- ◆ Purchase price up to MCNY 941, consisting of base price and variable elements based on pre-defined criteria



- 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

