



SEB

Investment Grade Seminar

28 September 2022

Agenda

Brief introduction

Strategy

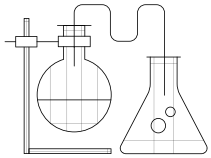
Market update

Financial performance

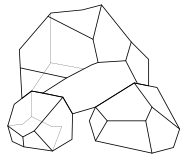


We are Elkem

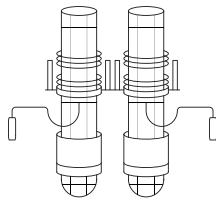
Advanced material solutions
shaping a better and more
sustainable future



Silicones



Silicon Products



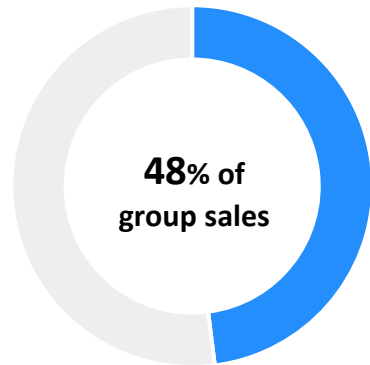
Carbon Solutions



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

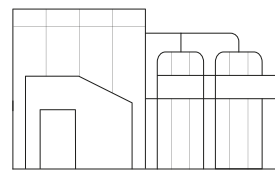
Silicones

Fully integrated silicones manufacturer with focus on specialities



Markets

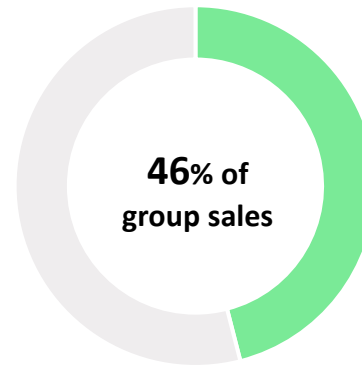
- Paper & film release
- Automotive
- Silicone rubber
- Chemical formulators
- Personal care
- Textile
- Healthcare
- Construction



14 plants worldwide

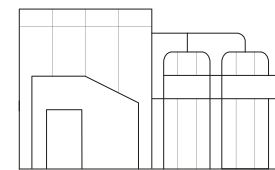
Silicon Products

Global producer and provider of silicon, ferrosilicon and specialties



Markets

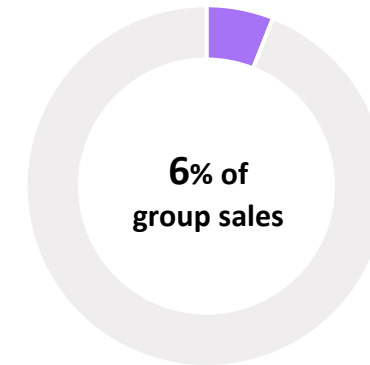
- Silicones
- Construction/Engineering
- Automotive
- Electronics
- Solar & wind
- Specialty steel
- Refractories
- Oil & gas



10 plants worldwide

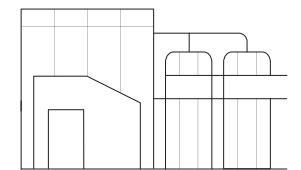
Carbon Solutions

Leading producer of electrode paste and specialty products



Markets

- Ferroalloys
- Silicon
- Aluminium
- Iron foundries



6 plants worldwide

Sustainable business model delivering record results

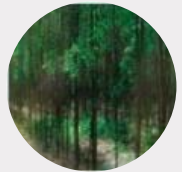
Low cost sustainable input factors



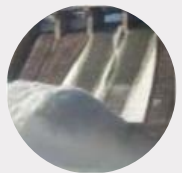
Quartz



Coal



Biocarbon



Power

High temperature/chemical production processes



Silicones



Silicon, ferrosilicon, foundry products and microsilica



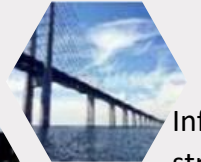
Carbon solutions

Examples of high value applications and markets

Wind turbines



Infrastructure



Airbags



Solar



Automotive EV



Electronics



Cooking, utensils



Release coating



Total operating income

NOK 43.4 bn.



EBITDA

NOK 13.0 bn.



EBITDA margin

30 %



Head office in Norway

30 plants worldwide



Employees worldwide

~ 7,000



R&D centres in Norway, France and China

>500 R&D people

Financial figures LTM as of 30.06.2022

Growing and strengthening competitive positions through operational excellence and increased specialisation

SILICONES	SILICON PRODUCTS	CARBON SOLUTIONS	NEW INITIATIVES
<p>Further improve underlying profitability</p> <ul style="list-style-type: none"> Improve and invest in operational excellence Further demonstrate specialisation strategy <p>Strong focus on growth, particularly in Asia</p> <ul style="list-style-type: none"> Xinghuo and Roussilon expansion projects Downstream projects Selected M&A Upstream sourcing 	<p>Further improve underlying profitability</p> <ul style="list-style-type: none"> Improve and invest in operational excellence Further demonstrate specialisation strategy <p>Pursue selective growth initiatives</p> <ul style="list-style-type: none"> Capital light M&A Small-size organic projects Evaluate new capacity 	<p>Strengthen already good profitability</p> <ul style="list-style-type: none"> Operational excellence Focus on margin management <p>Evaluate selective growth projects</p> <ul style="list-style-type: none"> M&A Small-size organic projects 	<p>Battery Materials</p> <ul style="list-style-type: none"> Strong position established with Vianode High growth market Evaluating partnerships <p>BioCarbon</p> <ul style="list-style-type: none"> High potential tech Timing and partners to be evaluated <p>Energy recovery</p> <ul style="list-style-type: none"> Potential to expand
PEOPLE & ORGANISATION			
DIGITALISATION			
ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG)			



We are Elkem





Advanced material solutions shaping a better and more sustainable future

Robust and integrated value chain securing cost competitiveness

Silicon metal (cost distribution based on industry average)

	Power ~35%	▶ Predominately long-term contracts securing low prices, combined with energy recovery
	Quartz ~10%	▶ Mostly captive sourcing
	Reduction agents ~20%	▶ Market exposure, but competitive position based biocarbon and long-term sourcing contracts
	Electrode ~10%	▶ Captive production
	Labour & other ~25%	▶ Strong productivity based on operational excellence Partly owned logistic chains

Siloxane (cost distribution based on industry average)

	Silicon ~50%	▶ EMEA; 100% covered by captive production in Norway APAC; 40% captive production
	Methyl Chloride ~30%	▶ EMEA; long-term consortium APAC; market exposure
	Utilities ~10%	▶ Combination of hedging and long-term predictable prices
	Labour and other ~10%	▶ Operational excellence Market exposure on external supplies

Xinghuo and Roussillon capacity increase update

	Xinghuo capacity increase	Roussillon capacity increase
Total investment	→ ~3,800 MNOK	→ ~360 MNOK
EBITDA margin (%)	→ +35%	→ +20%
Production start-up	→ H1 2024	→ H2 2023
Capacity increase	→ ~50% (+117ktpa)	→ ~25% (20 ktpa)
Production profile	→ 2024: 82ktpa → 2026: 117ktpa (full capacity)	→ 2024: 90ktpa → 2025: 100ktpa (full capacity)
Status	→ 40% construction completed → Cost, time and safety on target	→ Start of construction in Q4 2022
		

- Competitive capacity upstream supporting downstream investments by 2024
- Main capex in 2022 & 2023
- Start up expected Q4-23 (France) & Q1-24 (China)
- Upstream additional capacity consumed by downstream internal projects with a dynamic portfolio till 2024 under validation & maturation
- Expected to generate sales of BNOK ~10

Specialisation, a key strategy

- Focus on innovation and specialisation are key elements in Elkem's strategy
- Elkem Silicones has leadership positions in Release Coatings, Textile Coatings and Healthcare. More than 25% of sales are generated from products < 5 years
- In addition, Elkem has strong positions in specialty silicon, foundry alloys and carbon solutions
- To support the specialisation strategy Elkem has invested in new R&D centres and M&A
 - Acquisition of plant for organo-functional silicones in France
 - Investment in silicones fluids for personal care applications in China
 - Investment in medical silicones for long-term implants in the US
 - Acquisition of KeyVest Belgium S.A, a specialist company in silicon metal powders to refractory and advanced ceramics

Elkem's R&D centre in Lyon

- Elkem opened its new R&D centre, ATRiON, in Lyon on 1 July 2021
- 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



Elkem's R&I centre in Shanghai

- Elkem will invest approx. MNOK 150 in a flagship R&I centre for the Asia-Pacific
- New R&I centre addressing the development trends in key industries:
 - New-energy Vehicles Application for components to EV
 - Life Science Application Center for medical devices, pharmaceuticals etc.
 - Coating Application Center for release agents coating materials etc.
 - 3D Printing Application Center for product designs, manufacturing etc.



ESG – a key priority



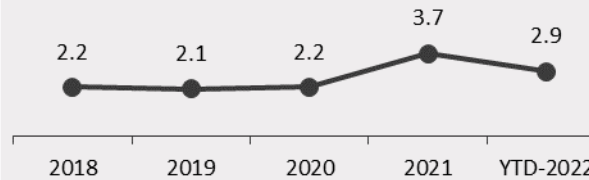
A clear focus on ESG

- Awarded Platinum sustainability rating from EcoVadis for 2022
- Mapping process for taxonomy eligible activities ongoing
- Ranked A in 2022 for ESG reporting by Position Green's assessment of the top listed Norwegian, Danish and Swedish companies



Safety

Ambition: Zero injuries



Social

- Strong focus on human rights – preparing human rights impact assessment
- Focus on diversity, equality & inclusion (DEI) – implementing new global strategy

Environment

- 22% biocarbon in production
- > 80% of electrical consumption from renewable energy
- CO₂ emissions (scope 1 & 2) reduced by 4% in 2021

Governance

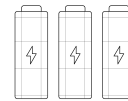
- Supplying the green transition, 26% of revenue from products contributing to reduced carbon emissions
- New suppliers screened against environmental and social criteria

Vianode invests NOK 2 billion in battery materials plant in Norway

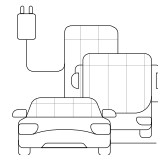
- The agreement between Elkem, Hydro and Altor has been closed following approval from the competition authorities
- Hydro and Altor Equity Partners have each acquired 30% ownership in Vianode, while Elkem will retain 40% ownership
- Vianode has decided to invest in an industrial-scale plant at Herøya in Norway, which will produce anode graphite for about 20,000 electric vehicles (EVs) per year by 2024
- The investment amounts to around NOK 2 billion, fully funded with equity
- This investment is the first phase in a larger investment plan. Preparations carried out in parallel for a second phase plant to provide battery materials to 2 million EVs yearly by 2030, a significant share of the global EV market



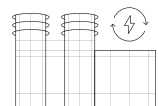
Produced with up to 90% lower CO₂ emissions



Products with unique performance characteristics



Market for battery materials is growing at exponential rate



EU & US focusing on building domestic battery value chains

40-70kg
of graphite in
typical electric
vehicle (EV)

Strong results explained by attractive market positions

- Elkem has delivered 7 consecutive quarters with improved EBITDA results, reaching a new all-time high in 2Q-2022
- Elkem continues to benefit from strong market positions and integrated value chains in Europe and China
- Long-term energy agreements covering the upstream metals production provide stable cost positions in distressed energy markets
- Robust financial position and strong cash flow
- Refinancing in 2Q-2022 securing a long-term debt maturity profile
- Elkem has BBB rating from Scope Ratings



2Q-2022 figures

Total operating income

MNOK 12,326

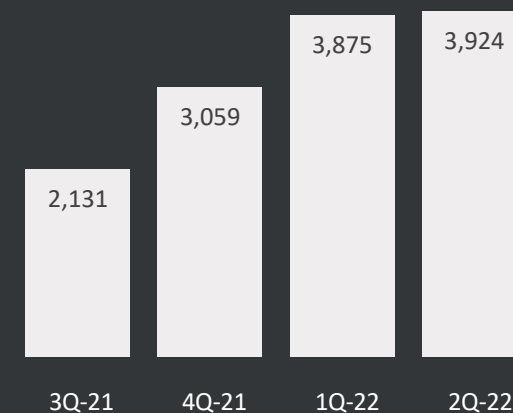
EBITDA

MNOK 3,924

EBITDA margin

32 %

EBITDA four last quarters



Soft demand, market prices held up by high raw material costs

- Mixed market sentiment for silicones products in 3Q-2022
- Demand and prices holding up well for speciality grades e.g. EV, healthcare and consumer products
- Challenging market conditions for commodity grades due economic uncertainty and inflation pressure
- DMC prices in China have been stable at around 20,000 CNY/t during 3Q-2022. Market negatively impacted by covid-restrictions and slower growth
- New capacity additions in China combined with weaker demand have resulted in current oversupply. Prices largely driven by raw material costs



DMC reference price China (CNY/mt)

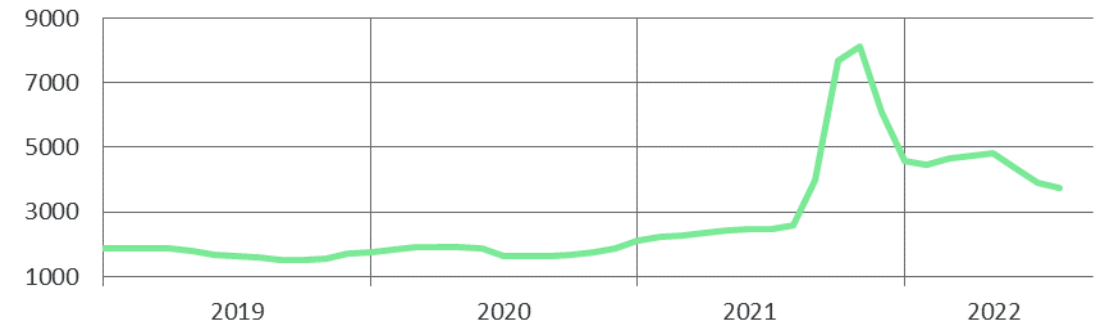


Prices down from peak levels, but still attractive

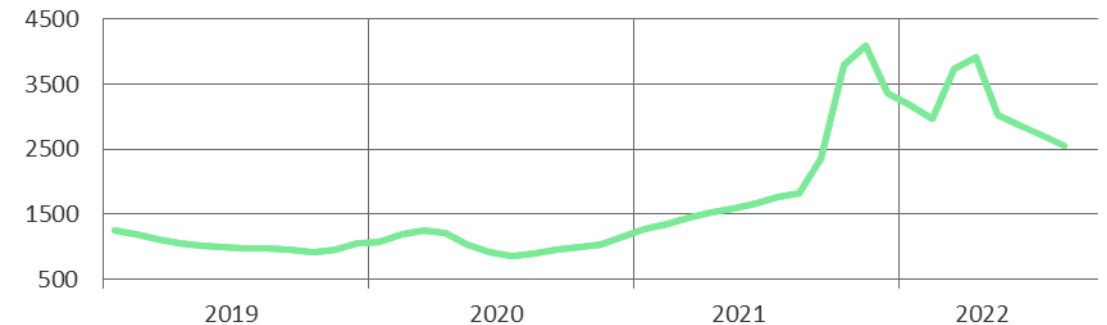
- Market prices for silicon and ferrosilicon are down from peak levels but still high in historical context
- Current CRU prices in Europe for silicon and ferrosilicon not sufficient to cover current spot electricity costs
 - Significant production capacity taken out due to energy situation
- Recent price decline in Europe largely driven by some Chinese imports
- However, energy costs still high also in China, with increasing risk of power curtailments
- Elkem continues to have full production across all units - weaker market demand offset by reduced supply



CRU silicon 99 price EU (EUR/mt)



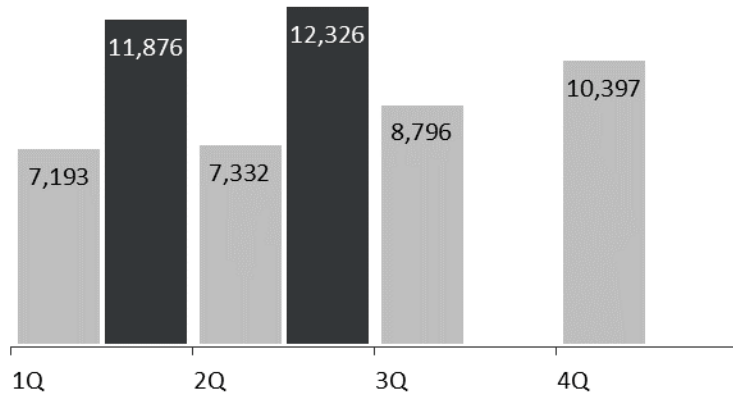
CRU ferrosilicon 75 price EU (EUR/mt)



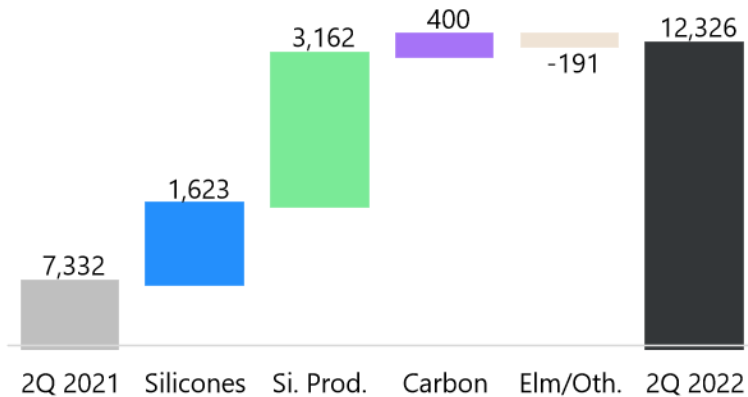
2Q-2022 - Another record result

Total operating income

- New all-time high driven by high sales prices

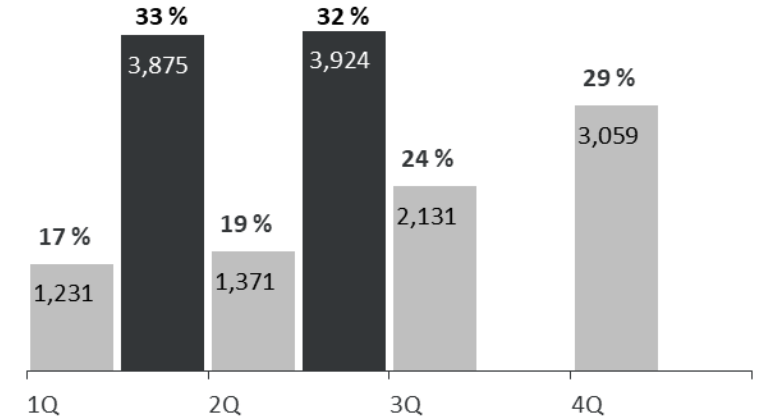


- Increased revenue generation in all divisions

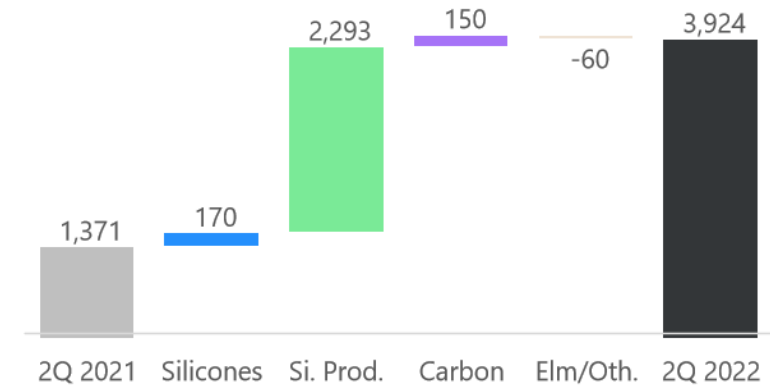


EBITDA

- Another record quarter

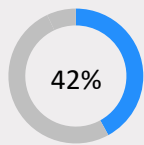


- Mainly driven by Silicon Products. New all-time high for Carbon Solutions

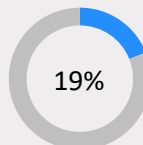


Good quarter, but impacted by maintenance stop

- Total operating income of MNOK 5,211, up 45% from the second quarter last year
 - Increased operating income driven by higher sales prices and higher sales volumes
- EBITDA of MNOK 743, up 30% from the second quarter last year
 - Improved EBITDA explained by higher sales prices, but negatively impacted by high raw material costs
 - Result was negatively impacted by delayed start-up after maintenance work in France – estimated EBITDA impact of MNOK 100
- Good demand in all regions, particularly for specialties in the US and Europe



Share of operating income



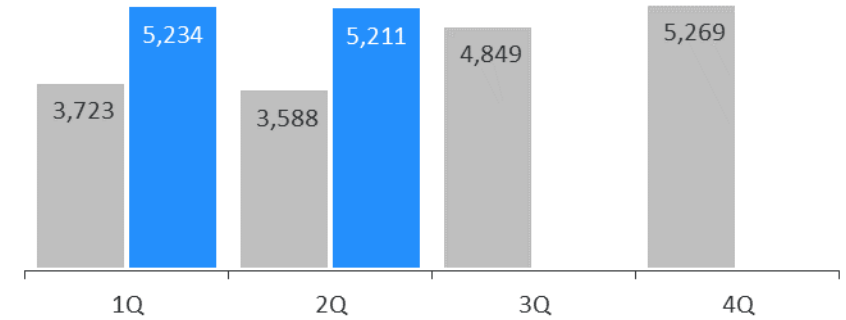
Share of EBITDA

Share of operating income from external customers ex. Other

Share of EBITDA ex. Other and Eliminations

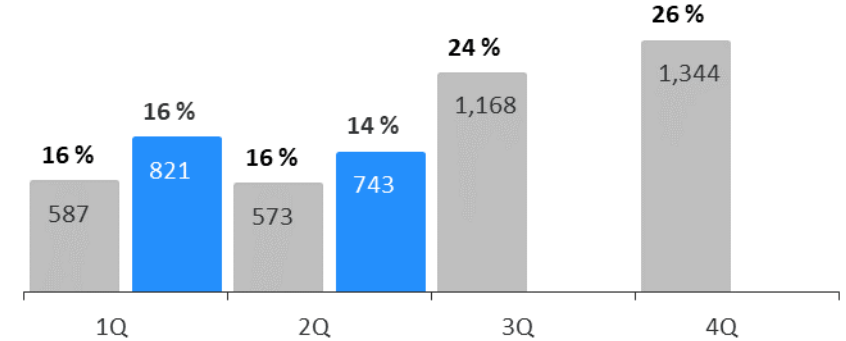
Total operating income

NOK million



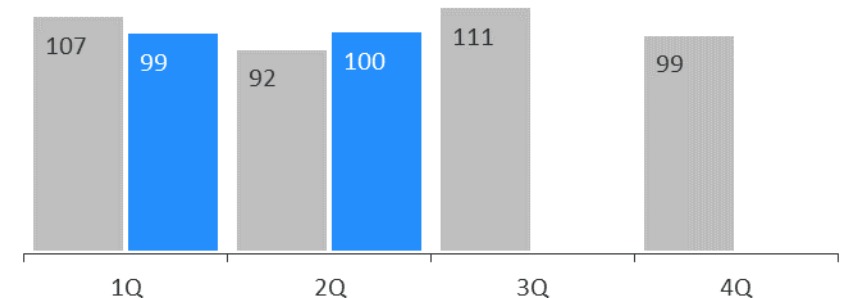
EBITDA and margin

NOK million and %



Sales volume

In 1,000 mt

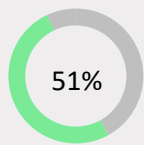


■ 2021

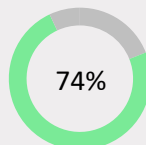
■ 2022

Another strong quarter

- Total operating income of MNOK 6,517 up 94% from the second quarter last year
 - Increased operating income driven by high sales prices
- EBITDA of MNOK 2,965, up 341% from second quarter last year
 - Strong EBITDA explained by higher sales prices and good operations
- The division continued to see robust demand, benefitting from strong market positions, good production performance and raw material positions



Share of operating income



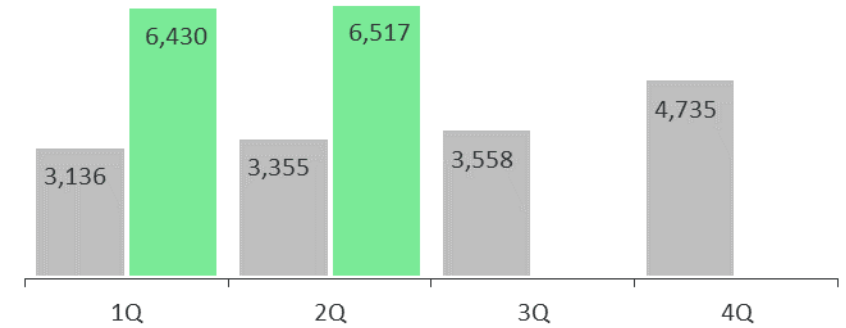
Share of EBITDA

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Share of EBITDA ex. Other and Eliminations

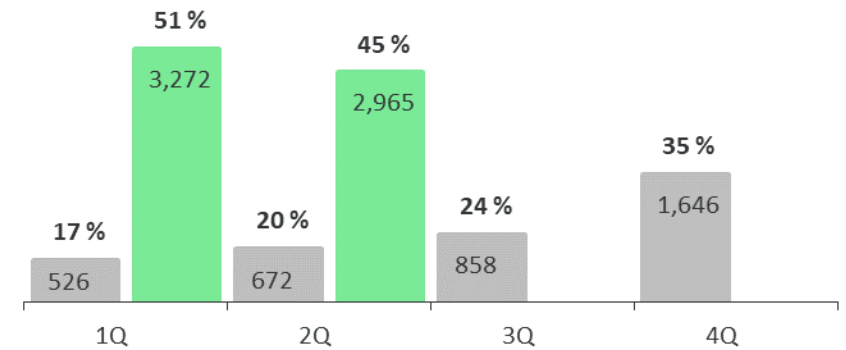
Total operating income

NOK million



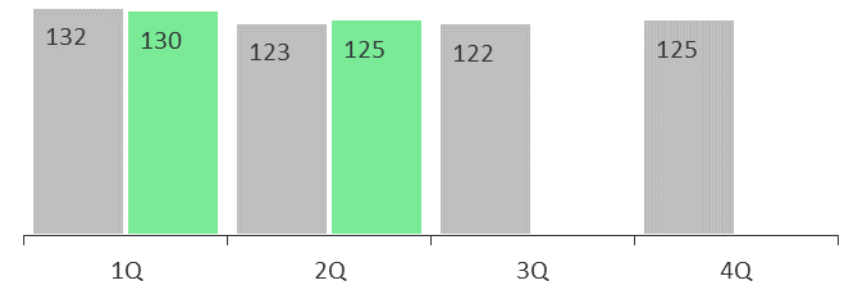
EBITDA and margin

NOK million and %



Sales volume

In 1,000 mt

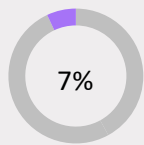


■ 2021

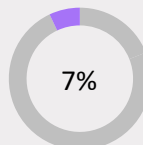
■ 2022

Record results driven by good operations and strong markets

- Total operating income MNOK 906, up 79% from the second quarter last year
 - Operating income reached all-time high, explained by high sales prices and higher sales volumes
 - Increase in sales prices mainly driven by higher raw material costs
- EBITDA of MNOK 268, up 127% from second quarter last year
 - EBITDA reached all-time high due to higher sales prices and higher sales volumes. This was partly countered by higher raw material costs
- Sales volume higher than corresponding quarter last year, mainly due to good underlying market for steel and ferroalloys



Share of operating income



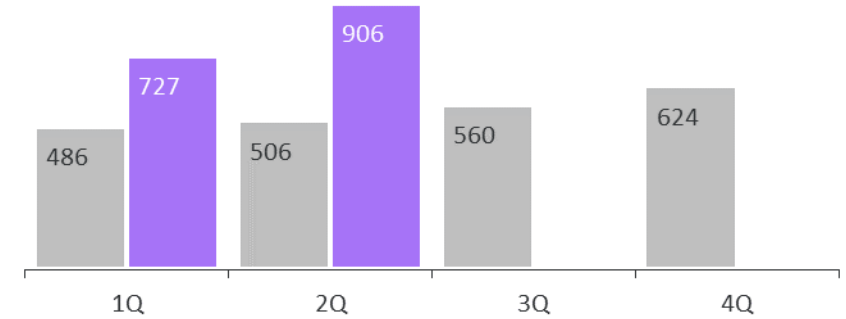
Share of EBITDA

Share of operating income from external customers ex. Other

Share of EBITDA ex. Other and Eliminations

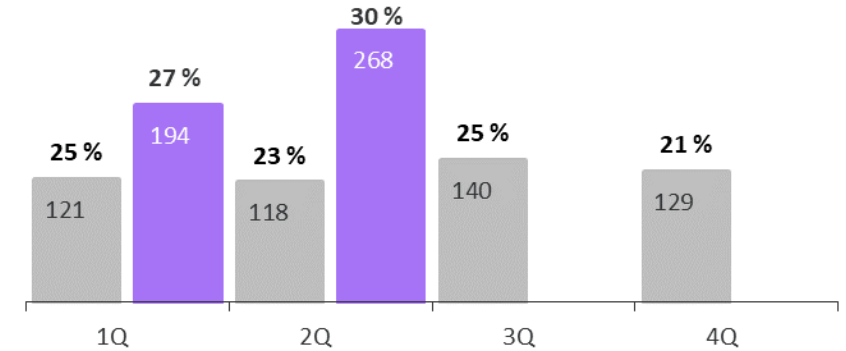
Total operating income

NOK million



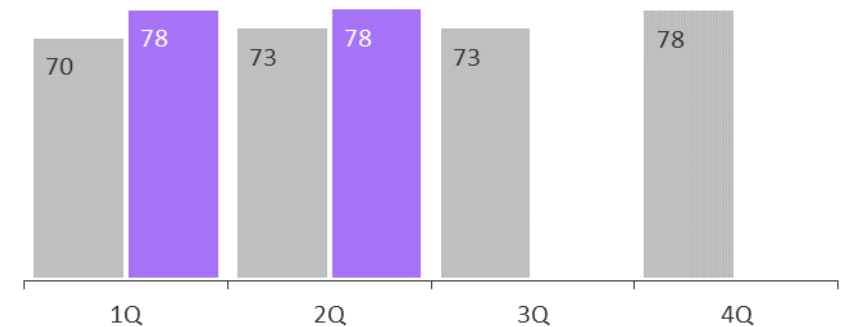
EBITDA and margin

NOK million and %



Sales volume

In 1,000 mt



■ 2021

■ 2022

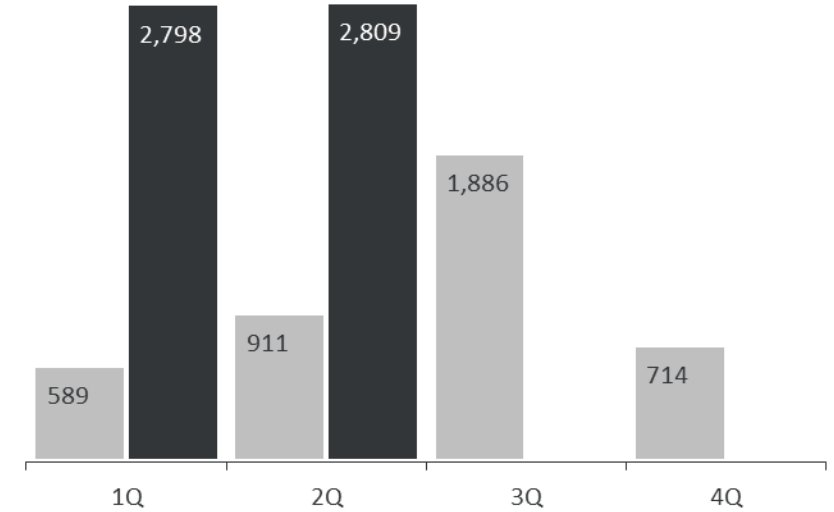
Strong cash flow and robust equity

- Cash flow from operations⁽¹⁾ was MNOK 2,809 in the second quarter
 - Strong cash flow generation explained by high operating profit
 - Increase in working capital mainly explained by higher inventories
 - Disciplined capital spending

- Total equity amounted to BNOK 25.9 as at 30 June 2022, up BNOK 6.0 from year-end 2021
 - Equity to total assets (equity ratio) of 52%
 - The equity increased by BNOK 3.0 in 2Q-2022, of which BNOK 1.3 was due to increased value of a power contract within the scope of IFRS 9
 - This effect was recognised in other comprehensive income (OCI)

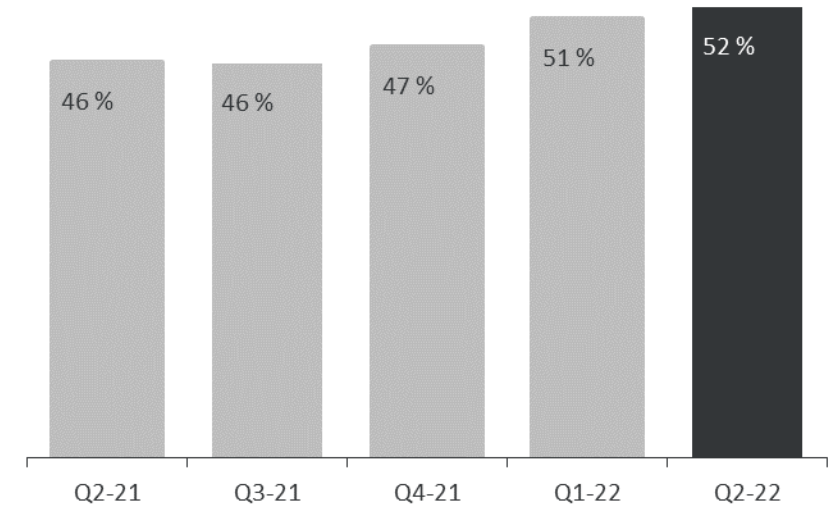
Cash flow from operations

NOK million



Equity ratio

In percent of total assets



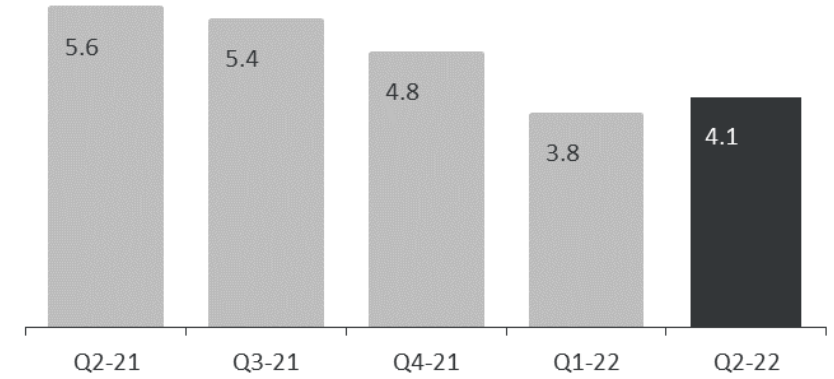
Low leverage, refinancing of bank facilities

- Net interest-bearing debt (NIBD) of BNOK 4.1 as at 30 June 2022
 - Leverage ratio of 0.3x based on LTM EBITDA of BNOK 13.0

- Refinancing of bank facilities to secure long-term maturity profile
 - The bank facilities with maturity in 2023 have been refinanced and upsized in 2Q-2022
 - New RCF of MEUR 500 and term loan of MEUR 500 with tenors of 5 years. The RCF has two 1-year extension options
 - The debt maturities in 2022 in China consist of local working capital financing, which are regularly rolled over

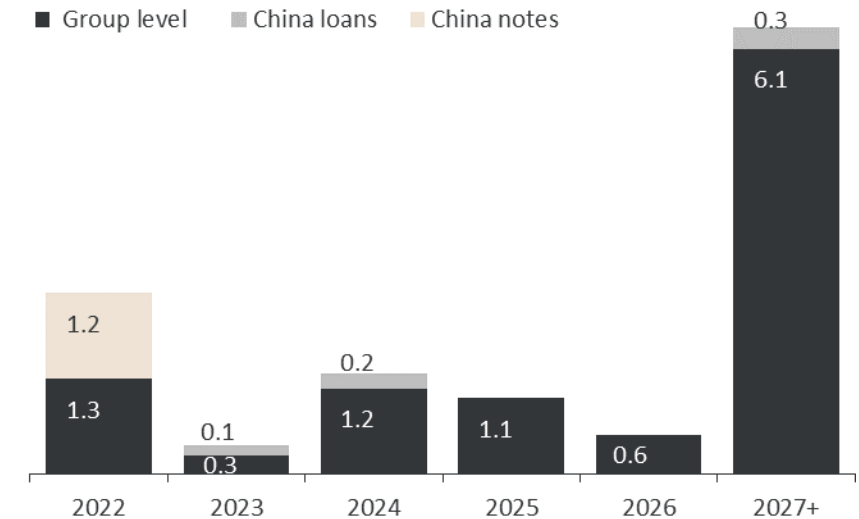
Net interest-bearing debt (NIBD)

NOK billion



Maturity profile

NOK billion



Summary & investments highlights

- Strong market positions and integrated value chains
- Well balanced business model with long-term energy contracts
- Low leverage and well managed maturity profile
- Robust financial position and strong equity ratio
- Strong cash flow generation and disciplined capital spending
- Investment grade rating from Scope Ratings



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.

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