



# Citi Chemical Conference

21 May 2021

# Agenda

- Brief introduction
- Financial performance 1Q-2021
- Business update
- Strategy

## Speakers

- Morten Viga, CFO
- Odd-Geir Lyngstad, VP Finance & Investor Relations



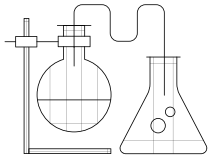
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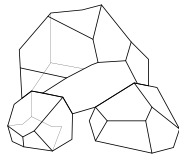


# We are Elkem

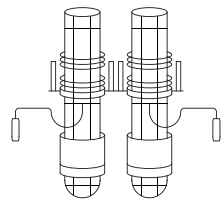
Advanced material solutions shaping a better and more sustainable future



Silicones



Silicon Products



Carbon Solutions



This is Elkem

# One of the world's leading providers of advanced material solutions

- Track record of continuous improvement since 1904
- A global team of 6,800 people, with >500 in R&D
- 29 production sites, R&D centres and offices worldwide
- Headquartered in Norway, hubs in France and China
- Growth strategy driven by operational excellence and increased specialisation



This is Elkem

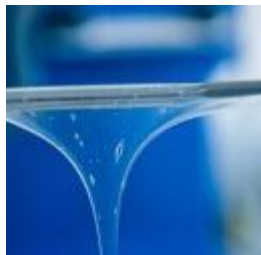
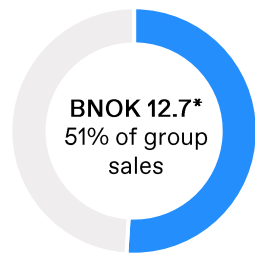
# We offer silicones, silicon products and carbon solutions through dedicated business divisions

## Silicones

Fully integrated silicones manufacturer with focus on specialities

## Markets

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



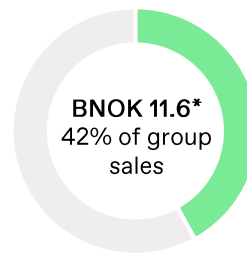
12 plants worldwide

## Silicon Products

Global producer and provider of silicon, ferrosilicon and specialties

## Markets

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



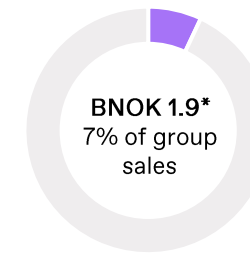
11 plants worldwide

## Carbon Solutions

Leading producer of electrode paste and specialty products

## Markets

- Ferroalloys
- Silicon
- Aluminium
- Iron foundries



6 plants worldwide

This is Elkem

A global team of 6,800 people  
serving customers around  
the world

- Production site
- Sales office
- HQ



# ESG – a key priority for Elkem

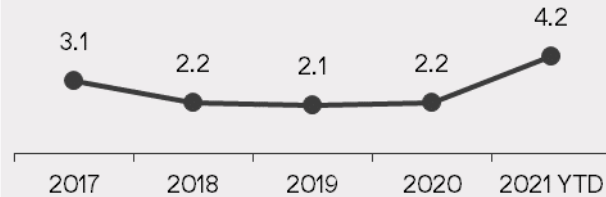


## A clear focus on ESG

- A strong improvement in environmental impact was a key criteria for the new investment decision in China
- In 2020, Elkem received an A rating from CDP, ranking in the world's top 5% on climate
- In 2020, Elkem again received a Gold sustainability rating from EcoVadis

## 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

- Target reached to replace 20% fossil CO2 emissions with biocarbon by 2020
- NOx emissions reduced by 24% since 2015, equal to 468,000 diesel cars

## Governance

- Adherence to Norwegian Code of Practice for Corporate Governance
- TCFD framework for climate risk management is being implemented in 2021



# Agenda

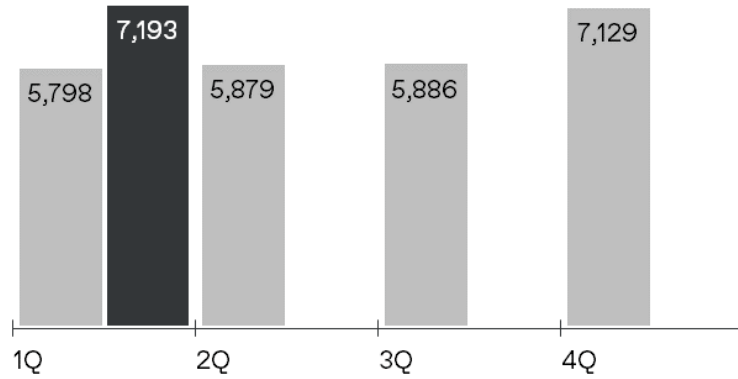
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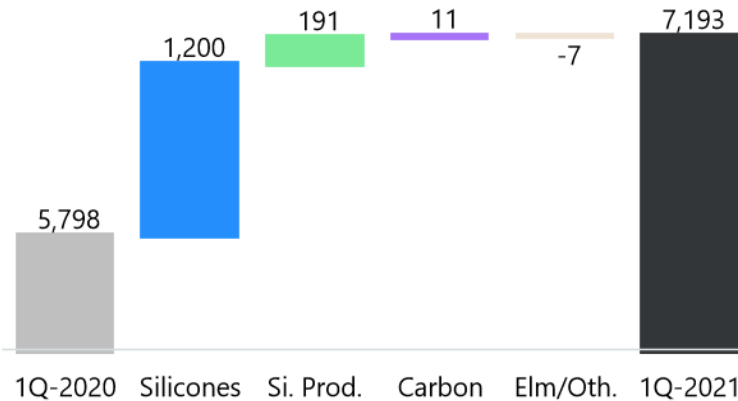
# Strong results driven by good markets and operational excellence

## Total operating income

- Reaching another all-time high

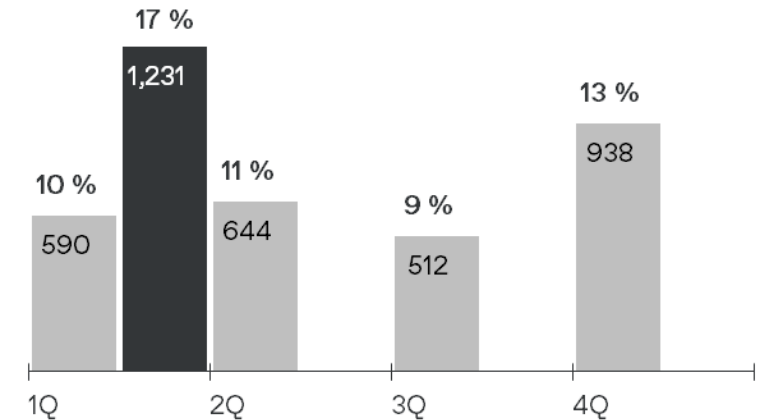


- Strong sales volumes across all divisions

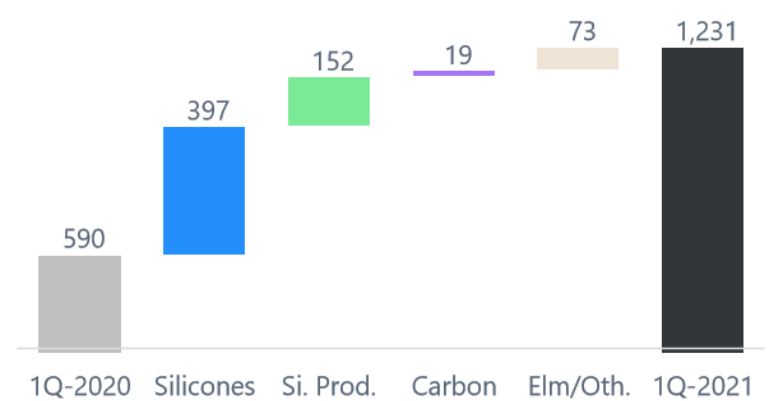


## EBITDA

- More than doubled from 1Q-2020



- Improved performance in all segments



# Higher EBITDA driving improvements in key ratios

- EBITDA MNOK 1,231
  - Segment Other included realised currency hedging gains of MNOK 13
- Productivity Improvement Programme continues to proceed ahead of plan
  - Annual run rate of MNOK 230 by end of 1Q-2021
  - Annual improvement target MNOK 350 to be reached by end of 2021
- Other items MNOK -63
  - Mainly consisted of negative effects on interest element in embedded derivatives in power contracts MNOK -40 and negative currency effects MNOK -38 from working capital items
- Net financial items MNOK 57
  - Mainly explained by currency gains of MNOK 123 due to positive translation effects on EUR loans, partly offset by net interest expenses MNOK -58
- Tax MNOK -133
  - Giving a tax rate for the quarter of 16%

## Consolidated key figures

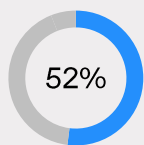
<i>(NOK million, except where specified)</i>	1Q 2021	1Q 2020	YTD 2021	YTD 2020	FY 2020
Total operating income	7,193	5,798	7,193	5,798	24,691
EBITDA	1,231	590	1,231	590	2,684
EBIT	806	197	806	197	957
Other items	-63	129	-63	129	-130
Net financial items	57	66	57	66	-229
Profit (loss) before income tax	824	364	824	364	584
Tax	-133	-102	-133	-102	-306
Profit (loss) for the period <sup>(1)</sup>	684	251	684	251	239
<b>Key ratios</b>					
EPS (NOK per share)	1.17	0.43	1.17	0.43	0.41
Equity ratio (%)	41 %	40 %	41 %	40 %	41 %
Net interest bearing debt (NIBD) <sup>(2)</sup>	7,668	6,772	7,668	6,772	8,058
Leverage ratio	2.3	2.8	2.3	2.8	3.0
Reinvestments % of D&A	62 %	64 %	62 %	64 %	81 %
ROCE (annualised) (%)	17 %	4 %	17 %	4 %	5 %

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

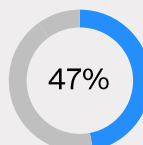
<sup>(2)</sup> Excluding receivables from related parties, loans to external parties, accrued interest income and non-current other restricted deposits

# Strong markets in major regions

- Total operating income of MNOK 3,723 up 48% from first quarter 2020
  - Increased operating income was mainly explained by higher sales volumes. 1Q-2020 was impacted by Covid-19 in China
- EBITDA of MNOK 587, up 209% from first quarter last year
  - Mainly explained by higher sales volumes but also positive impact from higher sales prices
- The strong sales volumes reflect good underlying demand in all major regions and strong operational performance



Share of operating income



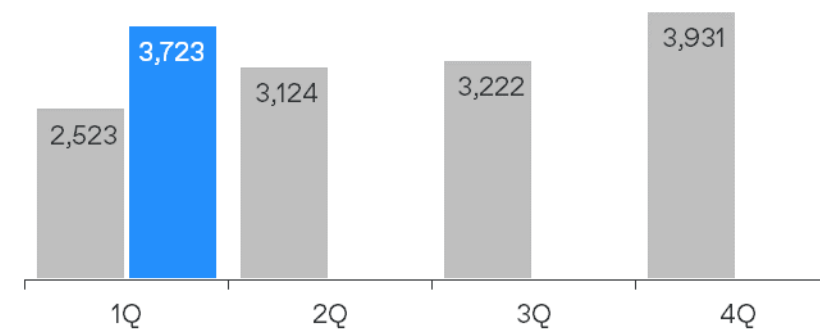
Share of EBITDA

Share of operating income from external customers ex. Other

Share of EBITDA ex. Other and Eliminations

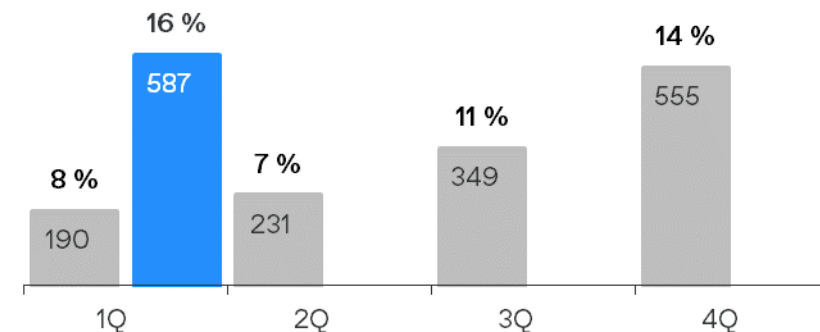
## Total operating income

NOK million



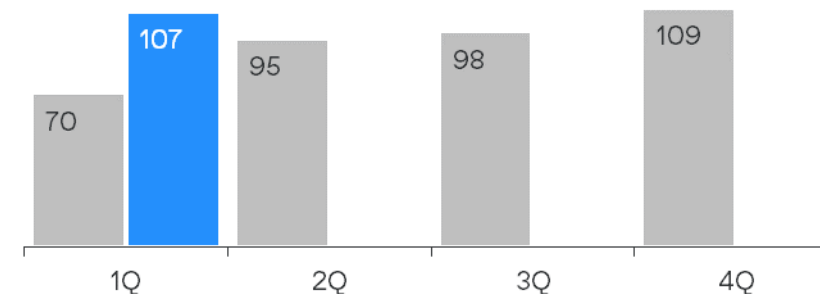
## EBITDA and margin

NOK million and %



## Sales volume

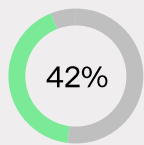
In 1,000 mt



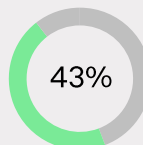
■ 2020  
■ 2021

# Good operations and attractive market conditions

- Total operating income of MNOK 3,136 up 6% from first quarter last year
  - Explained by higher sales prices and higher sales volumes
- EBITDA of MNOK 526, up 41% compared to first quarter last year
  - Explained by higher sales prices and higher sales volumes
  - Positively impacted by sales mix effects with higher sales of speciality products
- Strong sales volume and mix reflecting demand recovery and tight supply/demand balance



Share of operating income



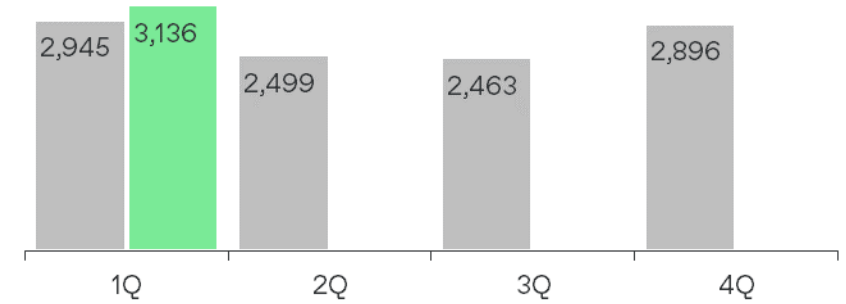
Share of EBITDA

Share of operating income from external customers ex. Other

Share of EBITDA ex. Other and Eliminations

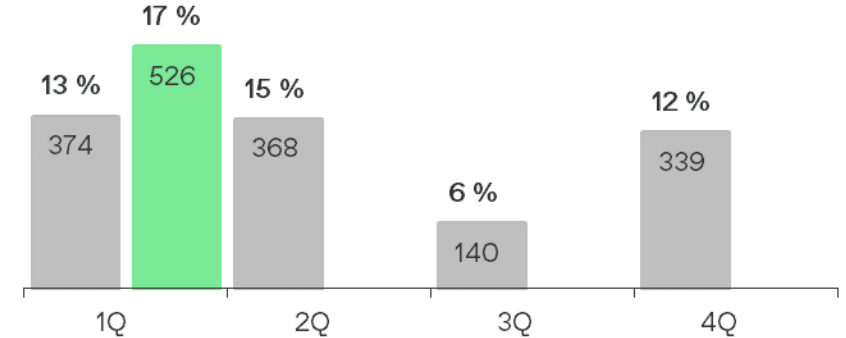
## Total operating income

NOK million



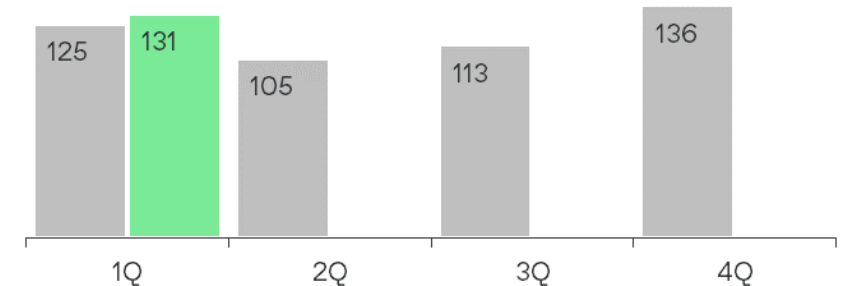
## EBITDA and margin

NOK million and %



## Sales volume

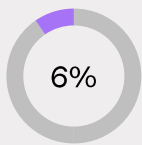
In 1,000 mt



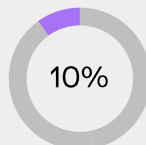
■ 2020  
■ 2021

# Operational excellence driving record results

- Total operating income MNOK 486, up 2% from first quarter last year
  - Higher volumes partly offset by currency effects due to stronger NOK
- EBITDA of MNOK 121, all-time high and up 19% from first quarter last year
  - Improved EBITDA explained by higher sales volumes and better product mix
- Higher sales volumes reflecting strong underlying markets for steel and ferroalloys



Share of operating income



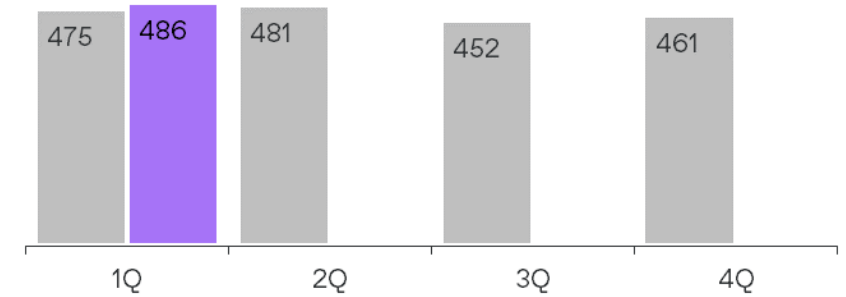
Share of EBITDA

Share of operating income from external customers ex. Other

Share of EBITDA ex. Other and Eliminations

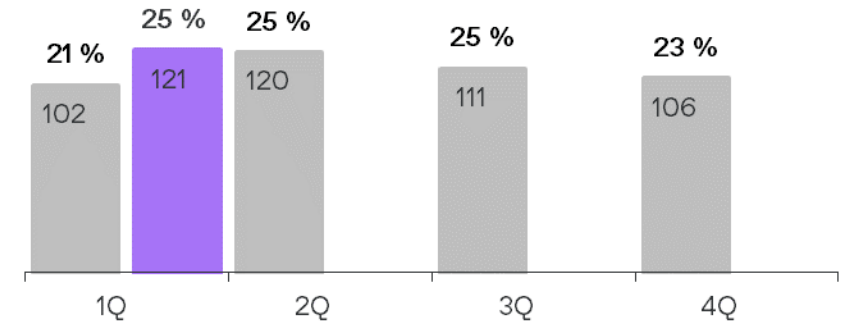
## Total operating income

NOK million



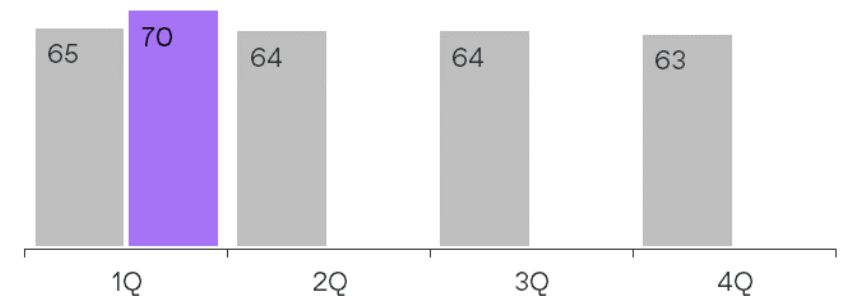
## EBITDA and margin

NOK million and %



## Sales volume

In 1,000 mt



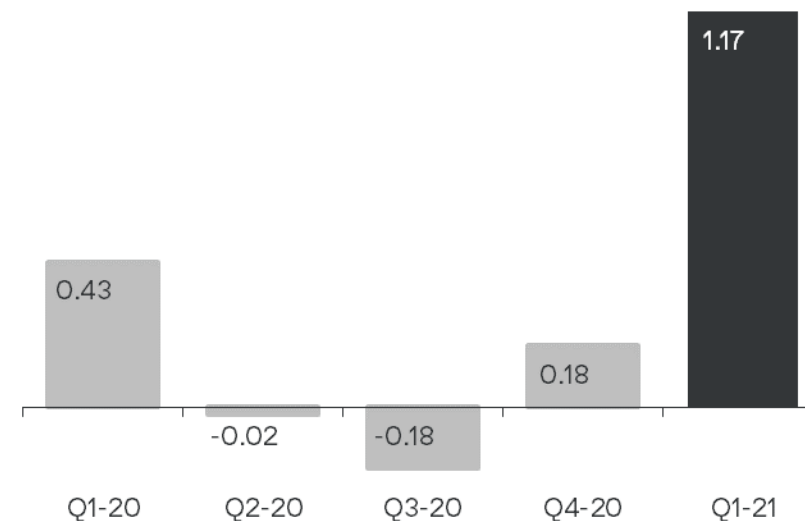
■ 2020  
■ 2021

# Strong earnings per share and robust equity

- Earnings per share (EPS)
  - EPS amounted to NOK 1.17 in the first quarter
  - The improvement in EPS reflected stronger underlying results and positive net currency effects from stronger NOK
  
- Total equity amounted to BNOK 13.4 as at 31 March 2021, up by BNOK 0.8 from year-end 2020
  - Equity ratio stable at 41%
  
- On 26 April 2021, Elkem raised MNOK 1,891 of new equity (gross proceeds) to further strengthen the growth platform
  - The subscription price was NOK 33.50 per share
  - The post-offering ownership of China National Bluestar will be 52.91% who will remain as a long-term strategic majority shareholder

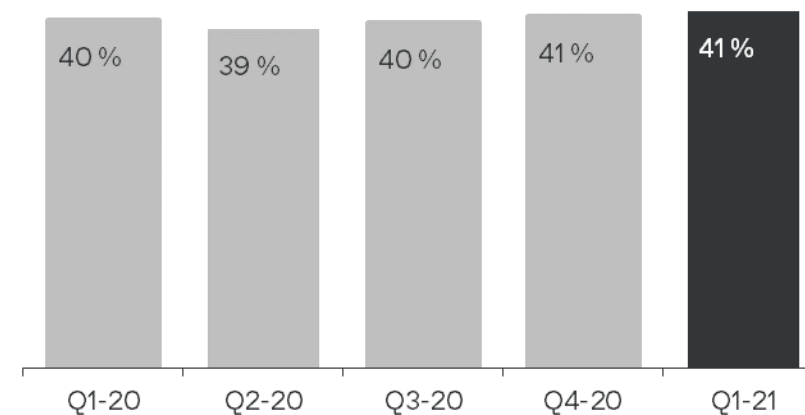
## Earnings per share (EPS)

NOK per share



## Equity ratio

In percent of total assets



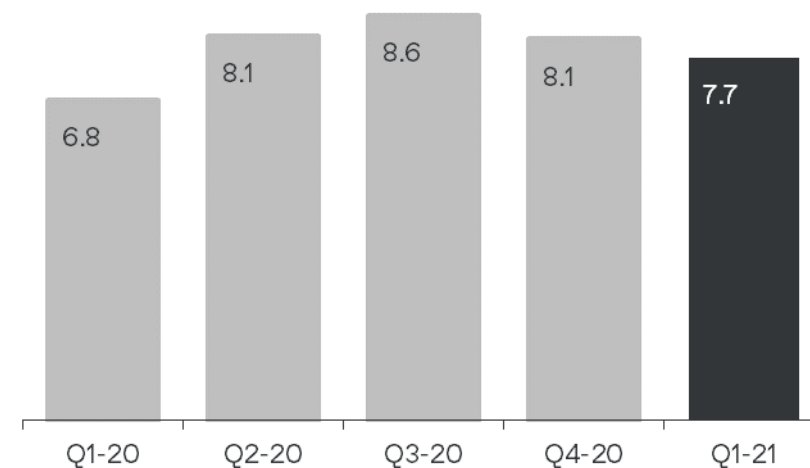
- 2020
- 2021

# Successful bond issue and improved leverage ratio

- Net interest-bearing debt (NIBD) was BNOK 7.7 as at 31 March 2021
  - Leverage ratio was 2.3x based on LTM EBITDA of BNOK 3.3
  - The leverage ratio was clearly improved over the past two quarters due to higher EBITDA and lower NIBD
  
- Debt maturities in 2021 well managed
  - Elkem successfully raised new bond loans of MNOK 1,250 on 3 and 5 years for partly refinancing of maturities in 2021
  - The facility of MNOK 2,000 has been scaled down to MNOK 750 after the bond issuance
  - The debt maturities in China mainly consist of local working capital financing, which are regularly rolled over

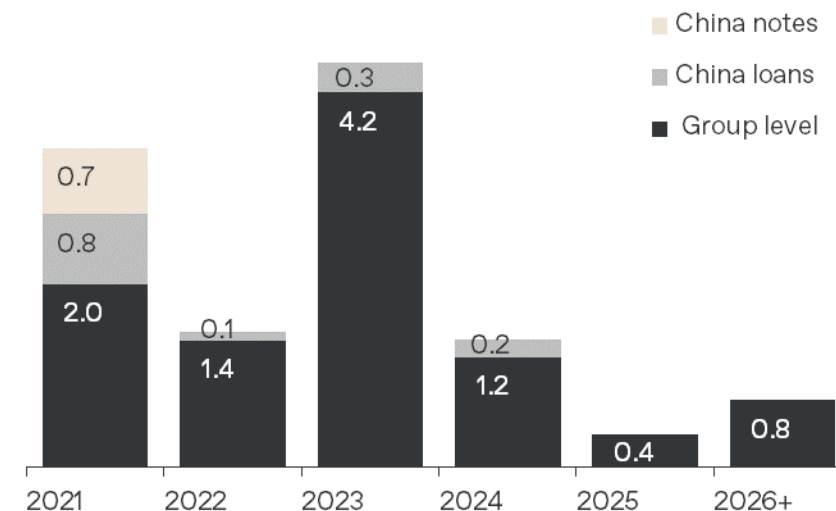
## Net interest-bearing debt (NIBD)

NOK billion



## Maturity profile

NOK billion



- 2020
- 2021



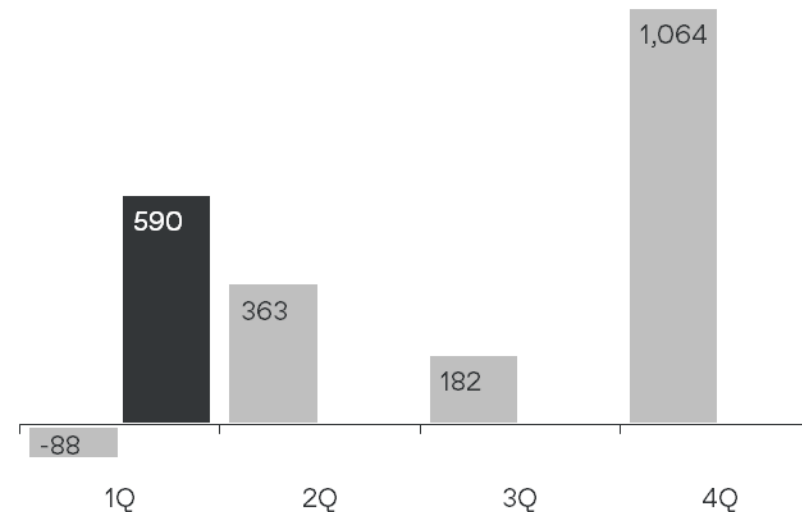
# Good cash flow and stable investments

- Cash flow from operations<sup>(1)</sup> was MNOK 590 in the first quarter and clearly improved from the corresponding quarter last year
  - Improvement mainly explained by improved EBITDA generation
  
- Investments ex. M&A amounted to MNOK 443 in the first quarter 2021, in line with first quarter 2020
  - Reinvestments was MNOK 259 in the quarter, amounting to 62% of D&A.
  - Strategic investments of MNOK 184, primarily Silicones R&D centre, silicones specialisation projects and the battery materials project

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

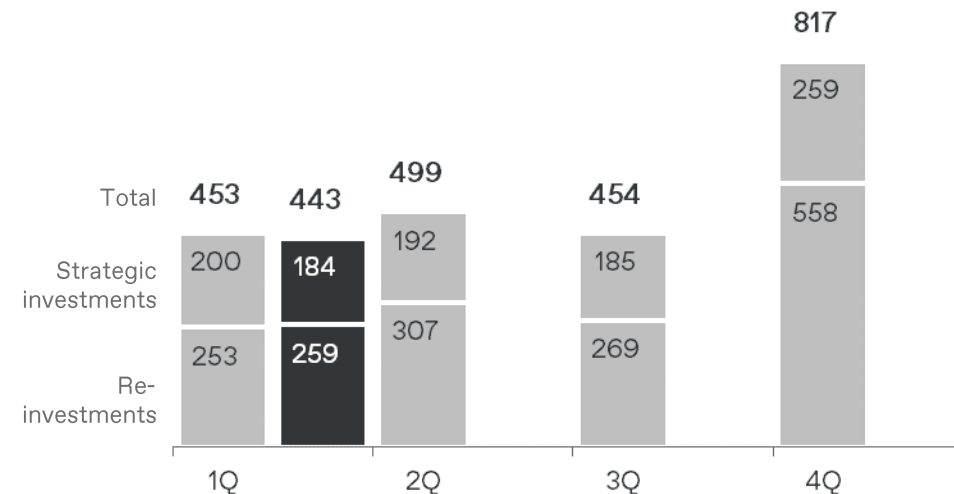
## Cash flow from operations

NOK million



## Investments ex. M&A

NOK million



■ 2020  
■ 2021

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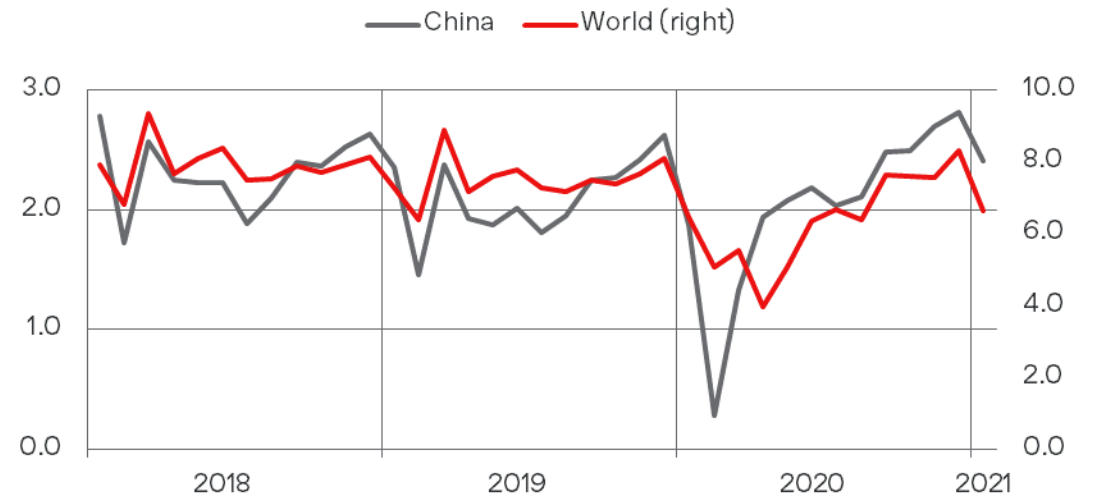


# Continued recovery in key markets and regions

- Global automotive markets have continued to recover after the Covid-19 effects in 1H-2020, but show regional differences because of Covid restrictions
- Constraints on supply of semi-conductors have impacted automotive production early 2021, but has so far not impacted demand for silicon and ferrosilicon alloys
- General upward pressure on commodity and raw material prices
- GDP forecasts indicate continued growth for 2021 and 2022
- Major economies have passed significant economic stimulus packages to sustain growth



Automotive – units sold (million)



# Prices remain at attractive levels beginning of 2Q

- The silicones demand was strong in all major regions during the first quarter and have remained at attractive levels early second quarter
- Increased demand for specialties in APAC, Europe and the US following economic recovery
  - Most major suppliers have announced price increases in the range of 10 – 20% for all product categories
- Strong markets in China following Chinese New Year
  - Spot prices have again soared however, the peak spot levels are not representative for the main trading volumes



DMC reference price China (CNY/mt)

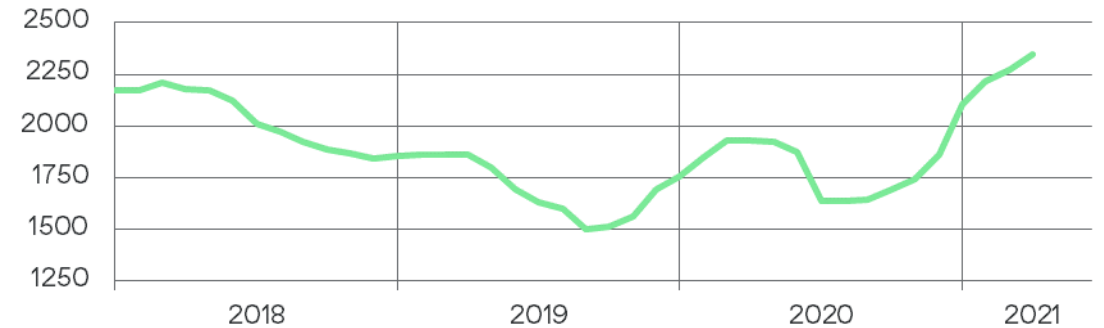


# Prices have continued to rise into the second quarter

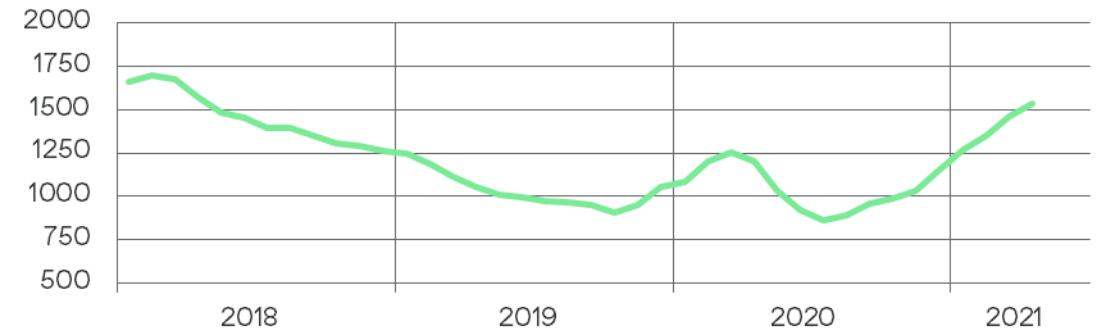
- Market prices have continued to rise during the first quarter and into the second quarter
  - Silicon prices up 26% and ferrosilicon prices up 33% from December to April
  - Good demand mainly driven by steel and automotive
  - Still low supply, restarts hampered by challenging global supply chains and low container availability
- Specialty products
  - Good recovery due to improvements in automotive



CRU silicon 99 price EU (EUR/mt)



CRU ferrosilicon 75 price EU (EUR/mt)

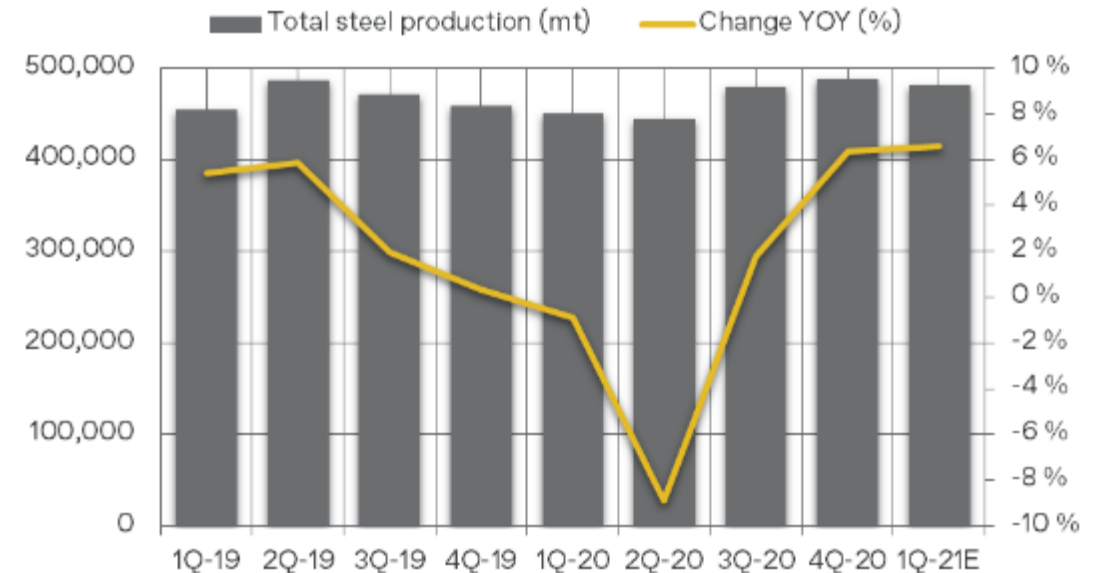


# Market fundamentals continue to improve

- Steel markets and ferroalloys are key demand drivers for carbon products
- Global steel production has shown strong recovery since the second quarter 2020
  - Production is estimated to grow by 7% in 1Q-2021 vs 1Q-2020
  - China is driving the YOY increase in production
  - EU has recovered back to Q1-2020 level, while North America has still not fully recovered
  - Industry forecasts predict continued demand growth in the coming quarters
- Higher steel production is driving demand and higher sales prices for ferroalloys



World steel production



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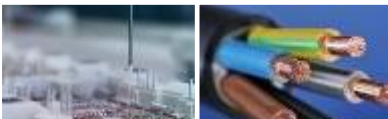
Growth driven by operational excellence and increased specialisation

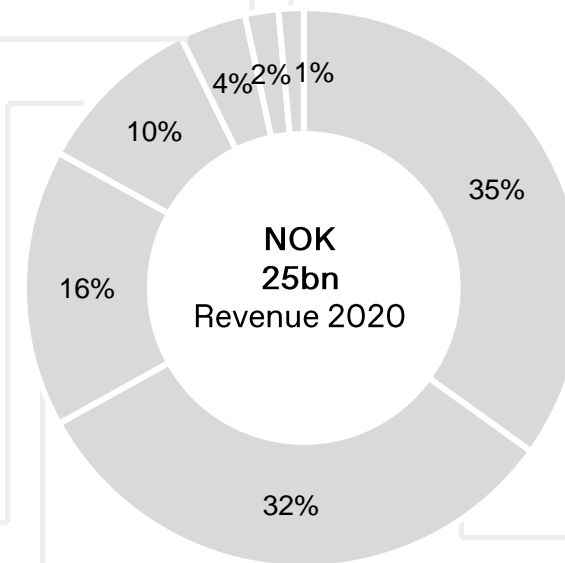
# Elkem benefits well from a multitude of global megatrends underpinning a higher and increasingly diversified demand



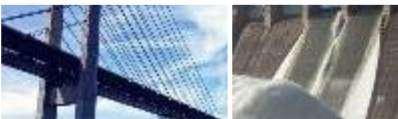

Several global megatrends...

....driving demand for silicones across a range of end-markets

 Sustainability	
 Growing energy demand	
 Rapid urbanisation	
 Increased standard of living	
 Ageing and growing population	
 Digitalisation	
 Mobility and electrification	

 Health & Personal Care
 Consumer goods
 Electronics



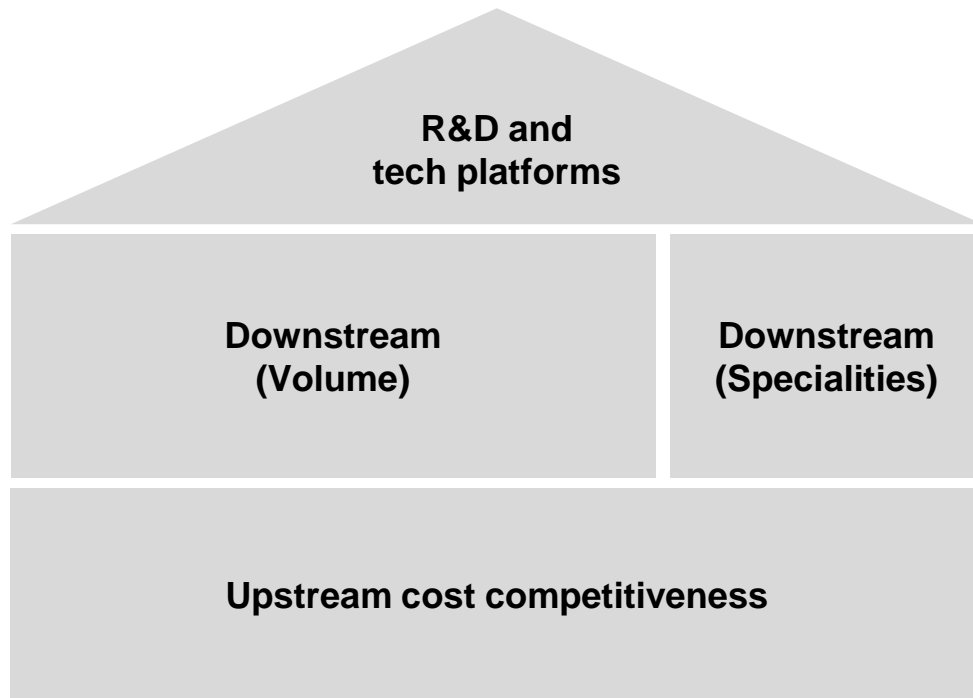
 Chemicals
 Transportation
 Construction
 Energy



Growth driven by operational excellence and increased specialisation

# Elkem's strategy to be a leading integrated silicones solutions provider

## Building blocks for an integrated player



## Key success factors for an integrated player



R&D and technology platforms enabled in order to further drive specialisation



Specialty silicones to stabilise financial performance and improve visibility



Downstream volumes to offtake upstream capacity



Upstream competitive cost to improve position across the cycle



Reducing emissions is a critical part of a sustainability strategy

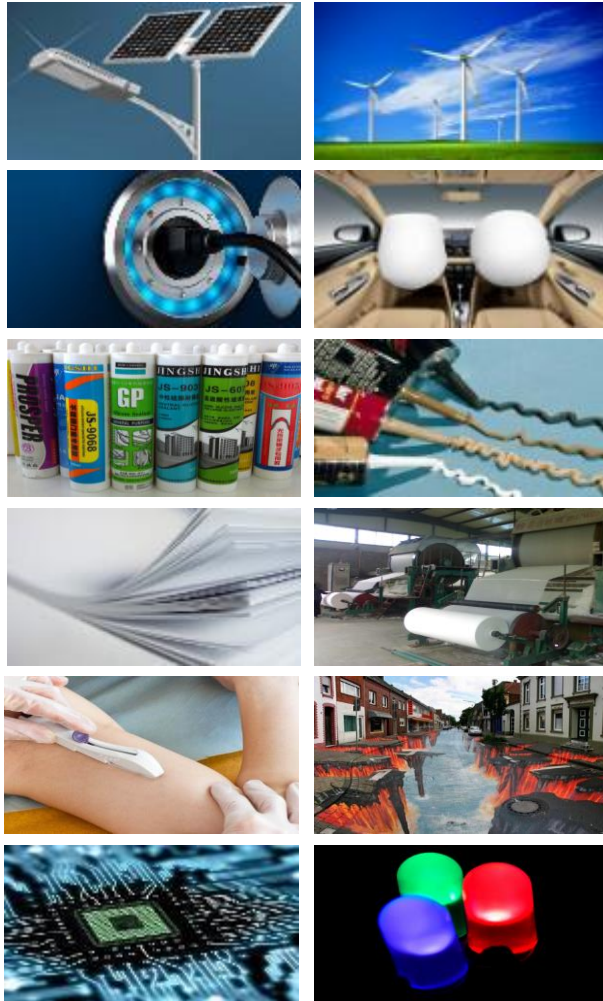
## Xinghuo expansion



Xinghuo expansion ticks all the boxes for Elkem in its strategy to create value through increased specialisation

Growth driven by operational excellence and increased specialisation

# Significant investments in R&D capabilities and downstream silicones to accelerate specialisation



## Organic projects (examples)



- Consumer goods products for tissue softening, hygiene and labels



- Power & Mobility products for encapsulation for electronics



- New products designated for 3D printing in health care & industrials



- Ultra-high purity silicones for long-term implants in life science (Silbione®)



- New investment in organo-functional silicones manufacturing plant, as well as in low viscosity silicones fluid capacity (2021)

**Award winning products**  
PURESIL™ ORG01 wins 2020 Ringier Technology Innovation Award for Personal Care

**New R&D centre in Lyon**  
operational in 2021 bringing together 130 researchers to reinforce innovation

**Sizeable R&D centers**  
in all regions with +450 dedicated R&D employees working closely with customers

## Downstream M&A



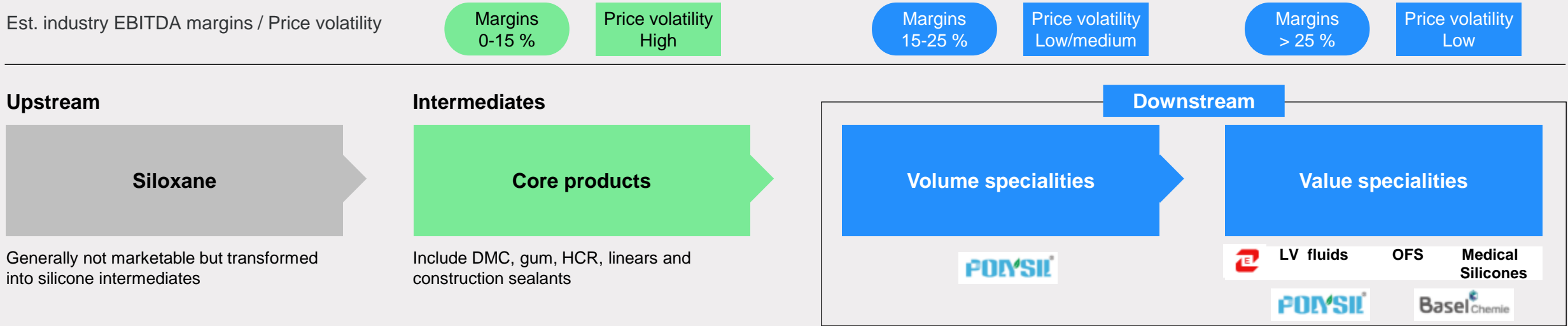
- Tech driven downstream silicones producer
- High-end specialty portfolio for skin care, cosmetic applications, and water repellents for construction industry – focus on green, sustainable products



- Strong silicones production & innovation platform
- Develops Polysil – a well-known brand in South China for applications in automotive, food, power, medical devices and PSA electronic

Growth driven by operational excellence and increased specialisation

# Specialisation securing higher and more stable margins



- Elkem has a strong position in upstream silicones production and is integrated through the value chain from quartz and silicon metal to downstream silicone specialties

- Downstream specialisation through organic growth and acquisitions
- Polysil and Basel Chemie with strong specialised product positions
- Organic growth into areas such as organo-functional silicones, medical applications and low viscosity fluids

# Elkem to further strengthen its silicones position in Asia

- Investment decision for brownfield expansion in China
  - Further strengthening of Elkem's position as China's leading fully-integrated silicones producer
  - Increasing the capacity at Elkem Xinghuo by approx. 50%
  - Increased upstream capacity to support specialisation strategy by driving downstream volumes and capturing new markets
  - Expected commissioning/production start-up 1H 2024
- Total investment of ~MNOK 3,800
  - To be financed by a combination of debt facilities, new equity and cash flow generation
  - Elkem will at any time aim to maintain an investment grade profile



## Elkem Xinghuo – a state of the art facility

- Elkem Xinghuo is the largest silicones plant in China
- Production of 235 kt of siloxane in 2020
- Staff of ~1650 skilled employees



# Strong strategic rationale to pursue capacity expansion



## Industry fundamentals underpin strategy

- Global annual growth of ~4.5%
- Attractive industry margins over-the-cycle



## Strengthen position in the fastest growing market

- China is the fastest growing market with +6.5% CAGR
- Increasing need for specialised products of higher purities



## Enhance downstream silicones capabilities & integration

- Scale & higher quality from captive upstream enable expansion of downstream volumes
- Increase end-market and geographical reach to improve pricing stability and realise backlog of downstream projects



## Supporting the specialisation strategy

High purity products

Products towards more demanding customers

High degree of linears

Substitute for cyclic (limited by new regulations in Personal Care)

Improved shelf life






Reach more customer groups with long-distance logistics

Better access to by-products

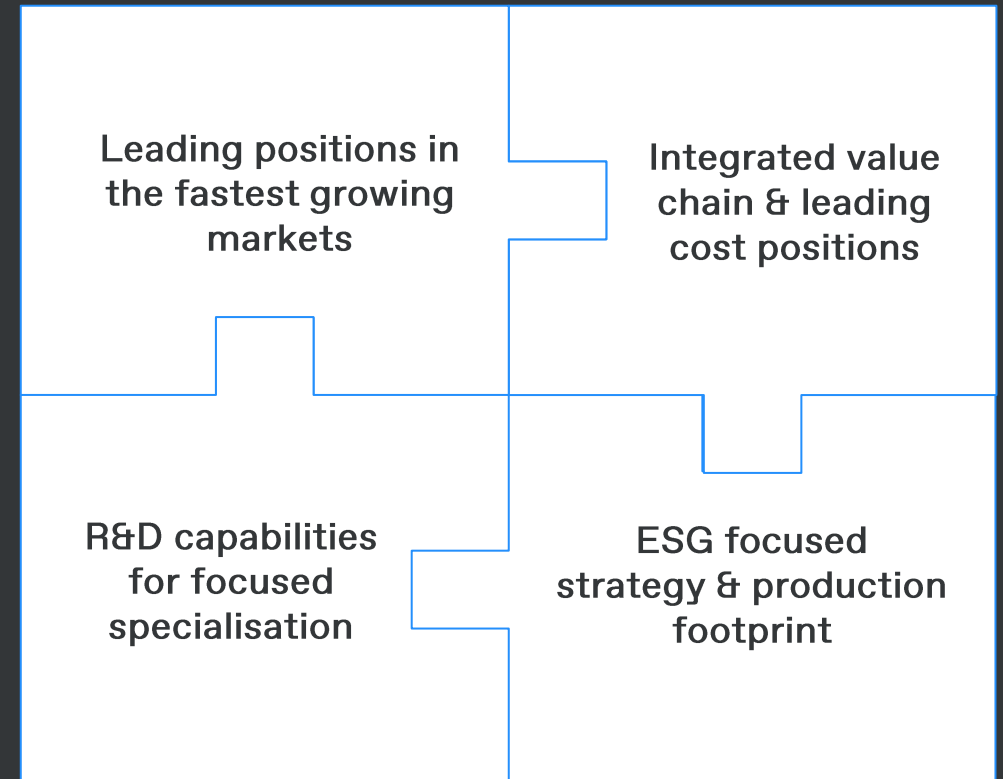
More robust supply chain can reach more customers

# Significantly improving financial and environmental performance

## Strong financials and improved environmental performance

Attractive investment	Profitability	 +35% EBITDA margin
	Capacity expansion	 50% capacity increase
Sustainable production	Energy use	 ~57% reduction
	Raw materials use	 ~11% reduction
	Solid waste	 ~30% reduction

## Delivering on Elkem's strategy

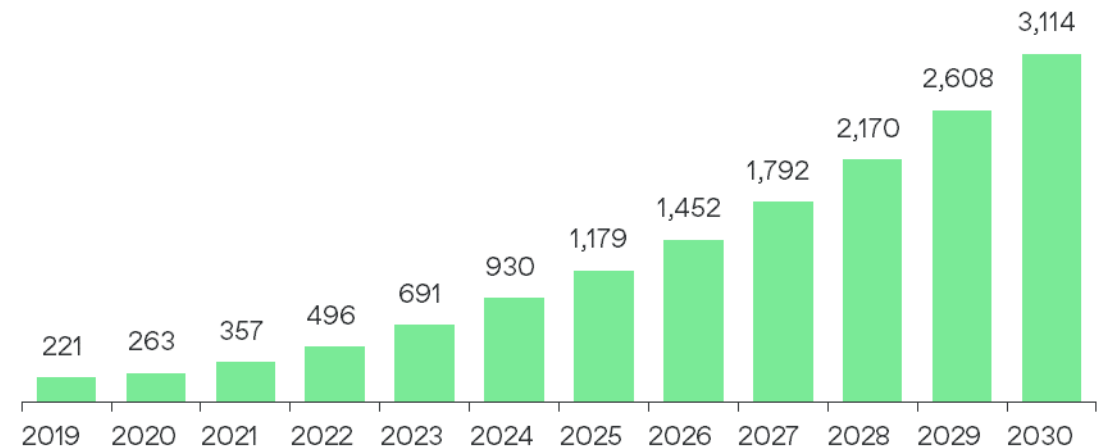


# Pilot plant in operation – progress according to plan

- Elkem aims to establish a leading position in the fast-growing market for battery anode materials
  - Elkem's technology significantly more environmentally friendly, reducing total emissions by ~90%
- The pilot plant in Kristiansand is starting industrial scale production during April
  - Qualification processes ongoing with several battery cell producers
  - Herøya, Norway has been selected as site for the industrial plant, final investment decision expected in 2021
- Processes ongoing with potential industrial and financial partners



Global Li-ion battery cell demand, (GWh) expected to increase more than 10x from today's level by 2030, mainly driven by EVs

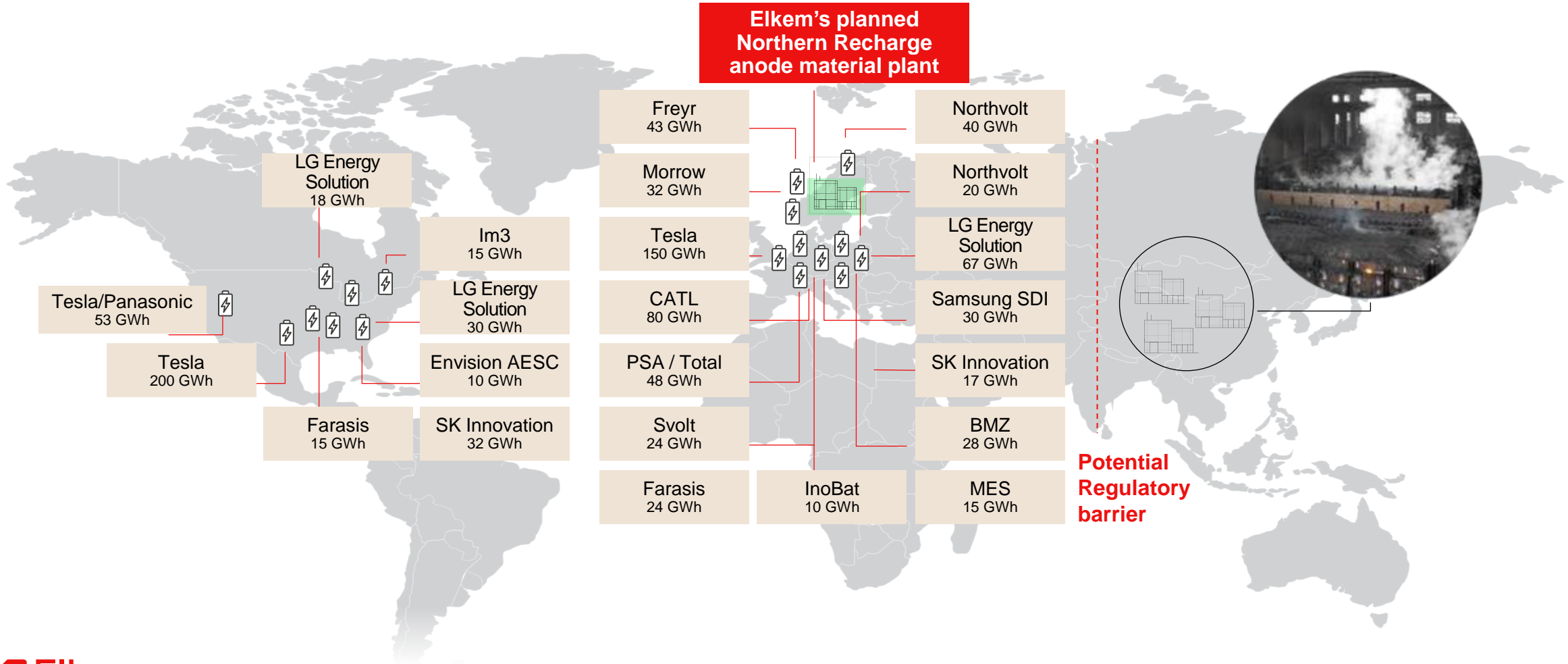


Battery materials opportunity

# High number of cell manufacturing projects in Europe and North America

...but production of critical anode material is currently dominated by Asian players

**Gigafactory capacity (2030)**  
Europe - 610 GWh  
North America - 383 GWh  
**TOTAL - 1,000 GWh**

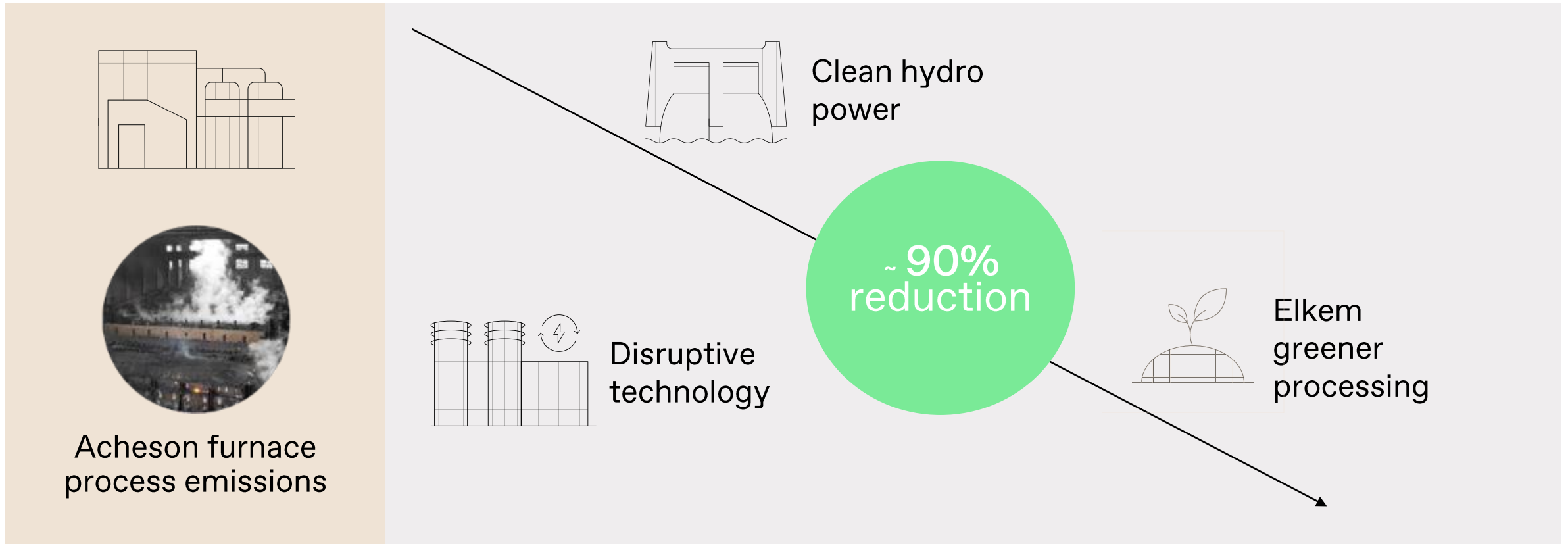




Battery materials opportunity

# Elkem's disruptive technology and access to clean hydropower enable close to zero emissions

Emission reductions vs market standard production process<sup>1</sup>



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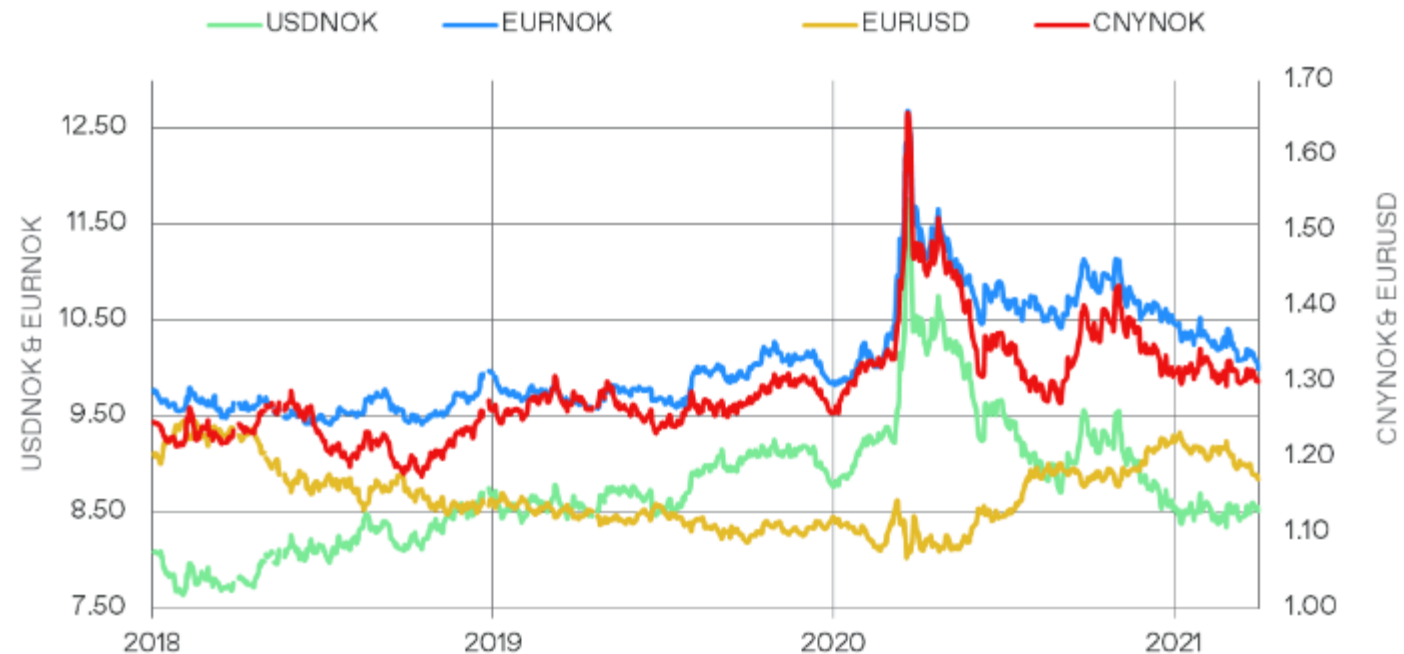
Information about past performance given in this presentation should not be relied upon as, and is not, an indication of future performance.



# 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. MUSD 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

- During 1Q-2021 the Norwegian krone (NOK) strengthened against major currencies
- In 1Q-2021, the NOK was on average 2% stronger against EUR, 10% stronger against USD and 3% stronger against CNY compared to 1Q-2020
- As of 31 March 2021, the NOK closed 5% stronger against EUR, and marginally stronger against USD and CNY compared to 31 December 2020

# 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<sup>(1)</sup>
  - 10% price change on ferrosilicon is expected to affect result by approx. MNOK 160 per year<sup>(1)</sup>

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



Delivering your potential