Elkem

Investor meeting
NOK bond transaction

17 August 2021

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Agenda

Brief introduction to Elkem

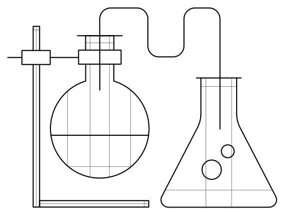
Business and financial update

Outlook

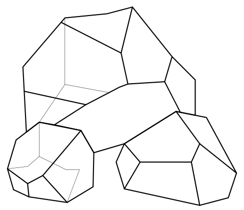
Q&A

We are Elkem

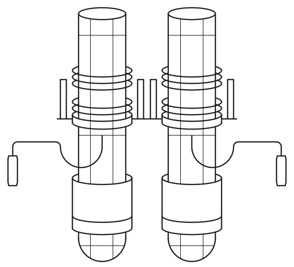
Advanced material solutions shaping a better and more sustainable future



Silicones



Silicon Products



Carbon Solutions

Elkem's global business combines the strengths of three unique platforms

Elkem's global business combines the strengths of three unique platforms

- Elkem was founded in 1904 and the metallurgical business in Norway represents strong industrial traditions and continuous improvement
- The chemical business in France adds a strong culture for specialisation, innovation and R&D
- Elkem's strong presence in China provides strong growth opportunities and adds a dynamic and agile business perspective

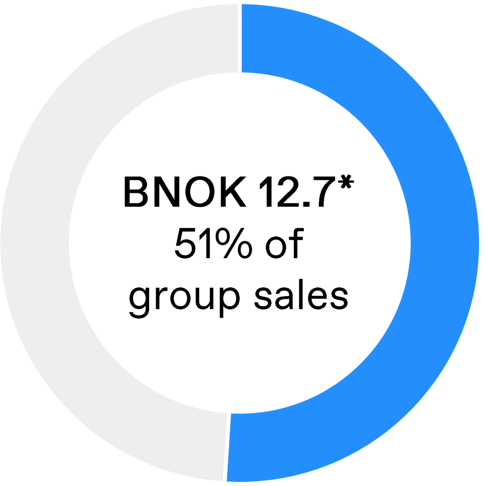
Annualised Q1-Q2 2021 numbers

Total operating income	EBITDA	EBITDA margin	Head office in Norway	Employees worldwide	R&D centres in Norway, France and China
NOK 29.0 bn.	NOK 5.2 bn.	18 %	29 plants worldwide	~ 6,800	>450 R&D people

Elkem

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

Silicones
Fully integrated silicones manufacturer with focus on specialities

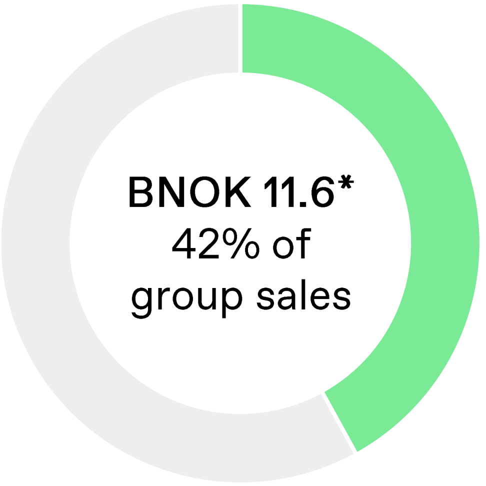


Markets

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

12 plants worldwide

Silicon Products
Global producer and provider of silicon, ferrosilicon and specialties

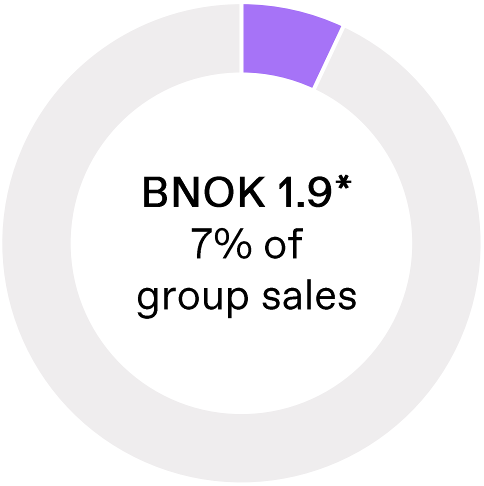


Markets

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

11 plants worldwide

Carbon Solutions
Leading producer of electrode paste and specialty products



Markets

- Ferroalloys
- Silicon
- Aluminium
- Iron foundries

6 plants worldwide

Elkem

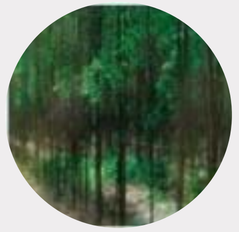
**Based on external sales FY 2020*

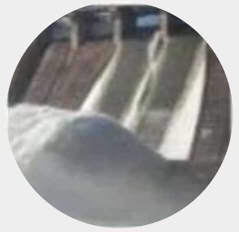
Our products are vital for modern societies and you meet them in your life every day

Low cost sustainable input factors


Quartz


Coal


Biocarbon


Power

High temperature/chemical production processes

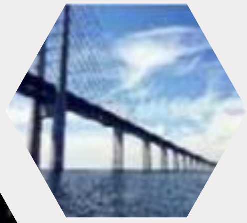

Silicones


Silicon, foundry products and microsilica


Carbon solutions

Examples of high value applications and markets


Wind turbines


Infra-structure


Airbags


Solar

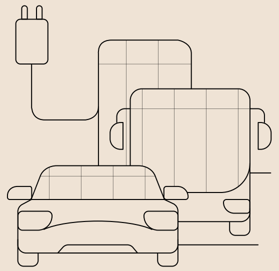

Automotive


Cooking, utensils

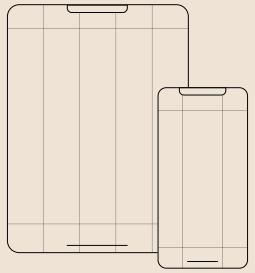

Electronics


Release coating

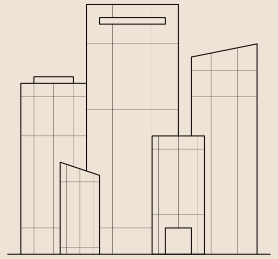
We help our customers create and improve essential innovations for everyday life



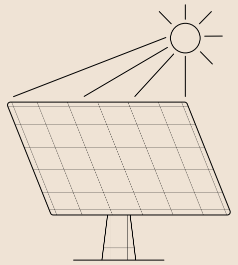
Automotive & transport



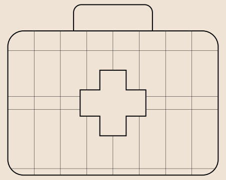
Digital communication



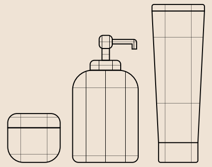
Construction & smarter cities



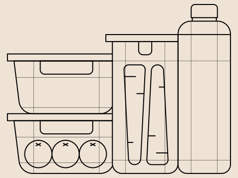
Renewable energy



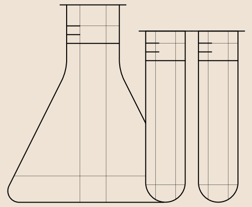
Health care



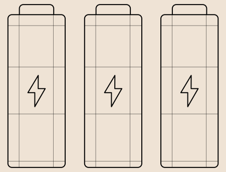
Personal care



Food and beverage

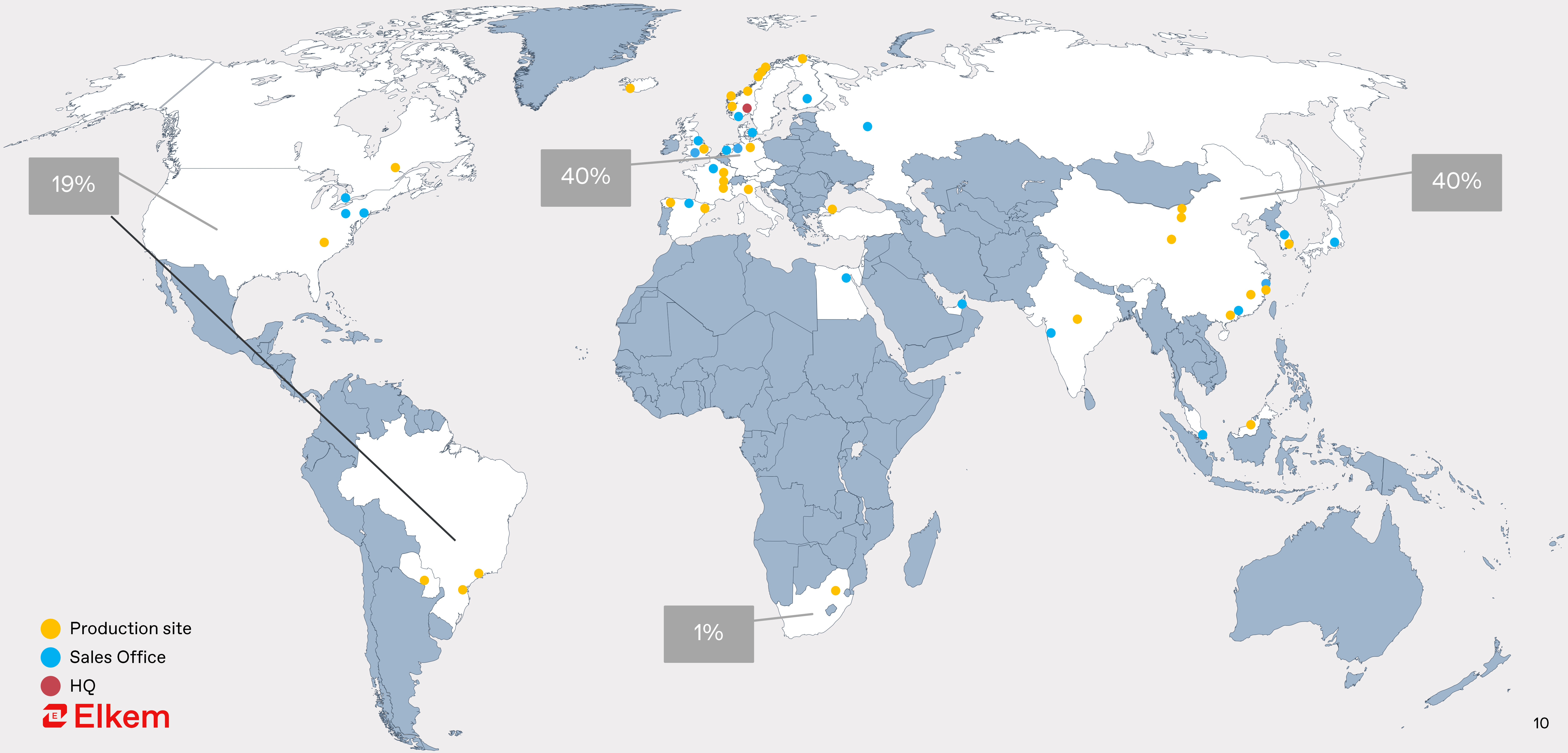


Release coatings



Active anode materials

Global positions and strong geographical diversification



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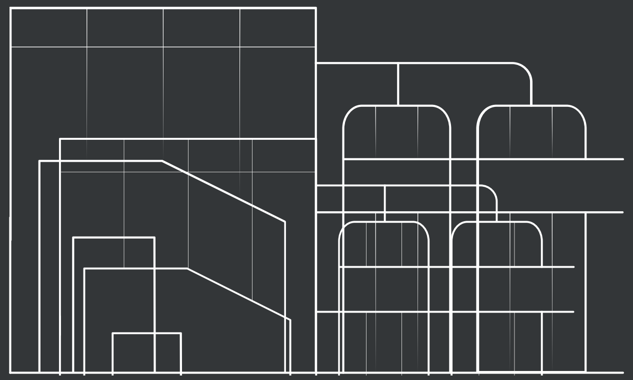
Strong second quarter results and good market conditions

- Elkem is delivering another strong quarterly result, despite the planned maintenance stops for Silicones both in China and France
- Market conditions have been good in all major regions in the second quarter
- The strategic expansion of the Silicones plant in China has started and the battery pilot plant has commenced production
- The financial position is strong and the capital increase in April provides an excellent platform for further growth
- CEO Michael Koenig resigned from Elkem with effect from 30 June. Former CEO Helge Aasen will act as the interim CEO
- The market outlook is good with strong demand and attractive conditions



Total operating income

MNOK 7,332

EBITDA

MNOK 1,371

EBITDA margin

19 %

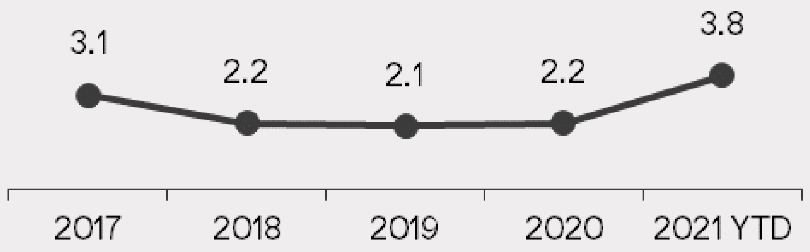
ESG – a key priority for Elkem

A clear focus on ESG

- In 2020, Elkem received an A rating from CDP, ranking in the world's top 5% on climate
- In 2Q 2021 Elkem announced an investment of MNOK 140 in Rana, Norway to enable use of biocarbon
- Elkem's pilot plant for biocarbon production in Canada is expected to start operations in January 2022
- Feasibility studies for carbon capture at smelters in Norway and Iceland, comprising carbon capture & storage, and carbon capture & utilisation

Safety

Ambition: Zero injuries



Environment

- 20% of CO2 emissions from renewable biogenic sources
- 83% of electrical consumption from renewable energy
- Energy recovery totalling of approx. 1,000 GWh

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

Governance

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

Share issue concluded to capture specialised growth initiatives

- On 26 April 2021, Elkem raised MNOK 1,891 of new equity (gross proceeds) to further strengthen the growth platform
- Total equity increased from MNOK 13,440 as at 31 March 2021 to MNOK 16,045 as at 30 June 2021. The equity ratio was 46% as at 30 June 2021
- The net proceeds from the private placement will be used to further strengthen the capacity to invest in growth initiatives to capture attractive silicones opportunities in line with Elkem's strategy, including the announced expansion project in Xinghuo, as well as for general corporate purposes
- The post-offering ownership of China National Bluestar will be 52.91% who will remain as a long-term strategic majority shareholder

Silicones Xinghuo expansion leveraging on growth and specialisation in Asia

- The expansion of Silicones Xinghuo has started and the cornerstone for the project was laid in April 2021. The project is scheduled to be completed within 3 years
- Integral part of Elkem's growth and specialisation strategy
  - Raising profitability with EBITDA margin of +35%
  - Enhanced environmental performance based on lower emissions, lower raw materials use and reduced waste
  - Better product quality with higher purity and improved properties
- Strengthening Elkem's position in the main growth markets. Asia Pacific is expected to grow by ~7% in 2021 and Elkem is well placed with its silicones operations in China, Korea and India

Supporting the specialisation strategy

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

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Specialisation securing higher and more stable margins

Est. industry EBITDA margins / Price volatility

Segment	Margins	Price volatility
Intermediates	0-15 %	High
Volume specialities	15-25 %	Low/medium
Value specialities	> 25 %	Low

Upstream

Siloxane

Generally not marketable but transformed into silicone intermediates

Intermediates

Core products

Include DMC, gum, HCR, linears and construction sealants

Downstream

Volume specialities

POLYSIL

Value specialities

LV fluids | OFS | Medical Silicones

POLYSIL | Basel Chemie

- Elkem has a strong position in upstream silicones production and is integrated though 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

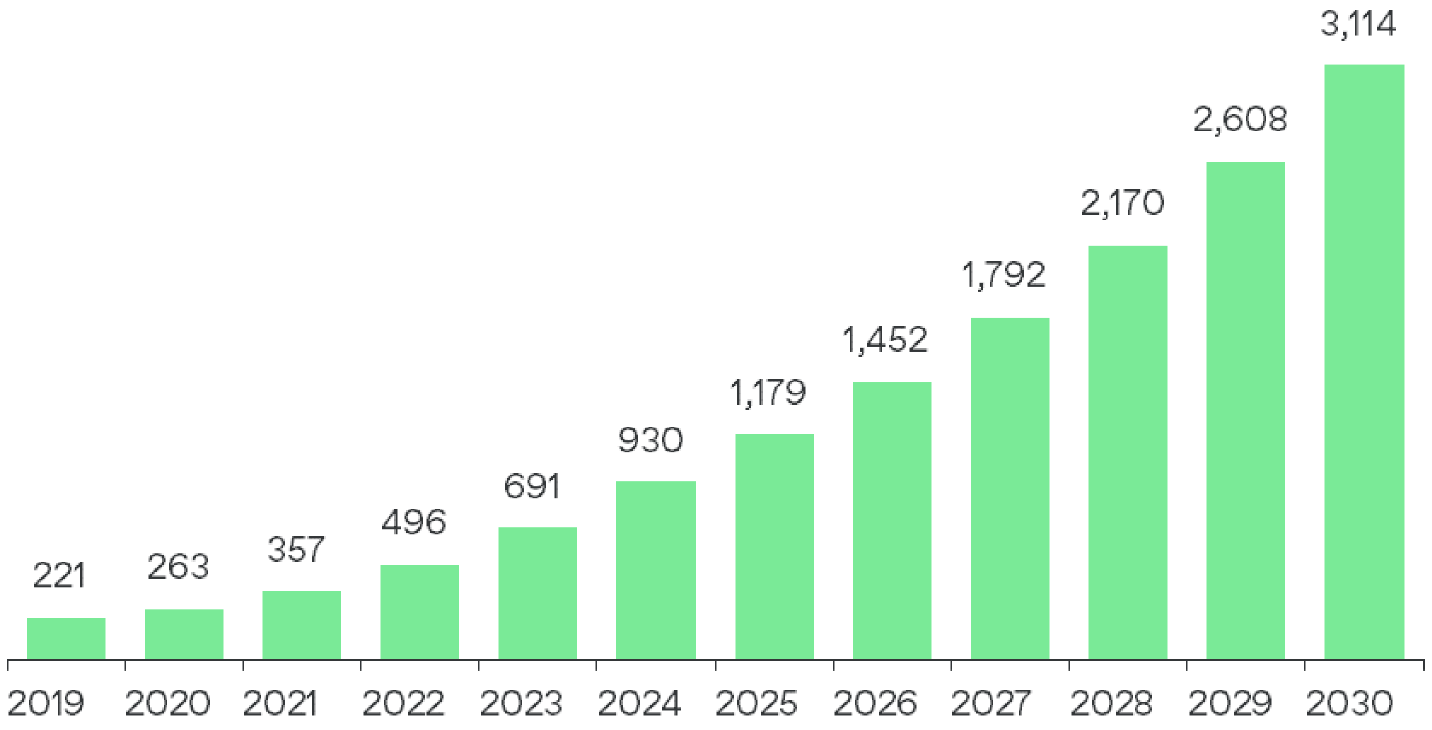
Battery materials pilot plant in operation, preparing for industrial scale project

- Elkem aims to establish a leading position in the fast-growing market for advanced battery materials
  - Vianode is established as a new company and brand for production of sustainable battery materials
  - Environmentally friendly processes, reducing total emissions by more than 90%

- The pilot plant in Kristiansand is in operation
  - Qualification processes with prospective customers have reached advanced levels. Supplier discussions in progress
  - A fast-track option is being considered to address the strong demand from customers and shorten time to market
  - On that basis the exact timing of the financial investment decision is pending

- The ongoing process with potential partners is coordinated with the development and key milestones of Vianode

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



Source: WEF and McKinsey

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Strong development in key sectors

- All major economies except China contracted in 2020. As the markets emerge from Covid-19 effects economies are recovering
  - EU is expected to grow by around 4% in 2021
  - The US economy is expected to grow around 6% in 2021
  - China has a projected growth of more than 6% in 2021

- The economic recovery is reflected in construction and automotive, which are important sectors to Elkem

- The global auto industry continues its strong recovery. Sales in April and May were approaching the YTD-2019 levels, despite microchip and shipping container shortages

- General upward pressure on commodity and raw material prices

Automotive – units sold (million)

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Markets conditions remain attractive

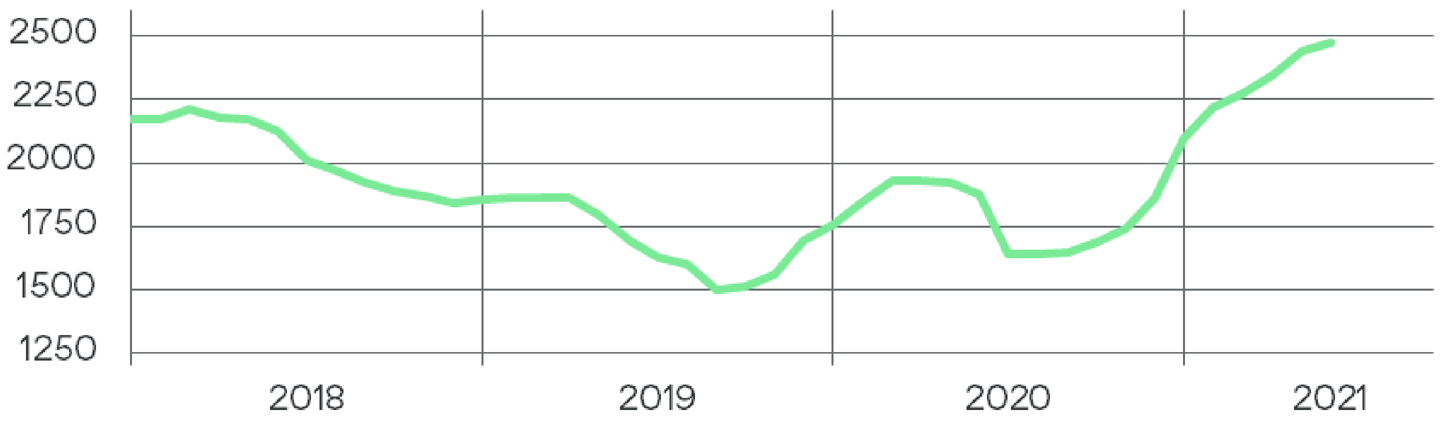
- Global silicones prices have remained at attractive levels in the second quarter
- DMC prices in China increased to above 30,000 RMB per tonne in June, impacted by a fire at a large-scale plant
- Demand is strong and the market balance is currently tight. Most producers in China are operating at full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

DMC reference price China (CNY/mt)

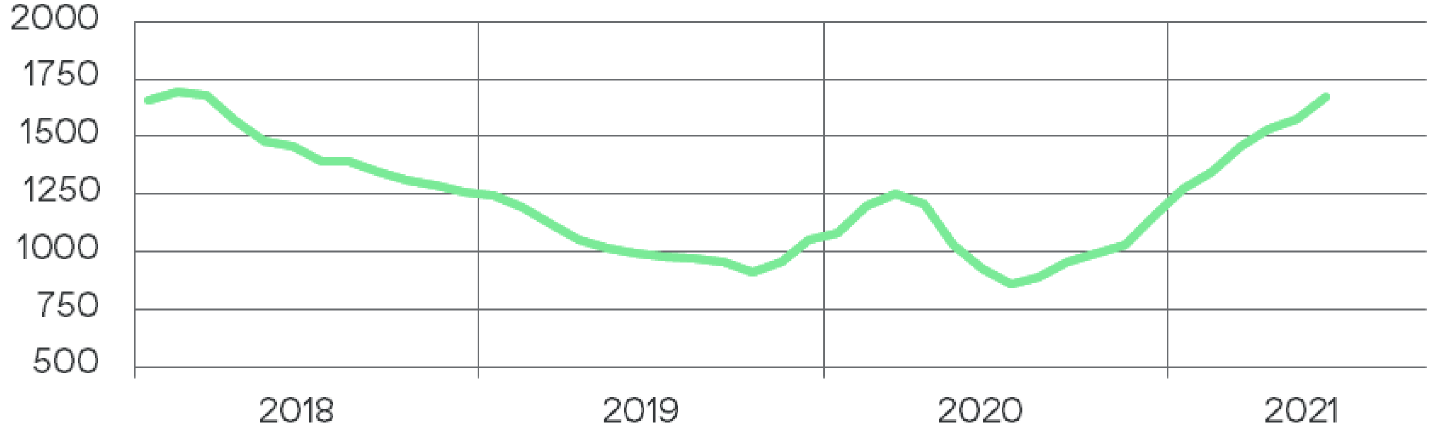
Tight supply resulting in continued price increases

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

CRU silicon 99 price EU (EUR/mt)



CRU ferrosilicon 75 price EU (EUR/mt)



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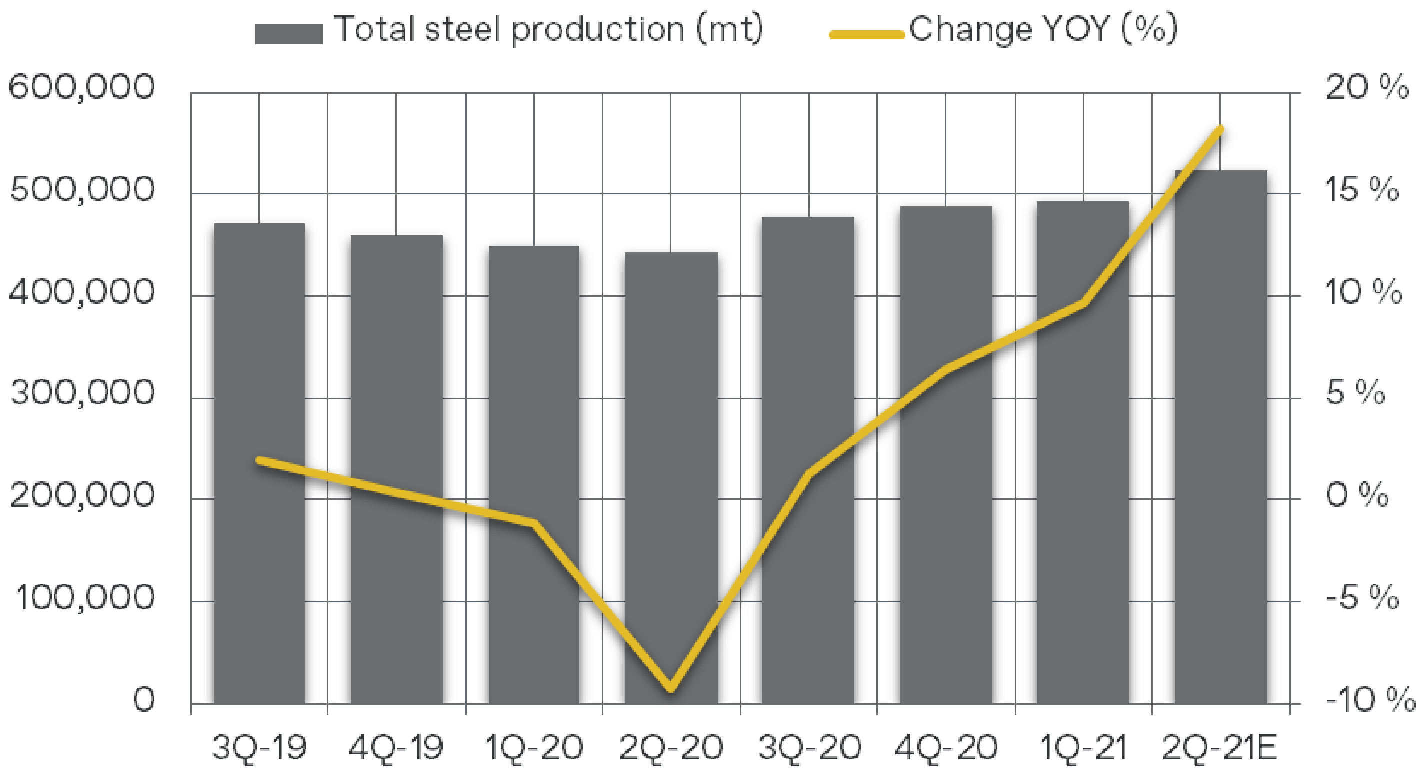
Increasing demand, raw material prices up

- Steel markets and ferroalloys are key demand drivers for carbon products
- Global crude steel production has shown strong recovery since Q2-2020
  - Production estimated to grow by 18% in Q2-2021 vs Q2-2020
  - Low production in most regions in Q2-2020 due to Covid-19
- Estimated growth in Q2-2021 vs Q1-2021 is 6%
  - Growth in all regions except for India
- Increasing raw material prices

World steel production



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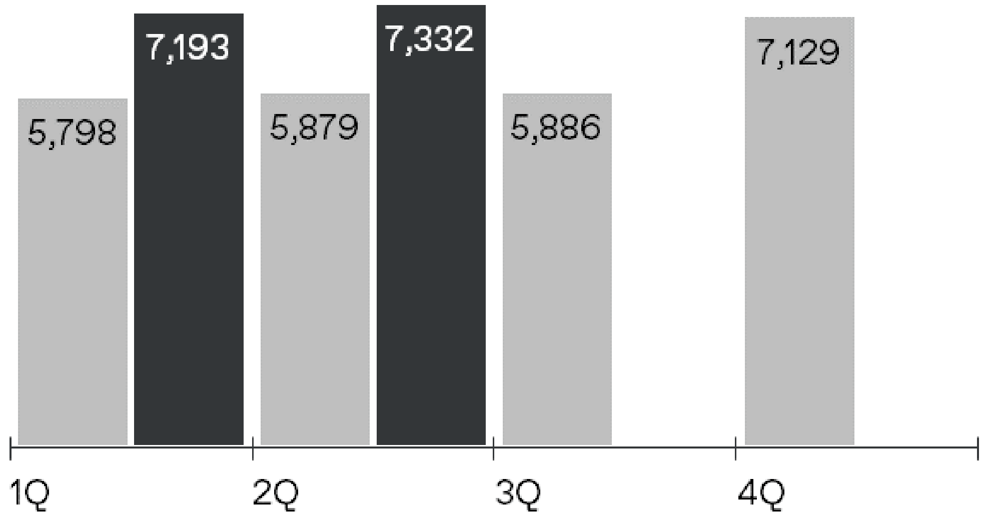
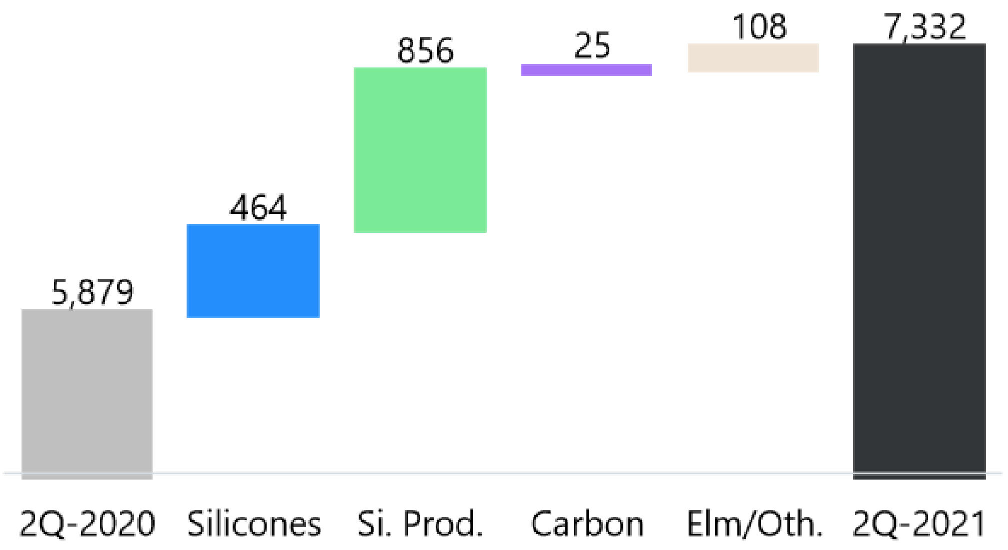
Another strong quarter driven by good markets and attractive market positions

Total operating income

- Reaching all-time high for the third consecutive quarter

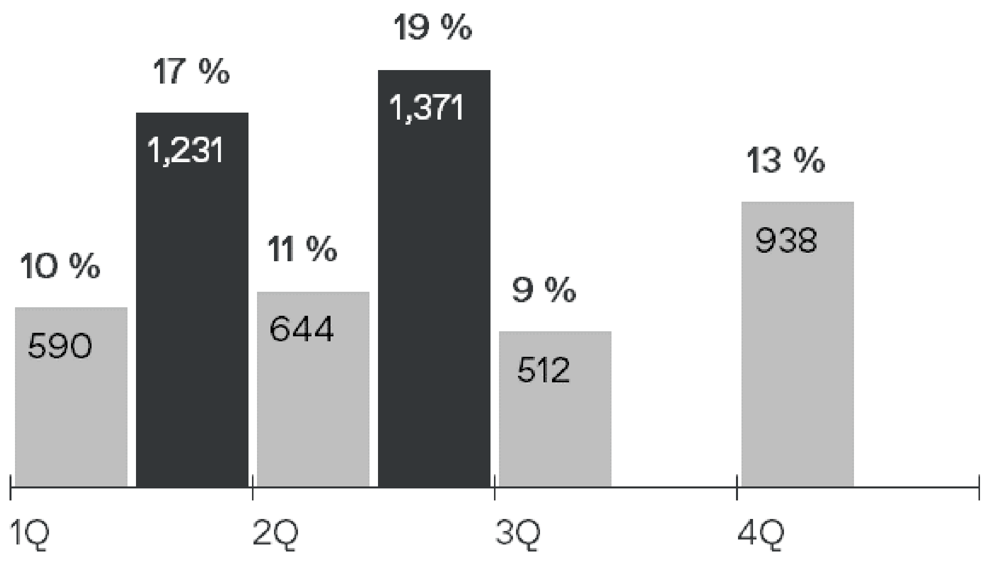


- … driven by attractive market conditions and higher prices

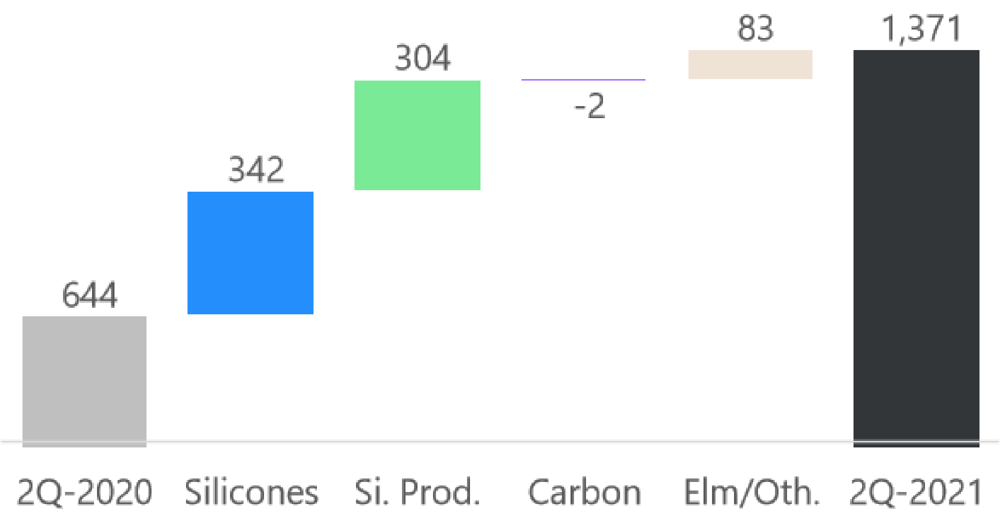


EBITDA

- Improved EBITDA and higher margins



- … reflecting strong market positions and good operations



Good EBITDA and strong financial ratios

- EBITDA MNOK 1,371
  - Segment Other included realised currency hedging gains of MNOK 48
- The Productivity Improvement Programme continues according to plan
  - By end of 2Q-2021 the annualised run-rate was MNOK 261 versus target of MNOK 350 by end of 2021
- Other items MNOK 18
  - Positive effects on interest element in embedded derivatives in power contracts MNOK 7 and currency gains of MNOK 16 from working capital items, partly offset by change in fair value of commodity contracts MNOK -3 and other net effects of MNOK -3
- Net financial items MNOK -70
  - Mainly explained by net interest expenses MNOK -60 and net currency losses of MNOK -6
- Tax MNOK -171
  - Giving a tax rate of 22% for the second quarter

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Consolidated key figures

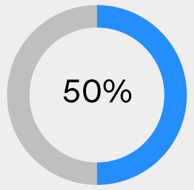
(NOK million, except where specified)	2Q 2021	2Q 2020	YTD 2021	YTD 2020	FY 2020
Total operating income	7,332	5,879	14,525	11,677	24,691
EBITDA	1,371	644	2,602	1,234	2,684
EBIT	841	212	1,646	409	957
Other items	18	-107	-44	22	-130
Net financial items	-70	-93	-13	-26	-229
Profit (loss) before income tax	789	16	1,614	380	584
Tax	-171	-16	-304	-119	-306
Profit (loss) for the period (1)	609	-13	1,293	238	239
Key ratios					
EPS (NOK per share)	0.98	-0.02	2.15	0.41	0.41
Equity ratio (%)	46 %	39 %	46 %	39 %	41 %
Net interest bearing debt (NIBD) (2)	5,630	8,122	5,630	8,122	8,058
Leverage ratio	1.4	3.4	1.4	3.4	3.0
Reinvestments % of D&A	73 %	72 %	67 %	68 %	81 %
ROCE (annualised) (%)	18 %	4 %	18 %	4 %	5 %

(1) Owners of the parent's share of profit (loss)
(2) Excluding receivables from related parties, loans to external parties, accrued interest income and non-current other restricted deposits

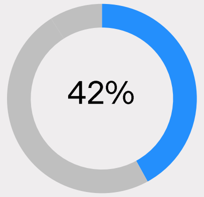
Silicones

Strong and stable market conditions

- Total operating income of MNOK 3,588 up 15% from second quarter 2020
  - Increased operating income explained by higher sales prices
- EBITDA of MNOK 573, up 148% from second quarter last year
  - Improved EBITDA explained by higher sales prices, but partly offset by higher raw material costs and currency effects
  - EBITDA positively impacted by sales mix effects and other operating expenses
- The result in 2Q-2021 was impacted by the planned maintenance stops in China and France resulting in lower sales volumes



Share of operating income



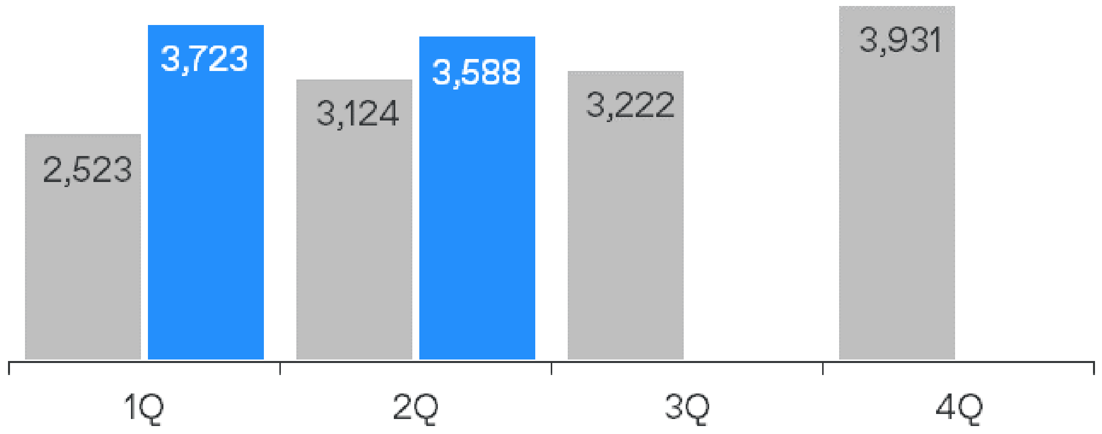
Share of EBITDA

Share of operating income from external customers ex. Other

Share of EBITDA ex. Other and Eliminations

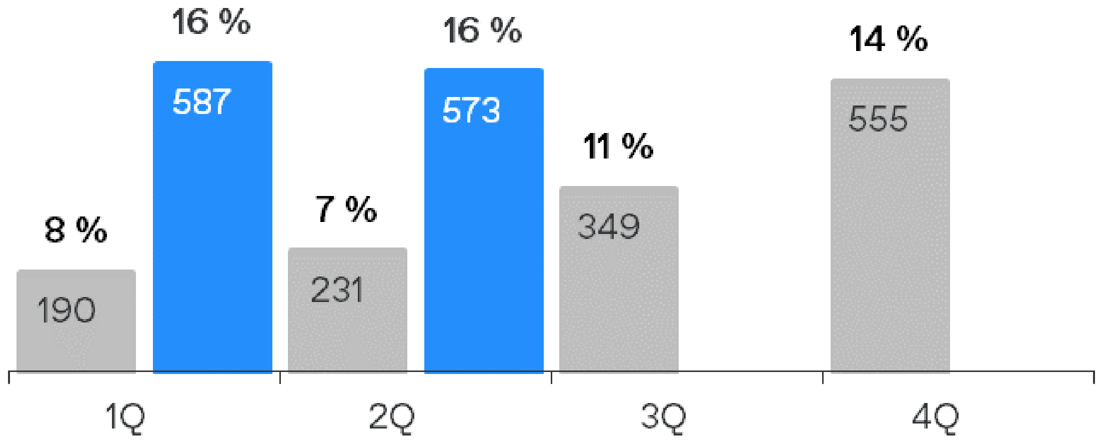
Total operating income

NOK million



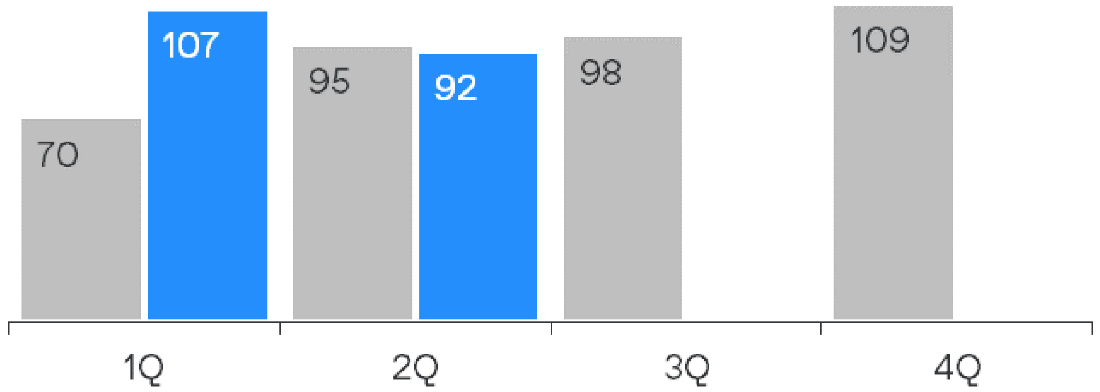
EBITDA and margin

NOK million and %



Sales volume

In 1,000 mt



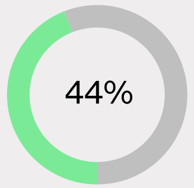
- 2020
- 2021

Good results reflecting strong markets

- Total operating income of MNOK 3,355 up 34% from second quarter last year
  - Higher sales prices and higher sales volumes, partly offset by effects of stronger NOK

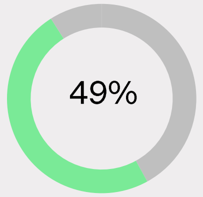
- EBITDA of MNOK 672, up 83% compared to second quarter last year
  - Mainly explained by higher sales prices and higher sales volumes
  - EBITDA positively impacted by sales mix effects
  - Last year included a one-off gain of MNOK 61 from arbitration

- Stable sales volumes reflecting good operations and strong markets



Share of operating income

Share of operating income from external customers ex. Other

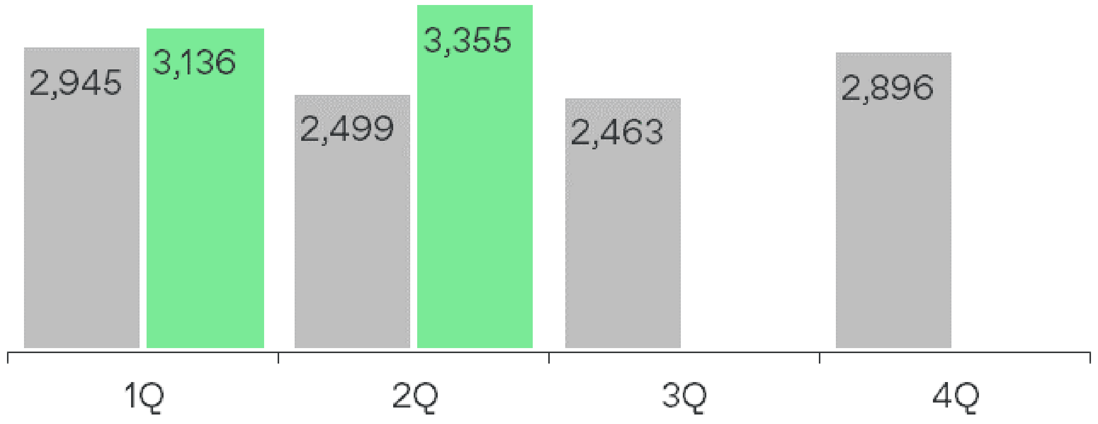


Share of EBITDA

Share of EBITDA ex. Other and Eliminations

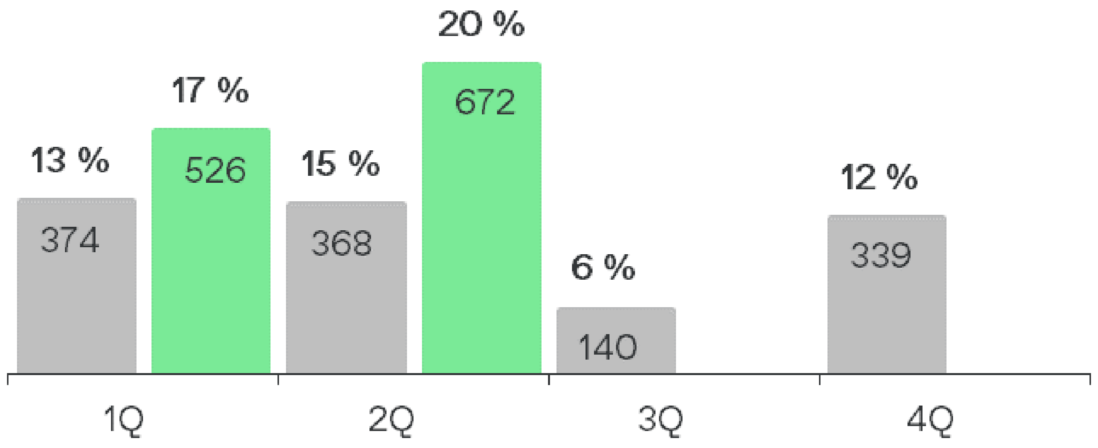
Total operating income

NOK million



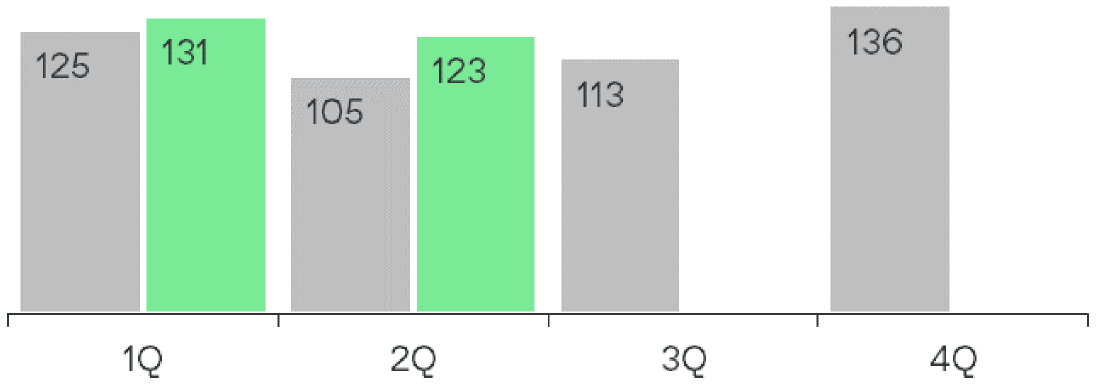
EBITDA and margin

NOK million and %



Sales volume

In 1,000 mt



- 2020
- 2021

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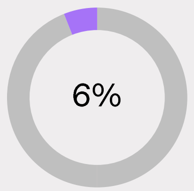
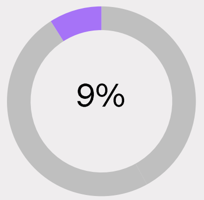
Stable results, but raw material costs increasing

- Total operating income MNOK 506, up 5% from second quarter last year
  - Higher sales volumes partly offset by currency impact
- EBITDA of MNOK 118, down 2% from second quarter last year
  - Lower EBITDA and reduced margin mainly explained by currency
  - Raw material costs are rising
- Higher sales volumes reflecting strong market recovery



Share of operating income

Share of operating income from external customers ex. Other

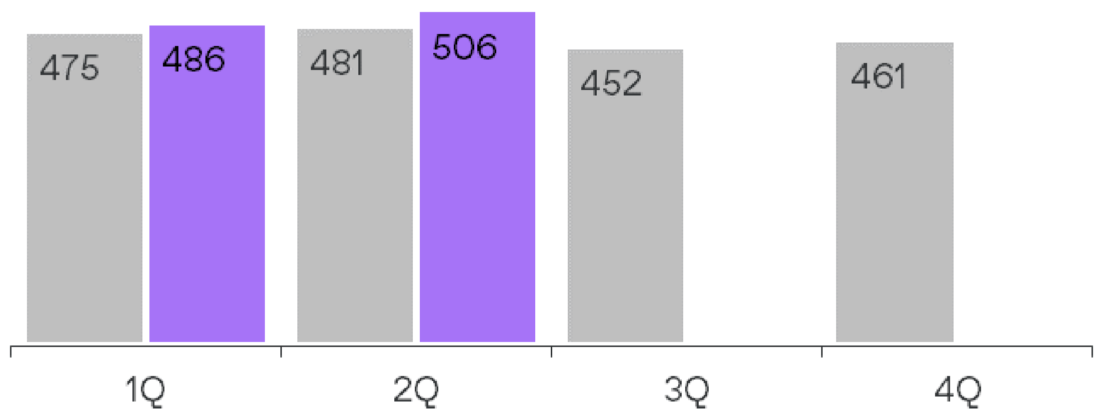


Share of EBITDA

Share of EBITDA ex. Other and Eliminations

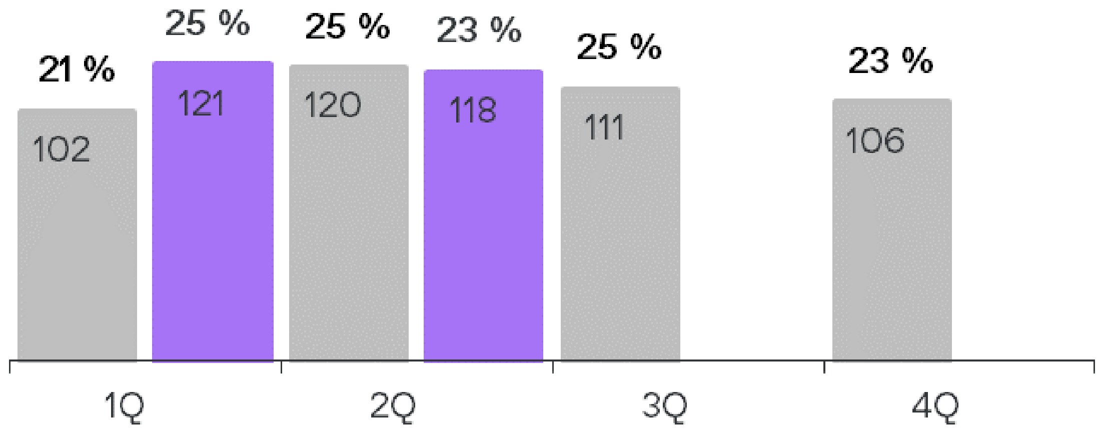
Total operating income

NOK million



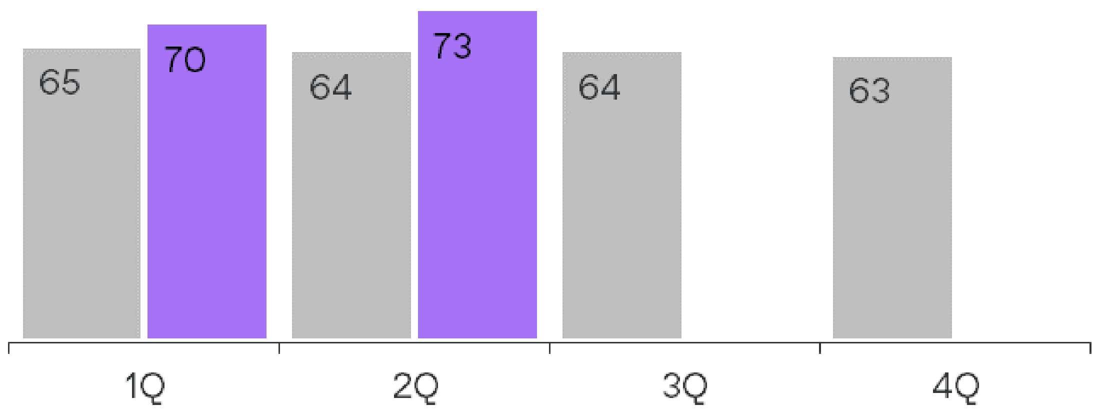
EBITDA and margin

NOK million and %



Sales volume

In 1,000 mt



2020
2021

Robust financial position, strengthened by capital increase

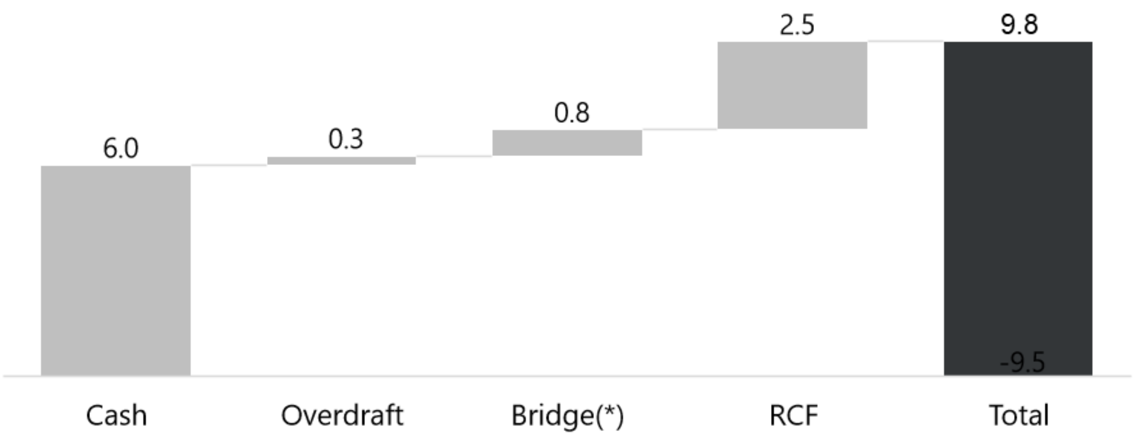
- Strong liquidity buffer of BNOK 9.8
  - Significant cash component of BNOK 6.0
  - Undrawn RCF of MEUR 250 maturing in 2023
  - Undrawn Bridge-to-bond BNOK 0.8 to cover 2021 maturities, due in 2023

- Total equity amounted to BNOK 16.0 as at 30 June 2021, up by BNOK 3.4 from year-end 2020
  - Increase in equity explained by capital increase of BNOK 1.9 in April 2021 and profit YTD of BNOK 1.3
  - Equity ratio at 46%

- Good headroom to covenants
  - Equity ratio of 46% (must be above 30%)
  - Interest Cover ratio at 17.5x (must be above 4x)

Available cash and undrawn facilities

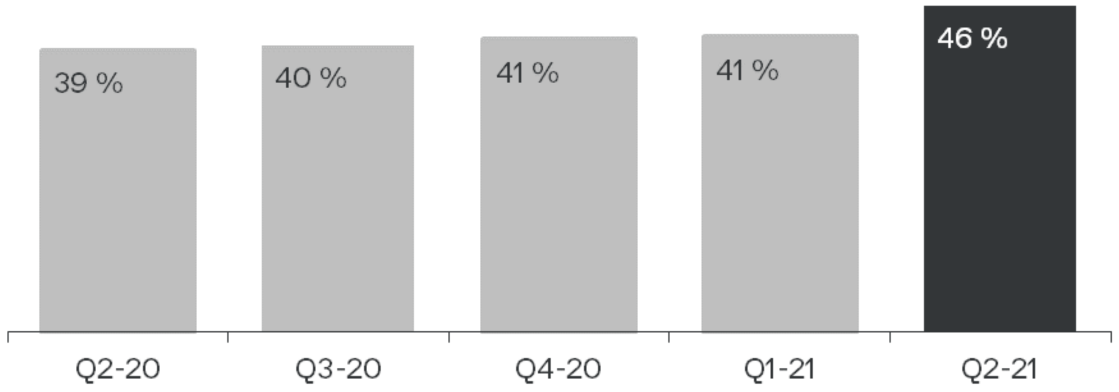
NOK billion



(*) Bridge loan facility to be cancelled following successful bond refinancing

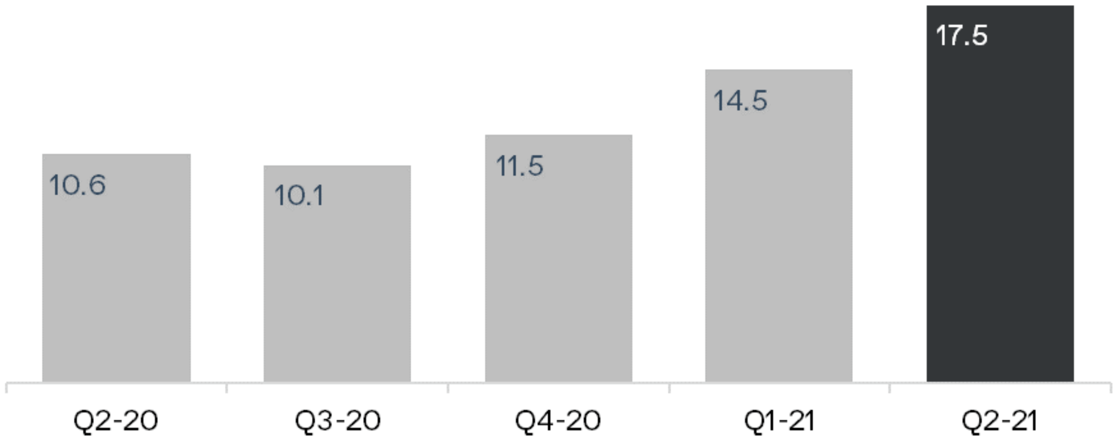
Equity ratio

In %



Interest cover ratio

EBITDA / Net interest expenses



Elkem

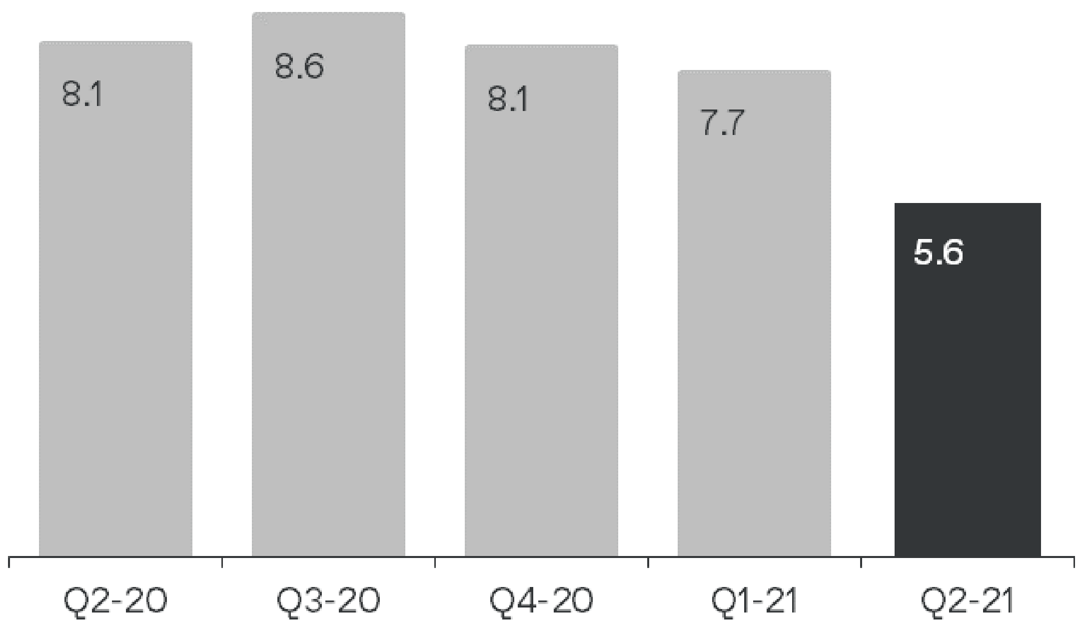
Significant reduction in debt and leverage

- Net interest-bearing debt (NIBD) was BNOK 5.6 as at 30 June 2021
  - Leverage ratio was 1.4x based on LTM EBITDA of BNOK 4.1
  - The leverage ratio down significantly due to capital increase and improved LTM EBITDA

- Debt maturities in 2021 well managed
  - Elkem successfully raised new bond loans in February 2021 of MNOK 1,250 for partly refinancing of maturities in 2021
  - In addition, a bank facility of MNOK 750 is available for repayment of 2021 maturities
  - The debt maturities in China mainly consist of local working capital financing, which are regularly rolled over

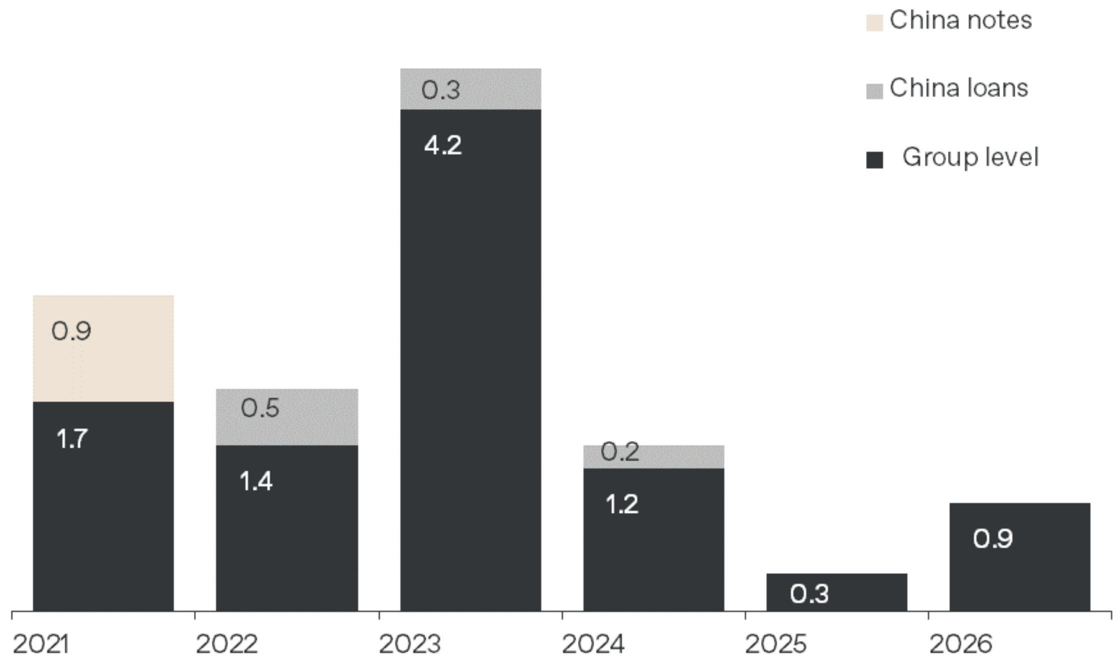
Net interest-bearing debt (NIBD)

NOK billion



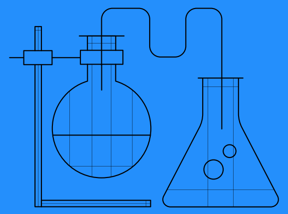
Maturity profile

NOK billion



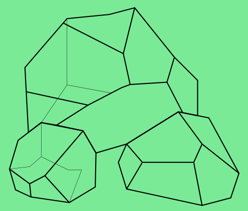
A strategy for specialisation and growth

Silicones



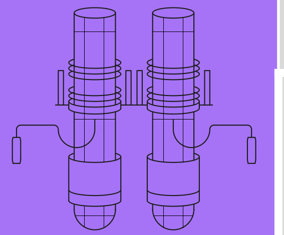
- Improve and stabilise profitability through operational excellence and specialisation strategy
- Strong focus on growth, particularly in Asia

Silicon Products



- Improve profitability through operational excellence and well managed portfolio of specialties
- Selectively pursue growth initiatives

Carbon Solutions



- Maintain good profitability through operational excellence and strong market positions
- Selectively pursue growth initiatives

New areas

Battery materials
Unique growth opportunity based on graphite and silicon

Biocarbon
Potential breakthrough technology for carbon neutral metals

Energy recovery
Circular solutions for lower emissions and higher efficiency

Digitalisation
Becoming a data driven company

Environment, Social & Governance (ESG)
Delivering a step change

Empowered people
Enabling our people to perform at their best

Agenda

Brief introduction to Elkem

Business and financial update

Outlook

Q&A

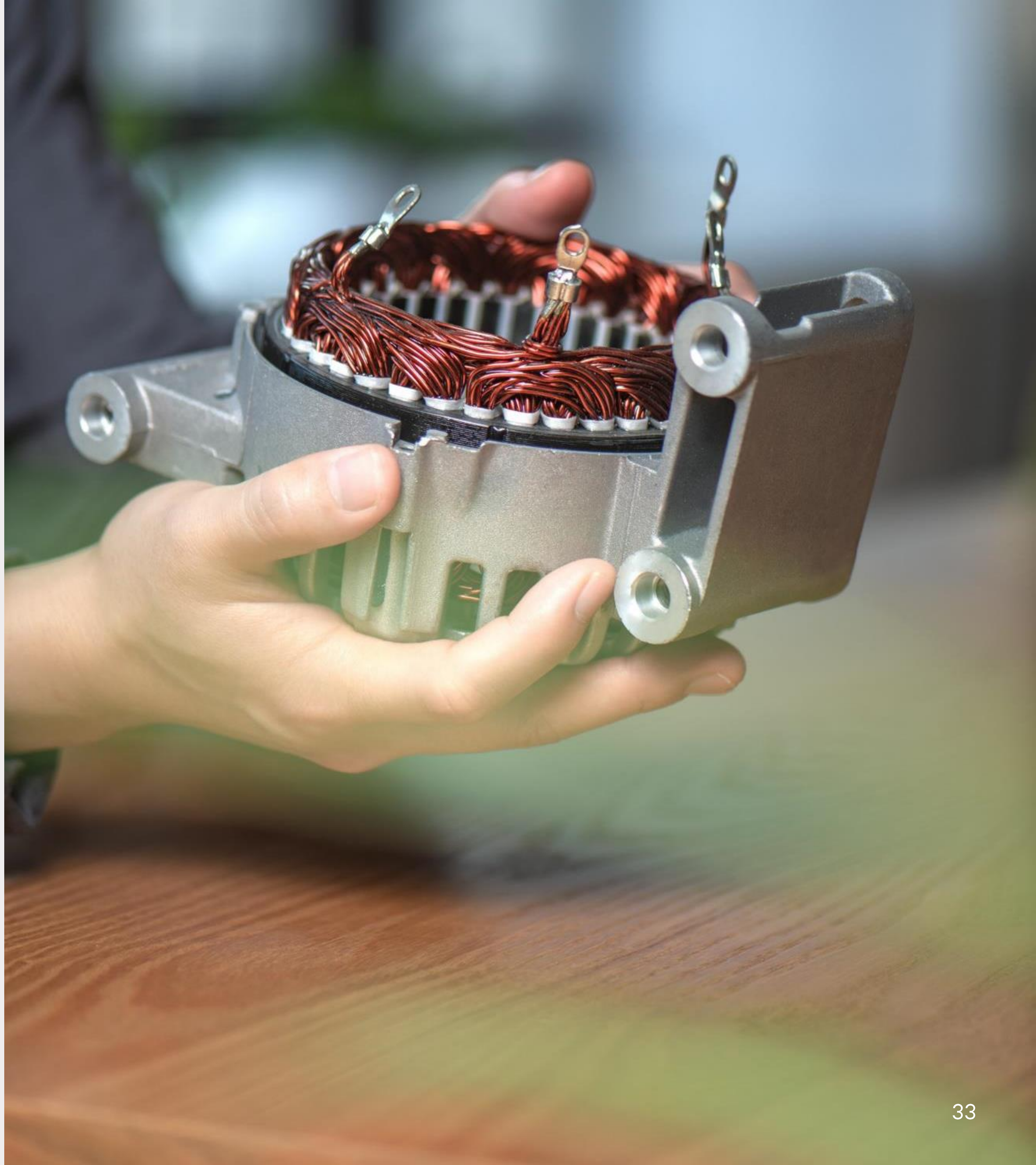
Outlook for the third quarter 2021

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

Key Elkem highlights

- Elkem has more than 110 years of history and is a truly global company with strong market positions
  - Well diversified business profile across silicones, silicon products and carbon solutions
  - Leading market positions in each of the segments in which it operates
- Strong focus on ESG
  - Top ratings from CDP and EcoVadis
  - Long term biocarbon strategy to reduce fossil CO2 emissions
  - Green value creation opportunity in Battery Materials
- Good financial position with solid equity ratio, improved leverage and a strong liquidity and cash generation
- Well placed to benefit from current strong market conditions

Q&A



Elkem

Delivering your potential