

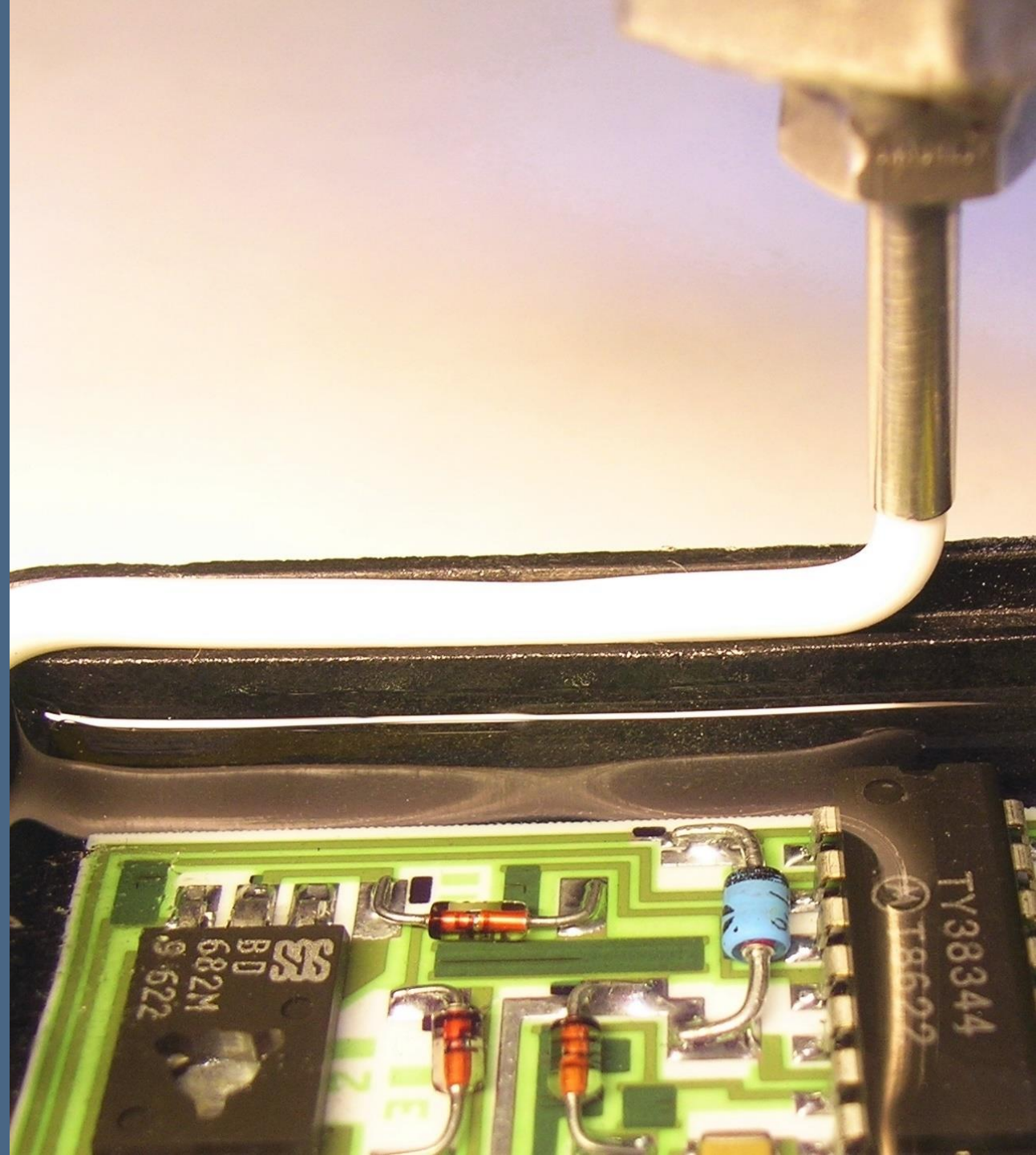
Fourth quarter results 2019

Agenda

Business update

Financial performance

Outlook



Results still hampered by weak markets, new acquisition supporting specialisation

- ◆ Elkem's result for the fourth quarter was weighed down by weak market conditions and operational issues
- ◆ Total operating income was NOK 5,559 million in the fourth quarter, down 9% from the corresponding quarter last year
- ◆ EBITDA was NOK 517 million, negatively impacted by low sales prices and as announced, extra start-up costs in China after the National Day. In addition, the result was lowered by operational issues
- ◆ Elkem has strengthened cost and working capital improvement programmes in order to mitigate the negative market development
- ◆ Earnings per share (EPS) was NOK 0.03 in the quarter and NOK 1.47 YTD
- ◆ The board has proposed a dividend of NOK 0.60 per share representing a dividend pay-out ratio of 41% of net profit
- ◆ On 30 December 2019, Elkem announced the acquisition of Polysil. This will strengthen Elkem's position in selected silicone segments in China and constitute an important part of the growth and specialisation strategy

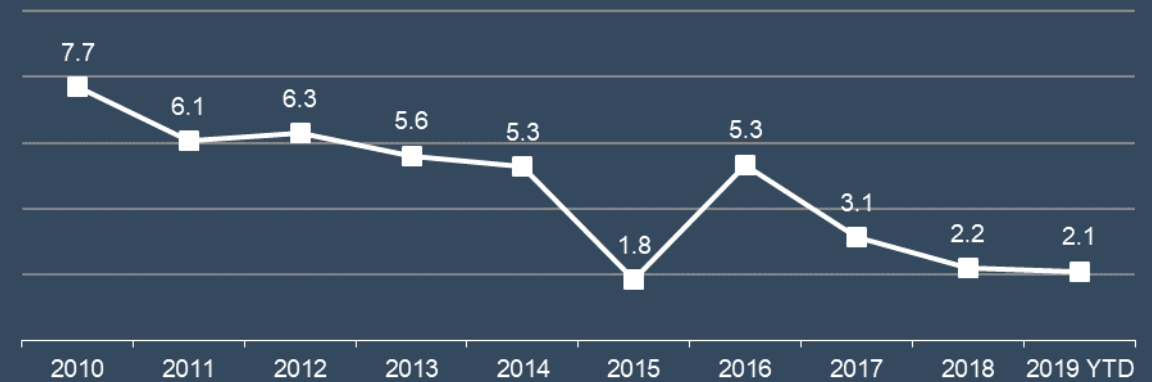


ESG a key priority

- ◆ Elkem has a zero harm philosophy
 - ▶ For health and safety, the target is zero recordable injuries
 - ▶ For environment, the strategy is to work towards our goal of zero emissions
- ◆ The total recordable injury rate as at 31 December 2019 was 2.1
 - ▶ This represents 27 recordable injuries, including 2 defined as high severity
 - ▶ The result for 2019 shows an improvement vs. previous years
- ◆ EcoVadis has given Elkem the Gold performance rating for the 2019 CSR assessment, ranking Elkem in the top 10 per cent

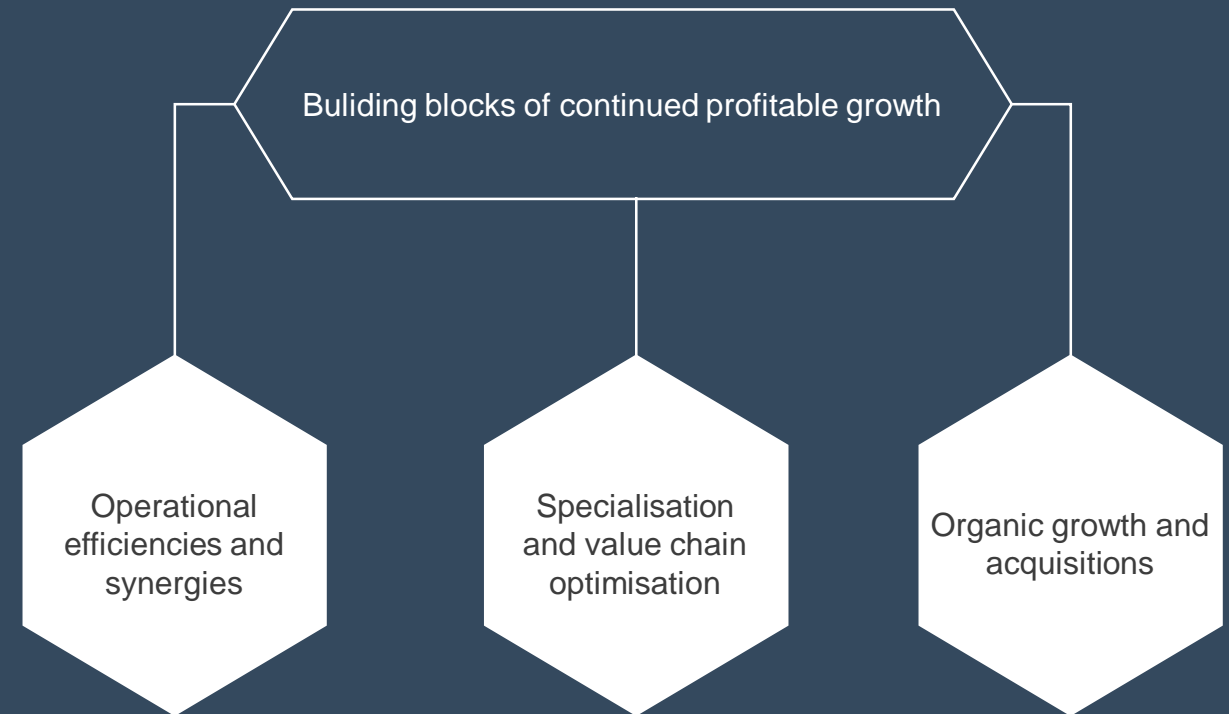


Total recordable injury rate



Delivering on the key strategic building blocks

- Successful completion of the accelerated cost improvement programme in 2019
- Specialisation initiatives ongoing – R&D capabilities strengthened and new speciality silicone products successfully launched
- Acquisitions of Polysil and Basel Chemie to support growth and specialisation



Bolt-on acquisition of Polysil

- ◆ 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
 - ▶ Located in the Guangdong province, the main market for applications to electronics and automotive
- ◆ Purchase price up to MRMB 941, consisting of
 - ▶ Base price
 - ▶ Variable elements based on pre-defined criteria
- ◆ Polysil had operating revenue in 2019 of MRMB 630 with EBITDA of MRMB 116 (18%)
- ◆ Closing expected by end of first quarter 2020, subject to regulatory approvals



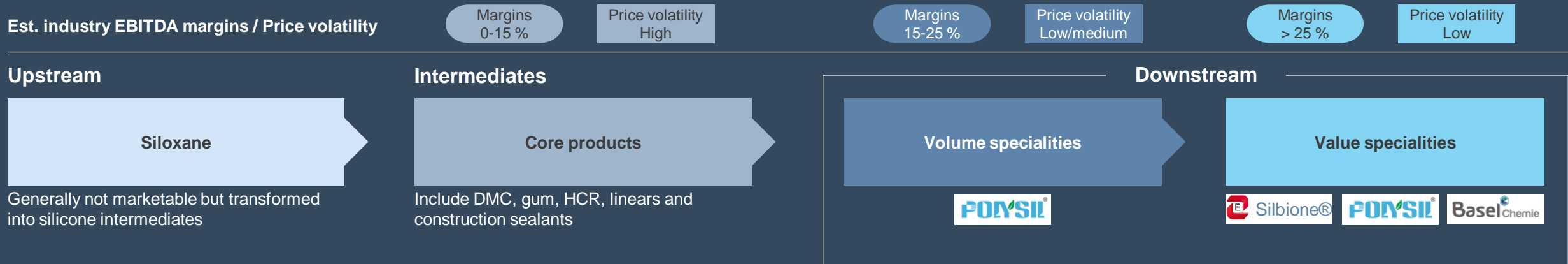
- Located in Zhongshan in Guangdong, China
- Two production facilities
- Research and development centre with more than 50 engineers
- Leading technology positions in production and development of Heat Cured Rubber (HCR), Liquid Silicone Rubber (LSR)
- More than 350 employees

Long-term implants positioning Elkem in the medical silicones market

- ◆ Elkem continues to strengthen its position in the medical silicones market
- ◆ Investing in production of ultra-high purity silicone raw materials to meet specialty life science market demand
- ◆ Utilising ISO 8 and 7 certified clean rooms for formulation, testing and packaging of Silbione® Biomedical grade materials
- ◆ Actively developing innovative raw materials with several top tier global medical device companies
- ◆ Continuing investment projects, opening more opportunities in an attractive growth market exceeding BUSD 1.2



Delivering on the specialisation strategy 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

- Polysil and Basel Chemie with strong specialised product positions
- Elkem launched 13 new specialty products in 2019
 - Asian consumer goods with products for tissue softening, hygiene and labels
 - Power & Mobility, products for encapsulation applications for electronics
 - New products designed for 3D printing in health care and industrial applications



Consumer goods
e.g. BLUESIL® Emul 21610



Power & Mobility
e.g. BLUESIL® ESA 6009



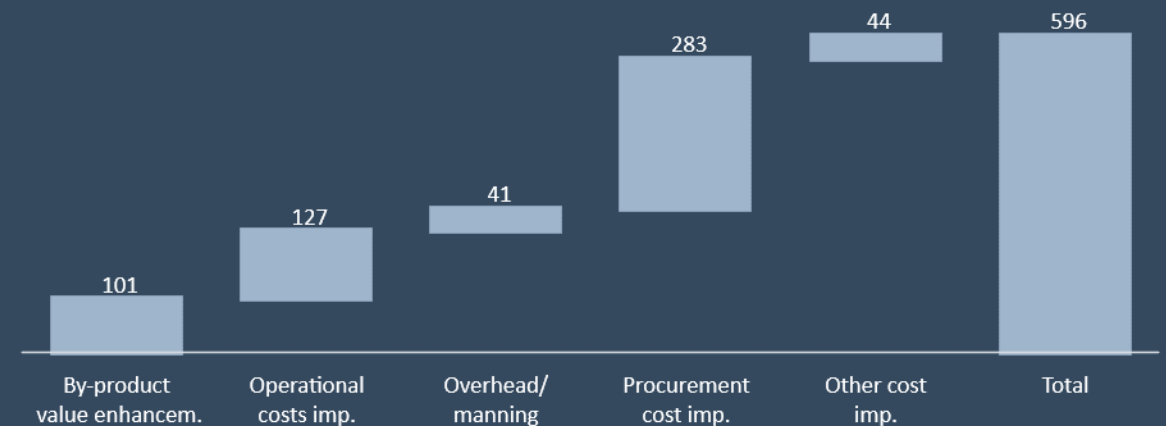
Health care
e.g. AMSil Silbione®

Improvement programme realised improvements exceeding target

- ◆ The accelerated improvement programme was initiated early 2019 to counter weaker market conditions
 - ▶ The target was to realise effects of MNOK 500 in 2019
- ◆ Realised effects under the programme was MNOK 596 by end of 4Q-2019
- ◆ All plants and divisions have worked systematically to reduce costs and enhance operations. The effects have however, been countered by further market deterioration during 2019
- ◆ Elkem will continue its focus on operational improvements and cost optimisation



Realised effects (MNOK)



Silicones stable, but low prices

- ◆ DMC prices in China declined early fourth quarter, mainly explained by seasonal downturn in construction and generally soft market conditions
- ◆ Prices in China picked up towards the end of fourth quarter, mainly due inventory build up from downstream producers ahead of Chinese New Year
- ◆ Generally good demand in China but weaker in Europe and North America
- ◆ Stable contract prices for specialty products in 2020 compared to 2019
- ◆ Consumer segments are solid, while automotive is still weak. Construction is improving in China



DMC reference price China (RMB/mt)

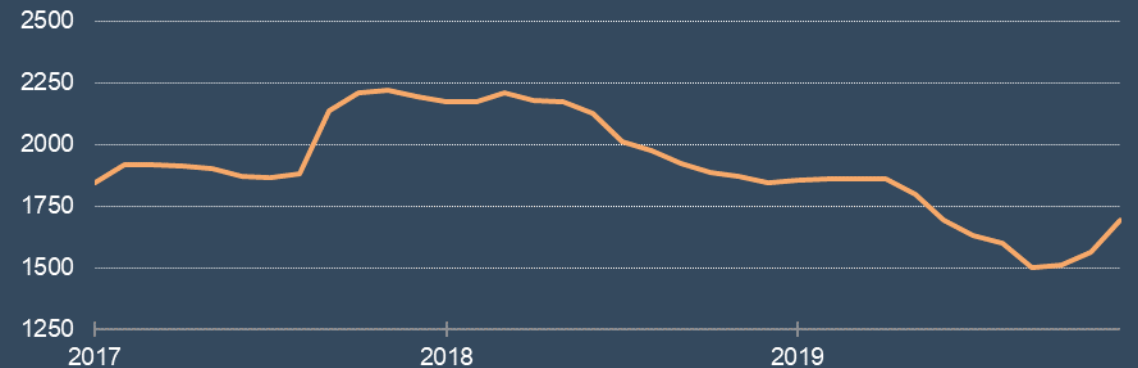


Silicon prices up from historic lows

- ◆ Market prices started to recover in the fourth quarter
 - ▶ CRU EU reference price increased by 13% from third to fourth quarter
- ◆ Price increases driven by significant production curtailments combined with stabilised demand
- ◆ Automotive market still weak, but some signs of improvement
- ◆ The positive price trend has continued into first quarter. Further price development dependent on end-markets e.g. construction and automotive



CRU silicon 99 price EU (EUR/mt)



Ferrosilicon production curtailments drive higher prices

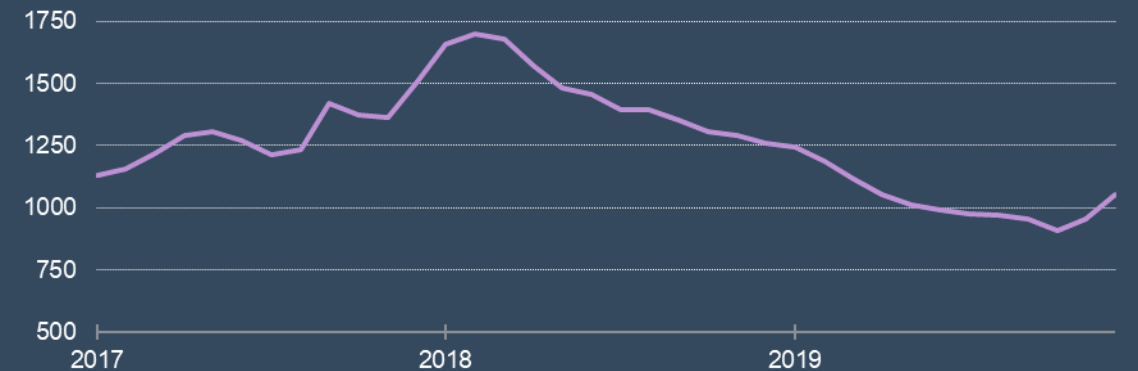
- ◆ Market prices have started to recover
 - ▶ CRU EU reference price up by approx. 10% from third to fourth quarter
- ◆ Higher market prices primarily driven by tighter supply, i.e. lower production and reduced import
- ◆ EU steel production still weak, fourth quarter down approx. 10% YOY
- ◆ Prices continued to rise early first quarter, but development will depend on steel and automotive markets

Carbon lower volumes

- ◆ Market for electrodes and carbon material affected by weak ferroalloy markets
- ◆ Demand outlook still weak due to development in steel and automotive



CRU ferrosilicon 75 price EU (EUR/mt)

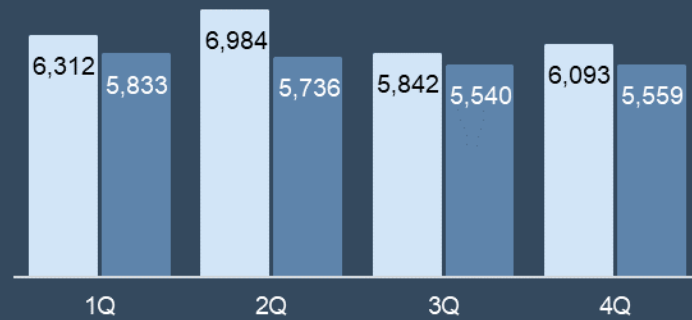


Elkem group

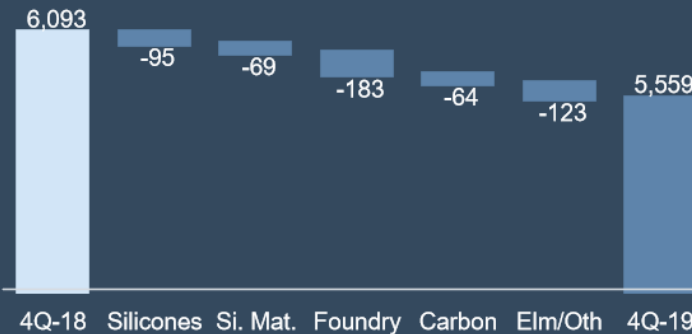
results hampered by weak markets

Total operating income

- Down 9% compared to the corresponding quarter last year



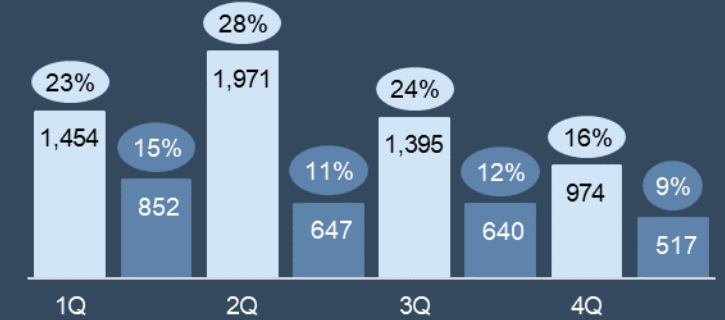
- Weaker market conditions impacting all divisions



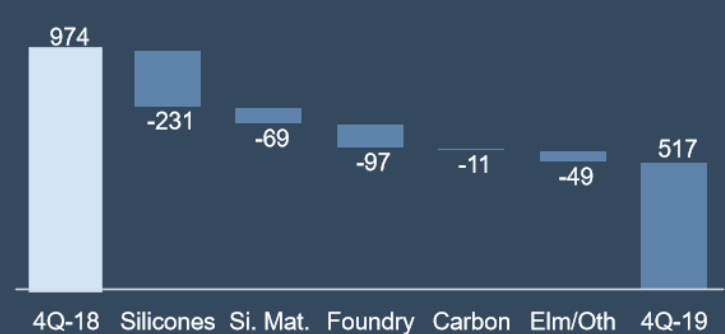
■ 2018 ■ 2019

EBITDA

- Down 47% compared to fourth quarter last year



- Mainly explained by lower market prices and operational issues



Elkem group

key figures impacted by weak markets

- ◆ Other items MNOK -16
 - ▶ Positive fair value changes in commodity contracts and embedded derivatives, offset by negative currency effects on working capital items and changes in provisions

- ◆ Net financial items MNOK -79
 - ▶ Net interest expenses MNOK 53 which included leasing effects (IFRS 16)
 - ▶ Currency loss and other financial costs amounted to MNOK 26

- ◆ Tax MNOK 26
 - ▶ Positive tax effects explained by low profit in the fourth quarter, which also affected the tax calculations made in the preceding quarters

Consolidated key figures

<i>(NOK million, except where specified)</i>	4Q 2019	4Q 2018	YTD 2019	YTD 2018	FY 2018
Total operating income	5,559	6,093	22,668	25,230	25,230
EBITDA	517	974	2,656	5,793	5,793
EBIT	92	639	1,189	4,522	4,522
Other items	-16	-112	195	-380	-380
Net financial items	-79	-32	-239	-327	-327
Profit (loss) before income tax	2	474	1,134	3,792	3,792
Tax	26	-93	-237	-425	-425
Profit (loss) for the period ⁽¹⁾	17	373	855	3,337	3,337
Key ratios					
EPS (NOK per share)	0.03	0.64	1.47	5.74	5.74
Equity ratio (%)	45%	44%	45%	44%	44%
Net interest bearing debt (NIBD) ⁽²⁾	5,722	3,264	5,722	3,264	3,264
Leverage ratio	2.2	0.6	2.2	0.6	0.6
Reinvestments % of D&A	125%	117%	80%	84%	84%
ROCE (annualised) (%)	2%	15%	7%	28%	28%

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

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

Silicones

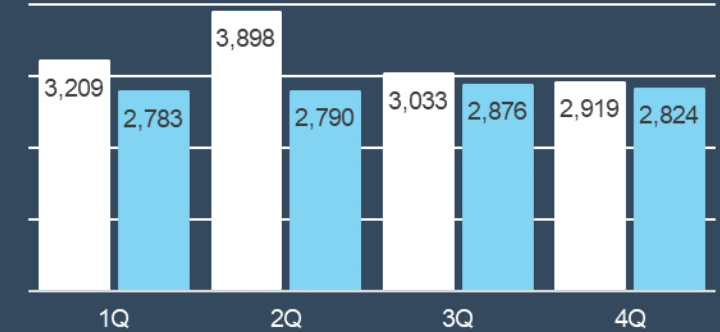
impacted by lower prices and extra start-up costs

- ◆ Total operating income of MNOK 2,824, down 3% from fourth quarter last year
 - ▶ Lower operating income was mainly due to lower sales prices in China

- ◆ EBITDA of MNOK 313, down 42% from fourth quarter last year
 - ▶ Lower EBITDA was partly explained by lower sales prices in China
 - ▶ As previously announced, extra costs in China after the National Day has negatively impacted the result by approx. MNOK 60
 - ▶ In addition, lower speciality sales volumes have reduced margins

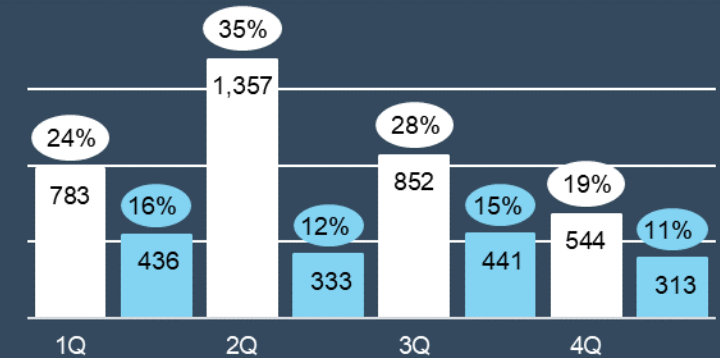
Total operating income

NOK million



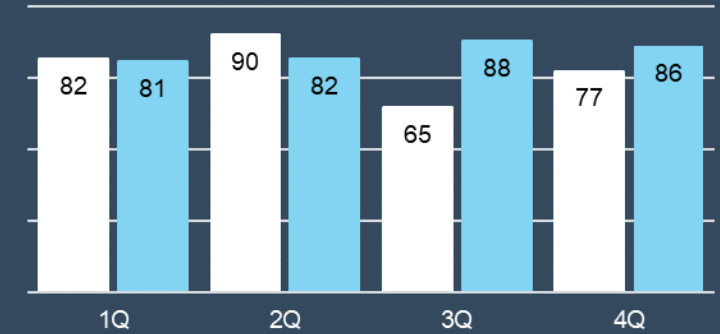
EBITDA and margin

NOK million and %



Sales volume

In 1,000 mt



■ 2018 ■ 2019

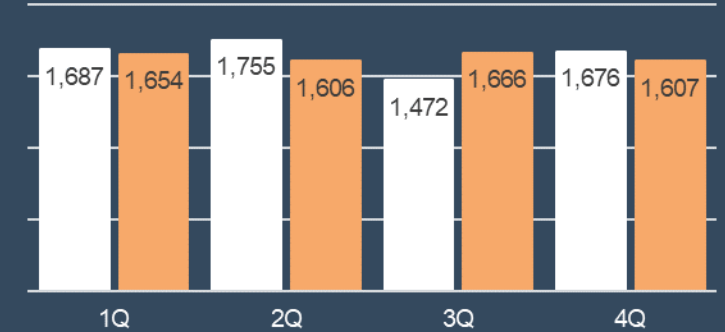
Silicon Materials

good operations and strong cost position

- ◆ Total operating income of MNOK 1,607, down 4% compared to fourth quarter last year
 - ▶ The reduction was mainly due to lower sales prices for silicon and slightly lower sales volumes
- ◆ EBITDA of MNOK 159, down 30% compared to fourth quarter last year
 - ▶ The reduction was mainly explained by lower sales prices

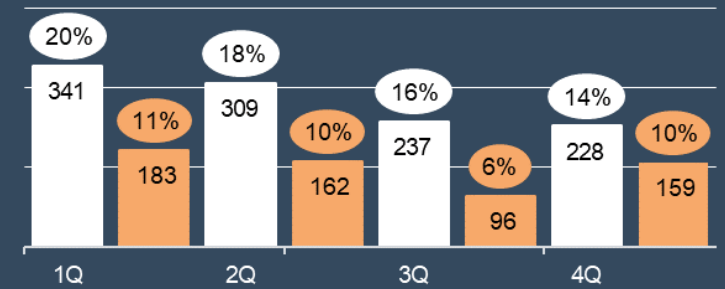
Total operating income

NOK million



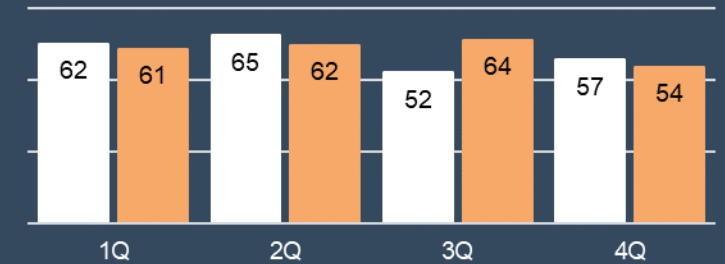
EBITDA and margin

NOK million and %



Sales volume

In 1,000 mt



■ 2018 ■ 2019

Foundry Products

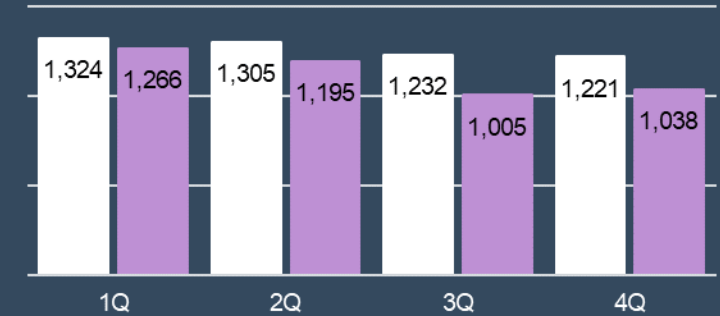
low prices and operational issues

- ◆ Total operating income of MNOK 1,038, down 15% from fourth quarter last year
 - ▶ Lower operating income mainly explained by lower sales prices
 - ▶ Steel and automotive markets still weak

- ◆ EBITDA of MNOK 16, down 86% from the fourth quarter last year
 - ▶ The weak fourth quarter result was partly explained by lower sales prices for ferrosilicon and lower volume of specialty foundry alloys
 - ▶ In addition, EBITDA was negatively impacted by approx. MNOK 60 due to operational issues at Bjolvefossen and Iceland, resulting in higher costs and lower production

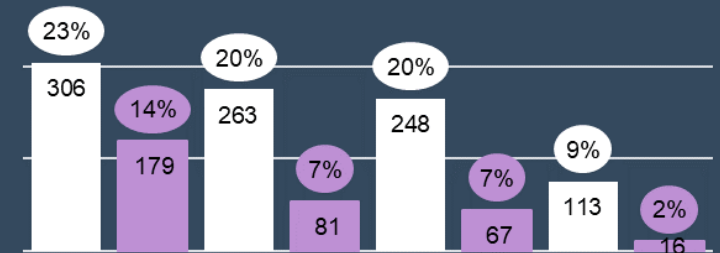
Total operating income

NOK million



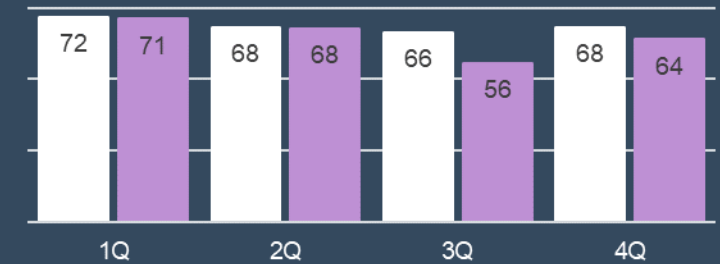
EBITDA and margin

NOK million and %



Sales volume

In 1,000 mt



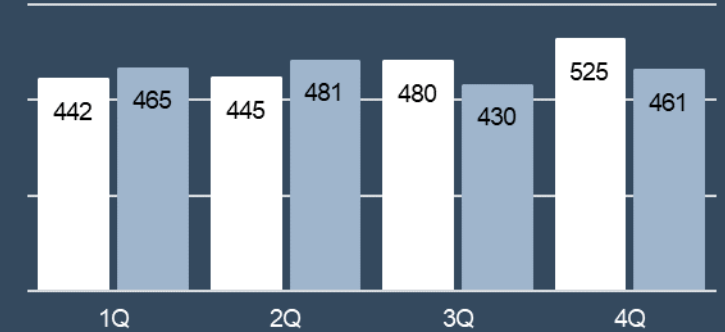
■ 2018 ■ 2019

Carbon impacted by lower volumes

- ◆ Total operating income MNOK 461, down 12% from fourth quarter last year
- ◆ EBITDA MNOK 71, down 13% from the corresponding quarter last year
- ◆ Lower total operating revenue and EBITDA explained by lower sales volumes due to weak ferrous alloy markets

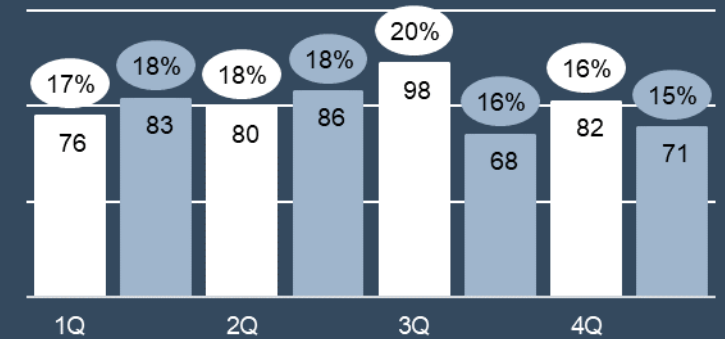
Total operating income

NOK million



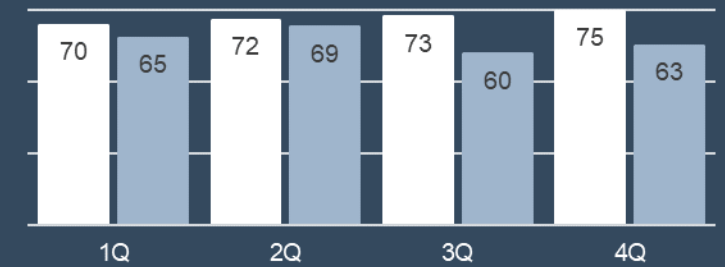
EBITDA and margin

NOK million and %



Sales volume

In 1,000 mt



■ 2018 ■ 2019

Elkem group

stable equity, low EPS

◆ Earnings per share (EPS)

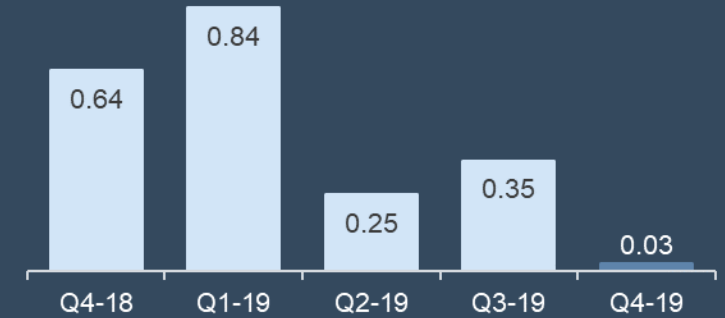
- ▶ EPS amounted to NOK 0.03 in the fourth quarter
- ▶ EPS YTD 2019 was NOK 1.47
- ▶ Proposed dividend NOK 0.60 per share, 41% of net profit

◆ Total equity amounted to BNOK 13.0 as at 31 December, stable compared to the preceding quarter

- ▶ Equity ratio of 45%

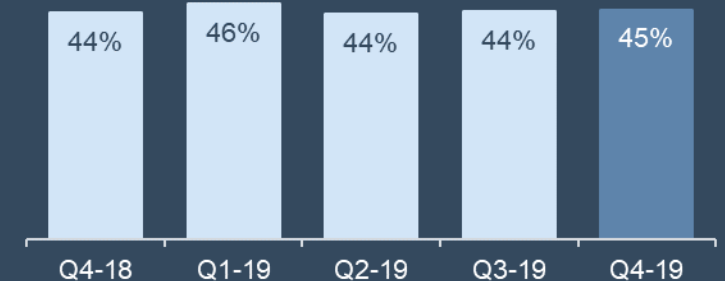
Earnings per share (EPS)

NOK per share



Equity ratio

In %



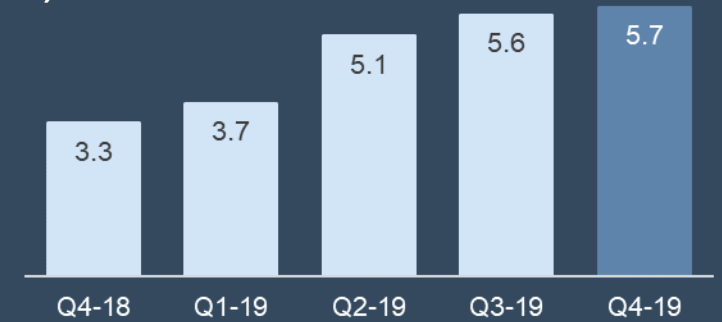
Elkem group

stable debt level but increased leverage

- ◆ Net interest bearing debt (NIBD) of BNOK 5.7 as at 31 December 2019
- ◆ Leverage ratio of 2.2x based on LTM EBITDA of BNOK 2.7
- ◆ NIBD and leverage will likely increase in the next quarters due to dividend and acquisition of Polysil
- ◆ Well distributed debt maturity profile
 - ▶ Debt maturities in 2020 mainly consist of local Chinese working capital financing, which is short-term by nature. Corporate back-up facilities are in place

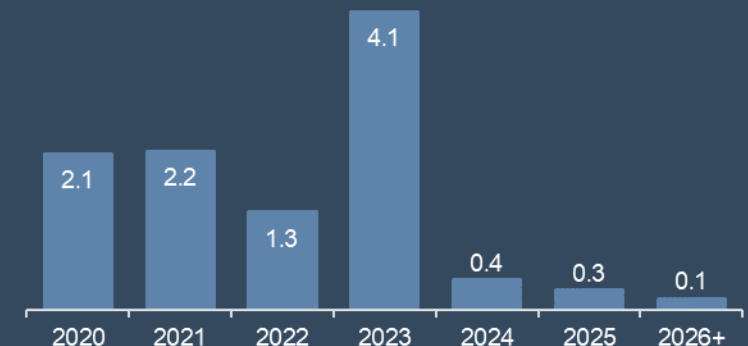
Net interest-bearing debt (NIBD)

NOK billion



Maturity profile

NOK billion



Elkem group stable cash flow generation

◆ Cash flow from operations⁽¹⁾ was MNOK 464 in the fourth quarter, down from the corresponding quarter last year

- ▶ Reduced cash flow was mainly due to lower operating profit
- ▶ Good cash conversion

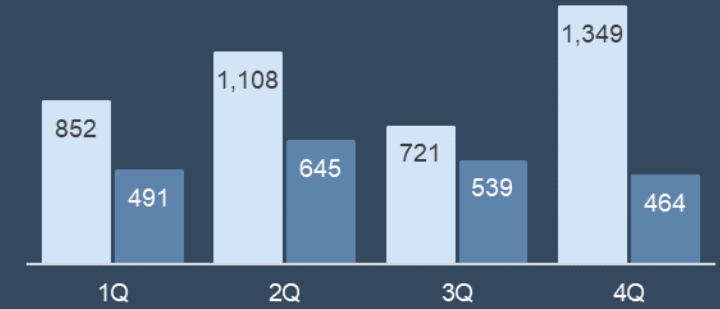
◆ Investments amounted to MNOK 920

- ▶ Reinvestments was MNOK 522 in the quarter, which must be seen in connection with low reinvestments in third quarter. Reinvestments for the year was 80% of D&A, in line with target
- ▶ Strategic investments of MNOK 398, primarily Silicones R&D centre and other specialisation projects, furnace upgrades for Silicon Materials and the battery project for Carbon. Strategic investments for the year was MNOK 963, in line with guiding

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

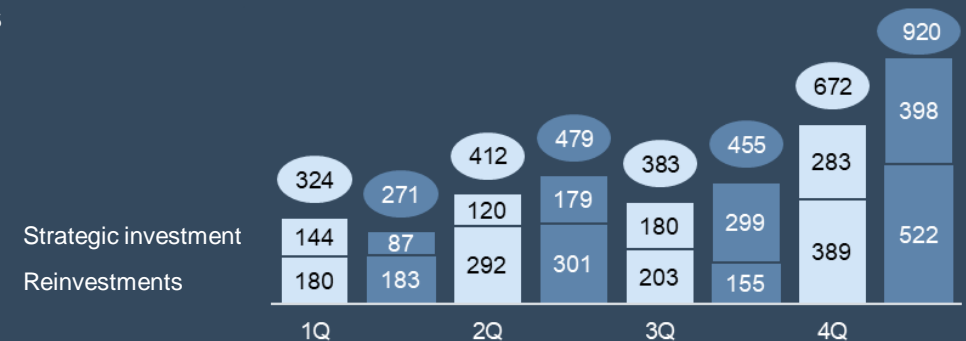
Cash flow from operations

NOK million



Investments

NOK million



■ 2018 ■ 2019

Outlook for the first quarter

- ◆ During the fourth quarter 2019 market prices recovered from historic low levels. The price trend has continued upwards for silicon and modestly up for ferrosilicon. Silicone prices are expected to remain stable
- ◆ First quarter 2020 will be impacted by Chinese New Year and slower activity due to the coronavirus
- ◆ The silicones market is mixed. Prices for specialties remain stable, but still low prices for core products. The expected demand pick-up after Chinese New Year may be delayed due to the coronavirus
- ◆ Demand for silicon metal seems to have normalised with destocking effects levelling out
- ◆ Ferrosilicon and foundry alloys still hampered by weakness in steel and automotive
- ◆ Demand outlook for carbon products expected to be in line with preceding quarters



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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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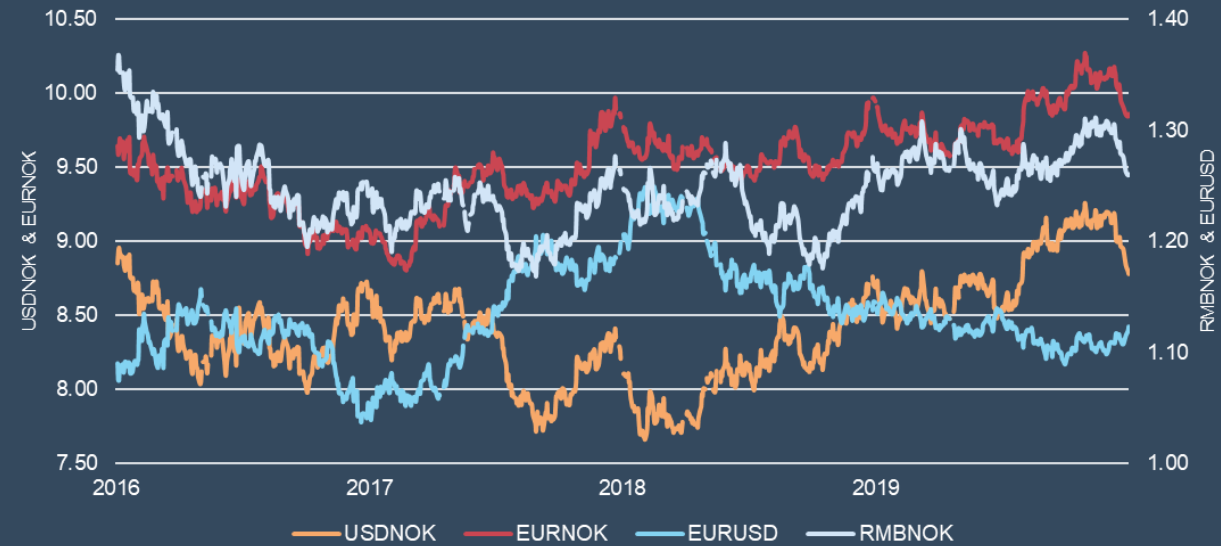


Appendix

Currency sensitivity

- ◆ The cash flow is exposed to operating income and costs in different currencies. The main currencies are EUR and USD
 - ▶ EUR - net cash flow approx. MEUR 350
 - ▶ USD - net cash flow approx. MUSD 100
- ◆ Current cash flow hedging programme
 - ▶ 90% hedging of net cash flows occurring within 0-3 months
 - ▶ 45% hedging of forecasted net cash flows within 4-12 months
- ◆ Before hedging activities, a 10% strengthening or weakening of NOK versus all other currencies would have an EBITDA effect of approx. MNOK 600 over the coming 12 months

Currency development



- The Norwegian krone strengthened against major currencies toward the end of 4Q-2019
- Compared to 3Q-2019, the NOK ended the quarter 0.3% stronger against EUR, 3.4% stronger against USD and 0.9% stronger against CNY

Other financial sensitivities

POWER

- ◆ Electric power is a key input factor in Elkem's production. Total consumption for the group was 6.0 TWh in 2019. Near term exposure to spot power prices is limited
 - ▶ Norway, hedging programme mainly consisting of long-term contracts covering 80% of the power consumption for the current and next year
 - ▶ Outside Norway, power prices are mostly based on long term contracts or regulated power tariffs
- ◆ Elkem applies hedge accounting for most of its power contracts. Fair value changes of contracts which are not included in the hedging portfolio is booked in Other items

SALES PRICES

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

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

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

