



# First quarter results 2022

# Agenda

## Business update

By CEO Helge Aasen

## Financial performance

By CFO Morten Viga

## Outlook

By CEO Helge Aasen



# All-time high results

- Elkem's results again reached all-time high, especially driven by strong performance in Silicon Products and Carbon Solutions
- General value chain conditions are challenging due to high energy costs, raw material constraints and transportation problems, but Elkem's strong integrated business model provides competitive advantage
- Elkem announced a partnership with Hydro and Altor on 6 April to accelerate the growth of Vianode, a producer of sustainable battery materials
- Elkem will build a flagship R&I centre in Shanghai to meet the growing demand for advanced silicone products and technologies

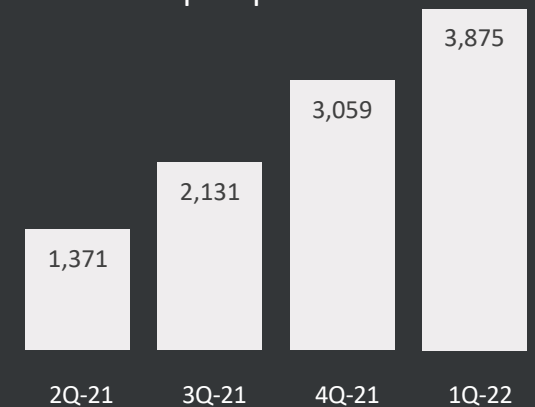


Total operating income  
**MNOK 11,876**

EBITDA  
**MNOK 3,875**

EBITDA margin  
**33 %**

LTM EBITDA per quarter



# ESG – a key priority



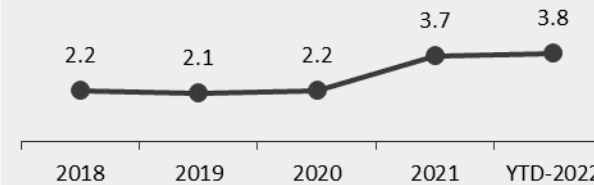
## A clear focus on ESG

- Elkem's CO<sub>2</sub> roadmap will reduce emissions in line with the Paris agreement
- Elkem is rated A- on Climate and B- on Water by CDP
- Elkem has received Platinum sustainability rating from EcoVadis awarded to the top 1% 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
- 70% of process waste recycled or reused

## Governance

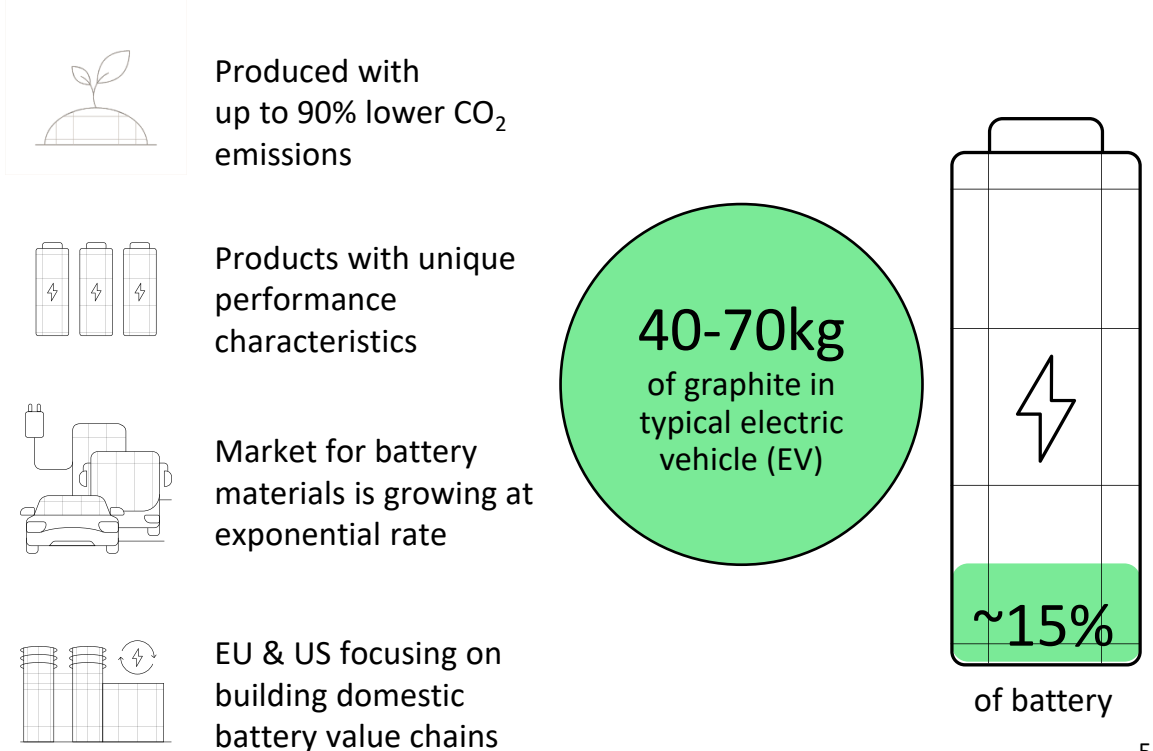
- New suppliers screened against environmental and social criteria
- 96% of employees have signed Code of Conduct

# Vianode – partnership established to accelerate growth in battery materials

- On 6 April, Elkem, Hydro and Altor announced a partnership with the intention to accelerate the growth of Vianode, aiming to become a leading producer of sustainable battery materials
- Hydro and Altor will each have 30% ownership in Vianode, while Elkem will retain 40% ownership. The transaction is subject to formal approval by all parties and regulatory approvals
- The market for battery materials is growing at an exponential rate and developing sustainable value chains is critical for the green transformation
- An investment decision for a potential first-phase plant at Herøya, Norway, is expected in the first half of 2022. The investment is estimated at around BNOK 2. The plant development is pending clarifications related to framework conditions.



With full-scale plant: Improving >1,000,000 electric vehicles/year



# Impact from the Russian invasion of Ukraine

- Our hearts and minds are with the people affected
- Elkem's first priority is to ensure the health and safety of our people and business partners and to make sure we comply with international sanctions
- Elkem does not have any plants or own employees in Ukraine or Russia
- In 2021, Ukraine and Russia constituted very limited parts of Elkem's revenues
- Carbon Solutions have partly been sourcing anthracite from Russia. We are working on alternative sourcing

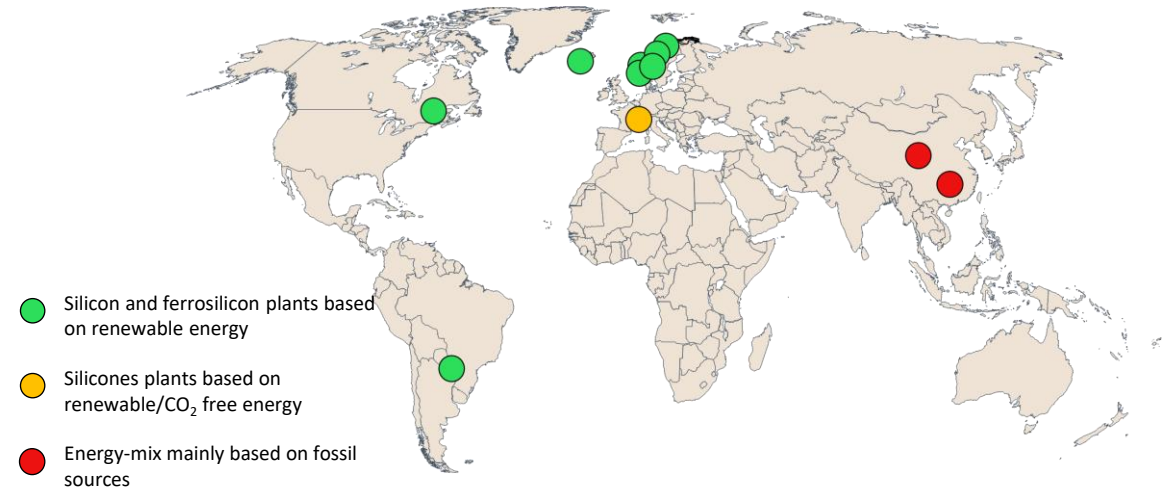


Elkem's strategy – integrated value chain

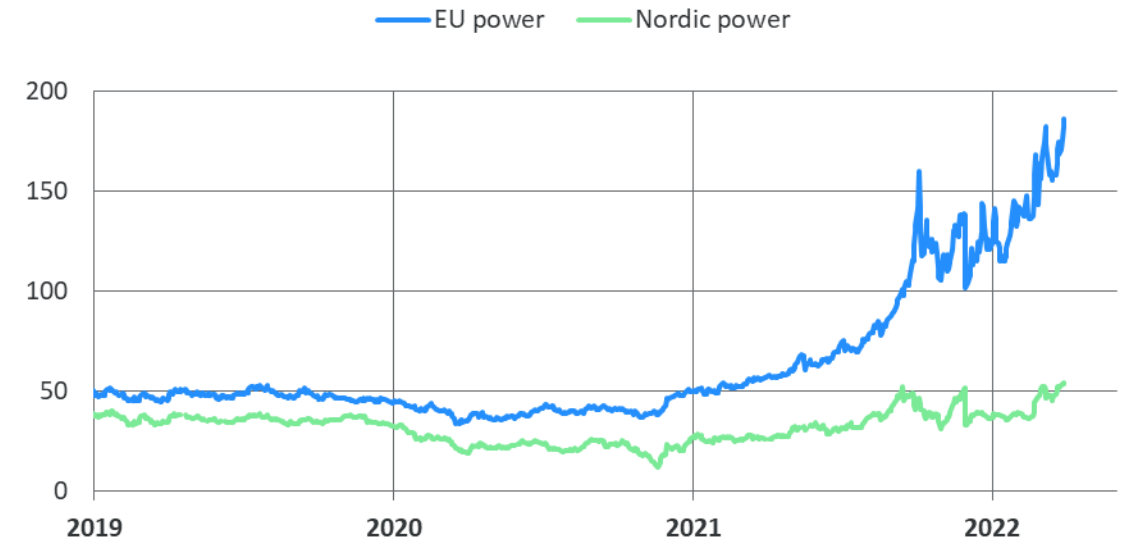
# Strong integrated value chain is providing sustainable competitive advantage

- Elkem's business model has shown resilience in challenging industry conditions. The integrated business model ensures stable access to high quality quartz, electrodes, and silicon
- Upstream metal production based on renewable energy with stable prices, giving competitive edge as EU power prices have soared
  - Elkem has a long-term hedging programme in place
- Good access to critical alloy metals through pro-active planning, inventory management and supply chain expertise
- Good access to reducing agents due to long-term strategic cooperation with critical suppliers and focus on robust supply chains
- Internal logistics expertise, long-term cooperation with key suppliers and good network in logistics ensure deliverability

## Well positioned with long-term renewable contracts



## Power - rolling front year contract prices (EUR/MWh)



# Specialisation strategy, a lever to secure future growth

- Elkem's silicones specialisation strategy is giving results
  - 26% of sales by the Silicones division generated from products < 5years
  - Leadership positions in Release Coatings, Textile Coatings and Health Care
- The Silicones Xinghuo expansion project is expected to generate additional BNOK 5 of sales from downstream specialisation by 2030
- Further high-end product innovations ongoing to support green shift and middle-class rise
  - Eco-friendly silicones sealants to improve energy efficiency in construction
  - Thermal management and light weight silicone solutions for electrical mobility, power electronic, 5G, etc.
  - Biocompatible silicone solutions for long term implants, medical devices, wound care, etc.



## R&I centre ATRiON Shanghai opening Q1 2023

- Elkem will invest approx. MNOK 150 in a flagship R&I centre for the Asia-Pacific region in Shanghai. The new R&I centre will house several application centres addressing the development trends in key industries:
  - **New-energy Vehicles Application Center** for high-performance silicone products for electrical and electronic components for EV
  - **Life Science Application Center** for medical devices, biopharmaceuticals, pharmaceuticals, and cosmetics
  - **Coating Application Center** for developing packaging release agents, automotive airbag coating materials and products for textile and leather
  - **3D Printing Application Center** providing new product designs, manufacturing and supply methods for smart manufacturing

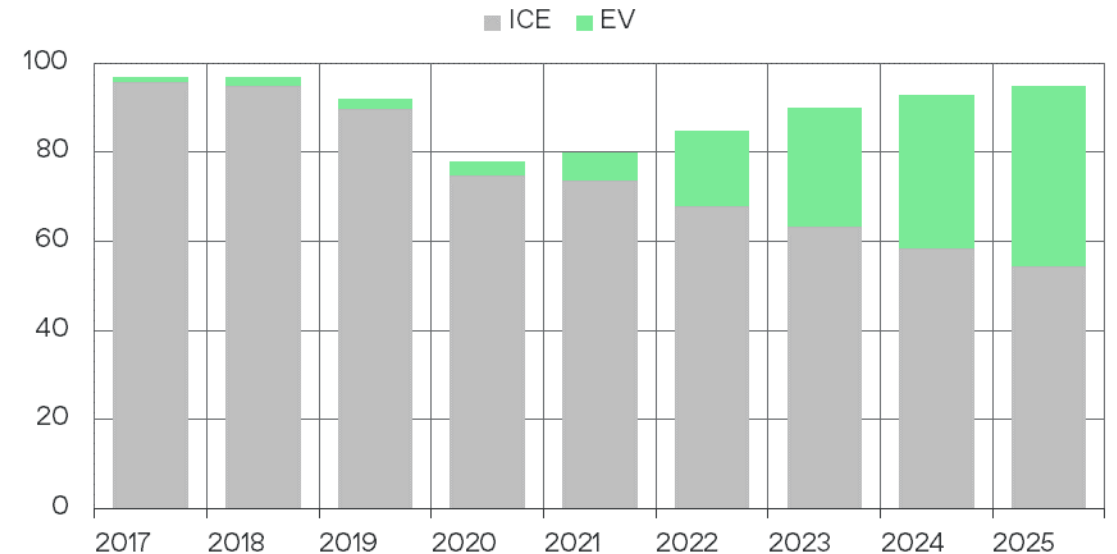


# Automotive hit by new supply disruptions, attractive EV growth

- Global sales of light vehicles were around 80 million in 2021, which was 13% below pre-covid level
- Auto production in Europe was reduced by more than 10% in 1Q-2022 compared to 1Q-2021 due to problems with semiconductors, logistics and Covid restrictions in Asia
- However, EVs growing faster than expected and nearly doubled compared to 1Q-2021
  - EV sales in China were up 176%, reaching 20% market share
  - EV sales in Europe were up 38% , also reaching 20% market share
- For Elkem this development is compensating for reduced total production, as EVs contain approx. 4 times more silicones than regular cars



Light vehicles sales (in million)



# Strong underlying demand, prices stabilising in China after new Covid outbreak

- Silicones prices in China were up after Chinese New Year, but prices dropped in March due to negative impact from Covid restrictions. DMC-prices have now stabilised around ~28,000 CNY/mt
- Restrictions have forced downstream Chinese plants to suspend production leading to lower demand for upstream products, such as DMC
- Strong demand for specialty products, particularly to EV and life science
- Price increases implemented worldwide for silicones specialties from 1Q-2022. Further price increases expected from 2Q due to continued cost pressure



DMC reference price China (CNY/mt)

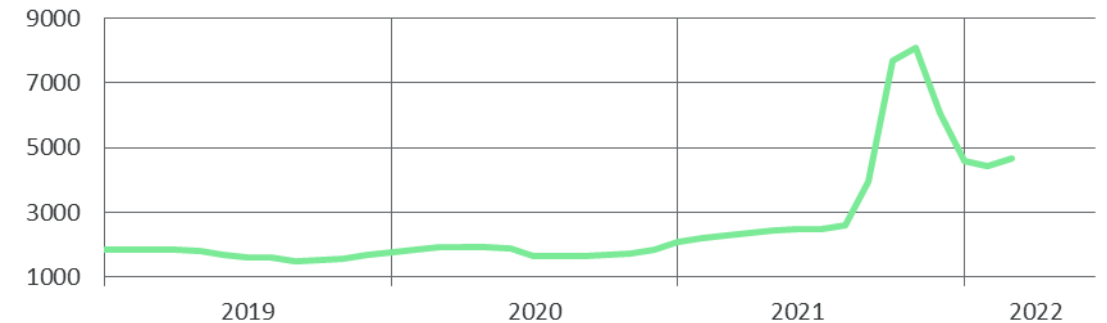


# Continued strong price momentum

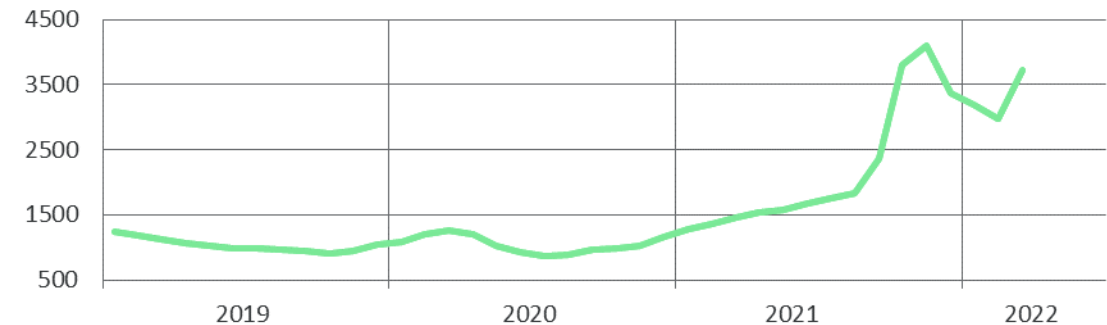
- Market prices have remained at a high level in the first quarter
- Energy crisis in Europe leading to capacity closures in silicon and ferrosilicon strengthening Elkem's competitive advantage and resulting in tight market conditions
- Limited raw material access causing supply constraints for several competitors, particularly in foundry alloys
- EU ferrosilicon prices have again increased due to supply disruptions, resulting in tight supply/demand balance
- Elkem continues to see strong demand across all product lines



CRU silicon 99 price EU (EUR/mt)



CRU ferrosilicon 75 price EU (EUR/mt)

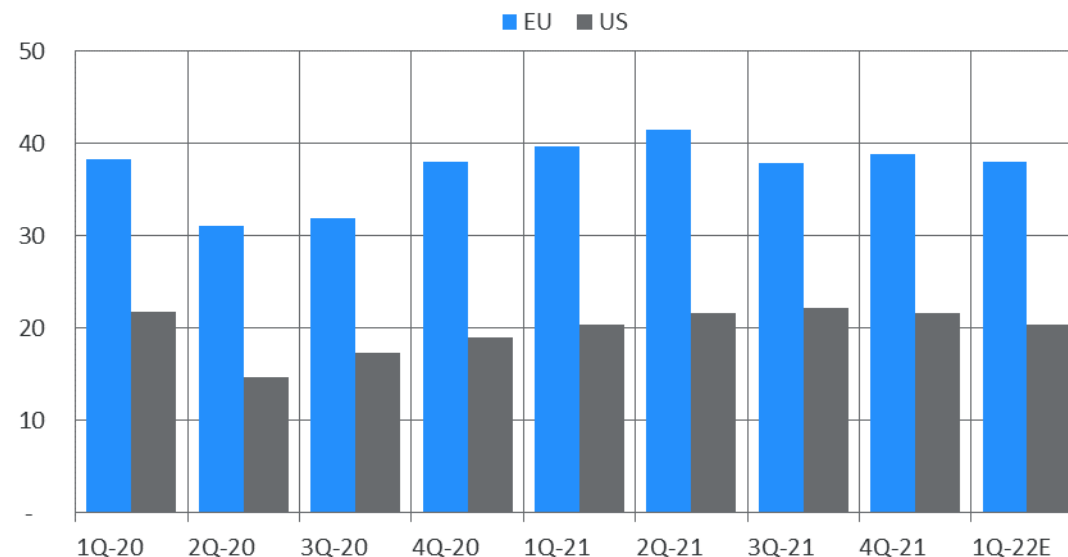


# Stable steel production outside China supporting demand for Elkem's products

- Steel production outside China was 2% lower in 1Q-2022 compared to 1Q-2021
- China restricting steel production - estimated production down 8% in 1Q-2022 compared to 1Q-2021
- Russia normally accounts for 4% of global steel production, with approx. 40% being exported. Lower demand for Russian steel is supporting the production in US and EU
- Higher raw material costs for our carbon products being passed on through increased sales prices



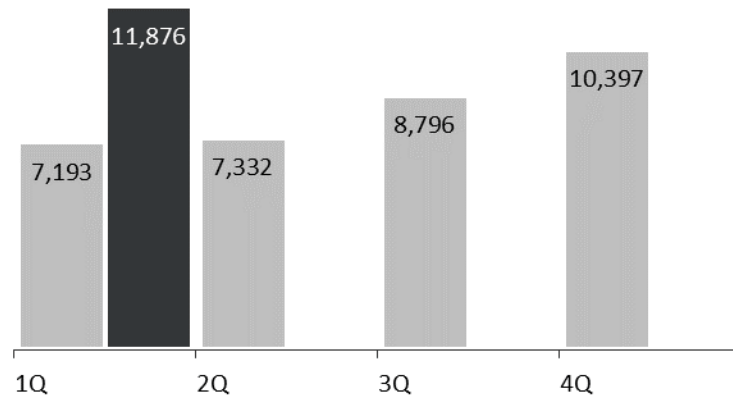
Total steel production million mt



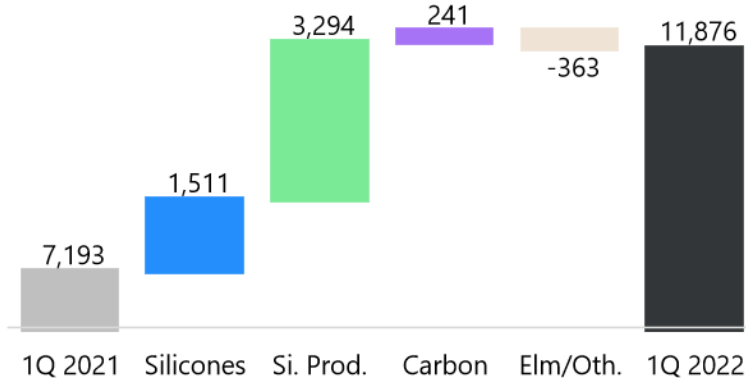
# Strong results, mainly driven by Silicon Products

## Total operating income

- New all-time high driven by increased sales prices

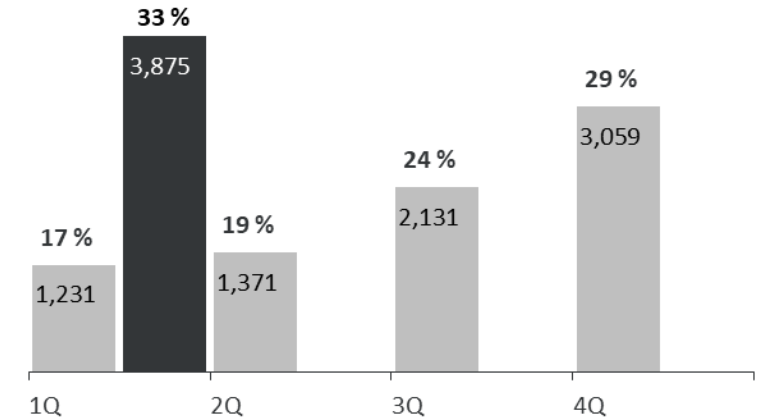


- Strong revenue generation in all divisions, especially in Silicon Products

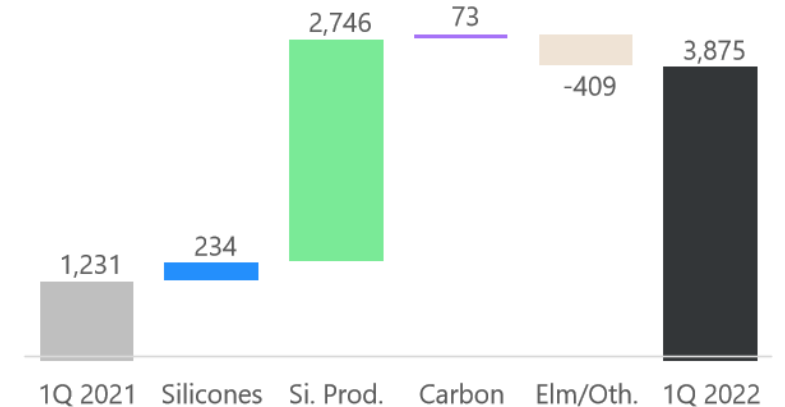


## EBITDA

- New all-time high



- Silicon Products and Carbon Solutions reaching new record levels



# Overview financial ratios

- EBITDA MNOK 3,875
  - Segment Other included realised currency hedging gains of MNOK 6
  - Eliminations higher than normal, explained by higher margins on internal sales, mainly for silicon
- Other items MNOK -23
  - Mainly related to loss MNOK -17 from an interest rate hedge in Salten Energigjenvinning, which has subsequently been terminated, and net loss from derivatives and other of MNOK -6
- Net finance income (expenses) MNOK 32
  - Consist of net interest expenses MNOK -41, other financial expenses of MNOK -5, offset by currency gains of MNOK 78
- Tax MNOK -732
  - Resulting in a tax rate of 22% for the first quarter 2022
  - Expected tax rate for FY-2022 is approx. 22%

## Consolidated key figures

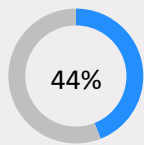
<i>(NOK million, except where specified)</i>	1Q 2022	1Q 2021	YTD 2022	YTD 2021	FY 2021
Total operating income	11,876	7,193	11,876	7,193	33,717
EBITDA	3,875	1,231	3,875	1,231	7,791
EBIT	3,399	806	3,399	806	5,899
Other items	-23	-63	-23	-63	-114
Net finance income (expenses)	32	57	32	57	6
Profit (loss) before income tax	3,401	824	3,401	824	5,827
Tax	-732	-133	-732	-133	-1,163
Profit (loss) for the period <sup>(1)</sup>	2,658	684	2,658	684	4,628
<b>Key ratios</b>					
EPS (NOK per share)	4.20	1.17	4.20	1.17	7.49
Equity ratio (%)	51 %	41 %	51 %	41 %	47 %
Net interest bearing debt (NIBD) <sup>(2)</sup>	3,756	7,668	3,756	7,668	4,827
Leverage ratio	0.4	2.3	0.4	2.3	0.6
Reinvestments % of D&A	54 %	62 %	54 %	62 %	91 %
ROCE (annualised) (%)	53 %	16 %	53 %	16 %	27 %

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

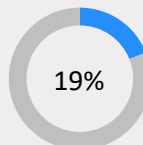
(2) Excluding receivables from related parties, loans to external parties, accrued interest income and non-current other restricted deposits

# Strong quarter, but impacted by high raw material costs

- Total operating income of MNOK 5,234, up 41% from the first quarter last year
  - Increased operating income driven by higher sales prices in all markets
- EBITDA of MNOK 821, up 40% from the first quarter last year
  - Improved EBITDA explained by higher sales prices
  - However, increased sales prices largely offset by cost increases, particularly for silicon
- Strong demand in all regions, but transportation causing some delays



Share of operating income



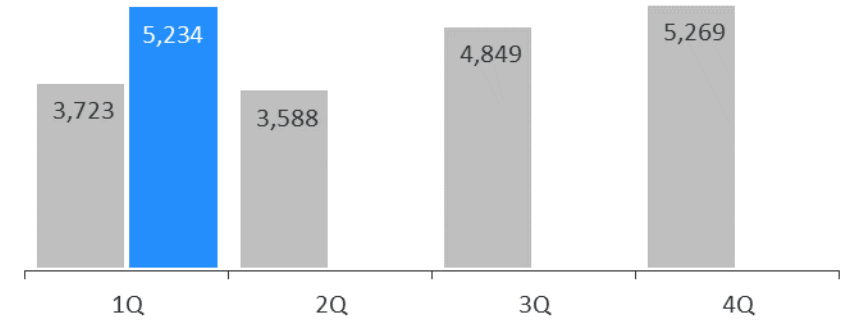
Share of EBITDA

Share of operating income from external customers ex. Other

Share of EBITDA ex. Other and Eliminations

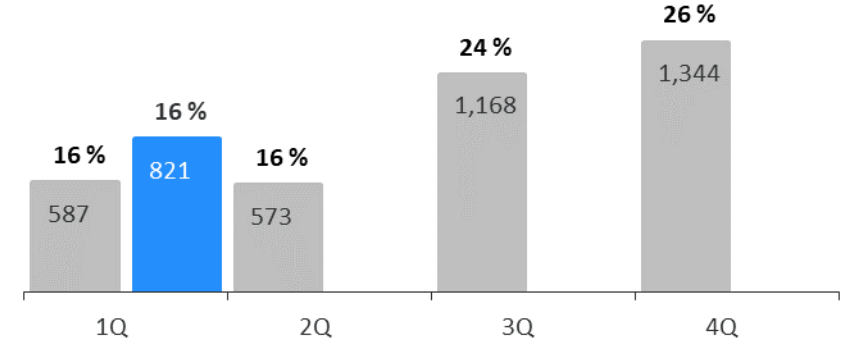
## Total operating income

NOK million



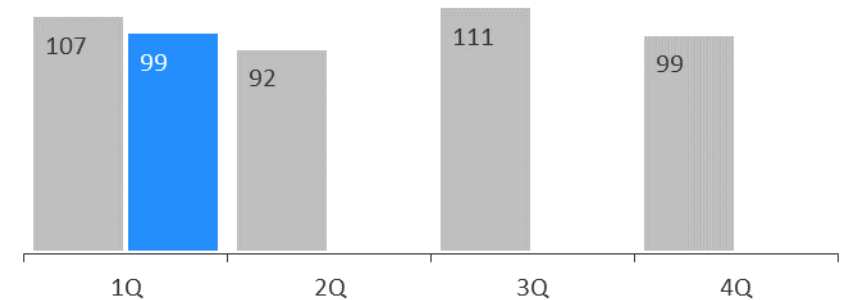
## EBITDA and margin

NOK million and %



## Sales volume

In 1,000 mt

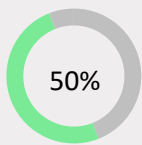


■ 2021

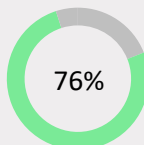
■ 2022

# All-time high results

- Total operating income of MNOK 6,430 up 105% from the first quarter last year
  - Increased operating income driven by high sales prices
- EBITDA of MNOK 3,272, new all-time high, already approaching FY-2021
  - Strong EBITDA explained by higher sales prices, good production and strong cost position
  - Underlying industry cost pressure, but Elkem’s cost positions relatively stable
- Elkem continues to see strong demand, benefitting from robust value chains



Share of operating income



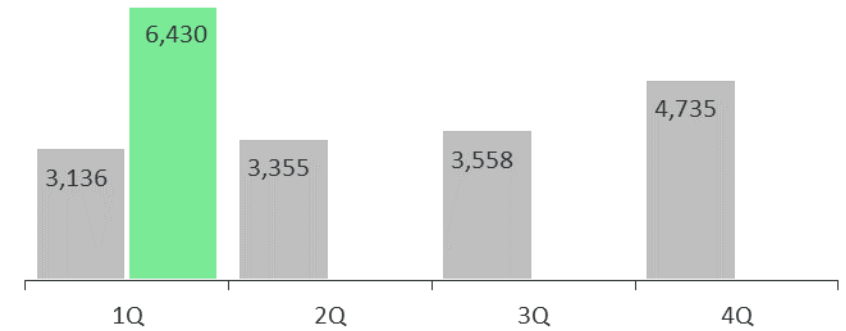
Share of EBITDA

Share of operating income from external customers ex. Other

Share of EBITDA ex. Other and Eliminations

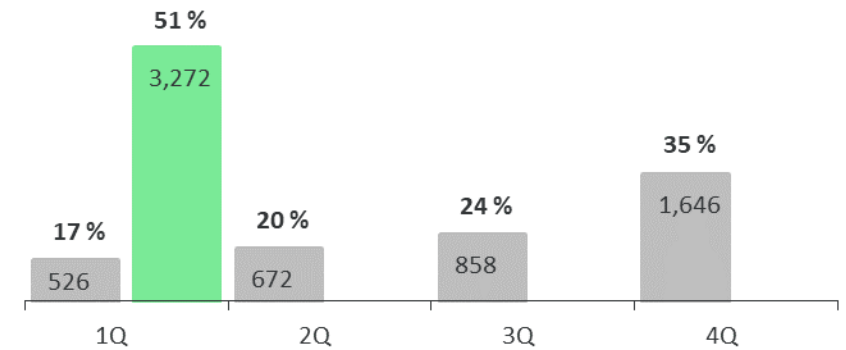
## Total operating income

NOK million



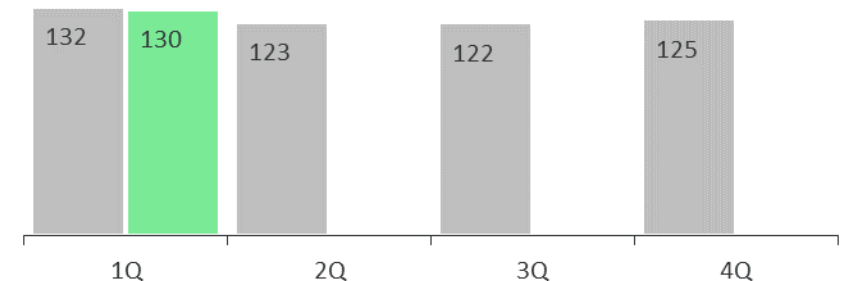
## EBITDA and margin

NOK million and %



## Sales volume

In 1,000 mt



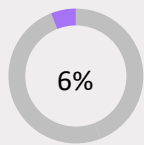
■ 2021

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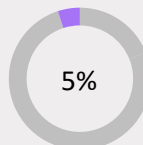


# Record results driven by strong steel markets

- Total operating income MNOK 727, up 50% from the first quarter last year
  - Operating income reached all-time high, explained by high sales volumes and improved sales prices
- EBITDA of MNOK 194, up 60% from first quarter last year
  - Improved EBITDA explained by higher sales prices and higher sales volumes
  - General cost pressure and higher raw material costs partly offsetting the increased sales prices
- Strong demand and good productivity resulting in high sales volumes



Share of operating income



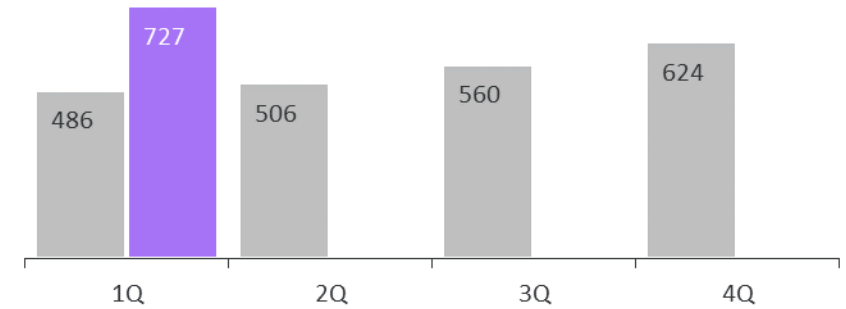
Share of EBITDA

Share of operating income from external customers ex. Other

Share of EBITDA ex. Other and Eliminations

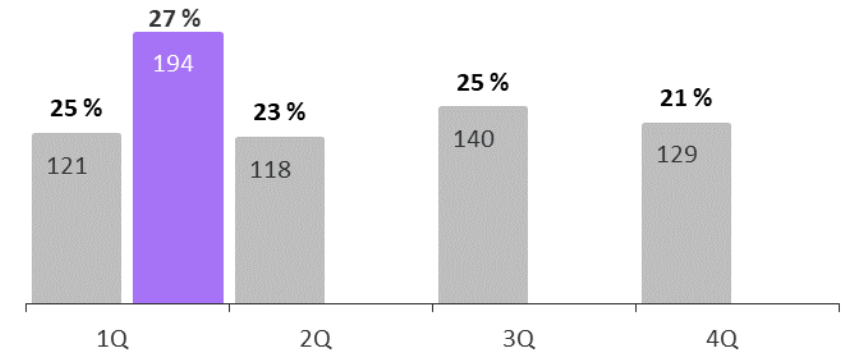
## Total operating income

NOK million



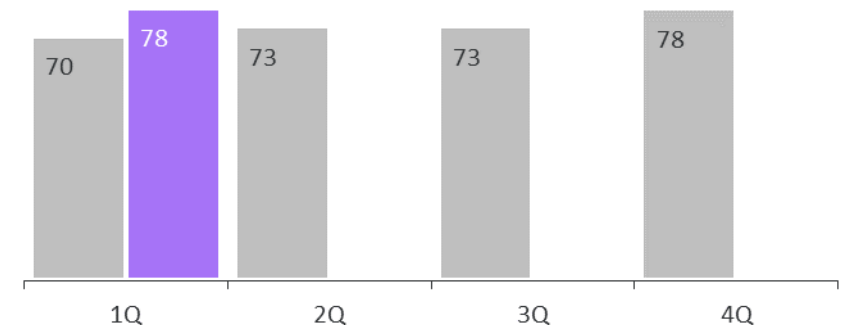
## EBITDA and margin

NOK million and %



## Sales volume

In 1,000 mt



■ 2021

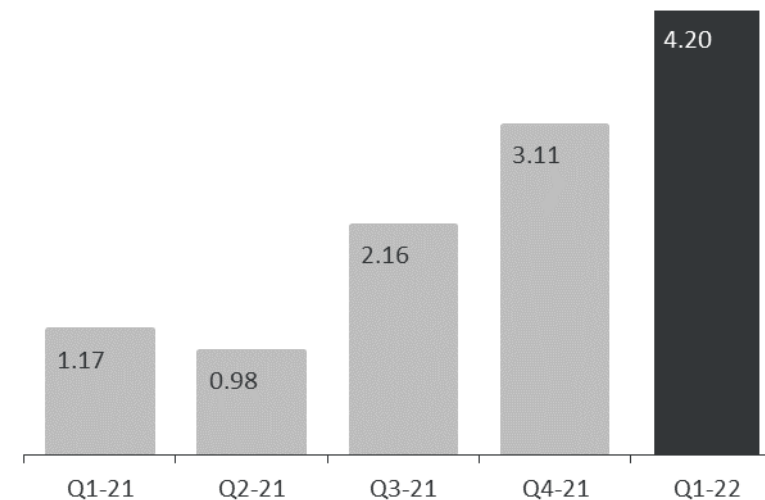
■ 2022

# Strong EPS and robust equity

- Earnings per share (EPS) amounted to NOK 4.20 in the first quarter
  - EPS was all-time high, explained by strong results
- Total equity amounted to BNOK 22.9 as at 31 March 2022, up BNOK 3.0 from year-end 2021
  - Equity to total assets (equity ratio) of 51%
  - Adjusted for the dividend payment for 2021, pro-forma equity would amount to BNOK 21.0, giving a pro-forma equity ratio of 49%

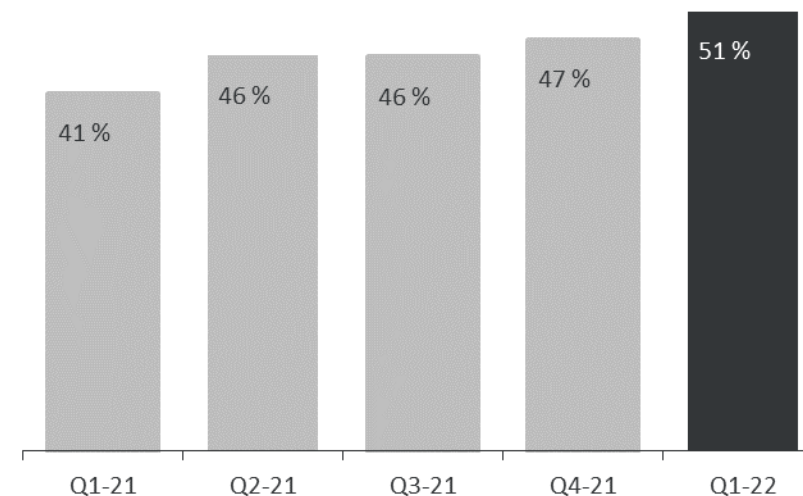
## Earnings per share (EPS)

NOK per share



## Equity ratio

In percent of total assets

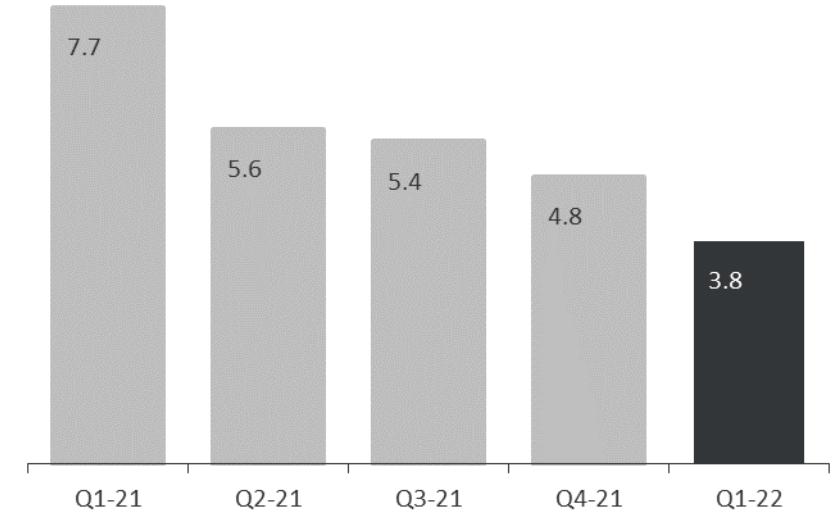


# Low leverage and strong financing position

- Net interest-bearing debt (NIBD) of BNOK 3.8 as at 31 March 2022
  - Leverage ratio of 0.4x based on LTM EBITDA of BNOK 10.4
  - Adjusted for the dividend payment for 2021, pro-forma NIBD would amount to BNOK 5.7 which gives a pro-forma leverage ratio of 0.5x
  
- Well managed maturity profile
  - The debt maturities in China mainly consist of local working capital financing, which are regularly rolled over
  - Maturities in 2023 mainly consist of a term loan with Elkem’s relationship banks. A process has been initiated to refinance the term loan and the undrawn revolving credit facility

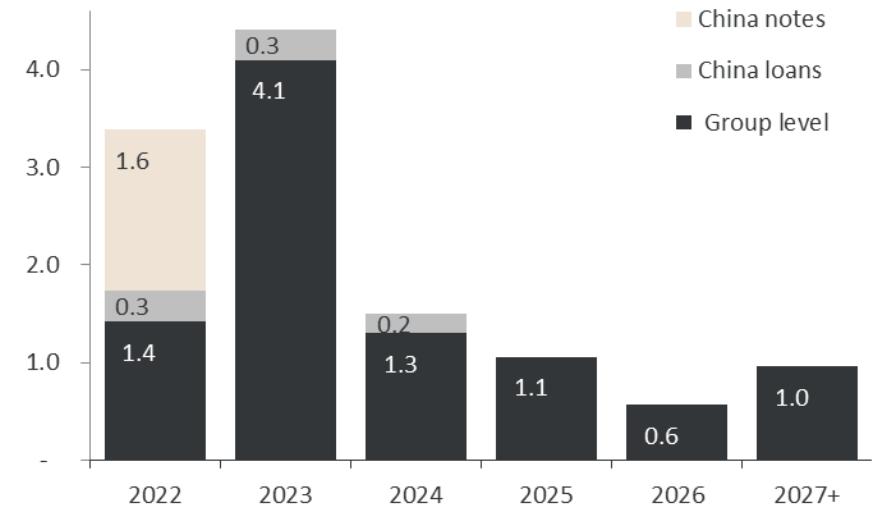
## Net interest-bearing debt (NIBD)

NOK billion



## Maturity profile

NOK billion



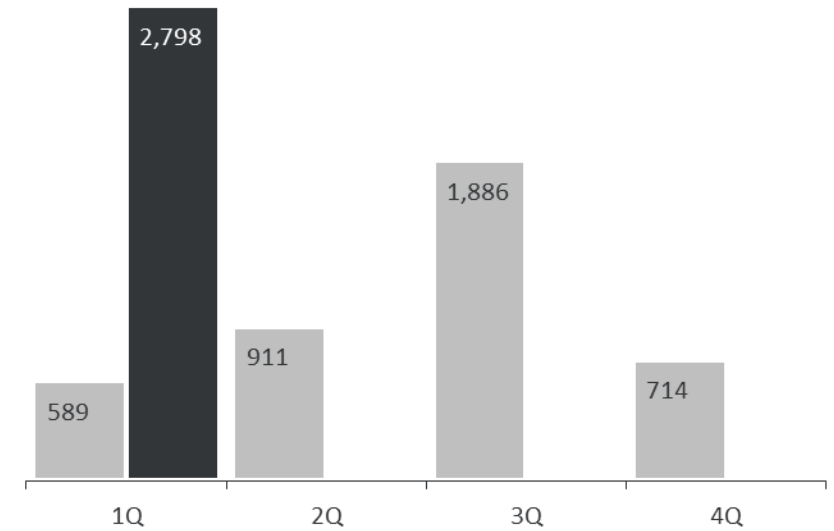
# Strong cash flow generation

- Cash flow from operations<sup>(1)</sup> was MNOK 2,798 in the first quarter, representing a new all-time high
  - Strong cash flow generation was explained by high operating profit
  - Increase in working capital mainly explained by increased prices for raw materials and finished goods
  
- Investments ex. M&A amounted to MNOK 597 in the first quarter 2022, up from MNOK 443 in the first quarter 2021
  - Reinvestments were MNOK 256 in the quarter, 54% of D&A
  - Strategic investments were MNOK 341 in the quarter, mainly related to Silicones expansion projects

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

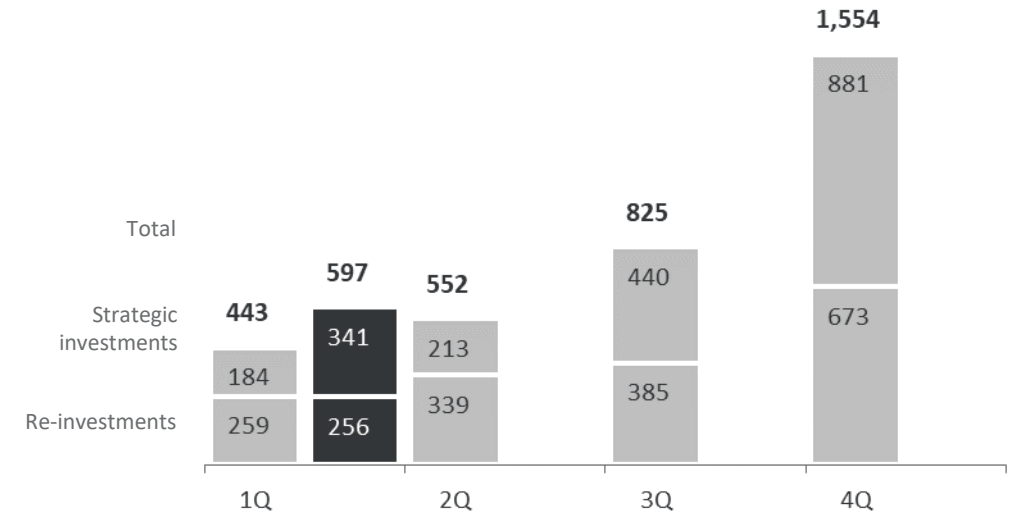
## Cash flow from operations

NOK million



## Investments ex. M&A

NOK million



■ 2021

■ 2022

# Outlook for the second quarter 2022

- Elkem continues to see strong demand going into the second quarter, explained by strong market positions, and robust and integrated value chains
- In Silicones, Elkem's operations in EMEA and US will gradually benefit from somewhat lower silicon prices. In APAC, covid restrictions in China could impact demand
- Silicon Products will continue to benefit from good demand and high prices. Contract prices for silicon will be down compared to the first quarter 2022, but remaining at highly attractive levels
- Carbon Solutions continues to benefit from strong steel and ferroalloys markets outside China, but could be exposed to raw material and transportation constraints



# 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.

No representation or warranty is given as to the completeness or accuracy of any forward-looking statement contained in this presentation or the accuracy of any of the underlying assumptions. Nothing contained herein shall constitute any representation or warranty as to the future performance of the company, any financial instrument, credit, currency rate or other market or economic measure.

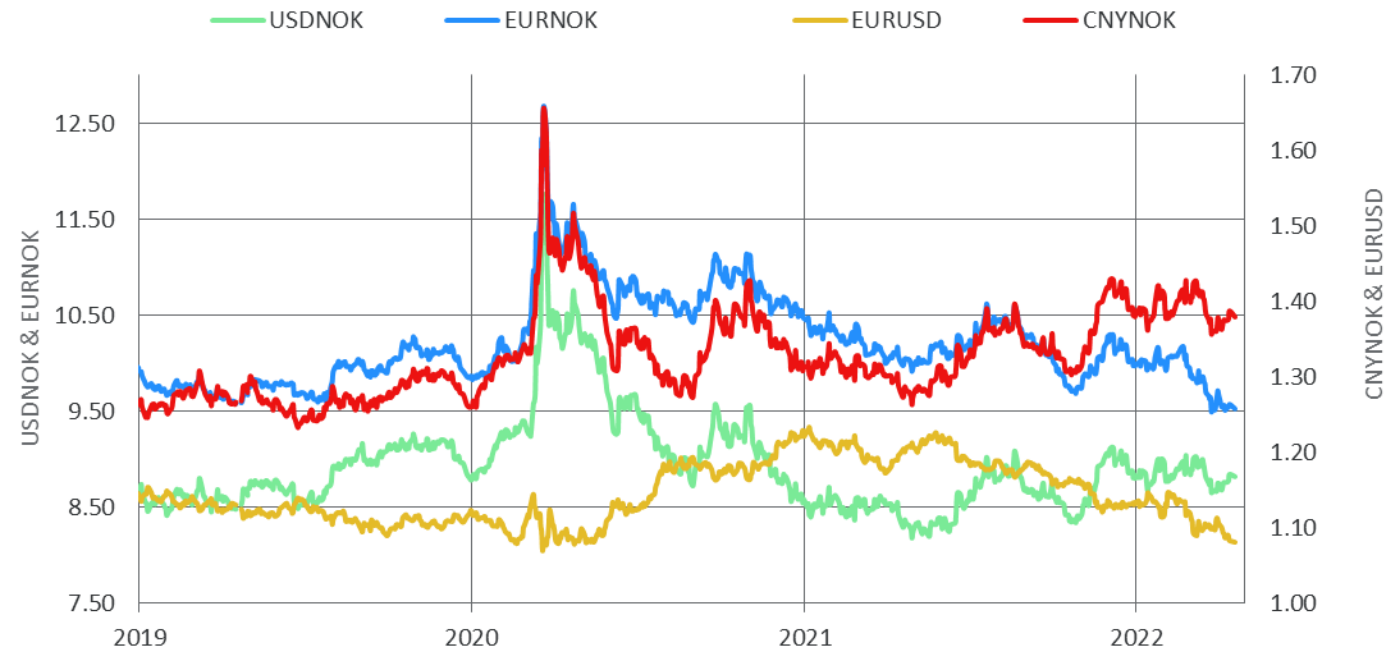
Information about past performance given in this presentation should not be relied upon as, and is not, an indication of future performance.



# Appendix

# Currency sensitivity

- The result and cash flow are exposed to currency fluctuations. The main currencies are EUR, USD and CNY
  - EUR - exposure approx. MEUR 430 in 2022
  - USD - exposure approx. MUSD 250 in 2022
  - CNY - exposure approx. MCNY 1,700 in 2022
- 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 850 over the coming 12 months. CNY is not hedged



## Currency development

- As of 31 March 2022, the NOK closed 3% stronger against the EUR, 1% stronger against USD, and 1% stronger against CNY compared to 31 December 2021
- In 1Q-2022, the NOK was on average 3% stronger against EUR, 4% weaker against USD, and 6% weaker against CNY compared to 1Q-2021.



# Other financial sensitivities

## POWER

- Electric power is a key input factor in Elkem's production. The normal consumption is around 6.5 TWh of which approx. 3.7 TWh is in Norway. Near term exposure to spot power prices is limited
  - Norway, hedging programme mainly consisting of long-term contracts covering more than 80% of the maximum power consumption for 2022 and 2023. After 2023, Elkem has a high but gradually declining hedging ratio in line with its long-term hedging strategy
  - 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
  - 10% price change on silicon metal is expected to affect result by approx. MNOK 200 per year<sup>(\*)</sup>
  - 10% price change on ferrosilicon is expected to affect result by approx. MNOK 570 per year<sup>(\*)</sup>

*(\*) Sensitivities are on group level and based on annual sales volumes.  
Sales prices are based on LTM CRU prices.*



Delivering your potential