

Third quarter results 2020

Agenda

Business update

By CEO Michael Koenig

Financial performance

By CFO Morten Viga

Outlook

By CEO Michael Koenig



Demand recovery in China, market conditions still weak

- ◆ Elkem maintained good operating performance in the third quarter, but the results were hampered by weak markets
- ◆ In China, the construction and automotive markets show strong recovery. Silicones prices in China were up during the third quarter
- ◆ Markets in Europe and the Americas are still weak, particularly impacting the sales of specialties
- ◆ The productivity improvement programme with targeted annual savings of more than NOK 350 million proceeds ahead of plan
- ◆ There are signs of recovery, but market outlook is still characterised by uncertainty



Total operating income

MNOK 5,886



EBITDA

MNOK 512



EBITDA margin

9 %

Environment, Social and Governance

New ESG organisation implemented to drive improvements



83 % share of renewables
of 2019 total electricity consumption

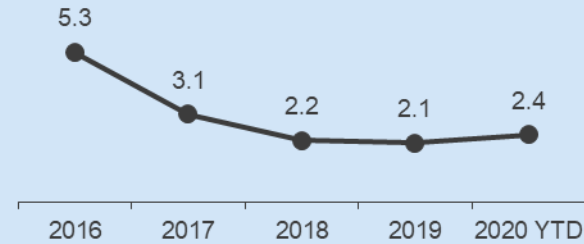
ecovadis

Gold performance rating for 2019
ranking Elkem in the top 10 per cent



Safety

Ambition zero injuries



Environment

Biocarbon strategy to reduce fossil
CO2 emissions 40% by 2030

Silicones contribute to greenhouse gas
reductions that are approx. 9 times
greater than emissions from silicones
manufacturing.



Social

Ambition best practice standards on
human rights and community
involvement



Governance

Adherence to Norwegian Code of
Practice for Corporate Governance

Management and board of directors
actively engaged in ESG issues

European Green Deal

EU policy update

- ◆ The European Commission recently decided on a 55% CO2 reduction target by 2030, subject to approval by EU member states
- ◆ If implemented, the new target would require changes in the EU Emission Trading System (ETS) and the State Aid Guidelines (SAG)
- ◆ ETS is the system for CO2 allowances
 - ▶ Allocation of new allowances will be published in Q1 2021
- ◆ SAG is the EU framework allowing member states to compensate certain industries for the CO2 cost in the power price
 - ▶ For silicon and ferrosilicon future compensation will remain flat at 75%
 - ▶ A hardship clause may provide extra compensation to e.g. Elkem's sector
- ◆ The new regulations do not contain significant changes for Elkem
 - ▶ Our commitment to continued CO2 reductions remain



Elkem's biocarbon strategy

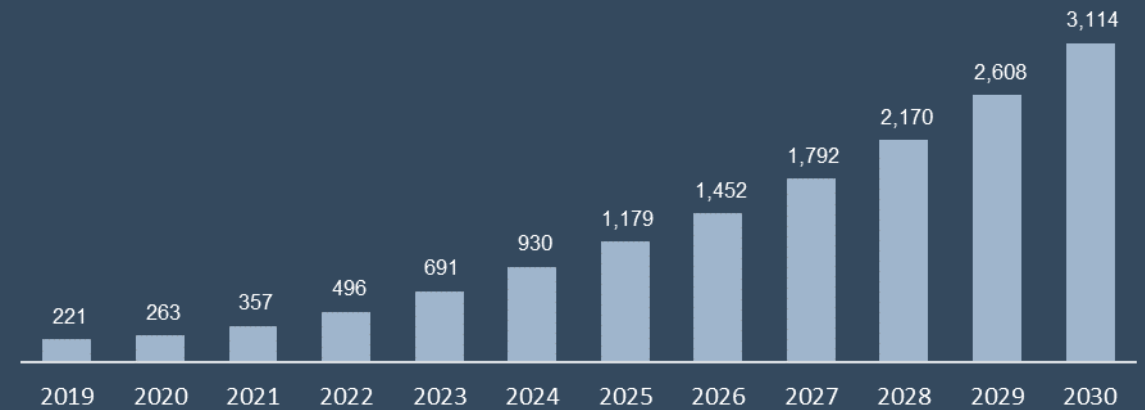
- ◆ The production of silicon and ferrosilicon require use of carbon material as a reducing agent, resulting in CO2 emissions
- ◆ The strategy is to reduce the use of fossil coal to reach sustainability goals
- ◆ Elkem has developed new breakthrough technology for production of sustainable biocarbon and will invest MNOK 180 in a pilot plant in Canada
 - ▶ Government financial support reduces Elkem's net investment to MNOK 60
 - ▶ Elkem will search for business partners to realise a full scale project

Battery materials project, an attractive ESG growth opportunity

- ◆ Demand for rechargeable lithium-ion batteries expected to increase more than ten times from today's level by 2030, mainly driven by EVs
- ◆ Elkem aims to take a competitive position in the market for anode materials based on sustainable production processes and renewable energy
- ◆ Elkem is currently constructing a pilot plant in Kristiansand, Norway to qualify products and verify the business case for a large-scale industrial plant
- ◆ Herøya, Norway has been selected as site for the planned industrial plant, with final investment decision expected in 2021
 - ▶ Elkem has received NOK 10 million from Enova to fund the initial planning of the Herøya plant
- ◆ Elkem will invite industrial and financial partners to participate in the project
 - ▶ ABG Sundal Collier has been appointed as financial advisor



Global Li-ion battery cell demand, GWh



Source WEF and McKinsey

Digitalisation to ensure competitiveness

- ◆ Digitalisation is important to drive improvements and value creation
- ◆ Elkem has established a Digital Office as a new special focus area directly reporting to the CEO
- ◆ The goal is to make Elkem a data-driven company by implementing digital initiatives
- ◆ Digital Office has defined three main areas
 - ▶ Digital use cases e.g. real time systems for raw material handling, silicones value chain optimisation and remote assistance
 - ▶ Cultural capability building to enable advanced analytic and agile working methods
 - ▶ Portfolio management to secure optimal resource allocation



Strategic acquisitions enhancing growth and specialisation

- ◆ Polysil and Basel Chemie strengthening Elkem's position in silicones specialities
- ◆ Polysil complements the product and market positions providing a solid platform for further specialisation and growth in China and globally
 - ▶ The integration process is progressing well and technologies have been transferred to support Elkem's strategy
 - ▶ EBITDA performance after closing ahead of expectations
- ◆ Basel Chemie complements the market offering and brings additional technologies to Elkem's specialty portfolio
 - ▶ New contracts and qualifications are ongoing with several companies
 - ▶ A demonstration of the joint success is PURESIL™ ORG01 which recently won the 2020 Ringier Technology Innovation Award for Personal Care



POLYSIL™

- A well-known silicones brand in South China with strong silicones technology in silicone rubber.
- Includes several applications such as automotive, food contact, power transmission, home appliance, medical devices, PSA electronic.



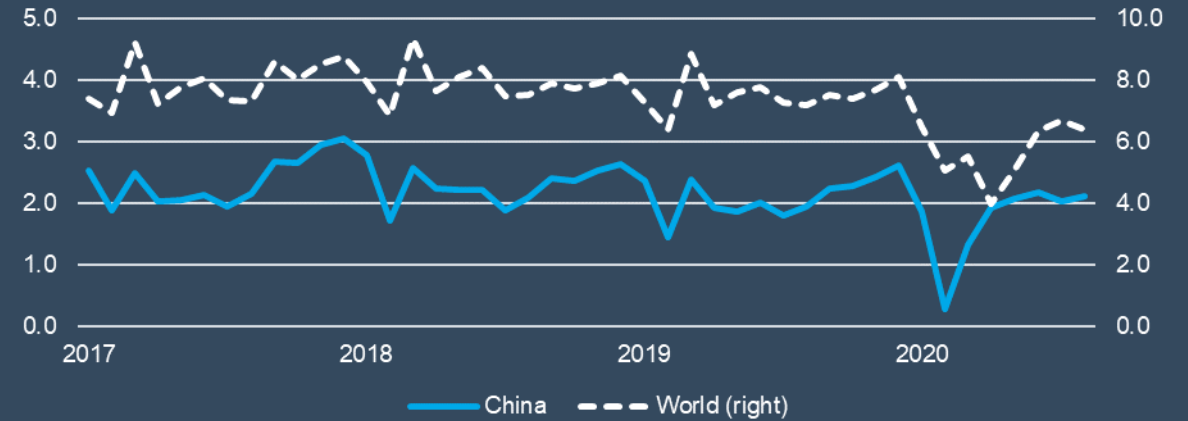
PURESIL™

- Created a new brand PURESIL™ for specialised personal care offerings.
- Composed of elastomer gels for applications in skin care, sun care and colour cosmetics.
- Meets consumers' increasing desire for natural, "green", eco-friendly products with a low carbon footprint.

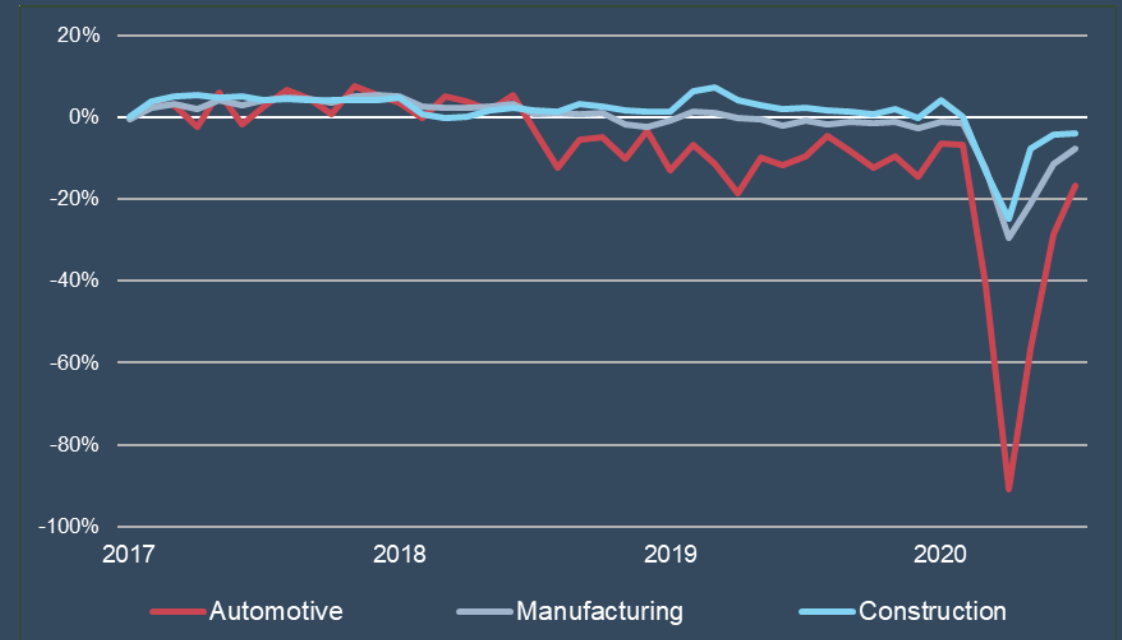
Markets show signs of recovery after Covid-19

- ◆ Global automotive sales recovering
 - ▶ China already back to pre-Covid levels
- ◆ EU industrial production also show a recovery
 - ▶ However, automotive still down approx. 20% YOY
- ◆ China with new incentives to promote sale of electric vehicles
 - ▶ Central government has prolonged subsidies and exemption from vehicle purchase tax until end of 2022
 - ▶ The top four cities, Beijing, Shanghai, Guangzhou and Shenzhen all promote EVs by increasing quotas or granting additional subsidies

Automotive – units sold (million)



EU Industrial Production YOY



Silicones market update, prices in China up from second quarter

- ◆ Silicones prices in China have improved compared to the second quarter
 - ▶ Price increases mainly driven by increased domestic demand supported by the government's CNY 50 trillion infrastructure policy
- ◆ Demand development in China expected to remain stable
 - ▶ Price development going forward uncertain as construction markets are entering low season
- ◆ In Europe and the US the demand recovery is still slow. Prices for specialties remain stable but volumes are down



DMC reference price China (CNY/mt)



Silicon and ferrosilicon market update, signs of recovery

◆ Silicon

- ▶ Market prices have levelled out and increased slightly
- ▶ Demand picking up driven by recovery in automotive
- ▶ Approx. 35% of market capacity still idled

◆ Ferrosilicon

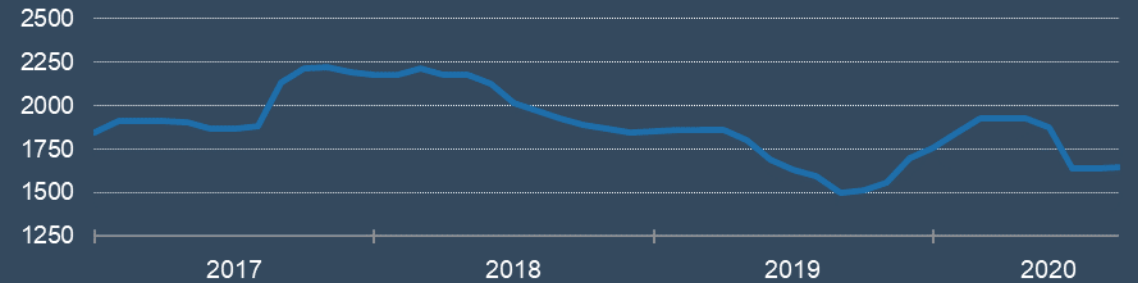
- ▶ Market prices have recovered somewhat from low levels
- ▶ Demand development improving, driven by recovery in steel
- ▶ Estimated stock levels are low

◆ Specialty products

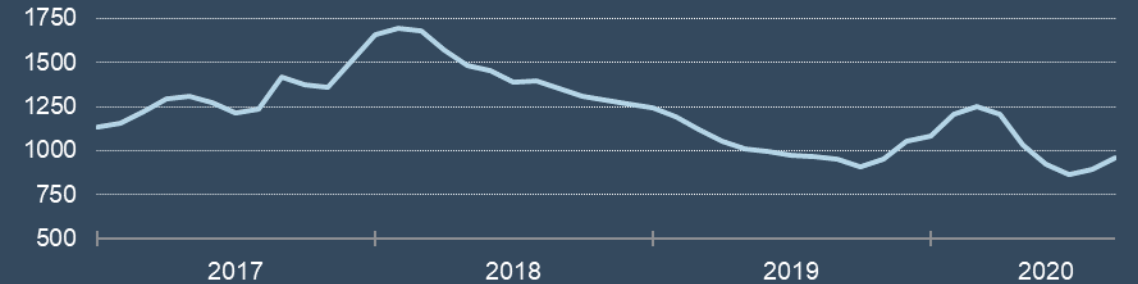
- ▶ Some recovery due to improvements in automotive



CRU silicon 99 price EU (EUR/mt)



CRU ferrosilicon 75 price EU (EUR/mt)



Carbon market update, recovery in steel output driving demand

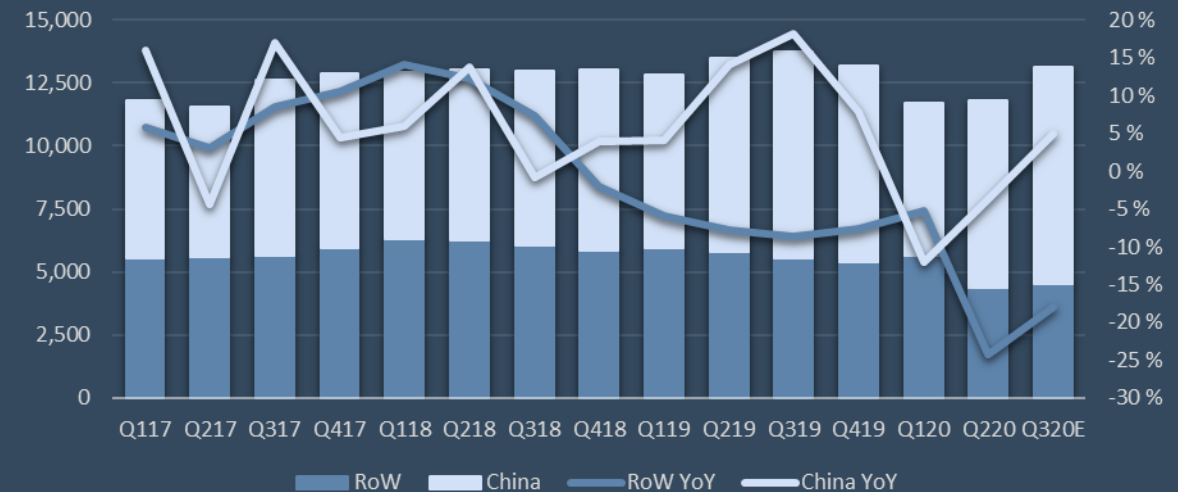
- ◆ Steel markets are key demand drivers for carbon products
 - ▶ General market conditions impacted by low steel production

- ◆ Chinese steel markets have recovered
 - ▶ Output for stainless steel in Q3-2020 estimated to be 5% above Q3-2019

- ◆ Stainless steel in rest of the world (RoW) still weak
 - ▶ RoW generally down approx. 20% compared to last year



Stainless steel output

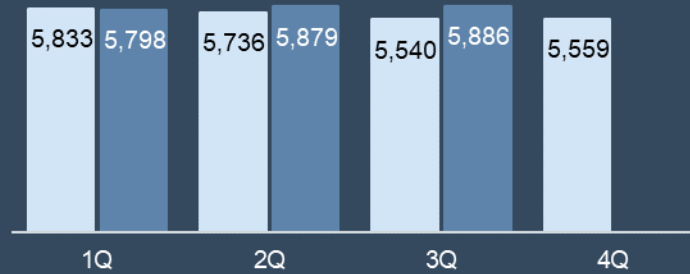


Elkem group

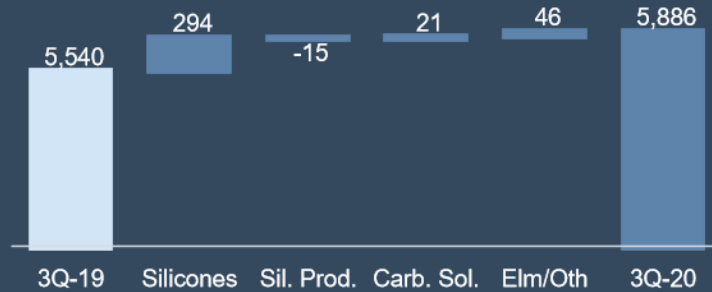
signs of recovery but markets still weak outside of China

Total operating income

- Total operating income up 6% from 3Q-2019



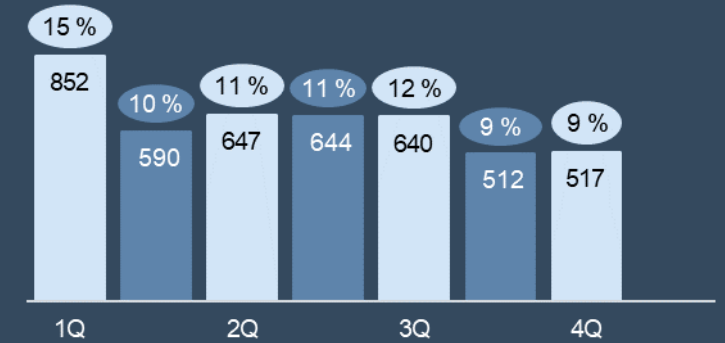
- Increase driven by higher silicones volumes in China



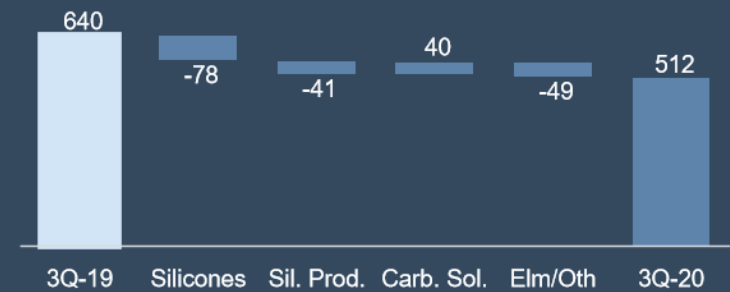
■ 2019 ■ 2020

EBITDA

- Down 19% from MNOK 640 in 3Q-2019



- But Carbon Solutions with excellent performance



Elkem group financial items impacted by currency losses

- ◆ Other items MNOK -18
 - ▶ Mainly consisting of net negative currency effects of MNOK -7 from working capital items and net negative effects of MNOK -8 related to fair value changes and embedded derivatives in power contracts

- ◆ Net financial items MNOK -153
 - ▶ Mainly explained by net interest expenses MNOK -57 and currency losses of MNOK -89 due to translation effects on external loans in EUR

- ◆ Tax MNOK -23
 - ▶ Taxes in 3Q-2020 were mainly related to countries with taxable profit, while tax losses carried forward were not capitalised

Consolidated key figures

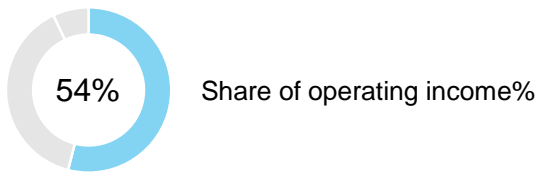
<i>(NOK million, except where specified)</i>	3Q 2020	3Q 2019	YTD 2020	YTD 2019	FY 2019
Total operating income	5,886	5,540	17,563	17,109	22,668
EBITDA	512	640	1,746	2,139	2,656
EBIT	99	282	508	1,097	1,189
Other items	-18	35	4	211	195
Net financial items	-153	-25	-179	-160	-239
Profit (loss) before income tax	-74	282	306	1,132	1,134
Tax	-23	-62	-141	-263	-237
Profit (loss) for the period ⁽¹⁾	-105	206	133	838	855
Key ratios					
EPS (NOK per share)	-0.18	0.35	0.23	1.44	1.47
Equity ratio (%)	40 %	44 %	40 %	44 %	45 %
Net interest bearing debt (NIBD) ⁽²⁾	8,571	5,573	8,571	5,573	5,722
Leverage ratio	3.8	1.8	3.8	1.8	2.2
Reinvestments % of D&A	65 %	44 %	67 %	62 %	80 %
ROCE (annualised) (%)	2 %	7 %	4 %	9 %	7 %

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

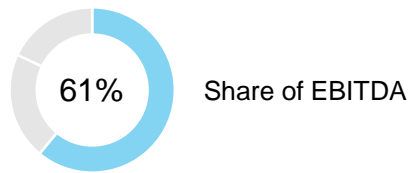
(2) Excluding receivables from related parties, loans to external parties, accrued interest income and non-current other restricted deposits

Silicones market recovery in China

- ◆ Total operating income of MNOK 3,170, up 10% from third quarter last year
 - ▶ Increased operating income explained by higher sales volumes and integration of Polysil
- ◆ EBITDA of MNOK 363, down 18% from third quarter last year
 - ▶ Lower EBITDA was mainly due to lower sales prices and lower sales of specialties in Europe and the US
- ◆ Sales volumes are up compared to third quarter last year due to good demand and improved production



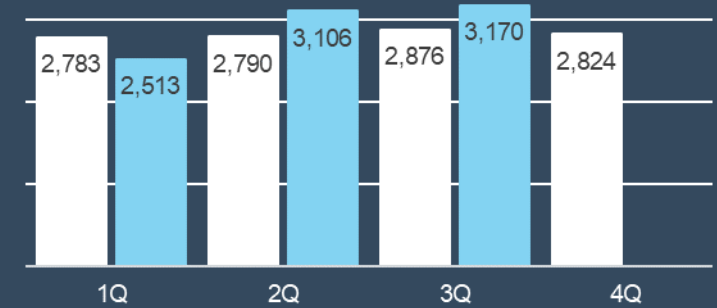
Share of operating income from external customers ex. Other



Share of EBITDA ex. Other and Eliminations

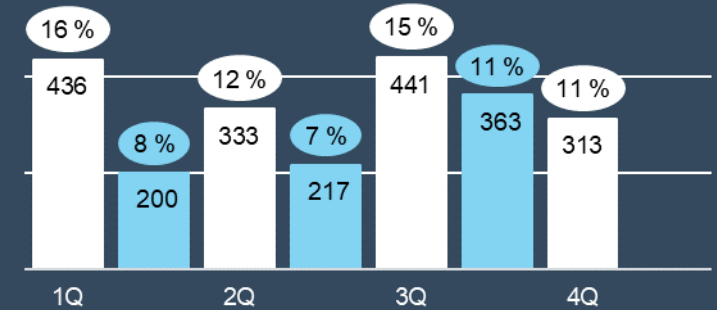
Total operating income

NOK million



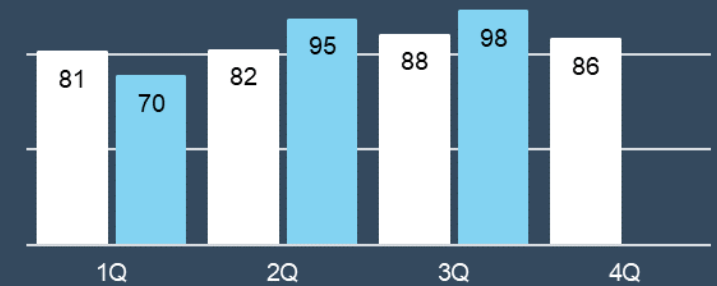
EBITDA and margin

NOK million and %



Sales volume

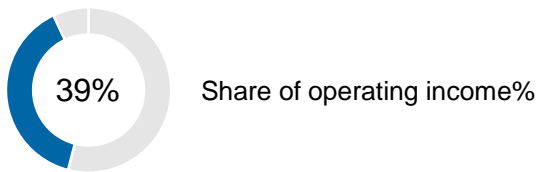
In 1,000 mt



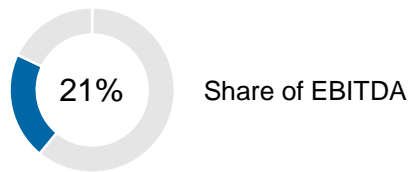
■ 2019 ■ 2020

Silicon Products results impacted by low prices

- ◆ Total operating income of MNOK 2,674 in line with third quarter last year
 - ▶ Higher volumes partly offset by low sales prices
- ◆ EBITDA of MNOK 124, down 25% compared to third quarter last year
 - ▶ The result was negatively impacted by low sales prices and lower sale of specialty products, particularly speciality foundry alloys
- ◆ The sales volume was up compared to third quarter last year, but the increase mainly consists of standard ferrosilicon at low sales prices



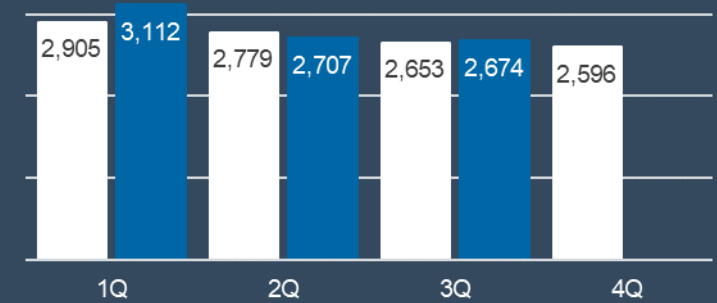
Share of operating income from external customers ex. Other



Share of EBITDA ex. Other and Eliminations

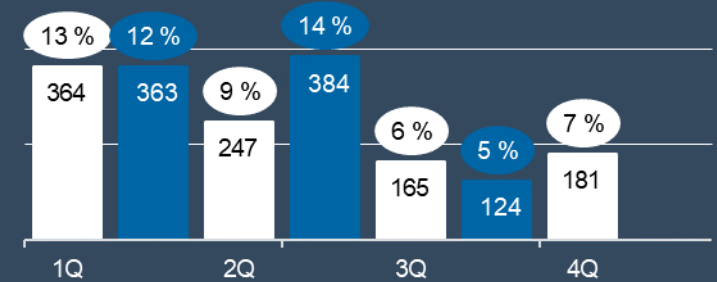
Total operating income

NOK million



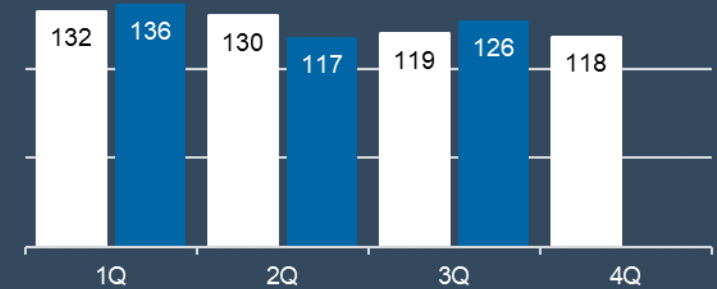
EBITDA and margin

NOK million and %



Sales volume

In 1,000 mt

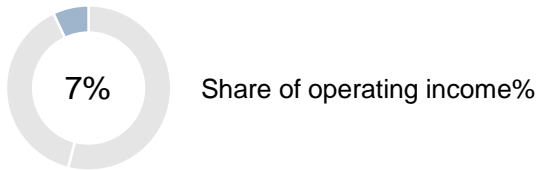


■ 2019 ■ 2020

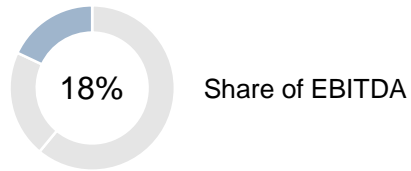
Carbon Solutions

stable and good performance

- ◆ Total operating income MNOK 452, up 5% compared to third quarter last year
 - ▶ Higher sales volume and favourable currency effects
- ◆ EBITDA of MNOK 111, up 56% from third quarter last year
 - ▶ Improved EBITDA explained by higher sales volume, favourable currency and lower operating cost
- ◆ The sales volume was higher than the third quarter last year, but crude steel and stainless steel markets remain weak



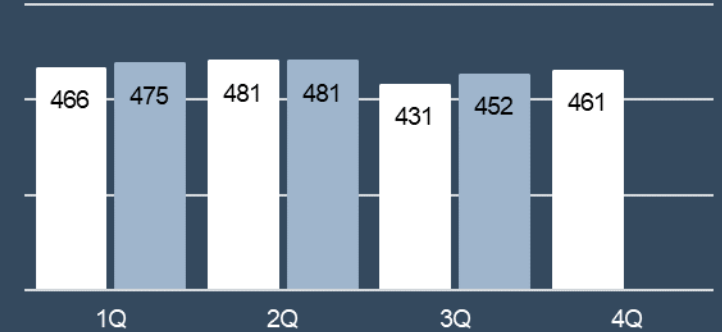
Share of operating income from external customers ex. Other



Share of EBITDA ex. Other and Eliminations

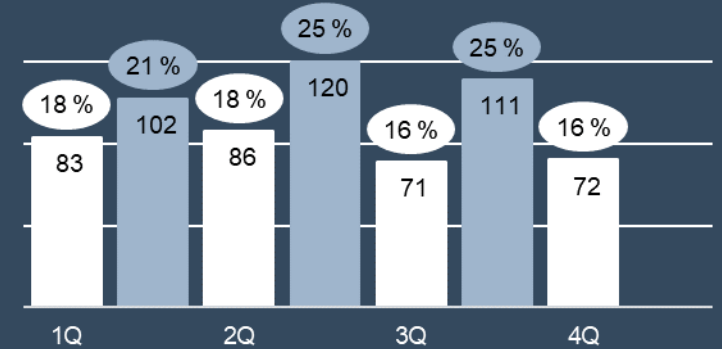
Total operating income

NOK million



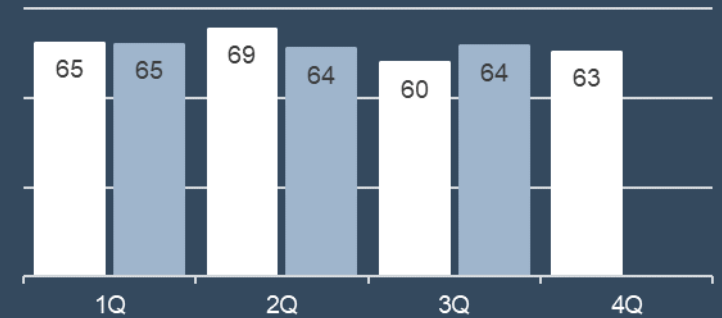
EBITDA and margin

NOK million and %



Sales volume

In 1,000 mt



■ 2019 ■ 2020

Elkem group

low EPS, but robust equity

◆ Earnings per share (EPS)

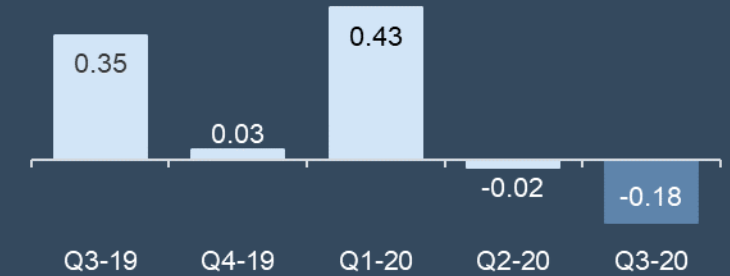
- ▶ EPS amounted to NOK -0.18 in the third quarter
- ▶ EPS negatively impacted by low operating profit and foreign exchange losses in the third quarter

◆ Total equity amounted to BNOK 12,7 as at 30 September, slightly down from year-end 2019

- ▶ Equity ratio of 40%
- ▶ Lower equity ratio partly explained by increased value of total assets due to currency translation effects

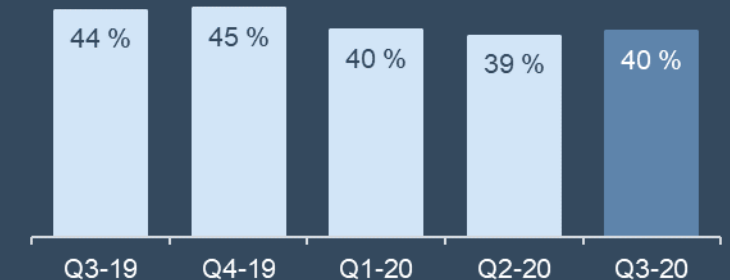
Earnings per share (EPS)

NOK per share



Equity ratio

In %



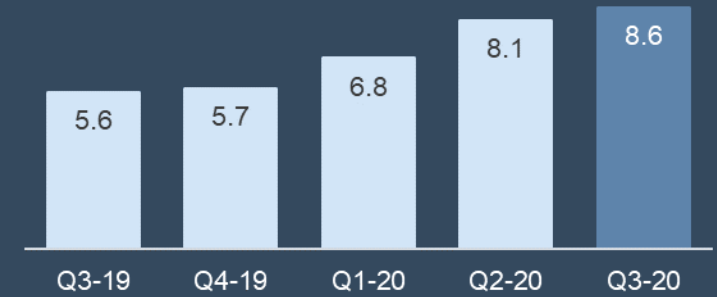
Elkem group debt level increased due to investments

- ◆ Net interest bearing debt (NIBD) of BNOK 8.6 as at 30 September 2020
 - ▶ Leverage ratio of 3.8 based on LTM EBITDA of BNOK 2.3
 - ▶ Increase in leverage ratio explained by combination of lower EBITDA and higher NIBD

- ◆ Well distributed debt maturity profile
 - ▶ Debt maturities in 2020 mainly consist of local working capital financing in China, which is expected to be rolled over
 - ▶ A three year loan facility of BNOK 2.0 signed 16 July to cover loan maturities in 2021. The facility was undrawn as at 30 September 2020

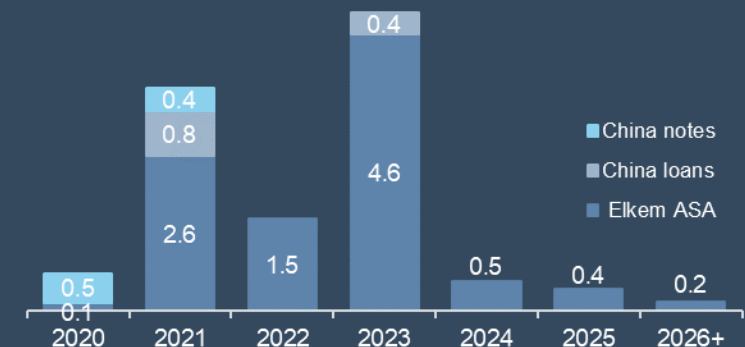
Net interest-bearing debt (NIBD)

NOK billion



Maturity profile

NOK billion



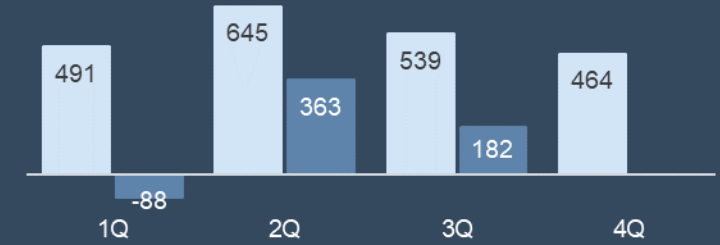
Elkem group - cash flow impacted by reinvestments and working capital

- ◆ Cash flow from operations⁽¹⁾ was MNOK 182 in the third quarter, down from the corresponding quarter last year
 - ▶ Lower EBITDA combined with higher reinvestments and increased working capital
- ◆ Investments ex. M&A amounted to MNOK 454 in the third quarter 2020
 - ▶ Reinvestments was MNOK 269 in the quarter, amounting to 65% of D&A
 - ▶ Strategic investments of MNOK 185, primarily Silicones R&D centre and other specialisation projects
- ◆ Total investments incl. M&A in the third quarter included MNOK 240 in deferred settlement for the Polysil acquisition

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

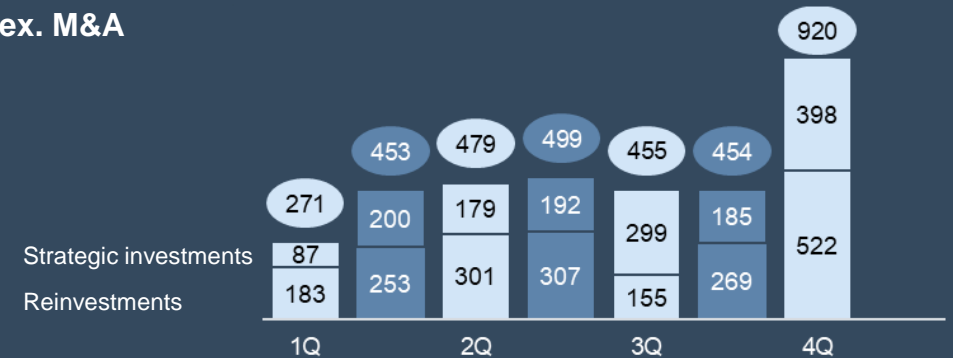
Cash flow from operations

NOK million



Investments ex. M&A

NOK million



■ 2019 ■ 2020

Outlook for the fourth quarter

- ◆ There are signs of recovery, but the market outlook is still characterised by uncertainty
- ◆ Elkem is actively working to counter weak market conditions by accelerating cost reductions, optimising investments and by leveraging on strong market positions
- ◆ Elkem's strong competitive position demonstrated in weak markets. All plants in regular operation. The financial structure is robust
- ◆ Silicones demand in China expected to remain stable. Price development uncertain as construction markets are entering low season. Silicones demand outside of China shows signs of recovery
- ◆ Silicon and ferrosilicon prices have levelled out and increased somewhat from low levels
- ◆ Market for carbon products expected to remain stable. Maintenance stop in Brazil will reduce Elkem's sales volumes in the fourth quarter



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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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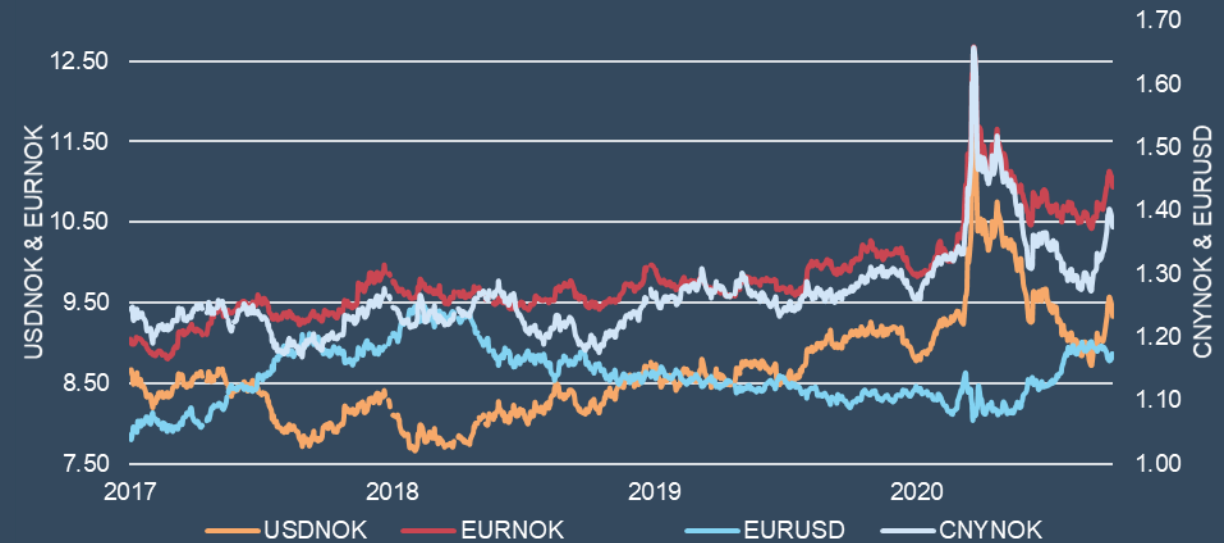


Appendix

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 (NOK) weakened against major currencies during the third quarter 2020
- Compared to 3Q-2019, the NOK was on average 8% weaker against EUR, 3% weaker against USD and 4% weaker 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 financial contracts which are not included in the hedging portfolio are 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

