

Elkem ASA

DNB group lunch

5 December 2019



Michael Koenig

CEO from 1 December

- ◆ Michael Koenig assumed the position of CEO from 1 December 2019
 - ▶ CEO of China National Bluestar since January 2016
 - ▶ Chairman of the board of Elkem ASA since 2016
 - ▶ Extensive professional experience through various positions prior to joining Bluestar, including CEO of Bayer Group Greater China and head of Polycarbonates Business Unit of Bayer Material Science
 - ▶ Degree in chemical engineering from the Chemical Engineering Department of the TU Dortmund University in Germany
- ◆ Koenig will hold office and reside in Oslo, Norway

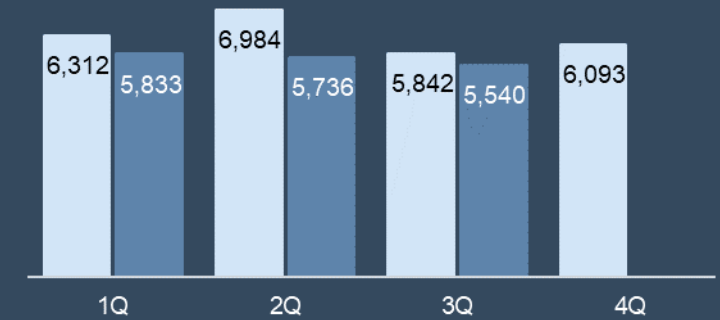


Robust results ...

- Elkem delivers robust results in a challenging market environment
- Total operating income was NOK 5,540 million in third quarter 2019
- EBITDA was NOK 640 million including a negative impact of MNOK 42 due to changed revenue periodisation for Norwegian CO2 compensation
- Earnings per share was NOK 0.35 in the third quarter and NOK 1.44 YTD
- Good cash conversion in the third quarter with cash flow from operations of MNOK 539
- Strong balance sheet with equity ratio of 44% and leverage ratio of 1.8 times

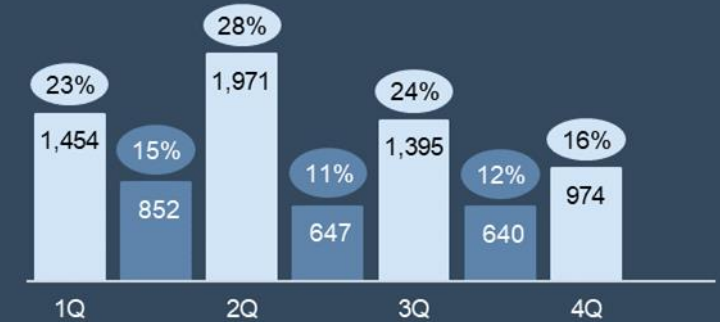
Total operating income

down 5% but holding up relatively good



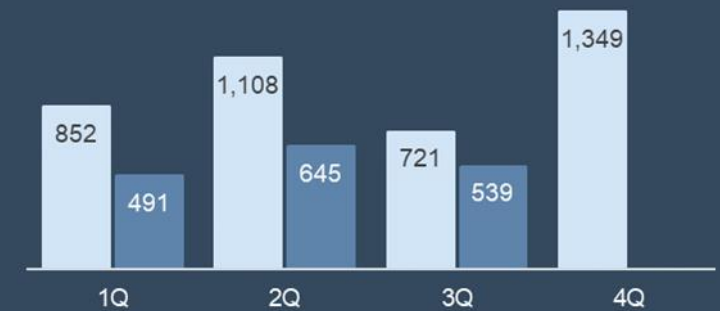
EBITDA

down 54% vs. third quarter last year mainly due to lower prices



Cash flow from operations

positive working capital movements partly offset lower operating profit



... in challenging markets

◆ Silicones

- ▶ DMC prices in China recovered in third quarter supported by seasonal upturn in Chinese construction market and disciplined capacity utilisation
- ▶ The DMC prices declined shortly before the Chinese national holiday in October and have since remained stable in soft market conditions

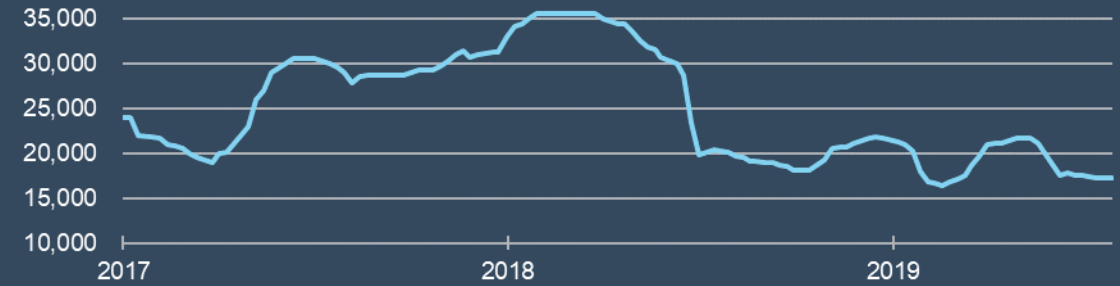
◆ Silicon metal

- ▶ Market prices continued to decline during the third quarter, primarily driven by weak demand, especially in automotive
- ▶ Market prices have increased in October and November. The CRU EU reference price is now up more than 6% since third quarter

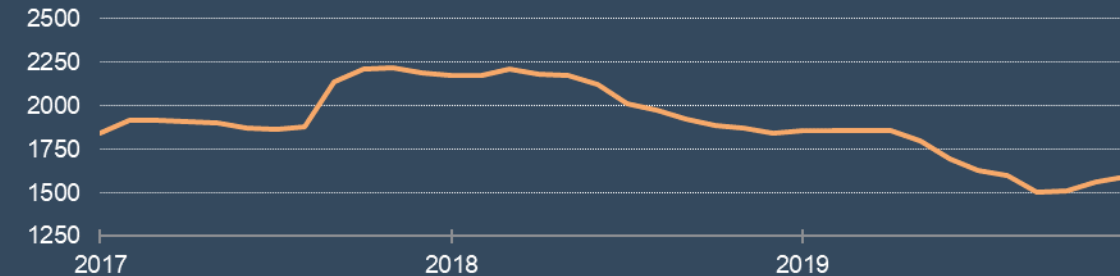
◆ Ferrosilicon

- ▶ Modest market price decline in the third quarter driven by continued weak steel market and weakness in automotive
- ▶ Market price for ferrosilicon increased approx. 10% in November and is now up 5% from third quarter

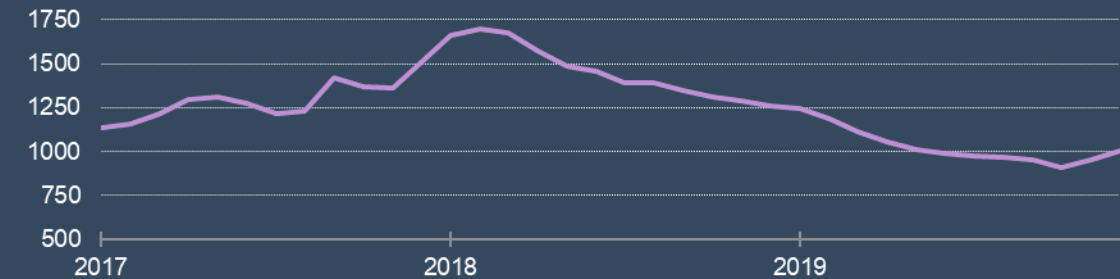
DMC reference price China (RMB/mt)



CRU silicon 99 price EU (EUR/mt)



CRU ferrosilicon 75 price EU (EUR/mt)



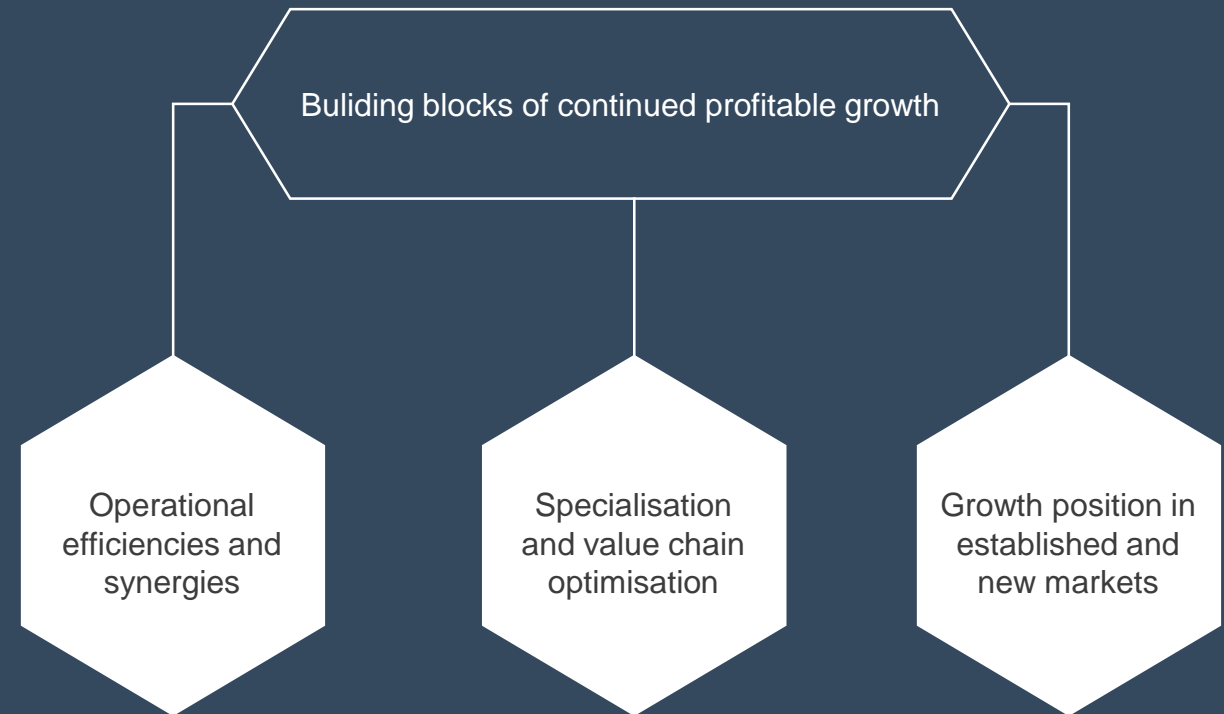
Competitive strengths

- ◆ Elkem has strong markets positions, a fully integrated value chain and a strong financial position
- ◆ The strategy is to capitalise on competitive strengths to ensure profitable growth
- ◆ The goal is to improve and stabilise Elkem's financial results through cost efficiencies, specialisation and growth which are imbedded in the group's strategy



Strategic building blocks

- Continuous improvement to ensure cost competitiveness
- Leverage on integrated value chain and take out synergies
- Growth through specialisation, organic growth and acquisitions
- Further specialisation to improve and stabilise margins
- Strengthen position in new and established markets
- Access to complementary and next generation technologies



Continue developing of our strong business areas

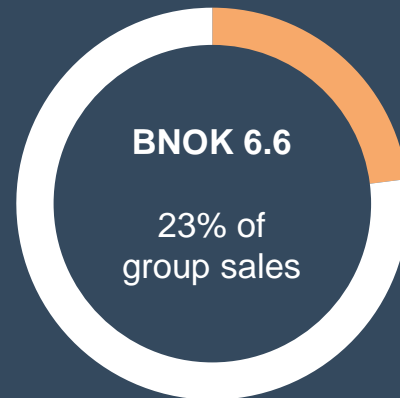
Silicones



End-markets

- Paper & Film Release
- Automotive
- Silicone Rubber
- Chemical Formulators
- Personal Care
- Textile
- Oil Field
- Construction

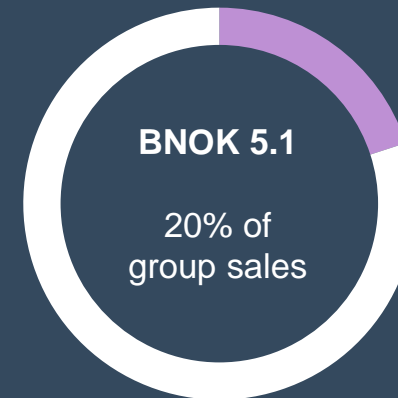
Silicon Materials



End-markets

- Chemicals
- Aluminium
- Electronics
- Solar
- Construction
- Refractories
- Oil & Gas

Foundry Products



End-markets

- Automotive
- Engineering
- Pipe and fittings
- Specialty Steel

Carbon



End-markets

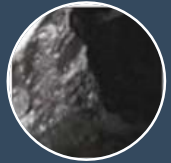
- Ferroalloys
- Silicon
- Aluminium
- Iron Foundries

Integrated value chain & attractive end-markets provide a solid basis for future development

Low cost sustainable input factors



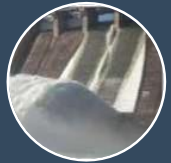
Quartz



Coal



Biocarbon



Power

High temperature/chemical production processes



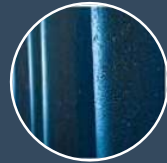
Silicon and microsilica



Silicones



Foundry products

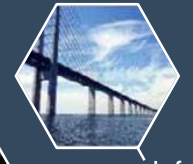


Carbon products

Examples of high value applications and markets



Windmills



Infrastructure



Airbags



Solar



Automotive



Cooking, utensils



Electronics



Release coating

ESG Sustainability

- ◆ 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
- ◆ EcoVadis has given Elkem the Gold performance rating for the 2019 CSR assessment, ranking Elkem in the top 10 per cent
 - ▶ EcoVadis is a recognised provider of business sustainability ratings. The assessment is based on 21 main CSR criteria
 - ▶ Elkem has been assessed annually by EcoVadis since 2015



Sustainable and renewable energy

- All plants outside China run on hydro power
- Energy recovery at several plants. New energy recovery plant under construction at Salten



Reducing fossil carbon emissions

- Target to increase the use of biocarbon by 40% by 2030
- Elkem Foundry Paraguay has reached milestone of 100 % use of biocarbon, producing ferrosilicon with a neutral CO2 footprint



Leader in attractive markets

- ◆ Elkem is the largest silicones producers in China
- ◆ Elkem has leading positions in silicon metal and ferrosilicon outside China
- ◆ Elkem's is the only true global player in the carbon products segment



Silicones to electric vehicles

- Strong position in growing EV market



Solutions to batteries

- Uniquely positioned to supply solutions to the battery industry meeting today's challenges and tomorrow's opportunities combining graphite, silicon and silicones



Strong presence in major growth markets

- ◆ The global demand for silicones is expected grow by 5% CAGR from 2018 to 2023
 - ▶ 60% of the growth is expected in China, India and rest of Asia
- ◆ Elkem is expanding its silicones offering in the Americas
 - ▶ Elkem is gaining specialty market share in the US and expands product offering to include upstream basic silicones
- ◆ Establishing market presence in Mexico and India, two major potential growth markets



Silicones - demand forecast



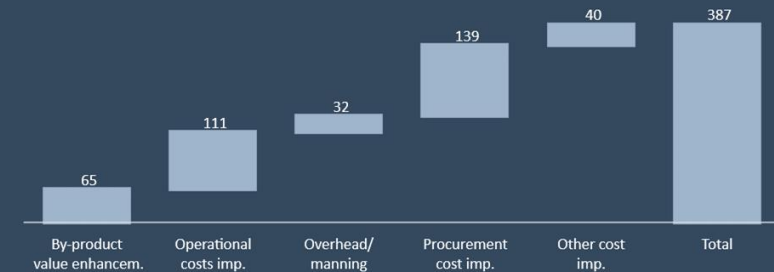
Integrated value chain and low cost positions



- ◆ Integrated value chain from quartz to highly specialised silicones
- ◆ Leading cost positions
 - ▶ Low cost positions in silicon metal and ferrosilicon based on economies of scale and access cost competitive energy
 - ▶ Good cost position for silicones in China based on size and state of the art plant
- ◆ Lean manufacturing philosophy based on Elkem Business System (EBS) and continuous improvement

Accelerated improvement programme

- Accelerated improvement programme initiated to counter weaker market conditions
- Target to realise effects of MNOK 500 in 2019
- The programme is progressing well and realised effects by end of 3Q-2019 amounted to MNOK 387



R&D capabilities for further specialisation

- ◆ Strong focus on further specialisation through R&D and bolt-on acquisitions
 - ▶ Significant opportunities in specialised products for battery insulation and high quality rubber for cables in electric vehicles
 - ▶ Continued development in key growth areas such as healthcare, medical and drug delivery devices, specialty products for hair care and paper/film
- ◆ Acquisition of Basel Chemie improves R&D capabilities and pipeline
 - ▶ Basel holds a very favourable silicones specialties position
 - ▶ Available capacity for growth at minimal investment



R&D centres

- Elkem has 13 innovation centres with > 400 R&D personell
- New R&D centre under construction in Lyon, France



Acquisition Basel Chemie

- Technology driven downstream silicones producer
- High-end speciality portfolio for skin care and colour cosmetic applications, and water repellents for the construction industry



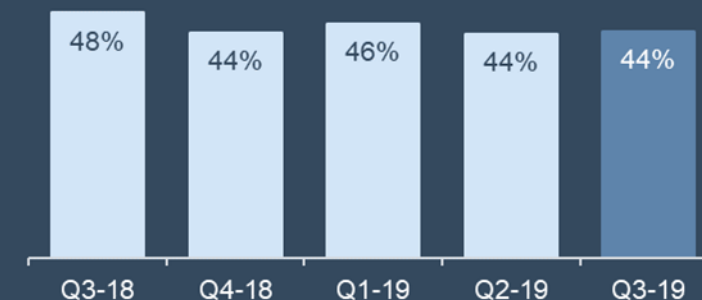
Strong financial position



Target metric	Targets	Comment
Revenue growth	5 – 10%	Grow faster than market through specialisation, organic growth and acquisitions
EBITDA margin (%)	15 – 20%	Target average margin through the economic cycle
Reinvestments % of D&A	80 – 90%	Ensure appropriate and disciplined capital allocation following long-term plans
Debt leverage ratio	1.0x – 2.0x	Ensure efficient and robust capital structure
Dividend target	30 – 50% of net income	Stable and predictable over time

Strong equity

- Total equity was BNOK 13.0 as at 30 September 2019
- Equity ratio of 44%



Conservative leverage profile

- Net interest bearing debt (NIBD) was BNOK 5.6 as at 30 September 2019
- Leverage ratio of 1.8x

