

CREATING VALUE THROUGH OPERATIONAL EXCELLENCE, GROWTH AND SPECIALISATION

ELKEM CAPITAL MARKETS DAY
20 NOVEMBER 2018



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- **Creating value through operational excellence, growth and specialisation**

Helge Aasen, CEO

- **The world of silicones**

Frédéric Jacquin, SVP Silicones

- **China – vast country with vast opportunities**

Sandy Chen, Director Xinghuo Silicones

- **Elkem – strong Chinese experience**

Helge Aasen, CEO, and Chen Xi, Senior Advisor

- **Batteries – growth potential across product lines**

Inge Grubben-Strømnes, SVP Carbon

- **Value creation through specialisation in Foundry Products**

Roland Hennigfeld, VP Sales & Marketing

- **Financial targets**

Morten Viga, CFO



Elkem

More than 110 years of
history as a technology
provider

Founded in 1904 by Sam Eyde

Listed on **Oslo stock exchange** since March 2018



**27 PLANTS
WORLDWIDE**

Headquarter
in Norway



>400 R&D PEOPLE

R&D centres
in Norway, France and
China



**~6.100
EMPLOYEES**

Worldwide



26 BNOK

Total operating
income LTM-3Q 2018

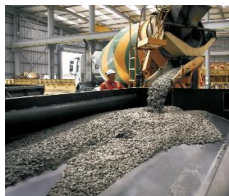
Elkem's evolution

A leader within silicon-based advanced materials

2011-2015

Upstream focused silicon-based materials company

Silicon Materials



Foundry Products



Carbon



Elkem

Global upstream focused silicon-based advanced materials company

2015-2018

Global integrated leader in high-value specialty silicones

Silicones



Bluestar Silicones
(Rhodia)

Fully integrated global silicone manufacturer based out of Europe



Xinghuo Silicones

The largest silicones producer facility in China

Elkem - Four strong business areas



Elkem's strategy



**Key priority: Continue transition
into a specialty chemicals company**



- Enhance growth
- Stable margins
- Reduce cyclicalities
- Leverage platform (synergies)
- Leverage technologies to enhance specialisation
- Solidify local presence and market positions
- Access to complementary and next generation technologies

Building blocks of continued profitable growth

Operational
efficiencies and
synergies

Growth and
specialisation

China and new
market
opportunities



- Grow Silicones
- Increase specialisation
- Develop new materials serving fast-growing end markets (e.g. batteries)
- Leverage production and low cost heritage

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Silicones - our largest business area



Silicones are everywhere

LIQUID SILICONES

Liquid silicones (fluids) are **invisible to the end customer** and greatly improve the performance of the substrate while being a small part of the total product

FLUIDS

Water, vapor, air
resistant

Release

Lubricants

UV Stable



Defoamers

Food grade
Biocompatible

Thermally
stable

Softening

Water
repellent

SOLID SILICONES

Solid silicones (elastomers) are **used as materials**. When cured, they become solid materials for various applications. They are substitute to most plastics when performance and durability is needed

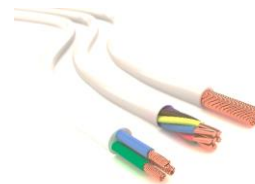
ELASTOMERS

UV Stable

Microbial
resistant

Insulating

Long lasting
elasticity



Weather
resistant

Chemical
resistant

Safe when
burning

Adhesive

Heat
resistant

Elkem | one of few fully integrated producers

UPSTREAM SILOXANE PRODUCTION



DOWNSTREAM SILICONES PRODUCTION

Core products

- Core products
- Construction
- Textile & Leather

Volume specialties

- Rubber
- Home & Personal Care
- Release Coating
- Chemicals

Value specialties

- Airbag coating
- Healthcare
- Sealing & Bonding (EV, electronics...)

Silicon metal

Yongdeng, Salten,
Thamshavn

MCS

Siloxane

Roussillon	200 Ktpa	100 Ktpa
Xinghuo	500 Ktpa	250 Ktpa

Core prod.

Fluids

Elastomers

EU/Americas	37%	30%	33%
China	70%		30%

Capital intensity

Sustainable value creation

Attractive market fundamentals for Silicones...

GLOBAL MEGATRENDS CREATE SPECIFIC NEEDS



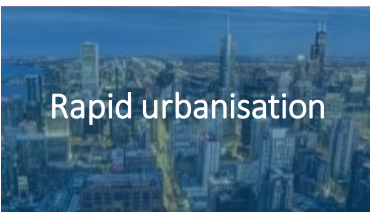
Sustainability

- Electrical vehicles – products such as batteries and cables



Energy demand growth

- Growing use of solar and wind energy
- Increased energy storage



Rapid urbanisation

- Improved solutions for construction and infrastructure
- Potable water and electric cables



Increased standard of living

- Higher quality products
- Textiles / clothing
- Affordable comfort and personal care



Ageing and growing population

- Healthcare
- “At home” hospitalisation
- Well-being



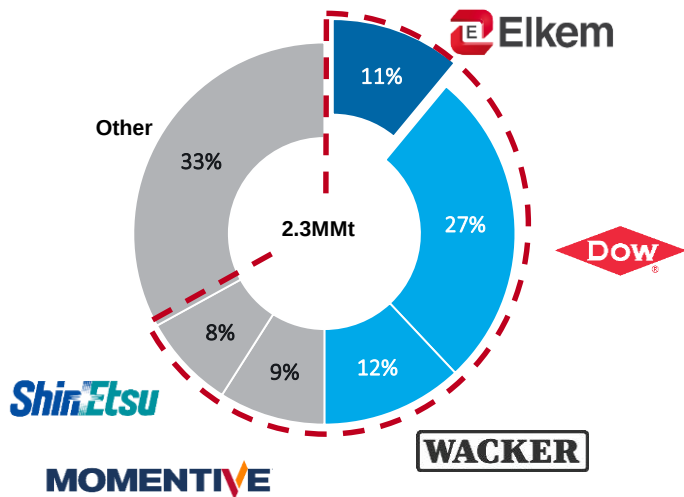
Digitalisation

- Connected home, work and city, high speed internet
- Sensor tracking technology

... and Elkem has strong market positions

GLOBAL SILOXANE PRODUCTION (2016A)

Top 5 producers represent appx. 67%



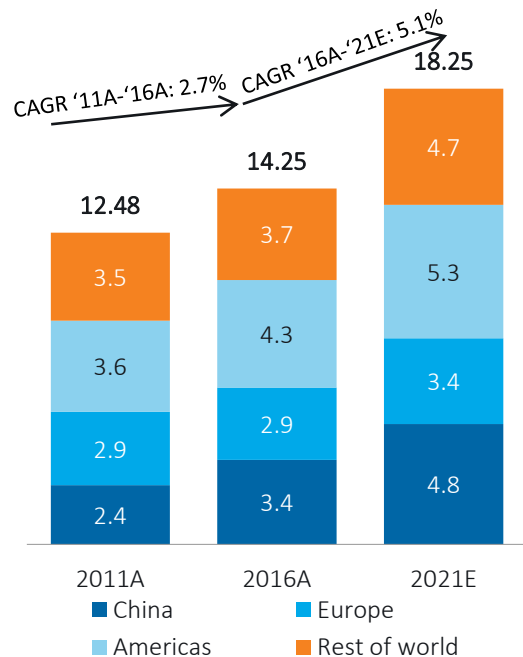
Integrated producers = blue

CONSOLIDATED INDUSTRY STRUCTURE

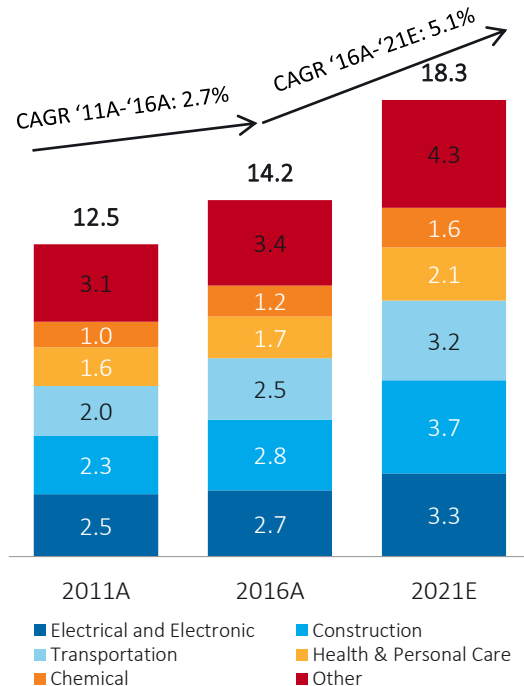
- Increasing consolidation
- Chinese growth is sustainable with higher added value markets
- High barriers to entry on specialties
- More captive use of upstream from all players

Strong growth potential both by product and geography

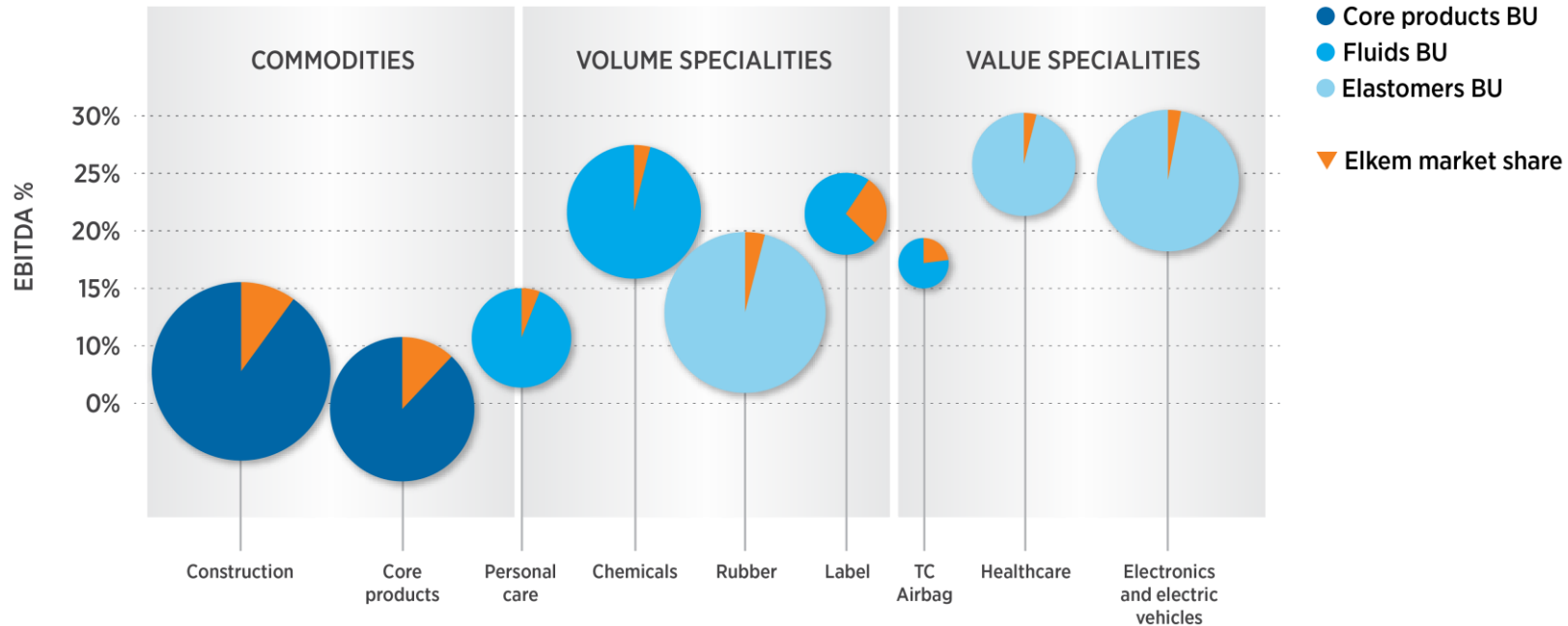
Silicones demand by geography (BUSD)



Global silicones demand by end-use (BUSD)

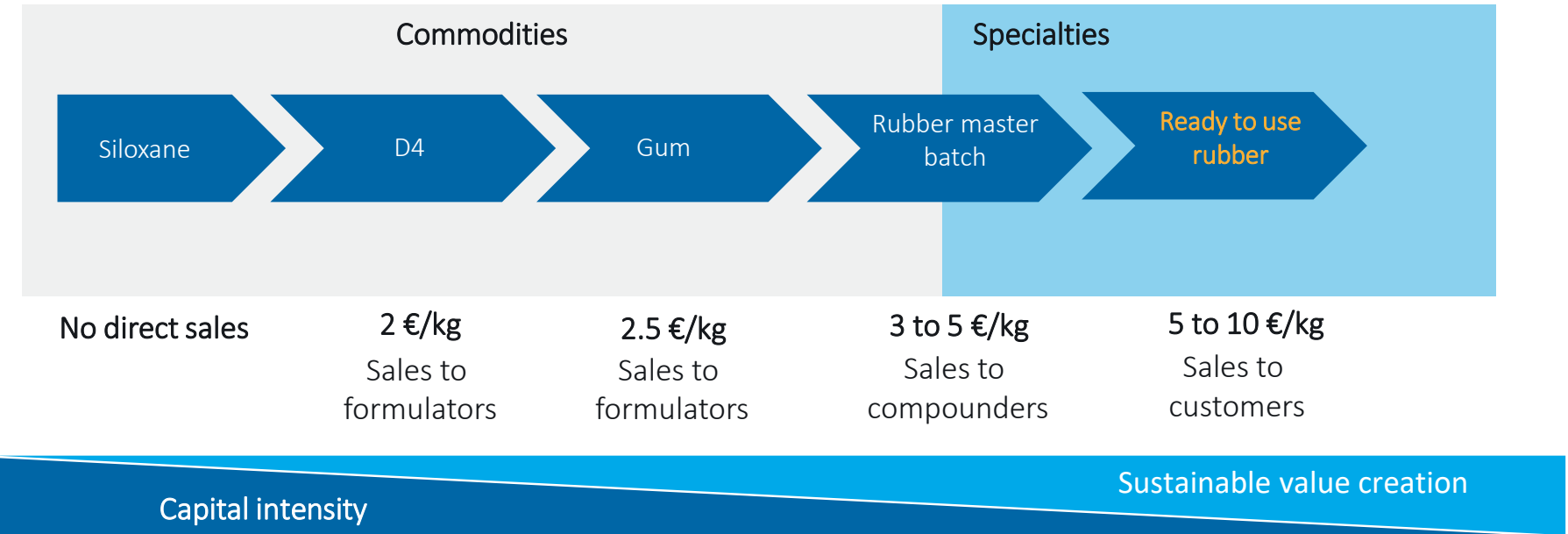


Strategy to specialise within each clusters to deliver high & stable EBITDA



When to specialise & how?

SILOXANE CAN BE EITHER SOLD AS INTERMEDIATE OR TRANSFORMED AND SOLD DOWNSTREAM



Specialising: the example of Silicones for Electrical Vehicles

LEVERAGING MARKET POSITIONS WITH TECHNOLOGY EXPERTISE AND GEOGRAPHICAL REACH



Sealing and bondings
for EV batteries



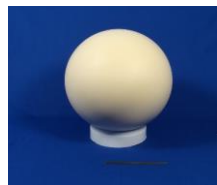
Rubber for high
performance electrical
cables in EV



5 - 11 kg of silicones in EV car
of which 2/3 in the battery pack



40 KT of siloxane at high value in 2020
- expected to grow to 200 KT in 2030



We master Foam and
RTV 2 technology

Elkem setting up expertise in
Asia to capture market growth

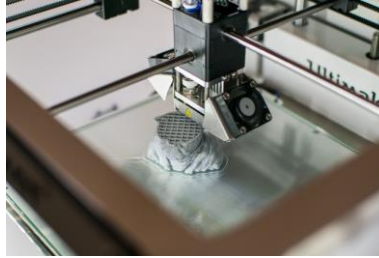


Tomorrow's applications are being prepared now

BOTH IN EUROPE & CHINA



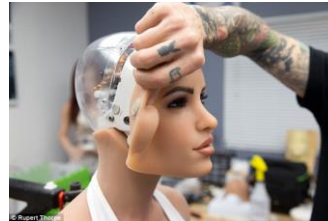
3D PRINTING



IMPLANTS



ROBOTICS



Value creation through growth and specialisation

- Outlook for specialty silicones looks promising & growth continues
- Value through specialisation with company sharing of expertise & captive use of available upstream capacity
- Attractive positions in a growing markets and in China
- Strong demand driven by (electrification of transportation, better care, more wealth and digitalisation)
- Industry fundamentals remaining positive



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Introduction

- Overview and main growth drivers in Chinese silicone market
- Industry structure and market dynamics
- Elkem's market position
- Specialisation footprint in China



Chinese silicone market

The world's biggest silicones market with strong growth potential

CAPACITY SIZE

- China is the biggest silicone supply center in the world
 - Siloxane production in China is expected to reach 1.1 million mt in 2018
 - This amounts to approx. 55% of global supply

2018 OVERVIEW GLOBAL SUPPLY

REGION	ACTUAL SUPPLY (Kt)	MARKET SHARE (%)
CHINA	1,126	55%
APEC	238	12%
NA	248	12%
EUROPE	424	21%
GLOBAL SUPPLY	2,037	

Source: Freedonia

DEMAND AND GROWTH

- Strong demand development in China based on economic growth
 - Economic growth keeps the good momentum until 2021
 - Silicone demand growth is even stronger with 7.4% CAGR

OVERVIEW ANNUAL GROWTH ESTIMATES

YEAR	GDP %	SILICONE DEMAND CAGR %
2015	6.9%	7.4%
2016	6.7%	7.4%
2017	6.9%	7.4%
2018E – 2023E	6.6%	7.4%

Source: Freedonia

Global megatrends also create demand growth in China

NUMEROUS MEGATRENDS...

Sustainability

Energy demand growth

Rapid urbanisation

Increased standard of living

Ageing and growing population

Digitalisation



... INCREASE THE GROWTH POTENTIAL FOR SILICONES IN CHINA

Energy

China has a particular focus on renewable energy such as wind and solar to reduce air pollution



Personal care

Higher income drives demand for personal care products such as hair and skin care



Consumer goods

The 2nd child policy in China encourages silicone infant care application



Automobile

China has a strong focus on electrical vehicles to improve air quality in big cities



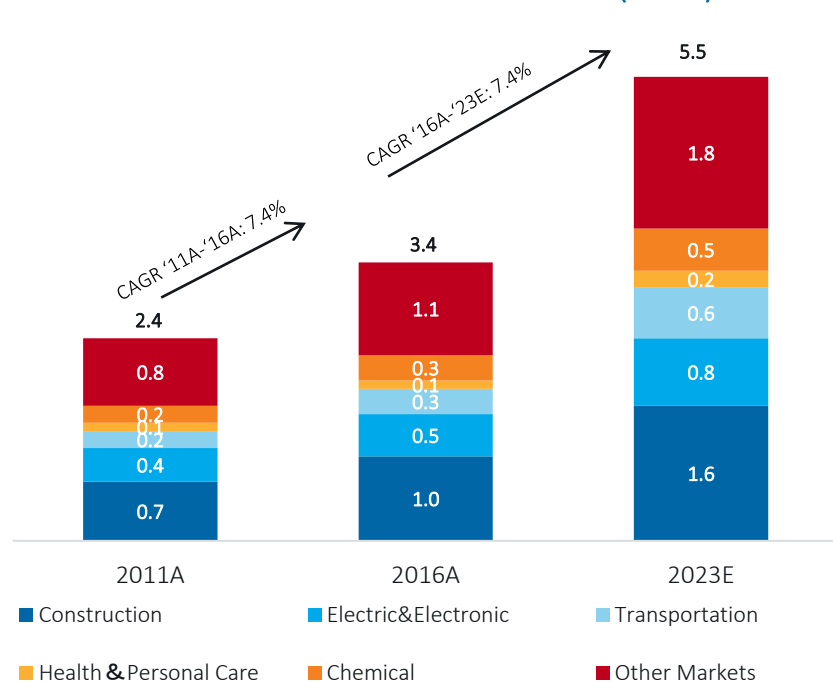
Construction

Still much construction where prefabricated buildings, smart city with airport, railway and subway drive demand for silicones in cables, sealing etc.

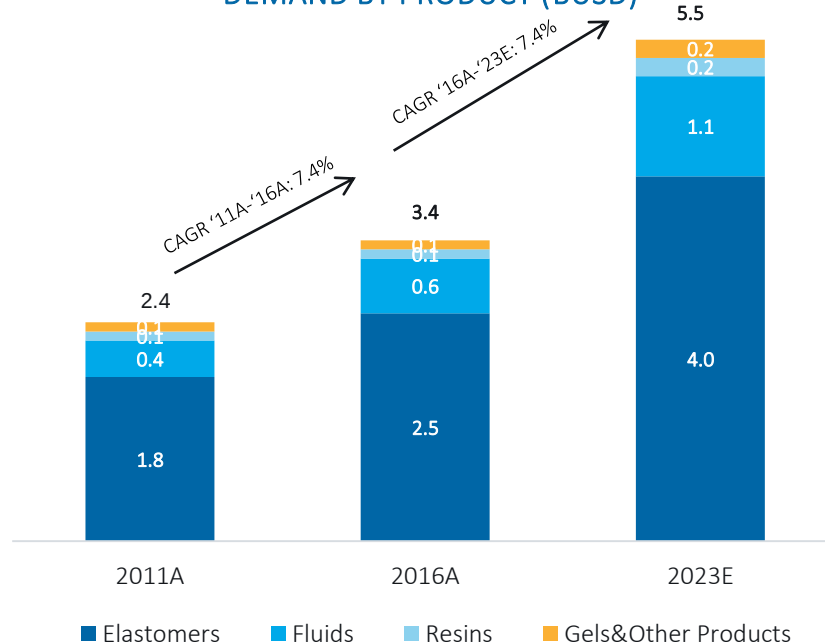


Growth supported by a wide range of end-user segments

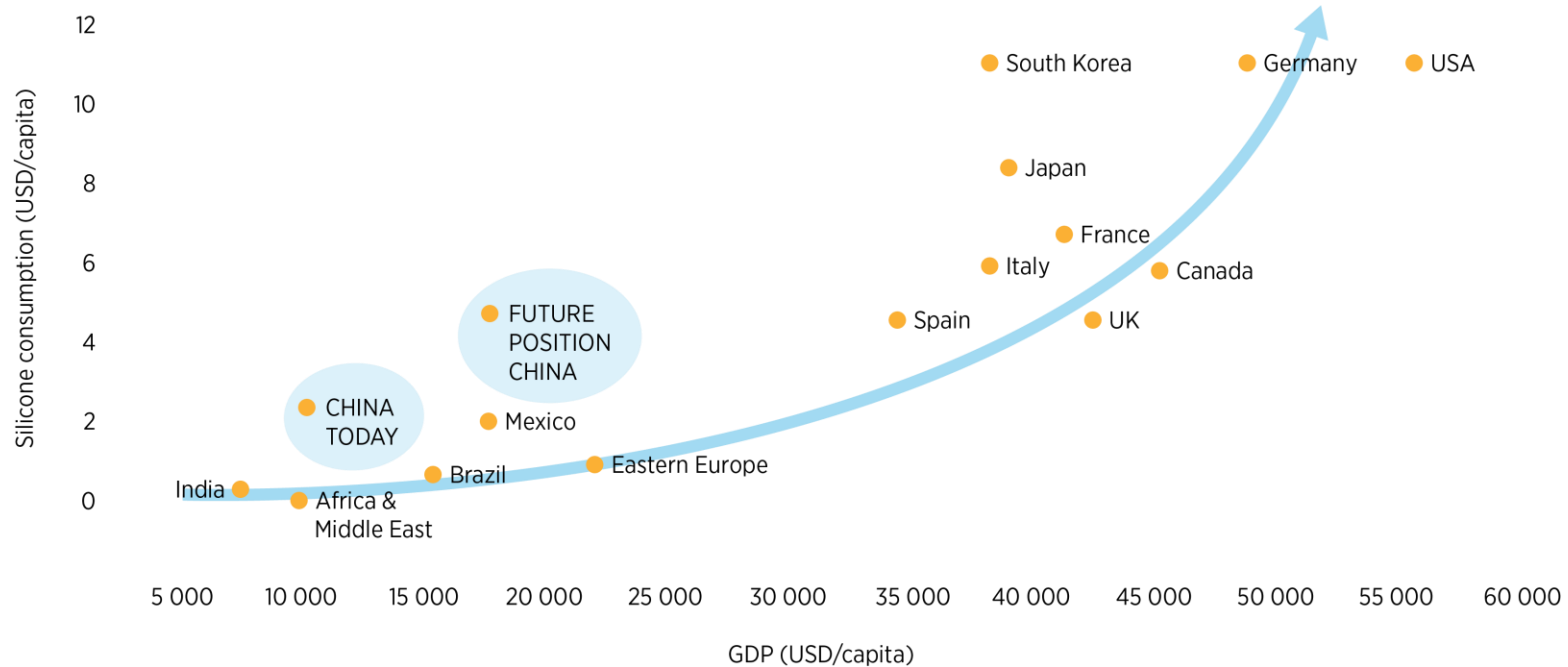
CHINA SILICONES
DEMAND BY MARKET SEGMENTS (BUSD)



CHINA SILICONES
DEMAND BY PRODUCT (BUSD)



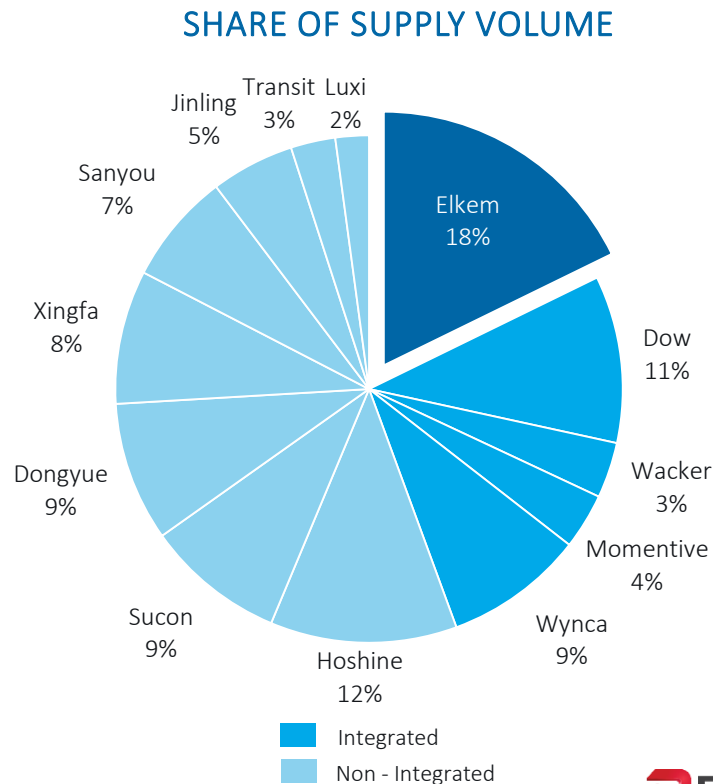
... and economic growth drives the increasing demand per capita



Industry structure – a mix of international and local players

13 MAIN PLAYERS IN CHINA

- 4 international integrated players
 - Elkem has the leading position with 18% market share
 - Dow + Wacker have a JV in east of China
 - Momentive has a JV with Wynca in east of China
- 9 pure Chinese players, only 1 manufacturer, Wynca with relative integrated technology



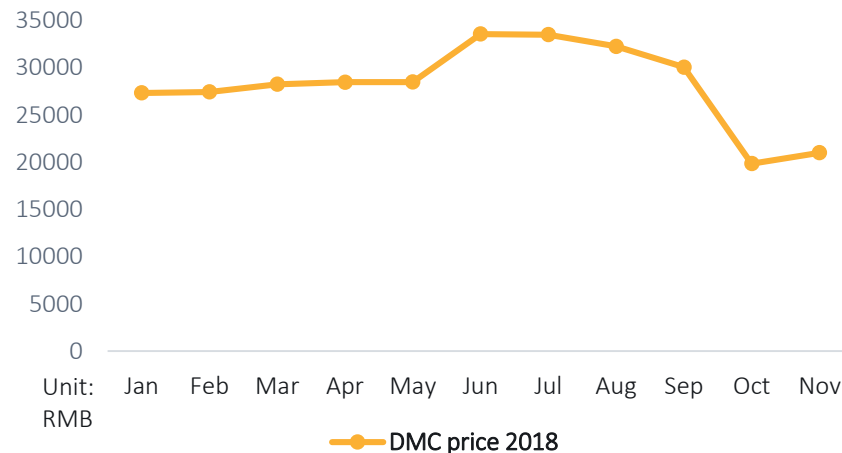
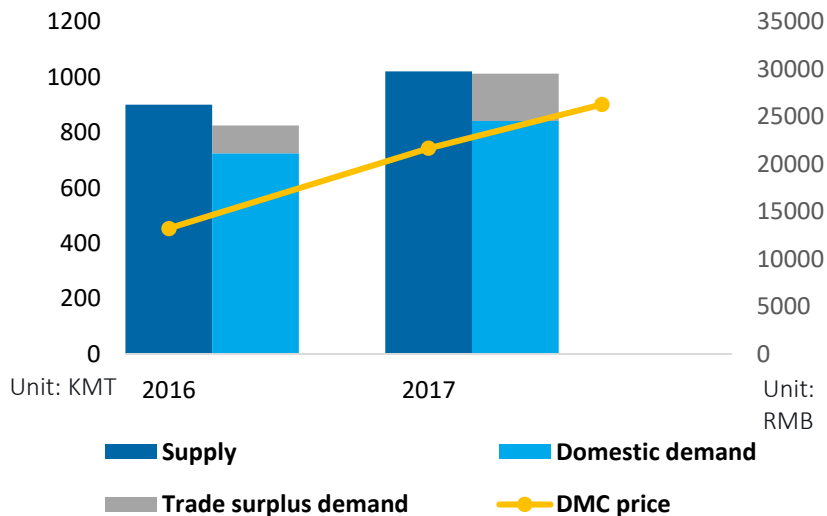
Supply and demand – still a commodity market ...

Over supply situation

Capacity closures for environmental reasons

Tight supply

US tariffs imposed

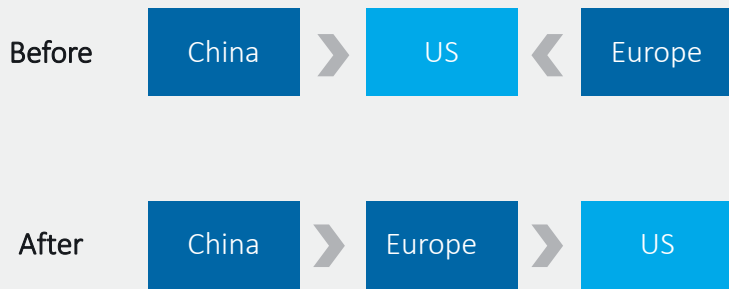


... but the outlook is still relatively good

ANNOUNCED CAPACITY ADDITIONS 2020 – 2022

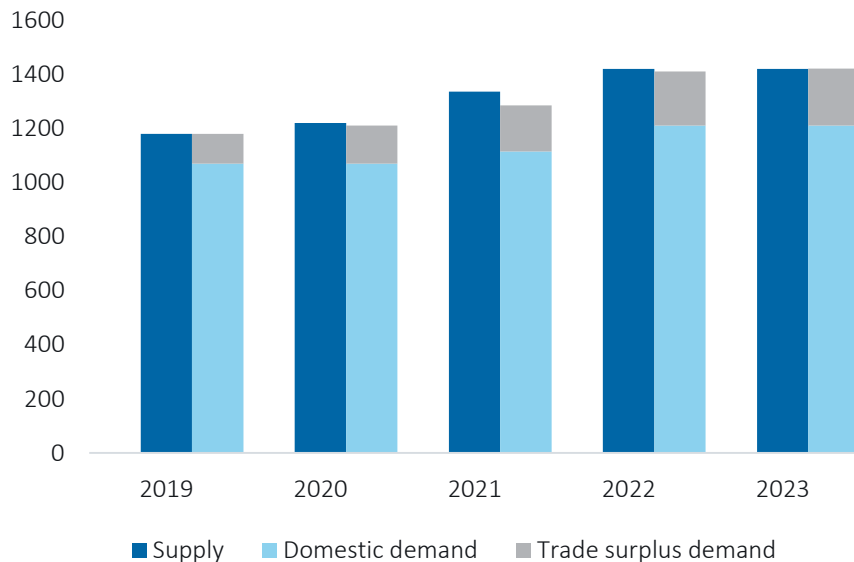
- Hoshine - 100Kt siloxane, estimated by 2020
- Wynca - 100Kt siloxane, estimated by 2021
- Xingfa - 60Kt siloxane, estimated by 2021
- Hoshine - 100Kt siloxane, estimated by 2022

REDISTRIBUTION OF TRADE FLOWS



No new capacity and redistribution
expect balanced market
and stabilise prices

Risk of oversupply
due to new capacity
Price development uncertain



Competitive landscape

ELKEM HAS A STRONG PLATFORM FOR FURTHER SPECIALISATION

Integrated producers

								
Upstream	Strong position	Strong position	Medium position	Medium position	Strong position	Strong position	Strong position	Strong position
Fumed silica	Strong position	Strong position	Strong position	Medium position	Strong position	Medium position	Strong position	Medium position
Room temperature vulcanized rubber	Strong position	Strong position	Strong position	Strong position	Strong position	Medium position	Medium position	Weak position
Heat temperature vulcanized rubber	Strong position	Strong position	Strong position	Strong position	Strong position	Medium position	Medium position	Medium position
Functional oil	Strong position	Strong position	Strong position	Medium position	Medium position	Medium position	Weak position	Weak position
Liquid silicone rubber	Strong position	Strong position	Strong position	Strong position	Medium position	Weak position	Weak position	Weak position

UPSTREAM

- Elkem is market leader
- Upstream with operation excellence

DOWNSTREAM

- Fully integrated technology
- Strong specialization platform to extend silicone value chain



Strong position



Medium position



Weak position

Silicones widely used in China markets

ELKEM HAS MARKET LEADING POSITIONS IN ALL SEGMENTS

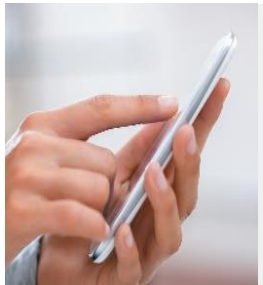
End-markets	Products	Customers & Partners
Textile & Leathers	 - No.1 Market Share - Textile pilling treatment	 
Transportation	 - No. 1 Market Share - Cable & Wire	 
Construction	 - No.1 Market Share - Sealant	  
Consumer goods	 - No. 2 Market Share - Infant care	  
Health and personal care	 - No. 3 Market Share - Personal care	  
Electric & Electronics	 - No. 1 Market Share - Water proof mobile	
Chemicals	 - No. 1 Market share - Formulators	 

Specialisation at work in China | Silicones for release liner

LEVERAGING COMPETITIVE SOURCING BY TECHNOLOGY EXPERTISE, FACILITY STRENGTH AND GEOGRAPHICAL REACH



Release coatings for labels



Pressure sensitive adhesives for electronics

2011

- R&D
 - Transfer release coating technology from France to China

2013

- Production
 - Set up special intermediates facility in Xinghuo
 - Set up customised production unit in Shanghai

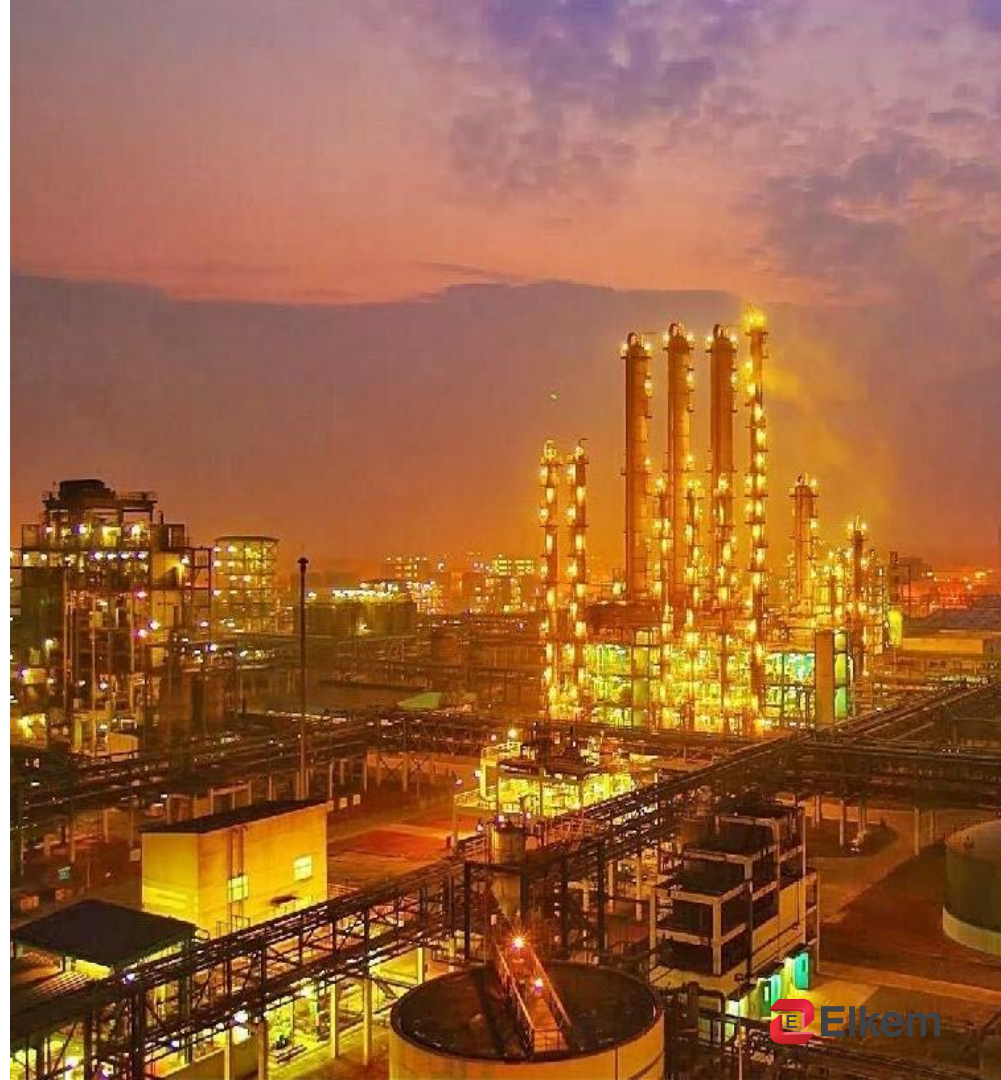
2016

- Commercial
 - Professional local team for market survey
 - Quick promotion after product launched in China by sales team

30% Market Share with 60MUSD Revenue

Well positioned for profitable growth in an emerging market

- **Geographical advantage AND MARKET LEADER**
 - The most demanding and the fastest growing silicone market in the world
 - Elkem has the highest market share for silicones in China
- **Sustainable growth WITH SPECIALISATION STRATEGY**
 - Reduce exposure to commodities and develop specialty intermediates by leveraging the global R&D capability and competence
 - Convert special intermediates to value specialties with local customisation and professional marketing/development organisation



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Elkem's history in China

- Up to 22 years manufacturing, M&S, R&D experience in China
- Extensive experience gained from Elkem Silicone Shanghai and Elkem Carbon China's development:
 - Specialised products
 - Staff, productivity, profitability, EHS standard, organisation development
- Acquisition of Xinghuo and Yongdeng plants

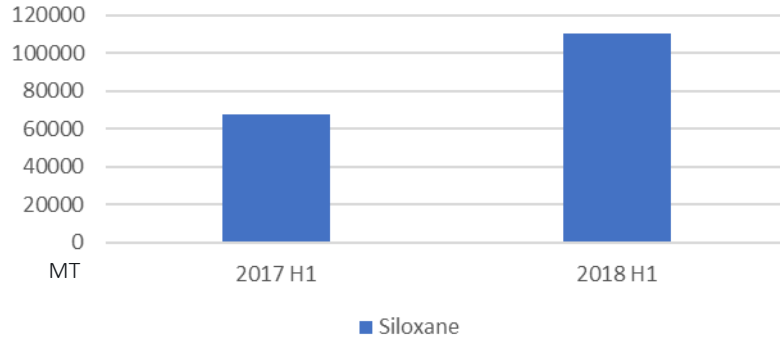


Integration of Xinghuo and Yongdeng is increasing operational excellence

- Xinghuo and Yongdeng formally acquired by Elkem in 2018
- Before that Elkem has provided long standing support
 - In Yongdeng Elkem has had the plant manager from 2012 and two furnaces were upgraded to Elkem standard
 - In Xinghuo Elkem has participated strongly and contributed to the capacity expansion and ramp up phase in 2015 - 2016
- Key objectives
 - Productivity improvements
 - Cost savings
 - Quality and EHS improvements



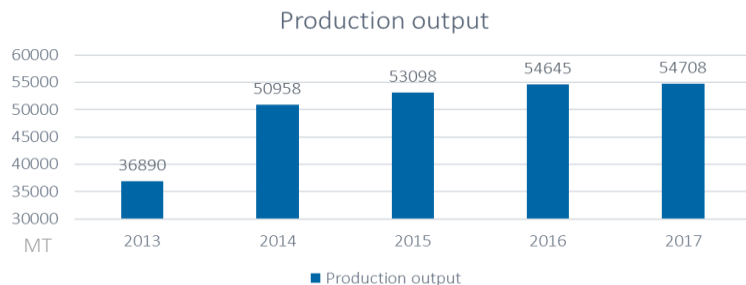
Xinghuo | Operational improvements achieved to date



- Siloxane production cost reduced by 11% in H12018
- Quality claims from customers (CCR) reduced by 33%
- 19 debottleneck projects and technical upgrades
- EBS implementation^(*) for improving equipment reliability



Yongdeng | Operational improvements achieved to date



- High grade microsilica increased from 28% to 55% in H1 2018 and Si metal qualification rate increased from 98.35% to 99.27%
- Cost road map programmes completed with estimated cost savings of around 44 MRMB/year
- Strong support from technical and operational resources from silicon plants in Norway, EBS implementation



Improvements achieved through systematic work

SUCCESS FACTORS

- Strong and action/result oriented leadership
- Technical debottleneck/upgrade projects
- Synergies/supports among group resources
- EBS introduction and implementation

EBS IMPLEMENTATION

Management team

support:



Participation from all

employees:



Problem solving:



EBS Tools- training and

practice



Follow up and assessment



Continuous improvement



Further improvement potential ahead

- **Xinghuo:** Upstream cost competitiveness and downstream products development
- **Yongdeng:** Cost competitiveness
- **Both sites:**
 - EBS and innovation
 - Developing people
- It's a long and continuous process
- Recent two major preventive maintenance stops at Xinghuo and Yongdeng will improve efficiency further



Cross cultural aspects

CULTURAL DIFFERENCES

- **Management and leadership:** systematic vs firefighting; Involvement from organisation vs top down approach
- **Mindset:** Conflict management (face) and networking (guanxi)
- **Communication and motivation:** Big obstacle when communication is not clear and positive
- **Mutual respect and trust** is essential for cross cultural cooperation



Establishing a common platform for profitable growth across geographies

- Elkem has a unique position with long experience, international management and market growth potentials in China and support from Chinese majority shareholder
- Integration has created synergies and improved operating results
- Systematic EBS approach has enabled the creation of common working procedures and culture
- Develop local competence to strengthen global competitiveness
- Building the Elkem culture based on a common set of values

Elkem's Core Values:



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Elkem battery solutions |

Meeting today's challenges. Ready for tomorrow's opportunities

Carbon

Graphite for anodes – developing large scale industrial production to meet market growth

- Proprietary graphitization process
- Raw material know-how
- Sustainable green production at large scale
- Opportunities for rapid ramp-up to meet growing demand



Silicon

Silicon for tomorrow's anodes – leveraging best in class silicon know-how

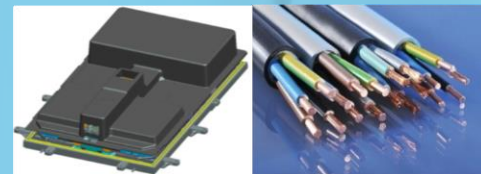
- Ability to tailor make silicon powders
- Opportunities for rapid ramp-up when demand materializes
- Attractive cost position based on Silgrain
- Sustainable green production at large scale



Silicones

Silicones for battery packs and EVs – protect and enhance performance

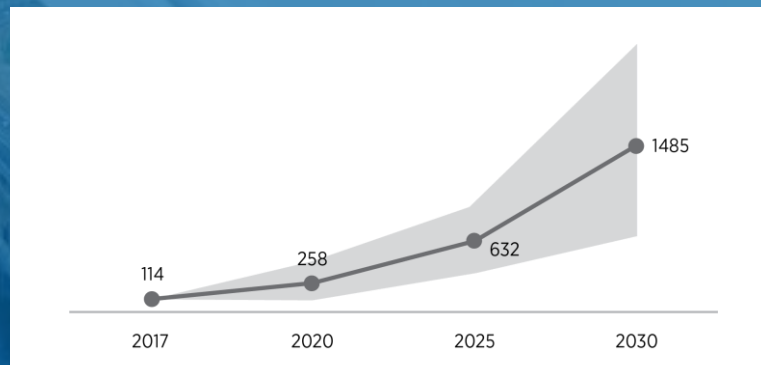
- Strong specialty positions in automotive
- Proven technologies
- Products tailor made to customer technology
- Deliveries of other products to EVs (electrical cable insulation)



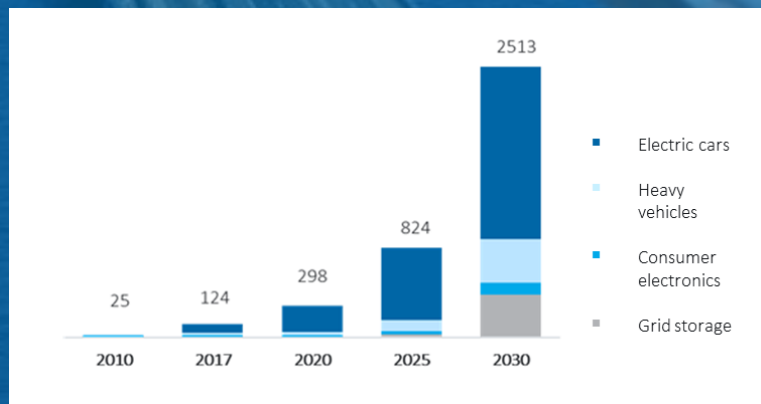
Electrification of transportation drives strong growth in demand

- 22-30% of new light vehicles in 2030 assumed to be EVs
- Electrical buses growing significantly, especially in China
- Pace of fast growing markets tend to be underestimated
- Demand for active anode materials such as graphite likely to grow more than 10x

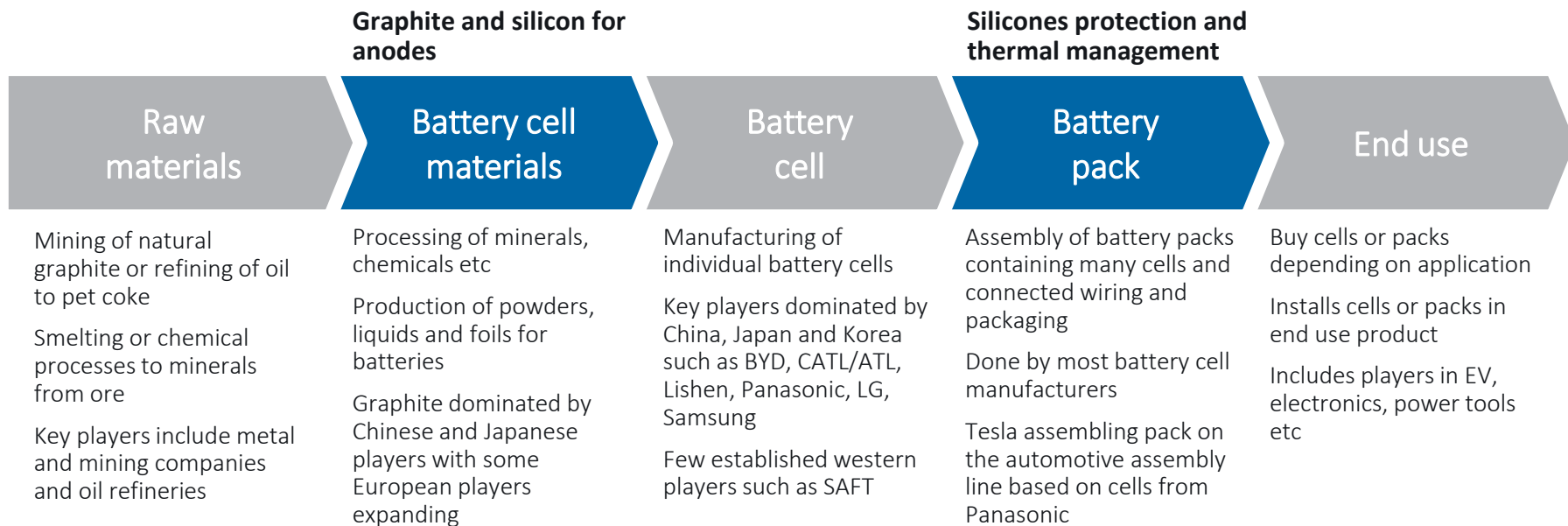
Li-ion battery , average demand forecast (GWh)



Demand by segment (GWh)



Elkem in the battery value chain



Elkem providing the solution for today's and tomorrow's anodes

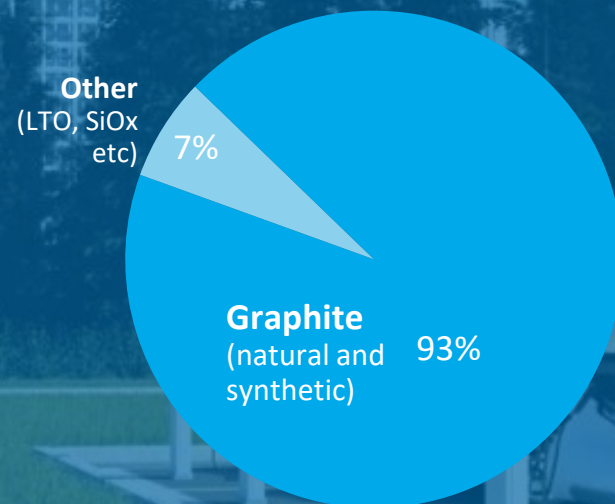
- **Graphite**

- Proven and established technology
- Stable long term performance
- Opportunities to mix in other materials (such as silicon)
- Limited upside

- **Silicon**

- Theoretical capacity 10x higher than graphite – solution to improve energy density
- Improved charge and discharging rate
- Improved charging at low temperature
- Reduced risk of over heating
- Focusing on solving the fundamental issues related to expansion and contraction reducing battery lifetime

Market share active anode materials



Elkem battery solutions | Status and plans by division

Carbon

- Current focus to verify product performance and production process parameters
- Invest in pilot facility to demonstrate capabilities and verify industrial scale equipment 2019
- Invest in industrial production lines following successful production in pilot plant



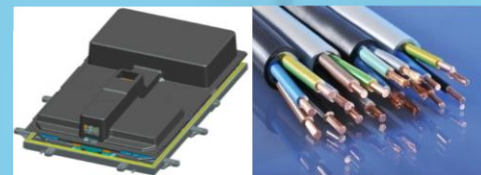
Silicon

- Already commercial sales of small volumes
- Main focus on technology development together with potential customers, technology developers and institutes
- Bremanger Silgrain plant can supply 40,000 MT with incremental investments

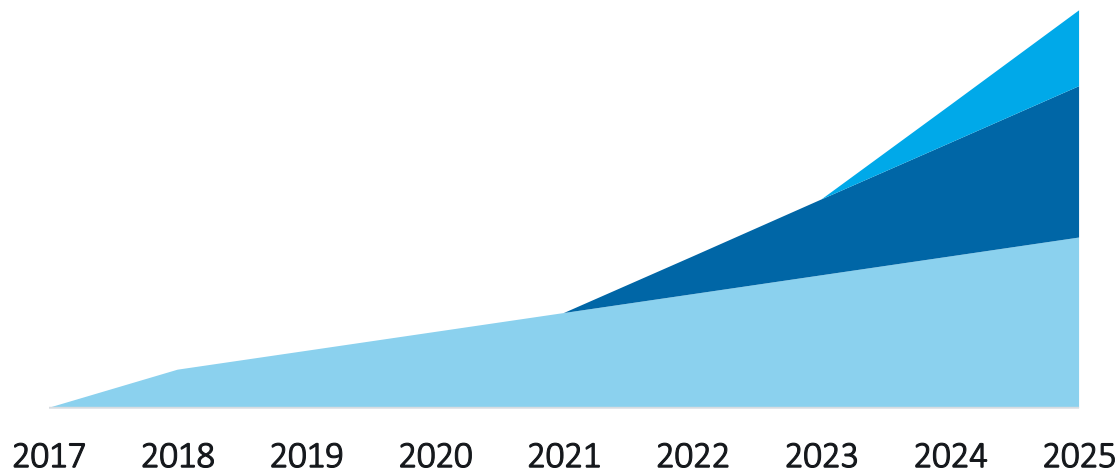


Silicones

- 2018 revenues from batteries and EVs exceeding 30 MEUR
- Focus to grow with established customers and develop new customers especially in China



Potential revenues impact of battery strategy



■ Silicon:

- Timing of commercialisation uncertain, but significant growth expected when technological challenges are resolved

■ Carbon:

- Sale of industrial volumes assumed from 2021

■ Silicones:

- Established position with more than 30 MEUR sales in 2018

Elkem has a unique position – today and tomorrow

The Li-ion battery market offers a significant growth opportunity for Elkem



Western supply chains must be developed to serve battery production in Europe and the US



Robust cost structure is required as price reduction is the most important demand driver



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

- **Creating value through operational excellence, growth and specialisation**

Helge Aasen, CEO

- **The world of silicones**

Frédéric Jacquin, SVP Silicones

- **China – vast country with vast opportunities**

Sandy Chen, Director Xinghuo Silicones

- **Elkem – strong Chinese experience**

Helge Aasen, CEO, and Chen Xi, Senior Advisor

- **Batteries – growth potential across product lines**

Inge Grubben-Strømnes, SVP Carbon

- **Value creation through specialisation in Foundry Products**

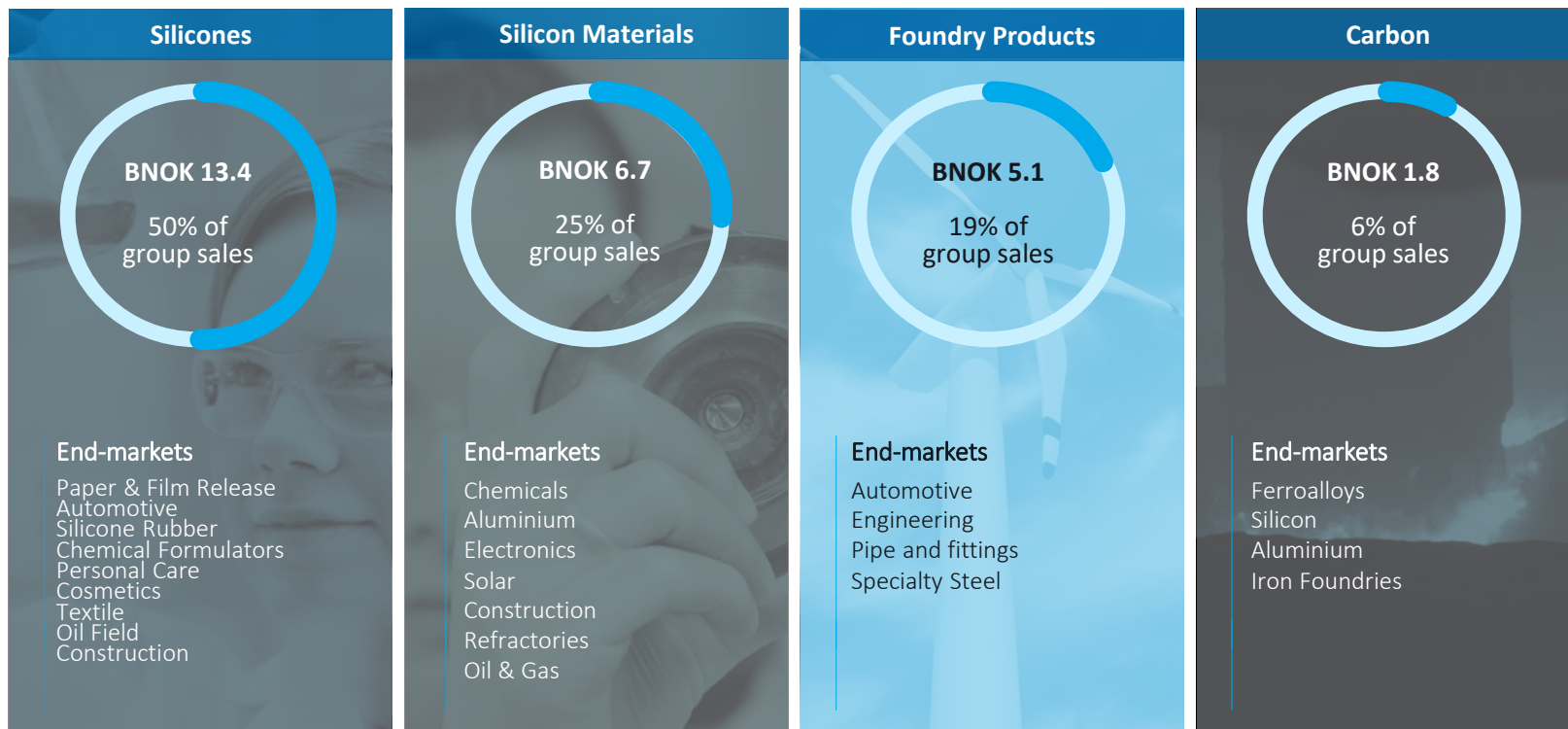
Roland Hennigfeld, VP Sales & Marketing

- **Financial targets**

Morten Viga, CFO



Foundry Products | A highly specialised division



Foundry Division | A proven business model for stable prices and high margins

High quality, branded
specialty products



Global coverage
combined with
customer intimacy



Technical expert service
on site



R&D, innovation and local
customer service laboratories

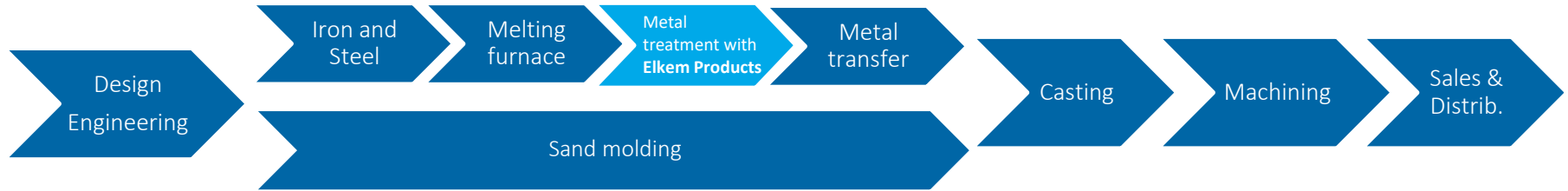


Foundry Division | Our Specialty Products

PRODUCT	REVENUE & MARGINS	APPLICATION	END PRODUCTS
 60.000 t INOCULANTS	BNOK 1.1 ≥ 20% EBITDA	Grey iron and ductile iron castings Lighter, stronger and easy to machine castings	
 94.000 t NODULARIZERS	BNOK 1.5 ≥ 20% EBITDA	Ductile iron castings Lighter, stronger and temperature resistant castings	

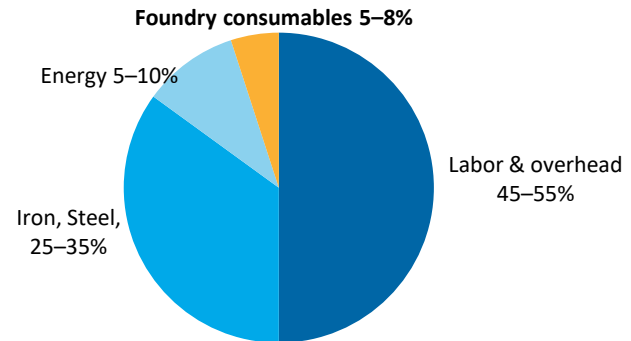
- Specialty products are the basis for stable and profitable growth globally
- Consistently high quality materials allow customers low addition rates of our materials
- We investigate casting defects and consult customers to reduce scrap rates by using our materials optimally
- Thus – we create significantly more value for our customers and we can obtain a fair share of it

Creating value in the customers' production process



- Metal treatment 'makes or breaks' the final product
- Most important part of the process: while only a small part of the total cost base, it has a high impact on quality therefore
 - Customers are very loyal. They do not change the alloy supplier easily
- By understanding the customer process from raw materials to the finished castings, we show how best casting results can be achieved at minimum cost

Total cost base composition



Global environmental programmes pull for Elkem specialties



CATERPILLAR®



Continental



BorgWarner

MAHLE

Driven by performance



Global Castings
Your partner in renewable energy components

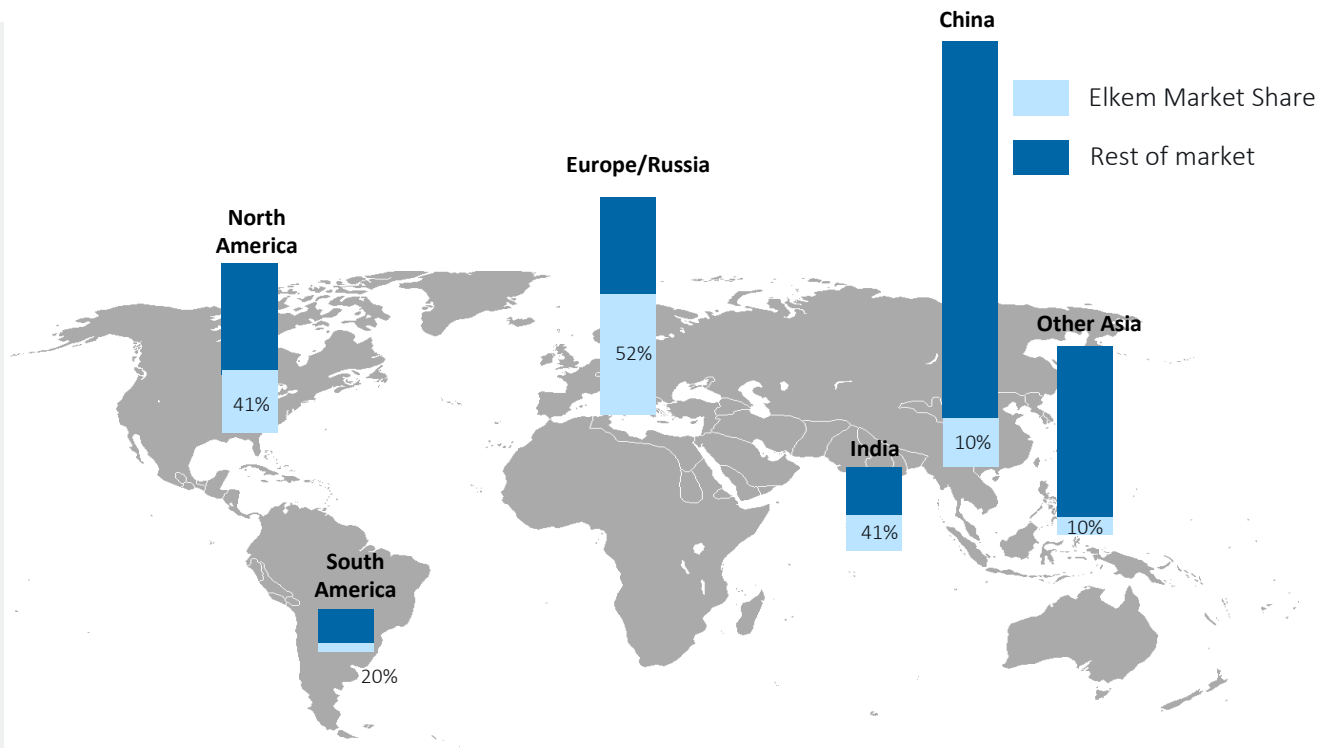
Buderus

Teksid

Elkem

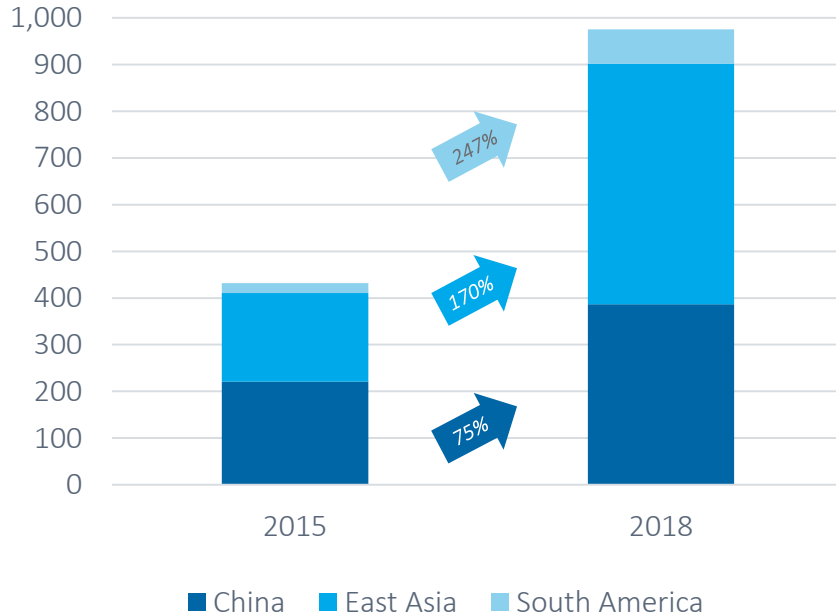
Global coverage and untapped potential in fast growing markets

- Elkem is the **global market leader**
- Increasing **focus on emerging markets**
 - China, India, other Asian markets and South America
- Well positioned to meet **growing demands**
 - Consolidated market - top 5 suppliers serve 54% of the global market
 - Increased production capacity from 10.000 to 30.000 in China
 - Acquisition in the fast growing Indian market to become market leader
 - New Elkem plant in Paraguay with best access to the large Brazilian market



Doubled sales of specialties 2015-2018 in important growth markets

ELKEM FOUNDRY SALES IN MNOK



THE KEY GROWTH DRIVERS:

INNOVATION, QUALITY AND LOCAL PRESENCE

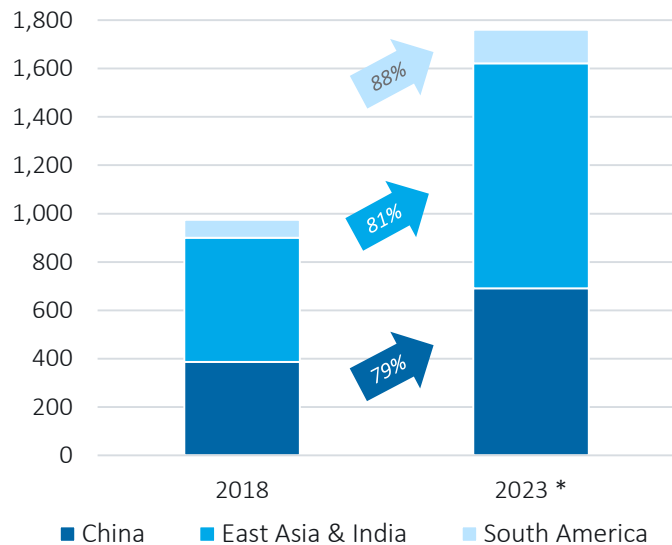
- High quality products based on innovation and product development
- New production plants in India, China and Paraguay
- Customer proximity is a key selling point
- Strong local technical and commercial sales organisation

Capturing growth opportunities in foundry alloys in key markets

Strong opportunities to grow specialty business

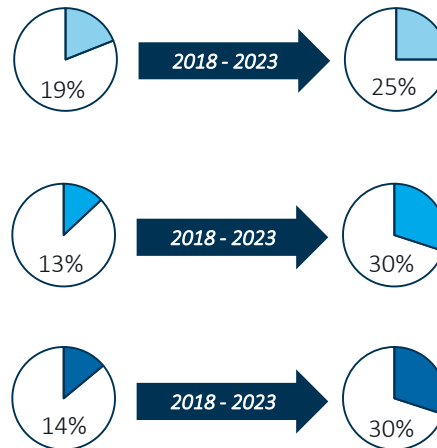
Capture market share and grow with strong segment development by focusing on key growth areas

ELKEM FOUNDRY SALES IN MNOK



* forecast based on 2018 average prices

GROWING MARKET SHARES IN TARGET MARKETS



Stable, high margins and further growth in emerging markets

- Global environmental programmes will be a key growth driver for Elkem's specialty products
- Speciality products ensure stable market shares and high margins in mature markets
- Innovation, quality and local presence drives growth in emerging markets
- Global market leader with identified growth potential and production capacity to meet future demand



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Morten Viga, CFO



Elkem's strategy



**Key priority: Continue transition
into a specialty chemicals company**



- Enhance growth
- Stable margins
- Reduce cyclicalities
- Leverage platform (synergies)
- Leverage technologies to enhance specialisation
- Solidify local presence and market positions
- Access to complementary and next generation technologies

Building blocks of continued profitable growth

Operational
efficiencies and
synergies

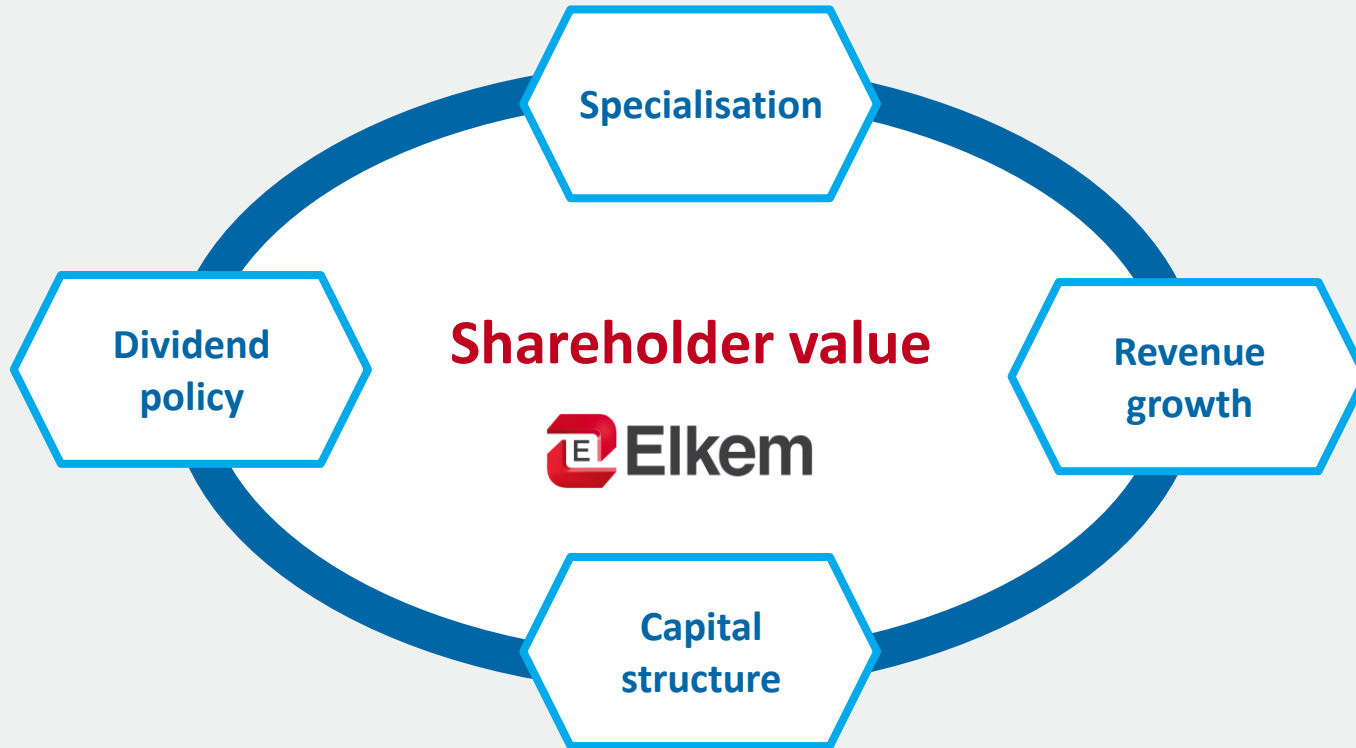
Growth and
specialisation

China and new
market
opportunities



- Grow Silicones
- Increase specialisation
- Develop new materials serving fast-growing end markets (e.g. batteries)
- Leverage production and low cost heritage

Financial objective – shareholder value through growth and dividend

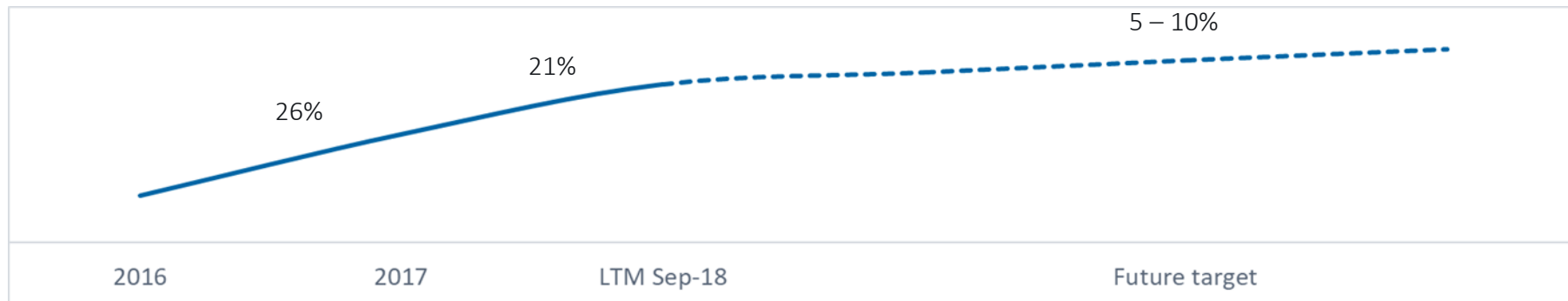


Financial targets

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

REVENUE GROWTH

Continue organic growth and possible bolt on acquisitions



HISTORICAL TRACK RECORD

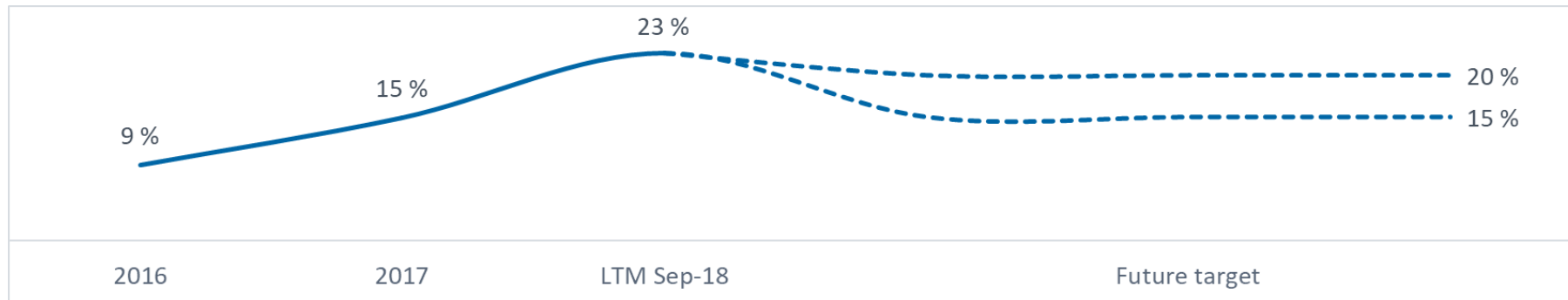
- Capacity increase Xinghuo
 - From 152kMT in 2016 to 218kMT 3Q-18-LTM
- Favourable prices increases – well positioned in attractive markets
- Capacity creep across all divisions
- Selected M&A projects
 - Rana (2016) and Foundry India (2017)
- Organic growth projects
 - Carbon Malaysia (2016), Foundry Paraguay (2017) and Foundry China (2018)

FUTURE ENABLERS

- Number 1 position in China Silicones – basis for Asia growth strategy
- Further capacity expansion in Xinghuo under evaluation, decision early 2019
- Possible M&A projects
 - Priority no. 1 – bolt on acquisitions in Silicones. Target downstream specialty companies, capitalising on Elkem's strong upstream position
- Organic growth projects
 - Potential silicon capacity increase in Rana
 - Debottlenecking projects across the divisions

EBITDA MARGIN

Stabilise EBITDA margin at attractive level through continued specialisation



HISTORICAL TRACK RECORD

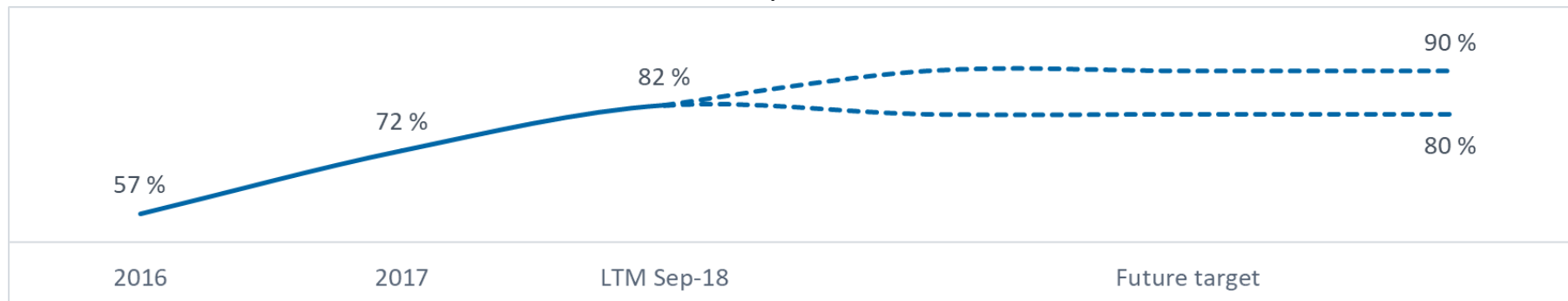
- Significant price increases
 - Well positioned in attractive growth markets
 - Specialisation strategy gives higher prices and less volatility
- Continuous cost improvements
 - Basic fundament in Elkem Business System
 - Economies of scale in Xinghuo ramp-up
 - 15% siloxane cost reduction in France through value chain integration

FUTURE ENABLERS

- Continuous cost improvements
 - Energy recovery projects – Salten with 275 GWh/year production completed 2020
 - Backward integration through long-term raw materials contracts
- Strengthen specialisation strategy
 - Silicones Asia – capitalising on International positions
 - Foundry growth strategy
 - Carbon and Silicon Materials strategy, e.g. battery projects and high-end silicon based materials

REINVESTMENTS % OF D&A

Well invested assets reduce need for extensive capex



HISTORICAL TRACK RECORD

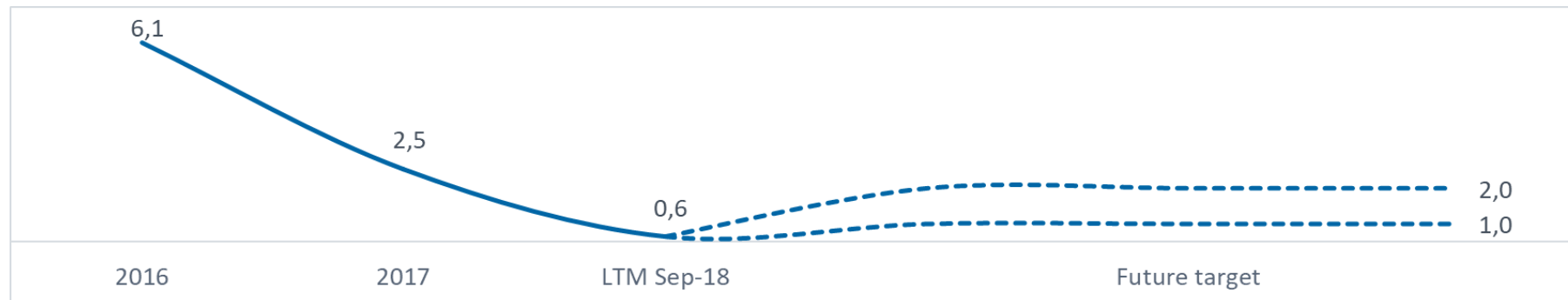
- Key strategy – optimise technical condition while maintaining disciplined capex program
- Low capex in 2016 and 2017 due to Xinghuo Silicones ramp up
 - Plant is in good technical condition
- France Silicones – upgrading programme since Elkem takeover in 2015
- Silicon Materials and Foundry Products
 - Smelters generally in good technical condition, target operating time > 98 %
 - Smelters in Yongdeng and Rana undergoing major upgrading programmes

FUTURE ENABLERS

- Well invested plants reduce need for extensive capex programmes going forward
- Further integration and best practice learning between Xinghuo and France Silicones
- Reduce unit costs in maintenance projects:
 - Standardised maintenance systems
 - Utilising sourcing organisations in India and China to lower procurement costs

DEBT LEVERAGE RATIO (NIBD/LTM EBITDA)

Pursuing growth in a disciplined manner



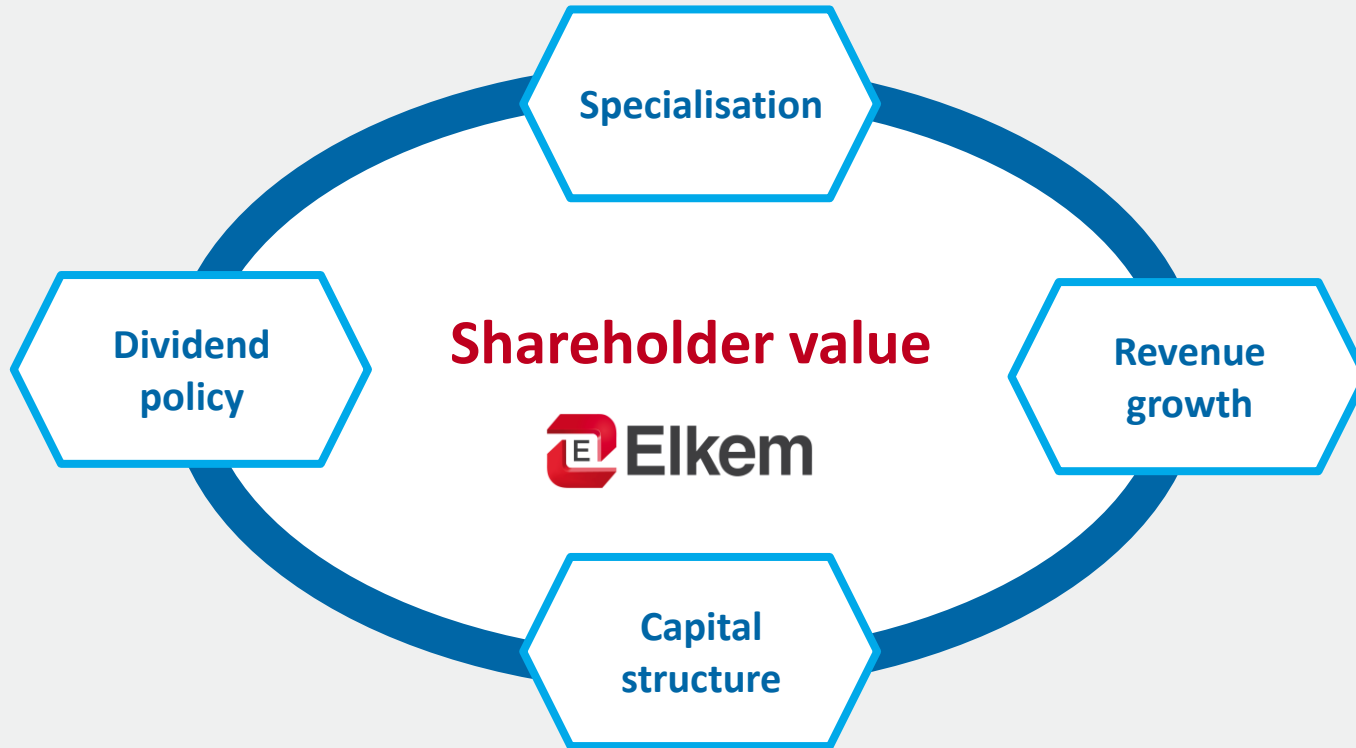
HISTORICAL TRACK RECORD

- Strong 2018 development
 - Operating cash flow generation LTM 3.5 BNOK
 - EBITDA improvement - LTM 5.9 BNOK
- Strong underlying EBITDA development
- Good cash conversion
 - Systematic WC management
 - Disciplined reinvestment management

FUTURE ENABLERS

- Long-term target reflects conservative balance sheet while maintaining capacity for growth
- Main priorities
 1. Accelerate growth and specialisation strategy. Organic growth projects or bolt-on acquisitions, particularly within Silicones
 2. Redistribute capital to shareholders through dividend and/or share buy-back programmes

Financial objective – shareholder value through growth and dividend



DELIVERING YOUR POTENTIAL

