

Third quarter results 2019

Agenda

Introduction of Michael Koenig

Morten Viga, CFO

Business update

Financial performance

Outlook



Introduction of Michael Koenig

Michael Koenig new CEO starting 1 December

- ◆ Changes to Elkem management and board of directors effective from 1 December 2019
 - ▶ Michael Koenig will assume the position of CEO of Elkem ASA
 - ▶ Hao Zhigang, current member of the board, has been appointed as new chairman of the board following Michael Koenig's resignation from the board
 - ▶ Dag Opedal, current member of the board, has been appointed as vice chairman of the board
 - ▶ Helge Aasen will step down after more than ten years in the position of CEO. Aasen has been nominated by the nomination committee to become a member of the board of Elkem ASA. He will continue as a board member of China National Bluestar
- ◆ There will be held an extraordinary general shareholder's meeting on 15 November to make the changes to the board of directors of Elkem ASA



- ◆ Koenig is 56 years old and has since January 2016 been the CEO of China National Bluestar
 - ▶ 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

Morten Viga, CFO

Business update

Financial performance

Outlook

Robust results in challenging markets

- ◆ Elkem delivers robust results in a challenging market environment
- ◆ Total operating income was NOK 5,540 million in the third quarter, down 5% from the corresponding quarter last year
- ◆ 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 quarter and NOK 1.44 YTD
- ◆ Michael Koenig will assume the position of CEO from 1 December 2019, as Helge Aasen's steps down after more than 10 years in the position



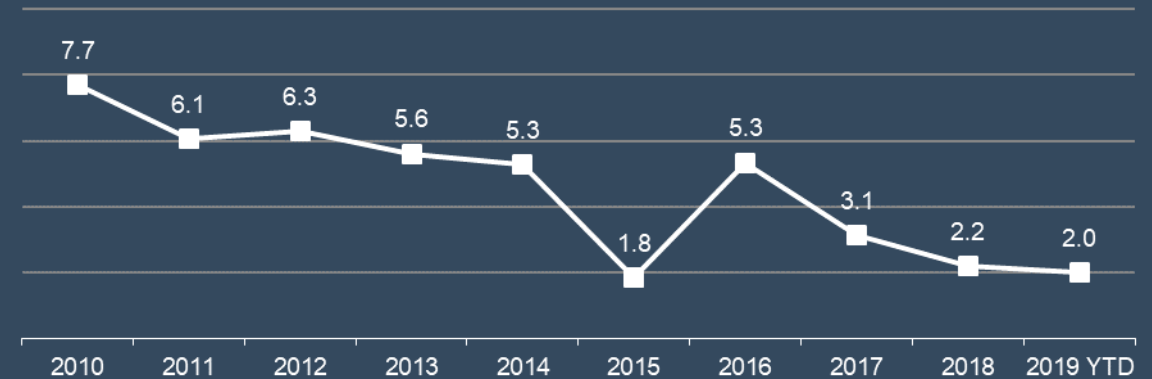
ESG

our key priorities

- Elkem has a zero harm philosophy
 - For health and safety, the target is zero recordable injuries
 - For environment, the strategy is to work towards our goal of zero emissions
- The total recordable injury rate as at 30 September 2019 was 2.0
 - This represents 20 recordable injuries, including 2 defined as high severity
- Elkem has several ongoing projects to reduce the environmental footprint and strengthen the competitive position
 - Salten energy recovery project
 - Bremanger and Salten furnace upgrades
 - Yongdeng environmental upgrade
- 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



Total recordable injury rate



Strategic priorities

good progress on key elements

- ◆ Acquisition of Basel Chemie concluded
 - ▶ Leading technology in silicones for cosmetics and construction, providing a strong platform for further development and growth
- ◆ Strengthening presence in major growth markets. Expanding the silicones offering in the US and establishing market presence in Mexico and India
- ◆ Accelerated cost improvement programme delivering MNOK 387 YTD 2019. Expect to exceed target of MNOK 500 by year-end
- ◆ Proactive strategy to reduce CO2 emissions
 - ▶ 100% biocarbon in Paraguay
 - ▶ Efforts ongoing for other plants to increase bio-carbon
 - ▶ Ongoing R&D to develop CO2 friendly solutions

Competitive strengths

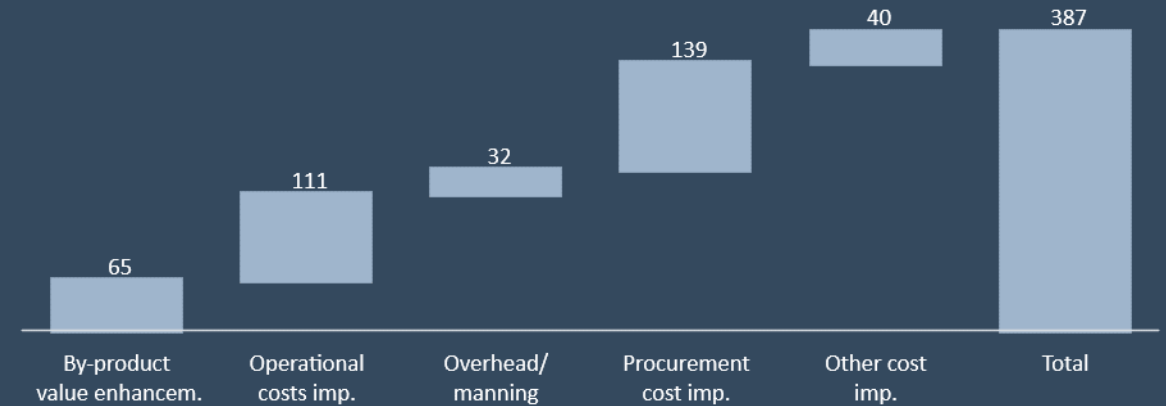


Improvement programme realised improvements ahead of plan

- ◆ The accelerated improvement programme was initiated early 2019 to counter weaker market conditions
 - ▶ The target was 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
- ◆ The good performance was a result of strong internal focus on cost and other operational improvements
- ◆ Based on the persistent weak market conditions Elkem will continue its focus on operational improvements and cost optimisation
 - ▶ The target is to optimise current organisation to facilitate growth initiatives in strategic areas e.g. R&D and sales without increasing the cost base



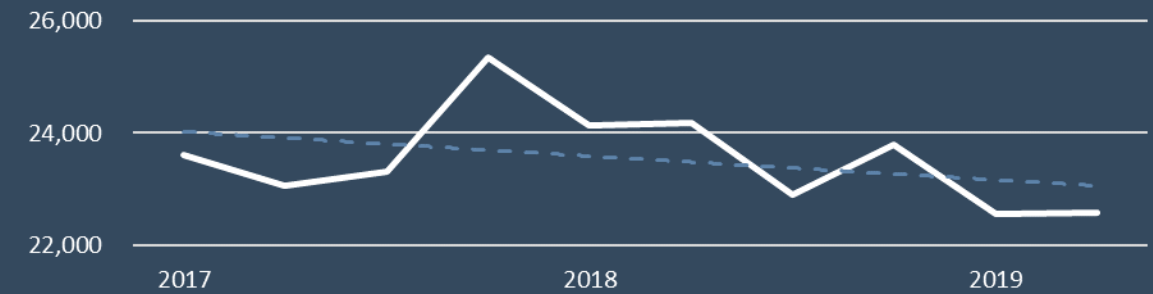
Realised effects (MNOK)



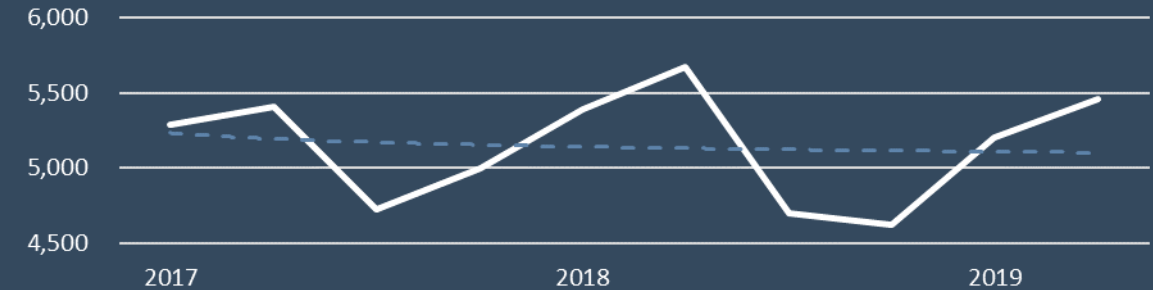
Automotive sales declining in all regions

- ◆ Automotive weak in all major regions
 - ▶ World sales down 7% in 1H-2019 compared to 1H-2018
 - ▶ Sales in Europe down 4% in 1H-2019 compared to 1H-2018
 - ▶ Stable sales in China compared corresponding period last year, but average quarterly sales was down 4% compared to 2017
- ◆ Weakness in car sales largely explained by economic factors and uncertainty by move towards zero emission targets
- ◆ Weakness in automotive impacts several of Elkem's business segments
 - ▶ Silicones used in gaskets, cables, coating to airbags etc.
 - ▶ Silicon metal used as an alloying material for aluminium to automotive
 - ▶ Foundry alloys used in car parts requiring special properties

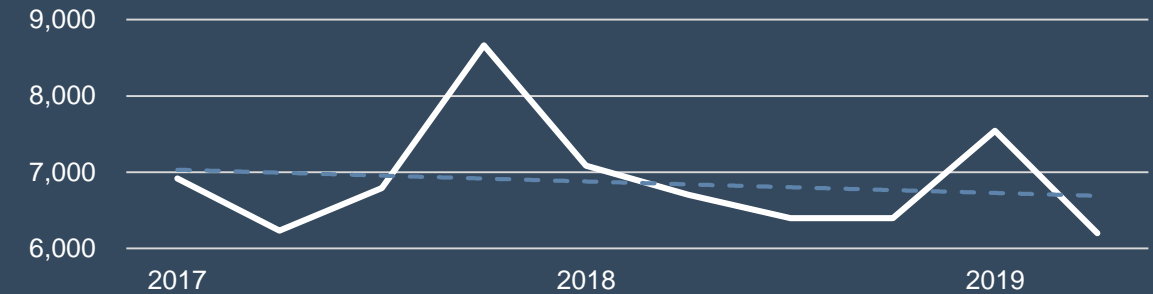
Light vehicles sales – World (quarterly unit sales in 1,000) (*)



Light vehicles sales – Europe (quarterly unit sales in 1,000) (*)



Light vehicles sales – China (quarterly unit sales in 1,000) (*)



Source: LMC Automotive

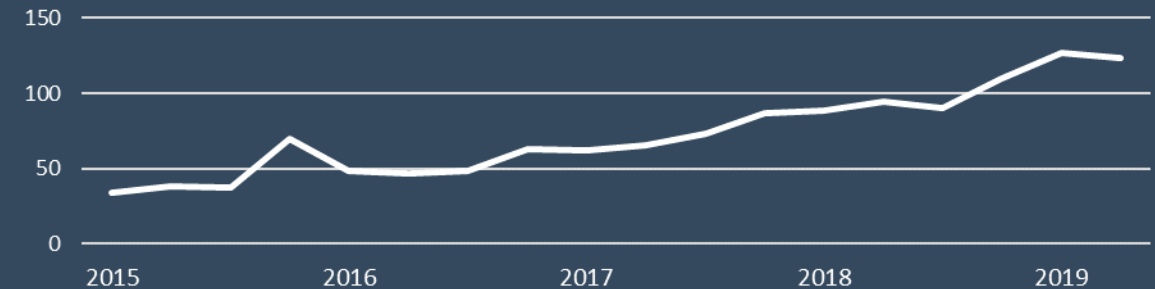
(*) Due to seasonal variations, trendlines have been added to illustrate downward trend since 2017

Sales of EVs increasing in main markets

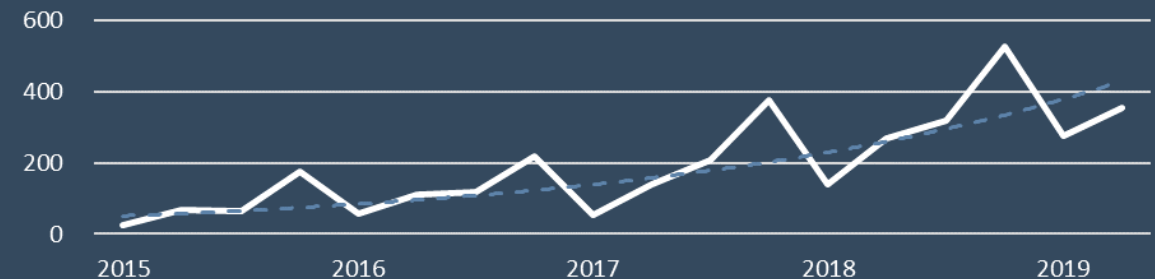
- ◆ Total EV sales in Europe is rising
 - ▶ Sales increased by almost 40% from 1H-2018 to 1H-2019 and has close to doubled since 1H-2017
 - ▶ EV's share of total car sales was approx. 3% in 1H-2019 up from approx. 2% in 1H-2018
- ◆ EV sales in China expected to rise rapidly
 - ▶ Sales in 1H-2019 increased by more than 50% compared to 1H-2018 and was approx. 5% of total car sales
 - ▶ EVs expected to account for 7-10% of total vehicles sales in China in 2020 and to further grow to 15-20% in 2025 and 40-50% in 2030
- ◆ Increased sales of EVs is positive for Elkem, in particular Silicones
 - ▶ An EV contains on average four times more silicones than a traditional fossil fuel car
- ◆ Elkem is the largest silicones producers in China and well positioned to benefit from the expected growth the Chinese EV market



Total EV sales in Europe (quarterly unit sales in 1.000)



Total EV sales in China (quarterly unit sales in 1.000)



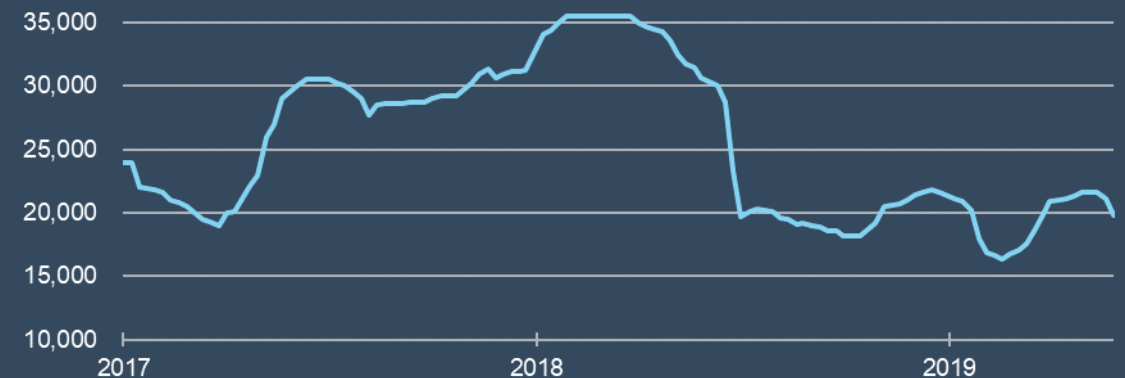
Source: European Automobile Manufacturers Association (ACEA) and China Association of Automobile Manufacturers

Silicones

price recovery for DMC but uncertain outlook

- DMC prices in China recovered in third quarter after a steep decline in the second quarter following additional US tariffs
- Price increases supported by seasonal upturn in Chinese construction market and disciplined capacity utilisation among Chinese producers
- However, downstream silicones markets was relatively weak in the quarter, impacted by US tariffs and the Chinese national holiday
- Signs that US tariffs for Chinese imports of silicones will ease, would be beneficial Elkem Xinghuo and Chinese silicones market in general if realised
- Near term price outlook is uncertain due to seasonal downturn in construction and generally soft market conditions

DMC reference price China (RMB/mt)



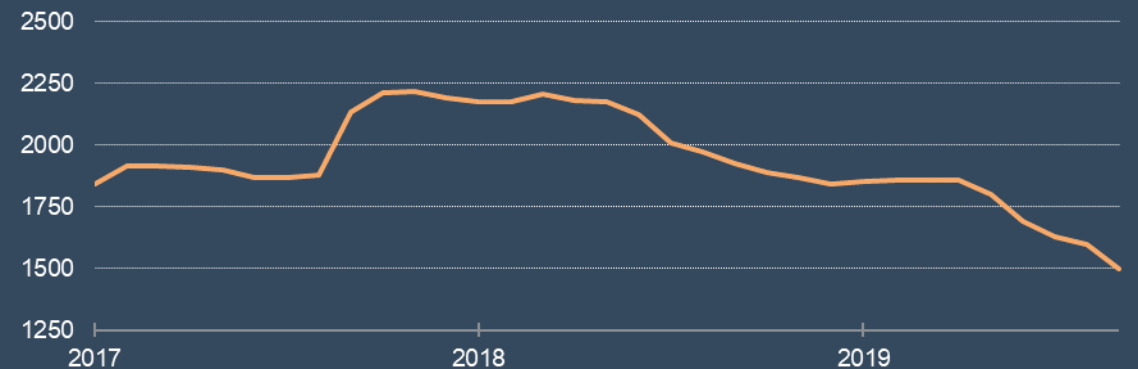
Silicon

approaching historic low prices

- Market prices have continued to decline during the third quarter
- Recent price declines primarily driven by low demand, especially due to weakness in automotive
- Current price levels not considered sustainable as many producers are estimated to be loss making
- Significant production curtailments have been announced in Europe, Canada and South Africa. Market balance expected to improve



CRU silicon 99 price EU (EUR/mt)



Ferrosilicon steel and automotive weak

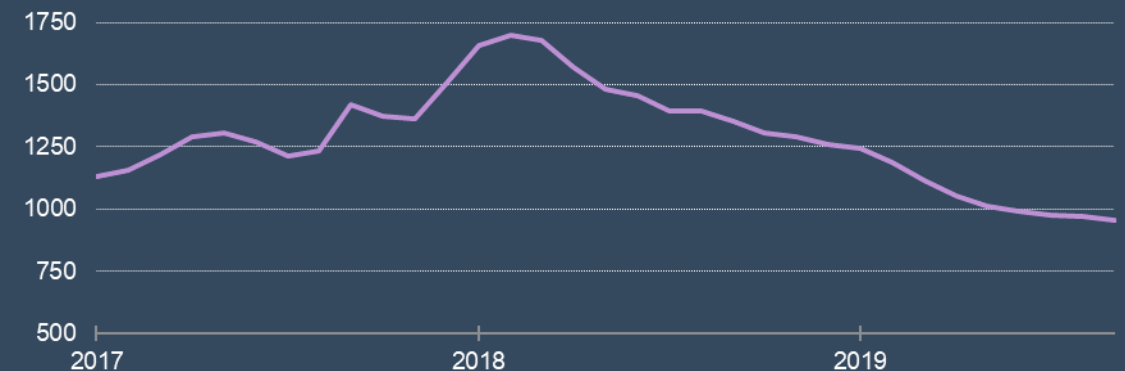
- ◆ Modest market price decline in the third quarter
 - ▶ EU prices well below US and Asian price levels
 - ▶ Current price level not considered sustainable long-term
- ◆ Foundry markets affected by weak steel market and weakness in automotive
 - ▶ EU steel demand falling 4% year-on-year, much related to automotive
- ◆ Significant production curtailments have been announced in Europe and US
- ◆ EU ferrosilicon stock levels have declined during third quarter, close to normal levels

Carbon lower metals production

- ◆ Market for electrodes and carbon material affected by production curtailments in metals production
- ◆ Market conditions likely to remain soft due to continued production curtailments



CRU ferrosilicon 75 price EU (EUR/mt)



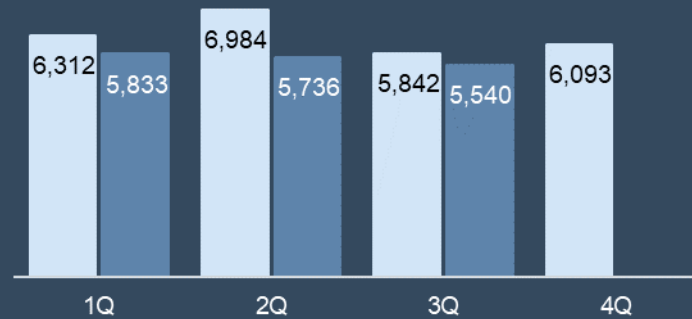
Elkem group

results impacted by weak markets

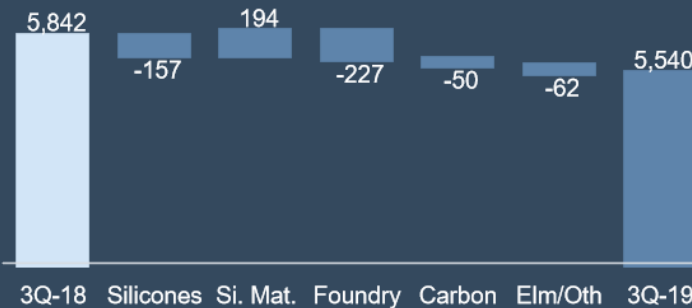
EBITDA impacted negatively in the quarter by MNOK 42 due to changed revenue periodisation of Norwegian CO2 compensation

Total operating income

- down 5% compared to the corresponding quarter last year

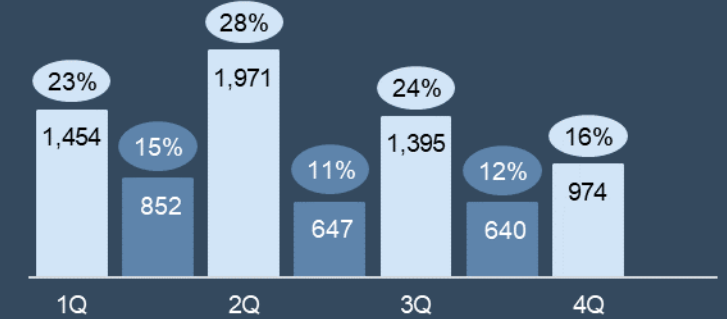


- Silicon Materials up due to higher volumes while the other divisions are down

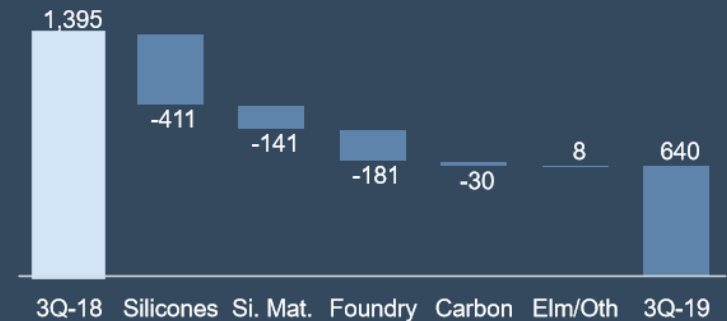


EBITDA

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



- all divisions have been impacted by the weaker market conditions



Elkem group financial position remain strong

- ◆ Total operating income has been restated due to a change in accounting policy regarding net presentation of the sale of power. There is no impact to EBITDA
- ◆ Other items MNOK 35
 - ▶ Mainly consisted of positive currency effects on working capital items of MNOK 39
- ◆ Net financial items MNOK -25
 - ▶ Net interest expenses MNOK 57 which included leasing effects (IFRS 16)
 - ▶ Currency gain of MNOK 40 mainly related to group receivables in CNY
- ◆ Tax MNOK -62
 - ▶ Tax rate of 22% in the quarter. Norway and other countries with same or higher tax rates account for a major share of profit before income tax

Consolidated key figures

| <i>(NOK million, except where specified)</i> | 3Q 2019 | 3Q 2018 | YTD 2019 | YTD 2018 | FY 2018 |
|---|---------|---------|----------|----------|---------|
| Total operating income | 5,540 | 5,842 | 17,109 | 19,138 | 25,230 |
| EBITDA | 640 | 1,395 | 2,139 | 4,819 | 5,793 |
| EBIT | 282 | 1,078 | 1,097 | 3,883 | 4,522 |
| Other items | 35 | 86 | 211 | -268 | -380 |
| Net financial items | -25 | -98 | -160 | -295 | -327 |
| Profit (loss) before income tax | 282 | 1,065 | 1,132 | 3,318 | 3,792 |
| Tax | -62 | -142 | -263 | -332 | -425 |
| Profit (loss) for the period ⁽¹⁾ | 206 | 915 | 838 | 2,964 | 3,337 |
| Key ratios | | | | | |
| EPS (NOK per share) | 0.35 | 1.57 | 1.44 | 5.10 | 5.74 |
| Equity ratio (%) | 44% | 48% | 44% | 48% | 44% |
| Net interest bearing debt (NIBD) ⁽²⁾ | 5,573 | 3,788 | 5,573 | 3,788 | 3,264 |
| Leverage ratio | 1.8 | 0.6 | 1.8 | 0.6 | 0.6 |
| Reinvestments % of D&A | 44% | 64% | 62% | 73% | 84% |
| ROCE (annualised) (%) | 7% | 26% | 9% | 33% | 28% |

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

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

Silicones

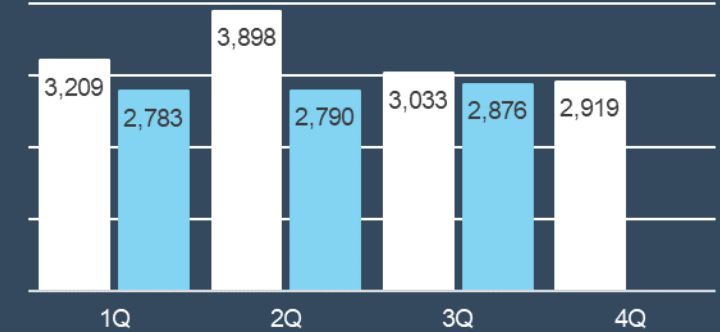
lower prices, good volumes

- ◆ Total operating income of MNOK 2,876, down 5% from third quarter last year
 - ▶ Lower operating income was due to lower sales prices in China, partly offset by higher volumes compared to third quarter 2018, which was impacted by maintenance stop in China

- ◆ EBITDA of MNOK 441, down 48% from third quarter last year
 - ▶ Lower EBITDA was mainly explained by lower sales prices in China
 - ▶ The French operation was back to normal production in the third quarter, but utilisation rate in China was below full capacity due to market conditions and production stop in connection with the 70th anniversary of the People's Republic of China

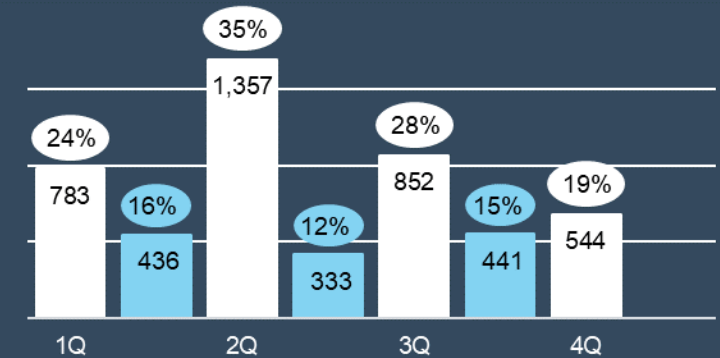
Total operating income

NOK million



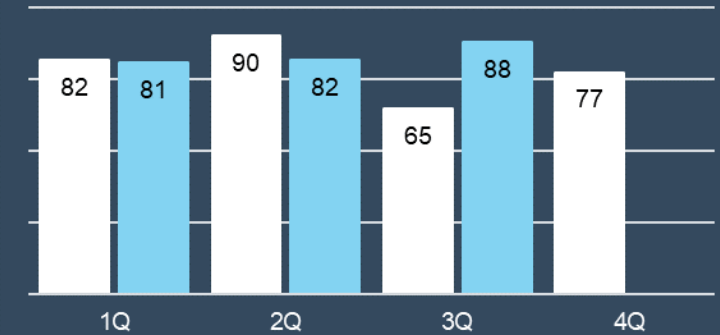
EBITDA and margin

NOK million and %



Sales volume

In 1,000 mt



■ 2018 ■ 2019

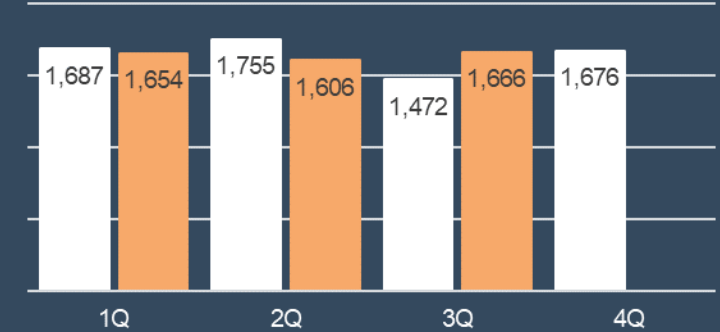
Silicon Materials

higher sales volumes in weak markets

- ◆ Total operating income of MNOK 1666, up 13% compared to third quarter last year
 - ▶ Higher operating income explained by higher sales volumes compared to third quarter 2018, but partly countered by lower prices for silicon metal
- ◆ EBITDA of MNOK 96, down 59% compared to third quarter last year
 - ▶ The reduction in EBITDA was mainly explained by lower sales prices. In addition, maintenance stops and furnace upgrades at Rana and Bremanger have impacted the results. These maintenance stops will continue into the fourth quarter
 - ▶ In addition, EBITDA was negatively impacted by MNOK 29 due to changed revenue periodisation for Norwegian CO2 compensation

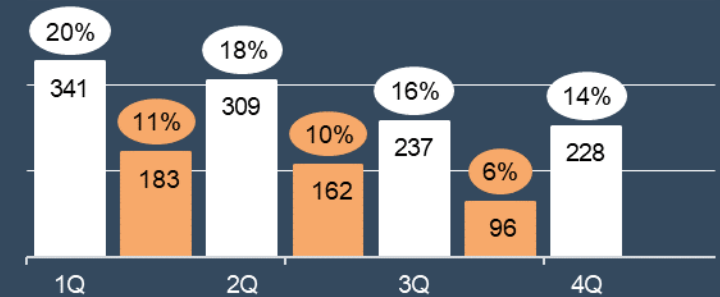
Total operating income

NOK million



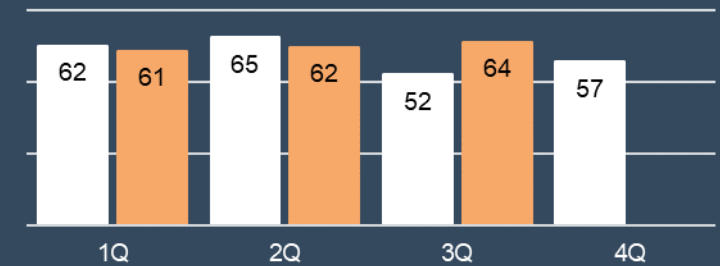
EBITDA and margin

NOK million and %



Sales volume

In 1,000 mt



■ 2018 ■ 2019

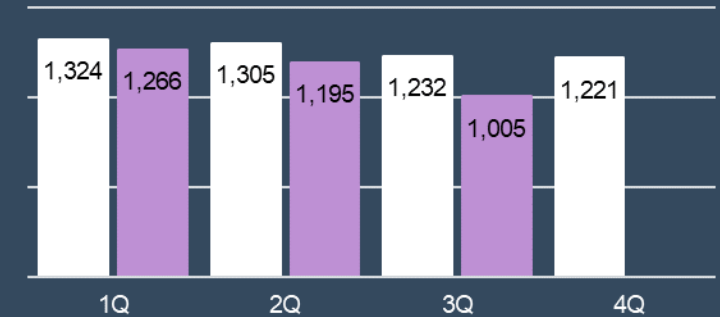
Foundry Products challenging market conditions persist

- ◆ Total operating income of MNOK 1,005, down by 18% from third quarter last year
 - ▶ Lower operating income was due to lower sales prices for ferrosilicon and lower sales volumes. One furnace at Iceland was idled through July and August and weakness in automotive gives lower sales of foundry alloys

- ◆ EBITDA of MNOK 67, down 73% from third quarter last year
 - ▶ EBITDA reduction explained by lower sales prices for ferrosilicon and negative sales mix effects due to reduced sales of specialty foundry alloys
 - ▶ EBITDA was negatively impacted by MNOK 13 due to changed revenue periodisation for Norwegian CO2 compensation

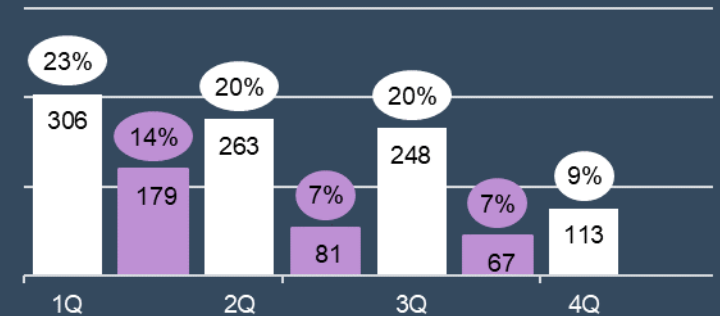
Total operating income

NOK million



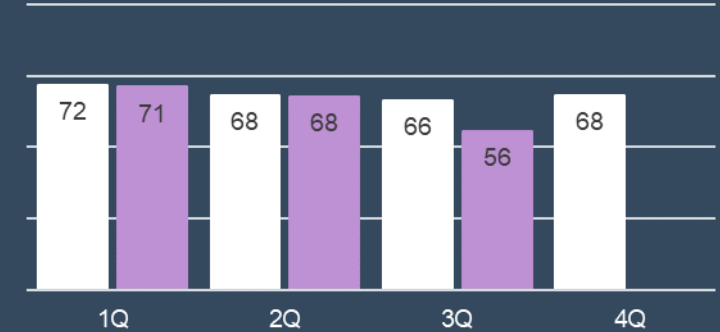
EBITDA and margin

NOK million and %



Sales volume

In 1,000 mt



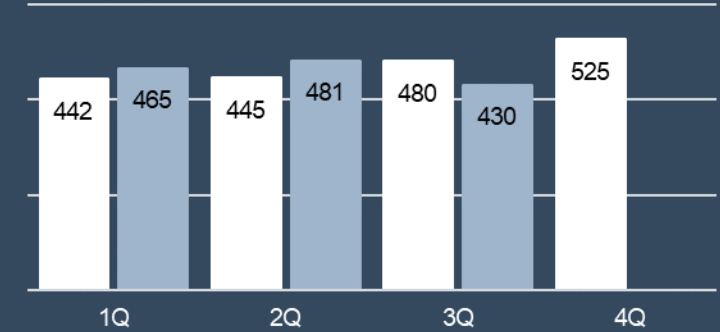
■ 2018 ■ 2019

Carbon impacted by weaker metal markets

- ◆ Total operating income MNOK 430, down 10% from third quarter last year
- ◆ EBITDA MNOK 68, down 31% from the corresponding quarter last year
- ◆ Lower total operating revenue and EBITDA explained by lower sales volumes as the market was negatively impacted by production curtailments among metals producers

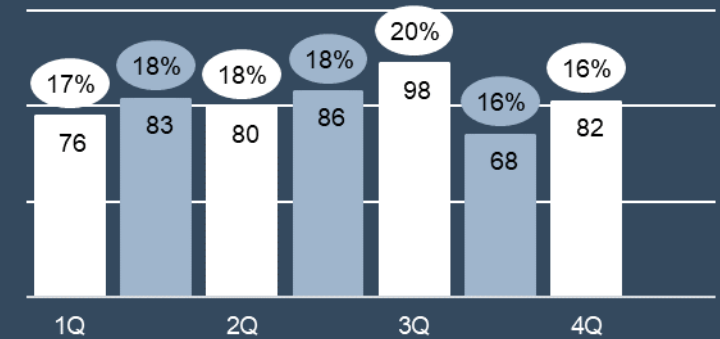
Total operating income

NOK million



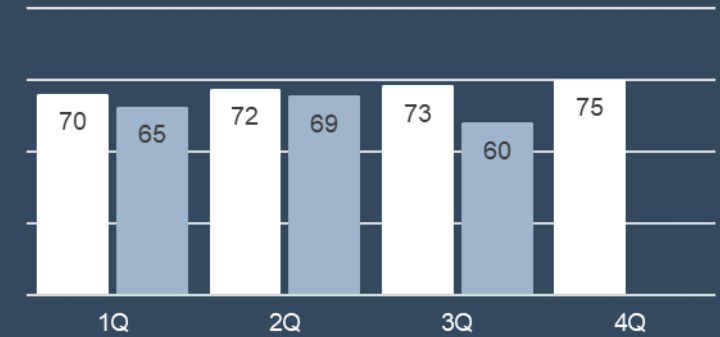
EBITDA and margin

NOK million and %



Sales volume

In 1,000 mt



■ 2018 ■ 2019

Elkem group

stable equity, EPS impacted by weak markets

◆ Earnings per share (EPS)

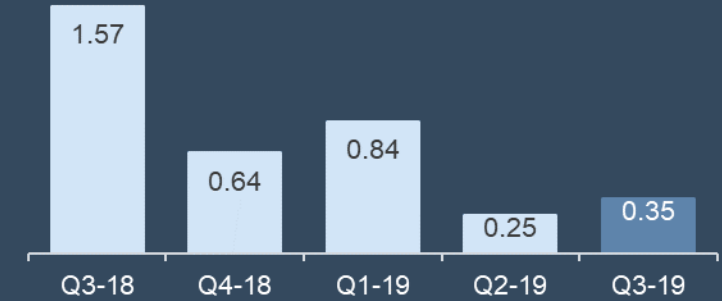
- ▶ EPS amounted to NOK 0.35 in the third quarter
- ▶ EPS YTD 2019 was NOK 1.44

◆ Total equity amounted to BNOK 13.0 as at 30 September 2019

- ▶ Equity ratio of 44%
- ▶ Equity increased by BNOK 0.4 from 30 June 2019, while the equity ratio remained unchanged

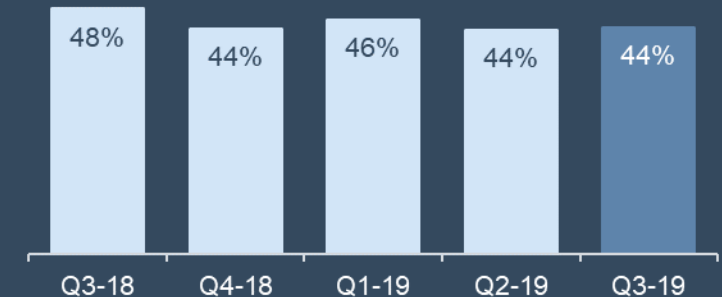
Earnings per share (EPS)

NOK per share



Equity ratio

In %

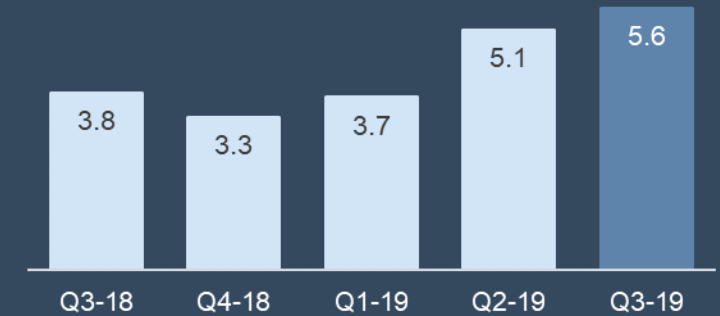


Elkem group leverage in line with target

- ◆ Leverage ratio of 1.8x based on LTM EBITDA of BNOK 3.1
- ◆ Net interest bearing debt (NIBD) of BNOK 5.6 as at 30 September 2019
 - ▶ NIBD has increased by BNOK 0.5 from 30 June 2019 mainly due to the acquisition of Basel Chemie and translation effects of weaker NOK
- ◆ Well distributed debt maturity profile
 - ▶ Debt maturities in 2019 and 2020 mainly consisting of local Chinese bank bills, back-up facilities in place

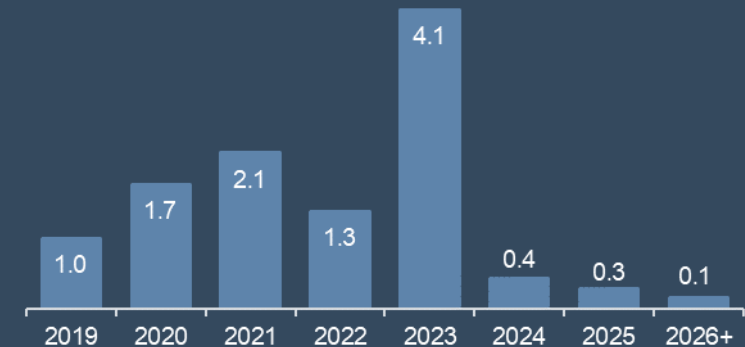
Net interest-bearing debt (NIBD)

NOK billion



Maturity profile

NOK billion



Elkem group

good cash flow generation

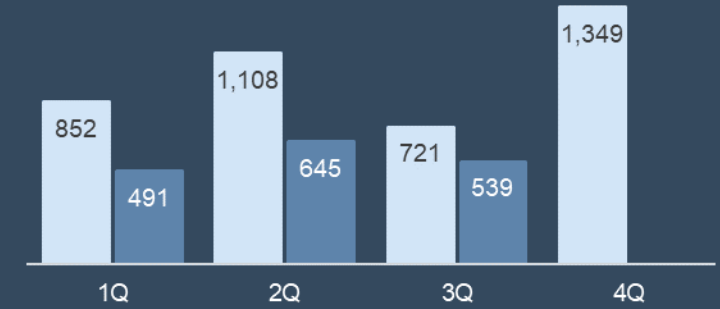
- ◆ Cash flow from operations⁽¹⁾ was MNOK 539 in the third quarter, down from the corresponding quarter last year due to lower operating profit
 - ▶ Lower operating profit has been partly offset by positive working capital movements. Elkem keeps strong focus on working capital optimisation

- ◆ Investments amounted to MNOK 455
 - ▶ Reinvestments of MNOK 155 in the third quarter, below normal levels and expected to be higher in fourth quarter
 - ▶ Strategic investments of MNOK 299, primarily Silicones specialisation projects, furnace upgrades for Silicon Materials and upgrade/expansion projects for Carbon

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

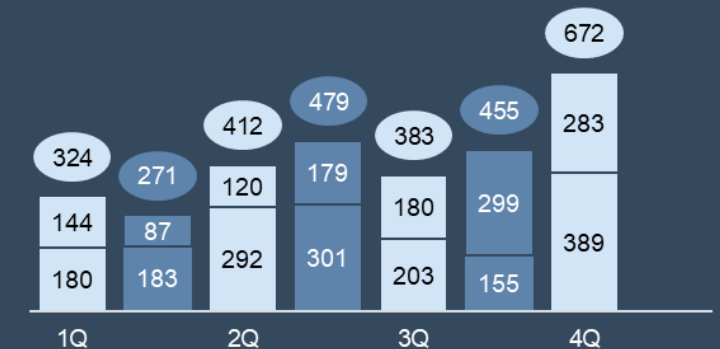
Cash flow from operations

NOK million



Investments

NOK million



Outlook for the fourth quarter

- Continued weak outlook in main market segments due to macro-economic uncertainty
- The price for silicones in China improved during third quarter but has had a declining trend beginning of fourth quarter. Seasonally lower demand from construction is expected
- Elkem has had reduced silicones production early fourth quarter due to government imposed production restrictions in connection with PRC's 70th years anniversary and delayed start-up. The negative EBITDA impact is estimated to NOK 60 million
- Silicon metal prices in Europe are at all time low levels and are expected to recover due to significant production curtailments
- Ferrosilicon prices in Europe also expected to recover due to significant production curtailments and lower imports. A volume recovery for foundry alloys will largely depend on the demand development in automotive
- Carbon market sentiment expected to remain at current level
- The accelerated improvement programme combined with lower raw material costs are expected to partly mitigate negative market impact
- Elkem will continue to provide guiding on market outlook, but will align with market practice and not give specific EBITDA guiding



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.

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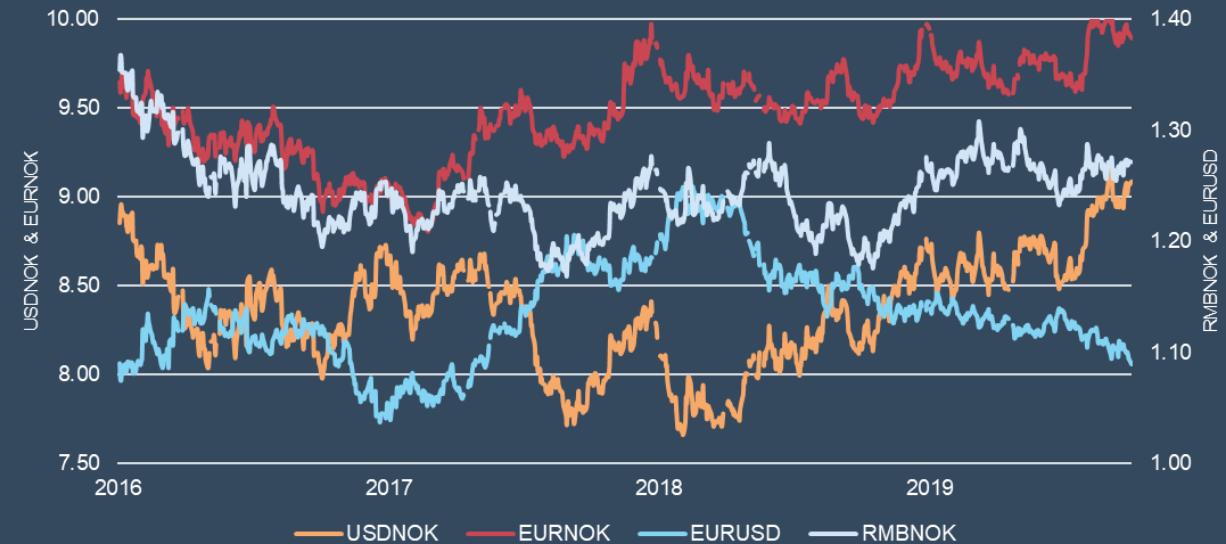


Appendix

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 360
 - ▶ USD - net cash flow approx. MUS\$ 120
- 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 weakened against major currencies in 3Q-2019
- On average the NOK is 3% weaker against EUR, 8% weaker against USD and 4% weaker against CNY compared to third quarter 2018

Other financial sensitivities

POWER

- ◆ Electric power is a key input factor in Elkem's production. Total consumption for the group was 6.2 TWh in 2018. Near term exposure to spot power prices is limited
 - ▶ Norway, hedging programme mainly consisting of long-term contracts covering 80% of the power consumption for the current and next year
 - ▶ Outside Norway, power prices are mostly based on long term contracts or regulated power tariffs
- ◆ Elkem applies hedge accounting for most of its power contracts. Fair value changes of contracts which are not included in the hedging portfolio is booked in Other items

SALES PRICES

- ◆ Changes in sales prices could significantly affect operating income and EBITDA
 - ▶ 1% margin change for silicones products is expected to affect result by MNOK 120 per year
 - ▶ 10% price change on silicon metal is expected to affect result by approx. MNOK 120 per year⁽¹⁾
 - ▶ 10% price change on ferrosilicon is expected to affect result by approx. MNOK 150 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

