



# Investor presentation

26 April 2021

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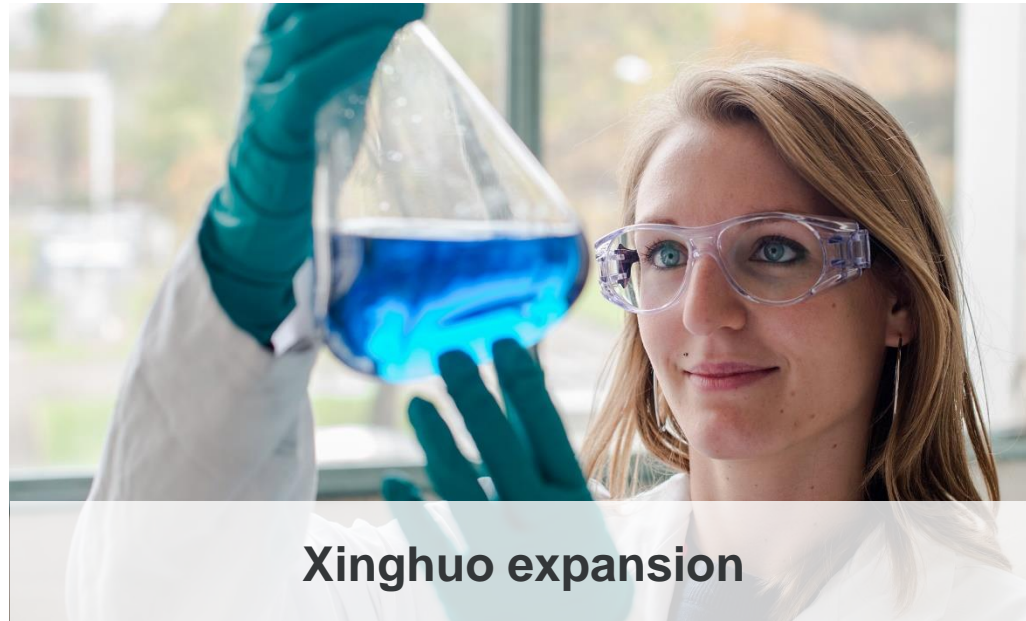
The risks and uncertainties described below are the assumed most relevant risk factors for the Company's operations. However, these risk factors are not the only risk factors relevant to the Company. Additional risks presented in the financial reports made public by the Company, and risks not presently known to the Company, or that the Company currently deems immaterial may also impair the Company's business operations and adversely affect the price of the Company's shares and/or the Company's financial position. If any such risks should actually occur, the Company's business, financial position and operating results could be materially and adversely affected. Prospective investors should carefully consider the risk factors set out below. Prospective investors are strongly encouraged to consult his or her own advisors as to the suitability of an investment in the shares of the Company. An investment in the Company is suitable only for investors who understand the risks associated with this type of investment and who can afford to lose all or part of their investment.

Additional descriptions of risks related to Elkem is, inter alia, presented in its annual and interim financial reports, as well as its prospectus dated 9 March 2018, that are publicly available. Further descriptions of the risks related to Elkem is also included on page 39 to 46 in this presentation.

- The silicon-based advanced materials and chemical industries, including the production and sale of silicones, silicon-based materials, foundry products and carbon, has been in the past, and may be in the future, subject to economic downturns, market disruptions and fluctuations in market price and demand which could lead to volatility in the Group's revenues.
- The silicon-based advanced materials and chemical industries are cyclical and Elkem may be materially and adversely impacted by the general economic cycle.
- The outbreak of Covid-19 has had and may in the future have significant negative effects on the Group.
- Any decrease in the availability, or increase in the cost, of raw materials or transportation could materially and adversely impact Elkem's business and results of operations.
- The business of the Group is particularly sensitive to increases in electricity costs which could materially and adversely increase operating costs.
- The costs of complying with changing environmental, health and safety laws could negatively impact Elkem's financial results.
- Costs of compliance with emissions-related laws, including climate change laws and regulations, could adversely affect Elkem's operations and performance.
- Elkem's operations are subject to the inherent hazards, disruptions to its business and other risks associated with silicones and metals manufacturing and the associated chemical production processes, as well as mining, which in turn could result in materially increased expenses and decreased production levels.
- The Group operates a global business with worldwide operations and the Group is subject to a variety of country, regulatory and political risks, particularly in connection with its operations in emerging markets, which may materially and adversely impact its operations or materially and adversely affect an investment in Elkem.
- Future issuances of Shares or other securities could dilute the holdings of shareholders and could materially affect the price of the Shares.
- The Group may require additional capital in the future in order to execute its commercialization and growth strategy or for other purposes.



# Elkem to further strengthen its Silicones position in Asia



**Xinghuo expansion**


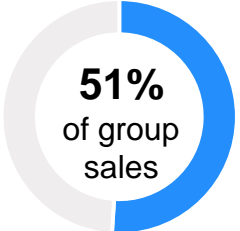
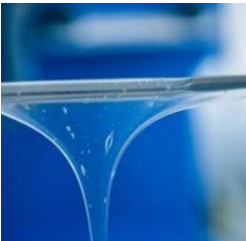
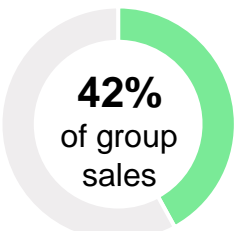

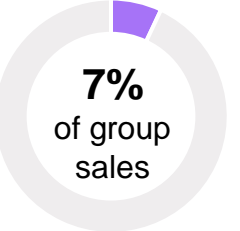

- Brownfield expansion of silicones capacity in China representing a +50% net annual capacity increase with significantly higher quality and improved efficiency & sustainability
- Clear link to Elkem's strategy by strengthening its fully integrated silicones business with a specialised downstream position and captive sourcing of upstream capacity at scale
- Continuation of established specialisation strategy by expanding in China, the world's fastest growing silicones market, with quality upstream capacity being an integral success factor to drive downstream volumes and capture new market positions through advanced backlog of specialties



**Timing and financing**

- Successfully concluded the final engineering studies following initiation of the project in Q1 2019, with a clear development agenda towards the ramp-up scheduled for H1 2024
- The total investment for the Xinghuo capacity expansion is expected to be ~MNOK 3,800<sup>1</sup> and will be financed by a combination of cash flow generation and available debt facilities as well as new equity
- As part of the financing, the Company is considering a potential equity offering of up to 10% of the existing share capital (within the authorisation granted by the annual general meeting)
- Elkem will at any time maintain an investment grade profile

# Elkem is a market leader in silicon-based advanced material solutions – with a global, integrated production footprint

Elkem in brief	Revenue split	Overview of business segments and key initiatives		
<p>1904 established</p> <hr/> <p>25 BNOK revenue 2020</p> <hr/> <p>2.7 BNOK EBITDA 2020</p> <hr/> <p>~11% EBITDA margin 2020</p>	 <p>Asia 41%</p> <p>Europe 40%</p> <p>America 18%</p> <p>RoW 1%</p>	<p><b>Silicones</b> Fully integrated silicones manufacturer with focus on specialities</p> <p><b>Markets</b></p> <ul style="list-style-type: none"><li>▪ Paper &amp; film release</li><li>▪ Automotive</li><li>▪ Silicone rubber</li><li>▪ Chemical formulators</li><li>▪ Personal care</li><li>▪ Textile</li><li>▪ Healthcare</li><li>▪ Construction</li></ul> <div><p>51% of group sales</p><p>12 plants worldwide</p></div>	<p><b>Silicon Products</b> Global producer and provider of silicon, ferrosilicon &amp; specialties</p> <p><b>Markets</b></p> <ul style="list-style-type: none"><li>▪ Silicones</li><li>▪ Automotive</li><li>▪ Construction/Engineering</li><li>▪ Electronics</li><li>▪ Solar &amp; wind</li><li>▪ Specialty steel</li><li>▪ Refractories</li><li>▪ Oil &amp; gas</li></ul> <div><p>42% of group sales</p><p>11 plants worldwide</p></div>	<p><b>Carbon Solutions</b> Leading producer of electrode paste and specialty products</p> <p><b>Markets</b></p> <ul style="list-style-type: none"><li>▪ Ferroalloys</li><li>▪ Silicon</li><li>▪ Aluminium</li><li>▪ Iron foundries</li></ul> <div><p>7% of group sales</p><p>6 plants worldwide</p></div>
<b>Key selected sustainability initiatives</b>				
<b>Battery Materials</b> Attractive growth opportunity based on synthetic graphite and silicon materials		<b>Biocarbon</b> Highly interesting breakthrough technology for carbon neutral metals		<b>Energy Recovery</b> Circular solutions for lower emissions and higher energy efficiency



# Proven track-record of integration and downstream specialisation in recent years – continued focus going forward

## Integration and specialisation

- ✓ Proven track-record of successfully expanding up-and downstream, organically, and through targeted downstream M&A
- ✓ Focus to ensure a robust, quality upstream position to support downstream growth in silicones
- ✓ Strategic move to expand cost-competitive capacity to underpin profitability across the silicones value chain
- ✓ Continuous and increasing specialisation launching into new products & end-markets with a sizeable backlog of downstream projects

2015-2018 ✓



2018-2021 ✓

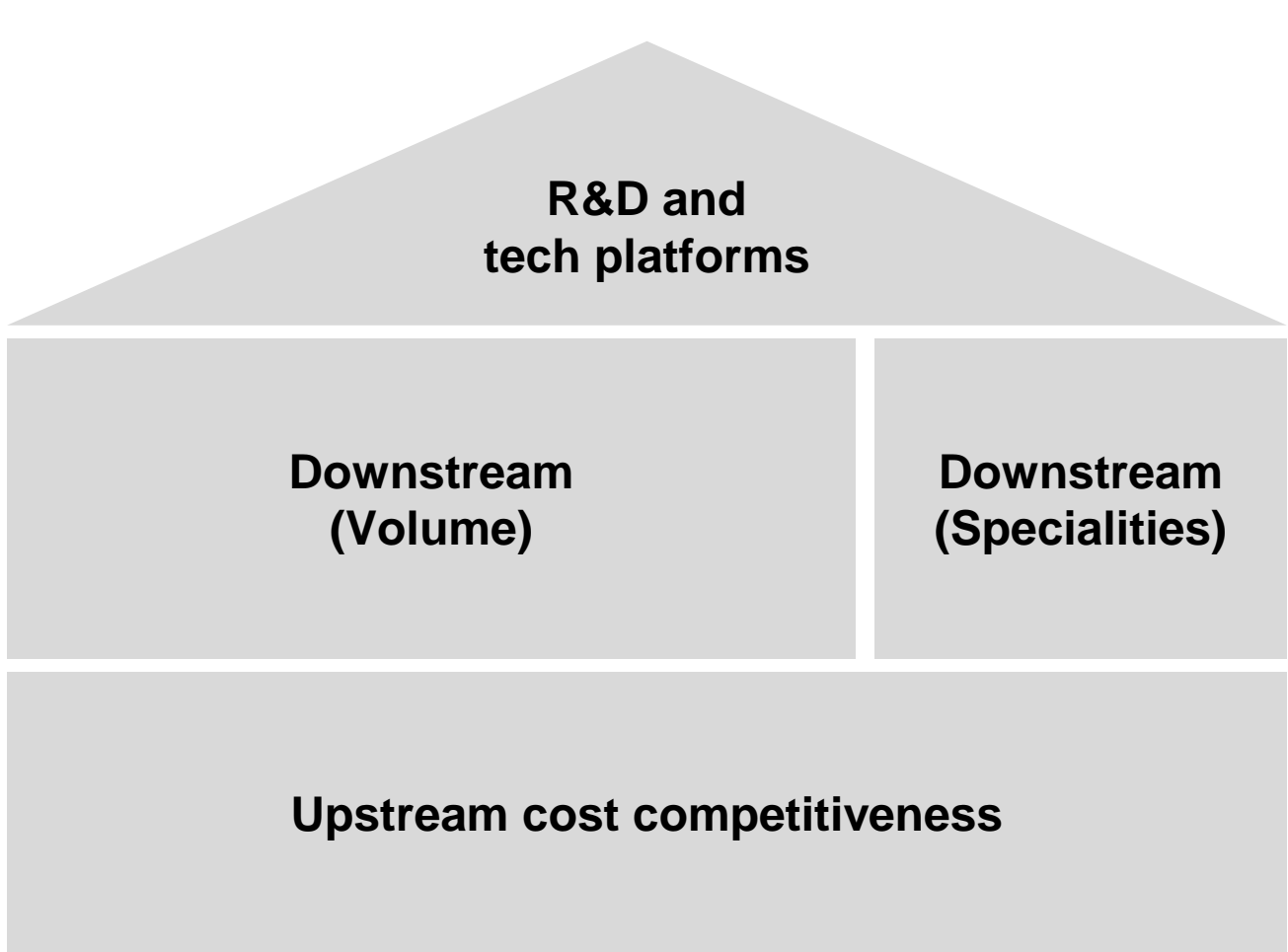


2021 →



# Investment strengthens Elkem’s strategy to be a leading integrated silicones solutions provider

Building blocks for an integrated player




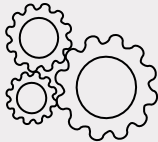
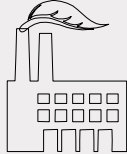


Key success factors for an integrated player

	R&D and technology platforms enabled in order to further drive specialisation	
	Specialty silicones to stabilise financial performance and improve visibility	
	Downstream volumes to offtake upstream capacity	
	Upstream competitive cost to improve position across the cycle	
	Reducing emissions is a critical part of a sustainability strategy	

Xinghuo expansion ticks all the boxes for Elkem in its strategy to create value through increased specialisation

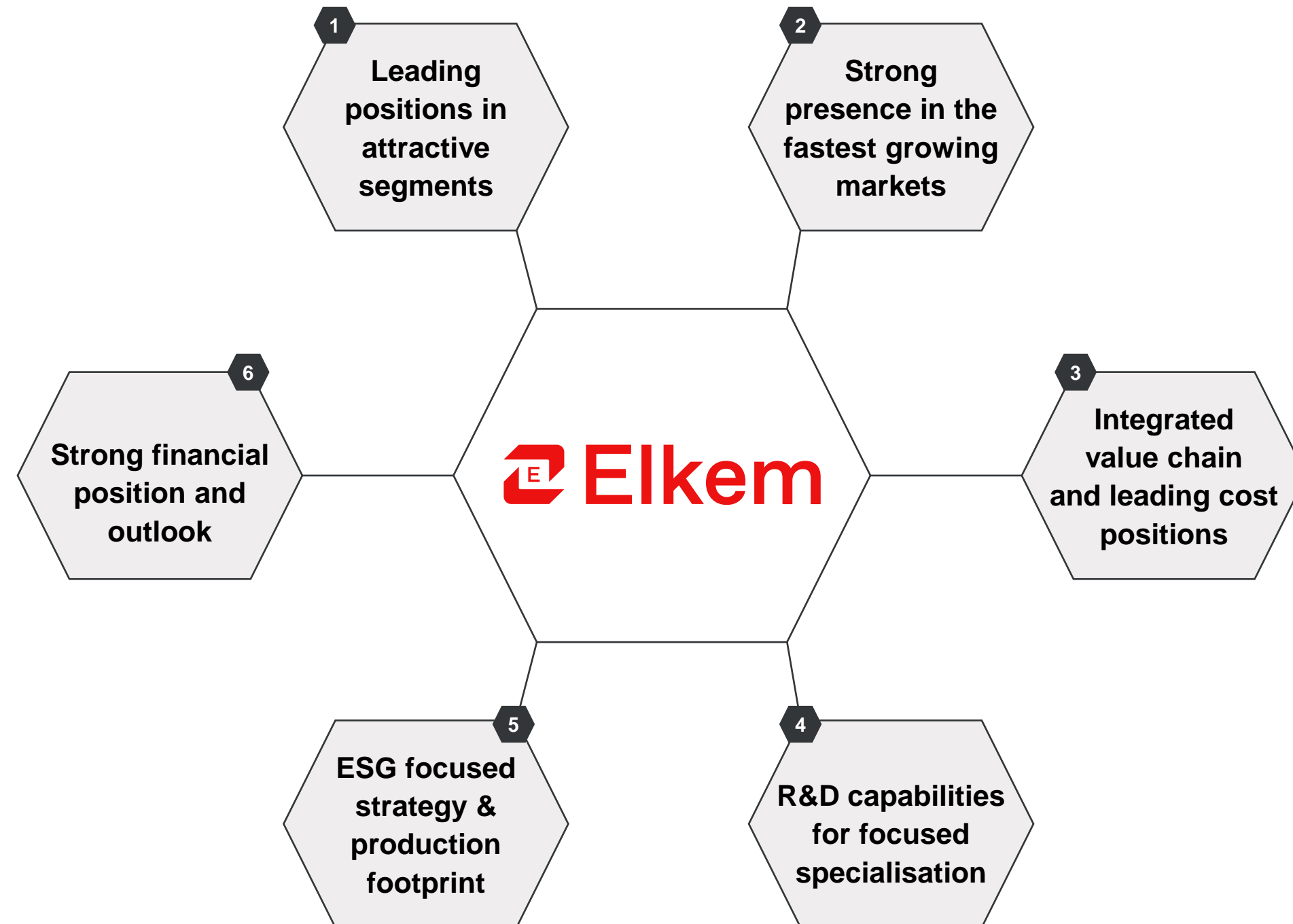


# New capacity depicting very strong economics and a substantial improvement in environmental performance

Attractive investment	Profitability		<b>+35% EBITDA margin</b>
	Capacity expansion		<b>50% capacity increase</b>
Sustainable production	Energy use		<b>~57% reduction</b>
	Raw materials use		<b>~11% reduction</b>
	Solid waste		<b>~30% reduction</b>



# Elkem's competitive strengths





- **Update on Elkem – the global, integrated leader in silicon-based advanced material solutions**

- **Strategic capacity expansion to position Silicones for further profitable growth**

- **Concluding remarks**

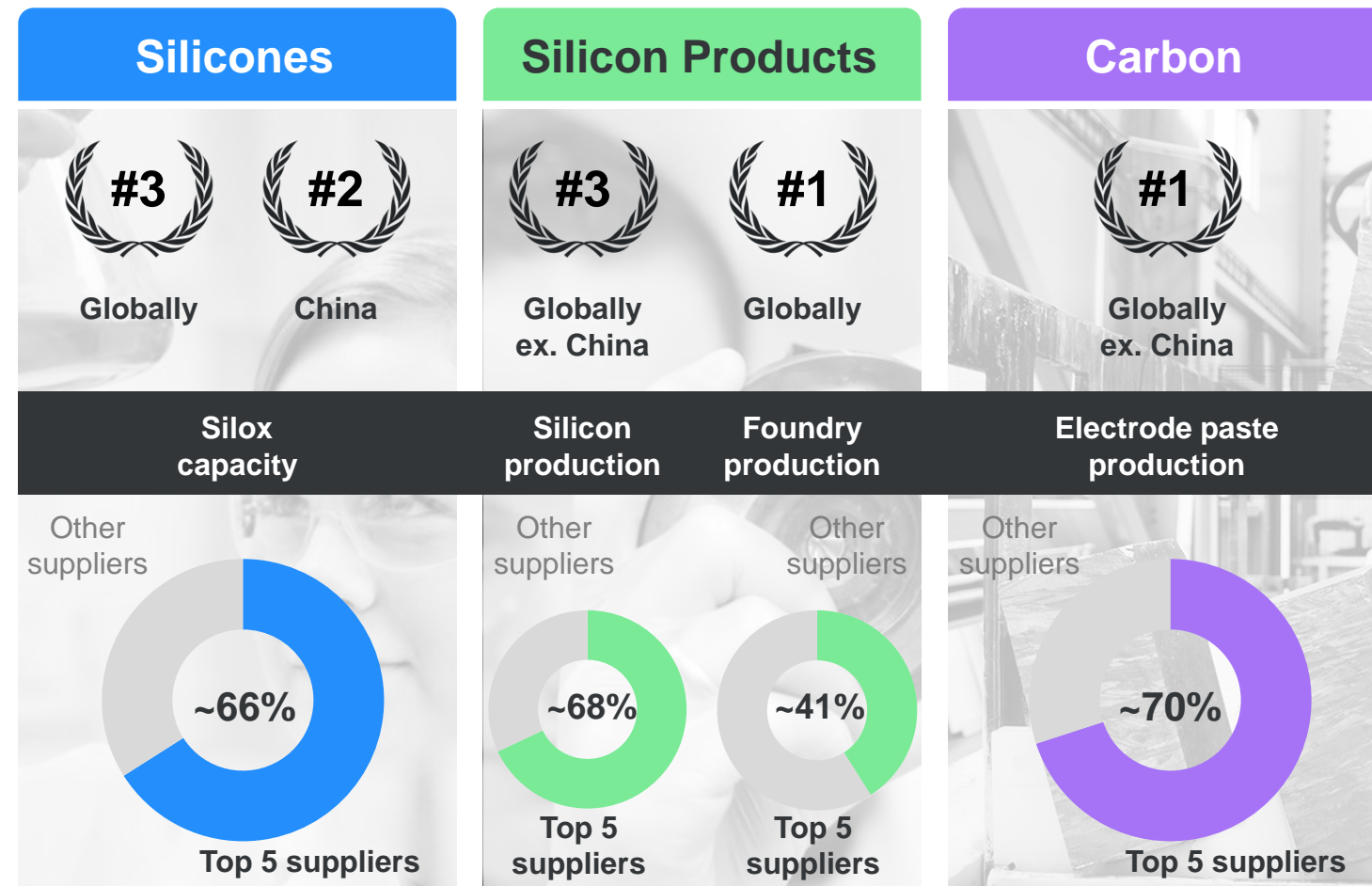
- **Appendix**





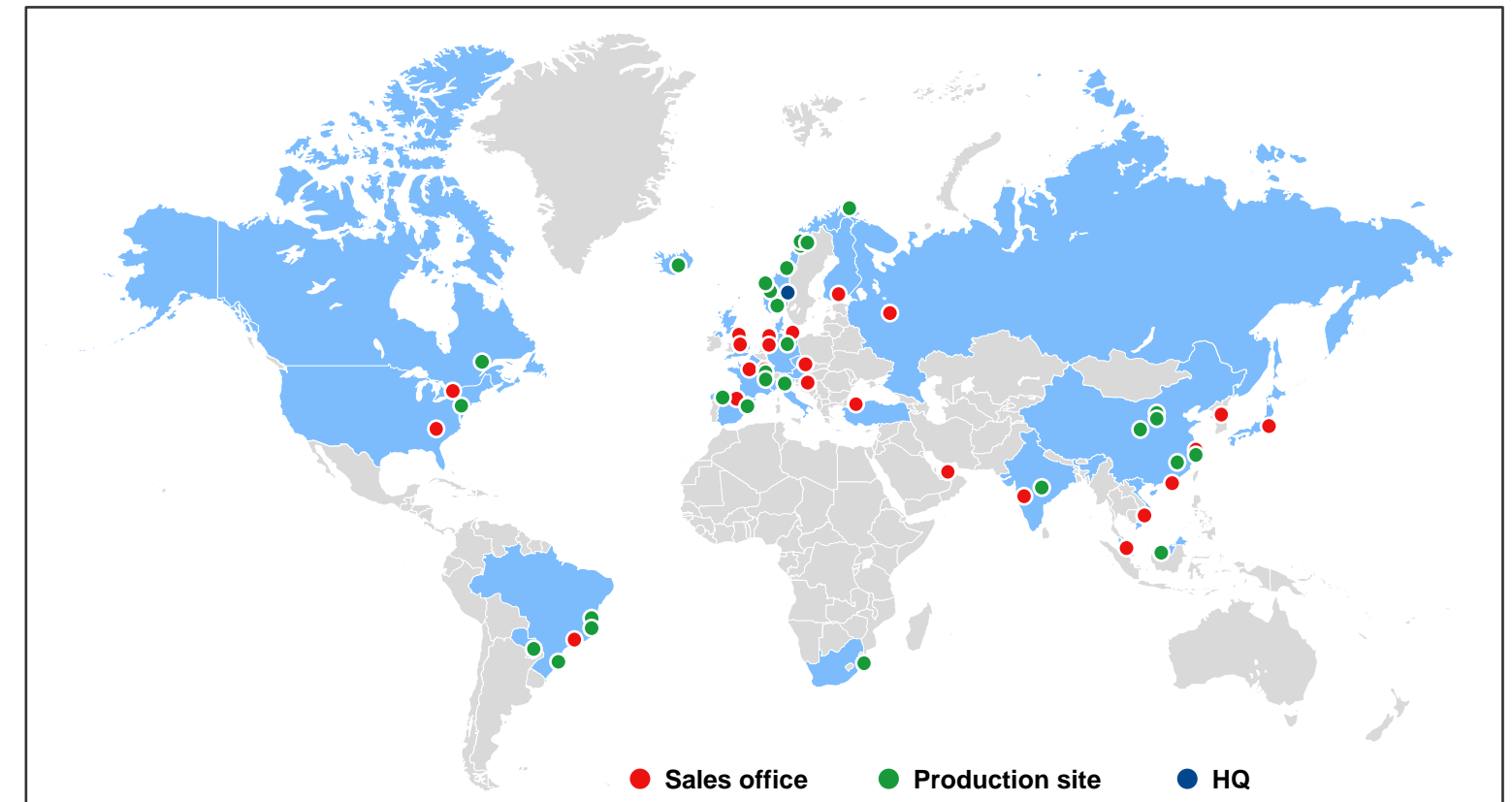
# Leading positions across all segments with a large global footprint driving scale benefits

## Top positions across the entire value chain<sup>1</sup>



- ✓ Scale and integration benefits throughout the value chain
- ✓ Top three position in highly concentrated end markets

## Large & diversified footprint to drive scale benefits



29 production plants

~6,800 employees

+50 sales offices

+450 R&D employees

Diversified customer base – no customer >5% of sales

# Elkem benefits well from a multitude of global megatrends underpinning a higher and increasingly diversified demand

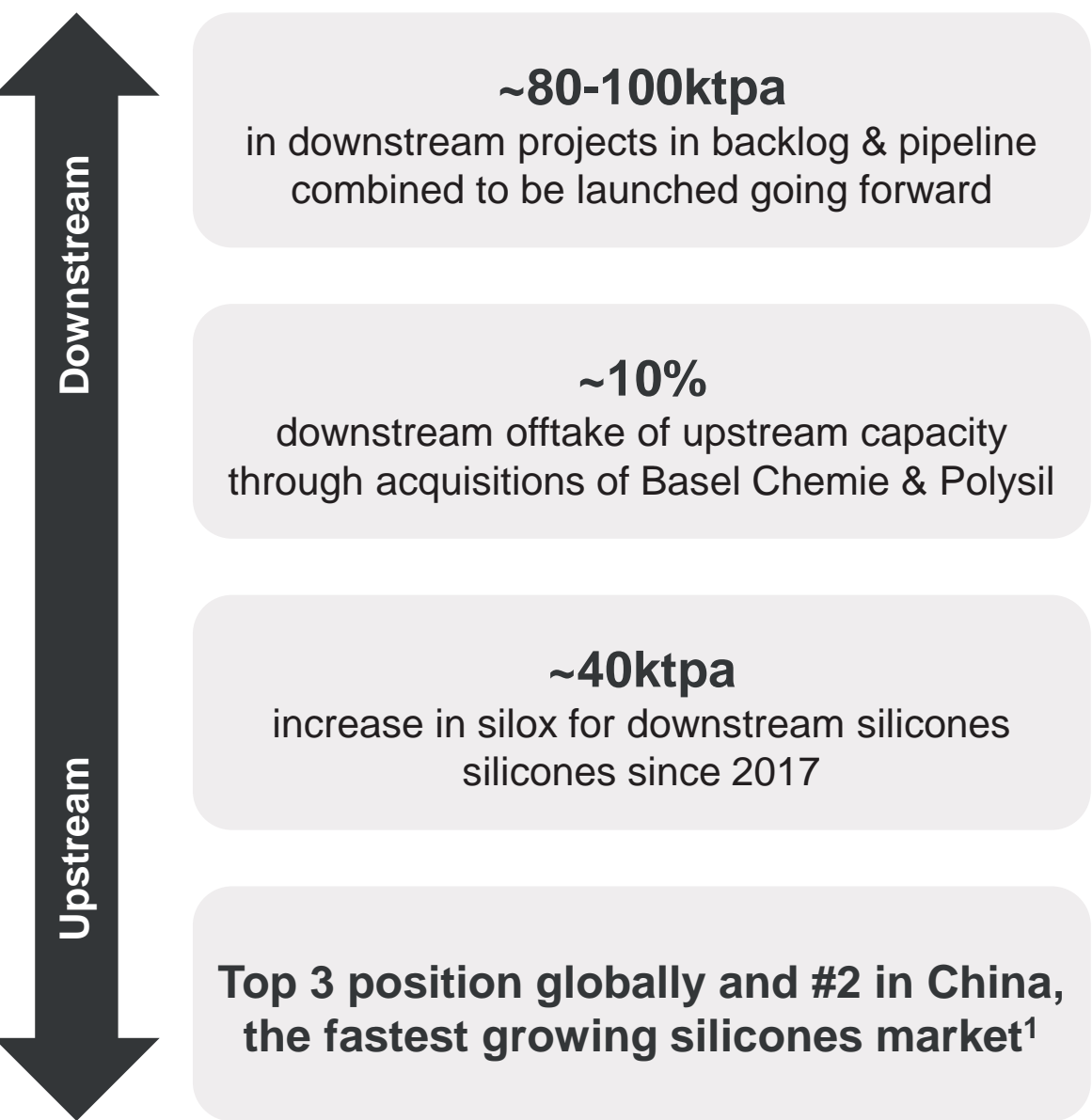
Several global megatrends...

....driving demand for silicones across a range of end-markets



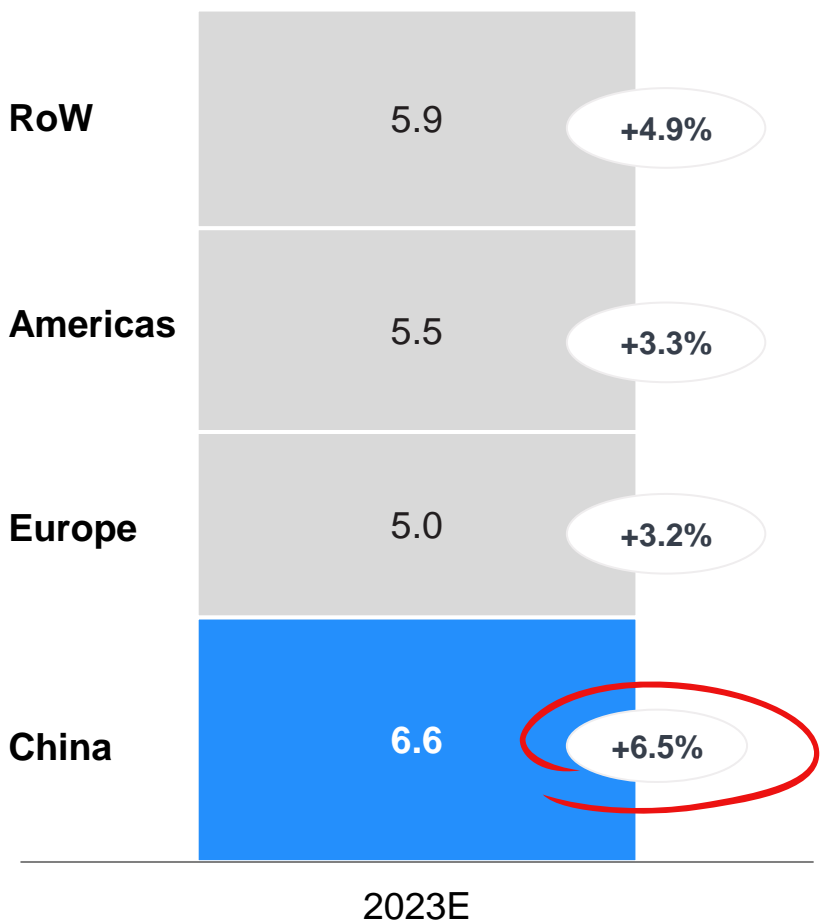
# Elkem continues to develop its global integrated silicones position with a clear stronghold in the fastest-growing market

## Focus on strengthening silicones position

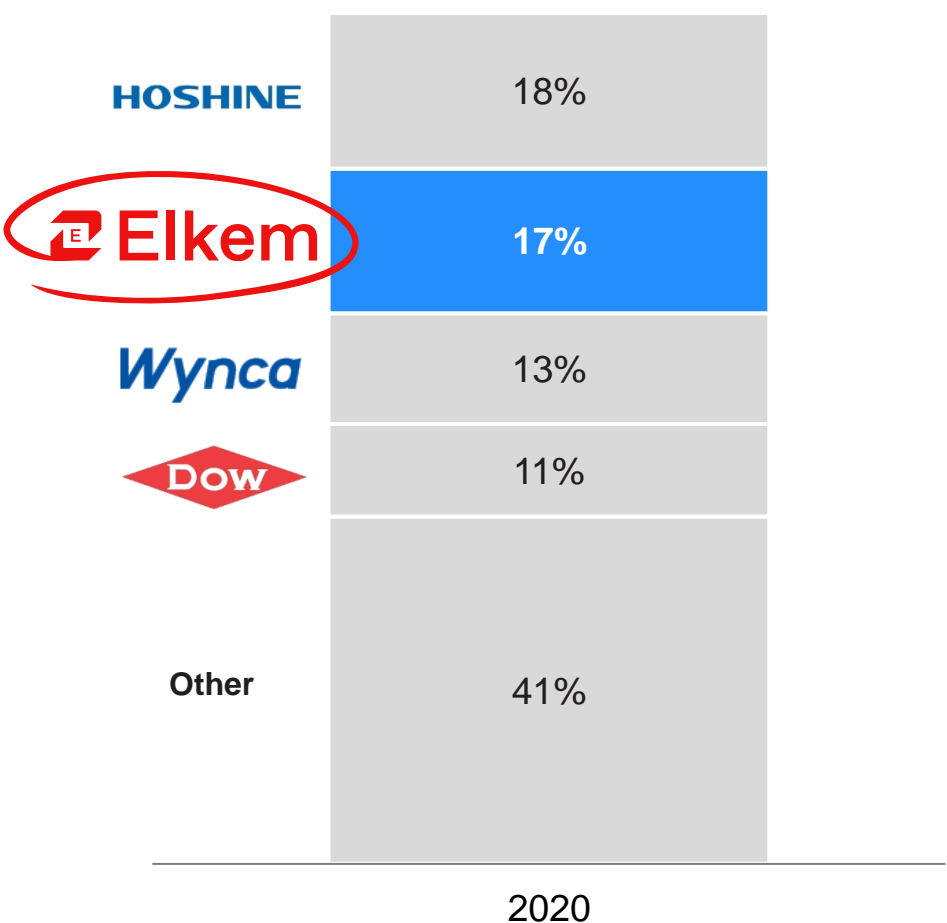


## Particular stronghold in the fastest growing market

Market size (BUSD) and CAGR ('20-23E)  
Global



Largest silicones companies (net capacity)<sup>1</sup>  
China

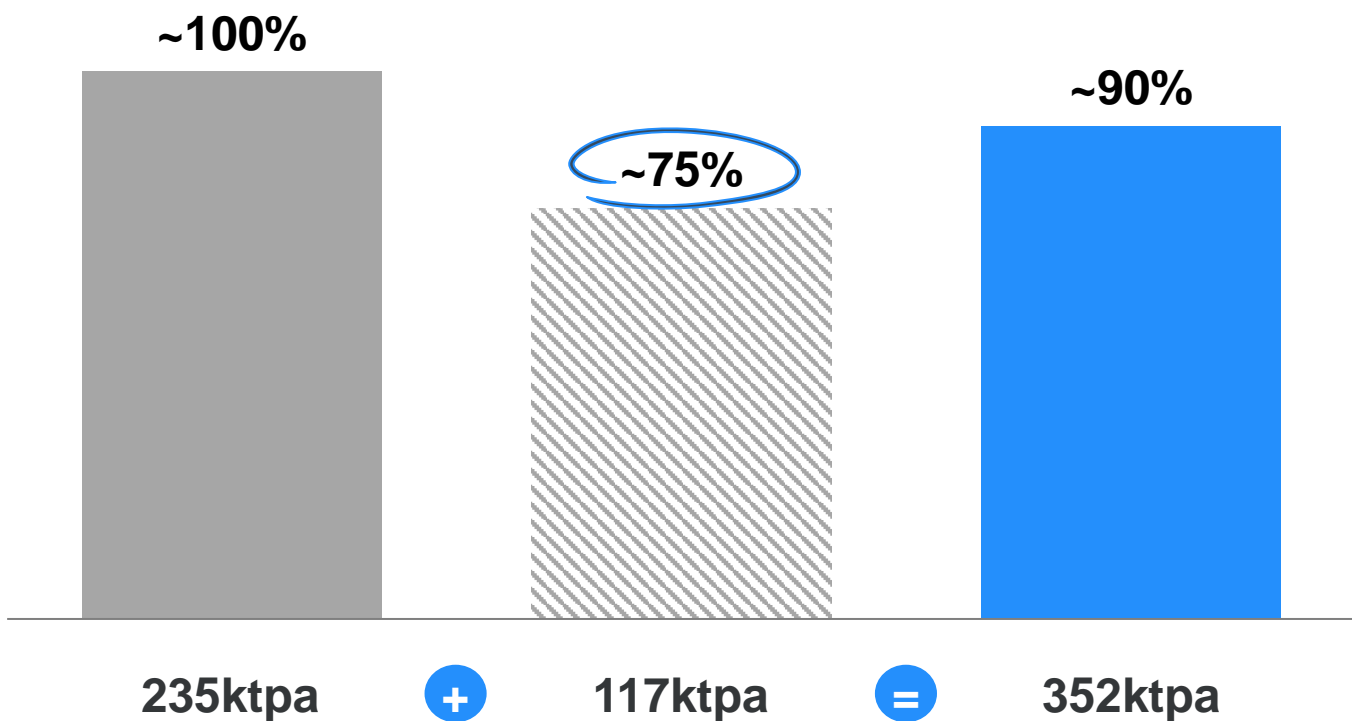




# Strong silicones cost position improved with expansion enhancing cost competitiveness, quality & specialisation



Indexed comparison of variable cost (base = current Xinghuo cash cost)

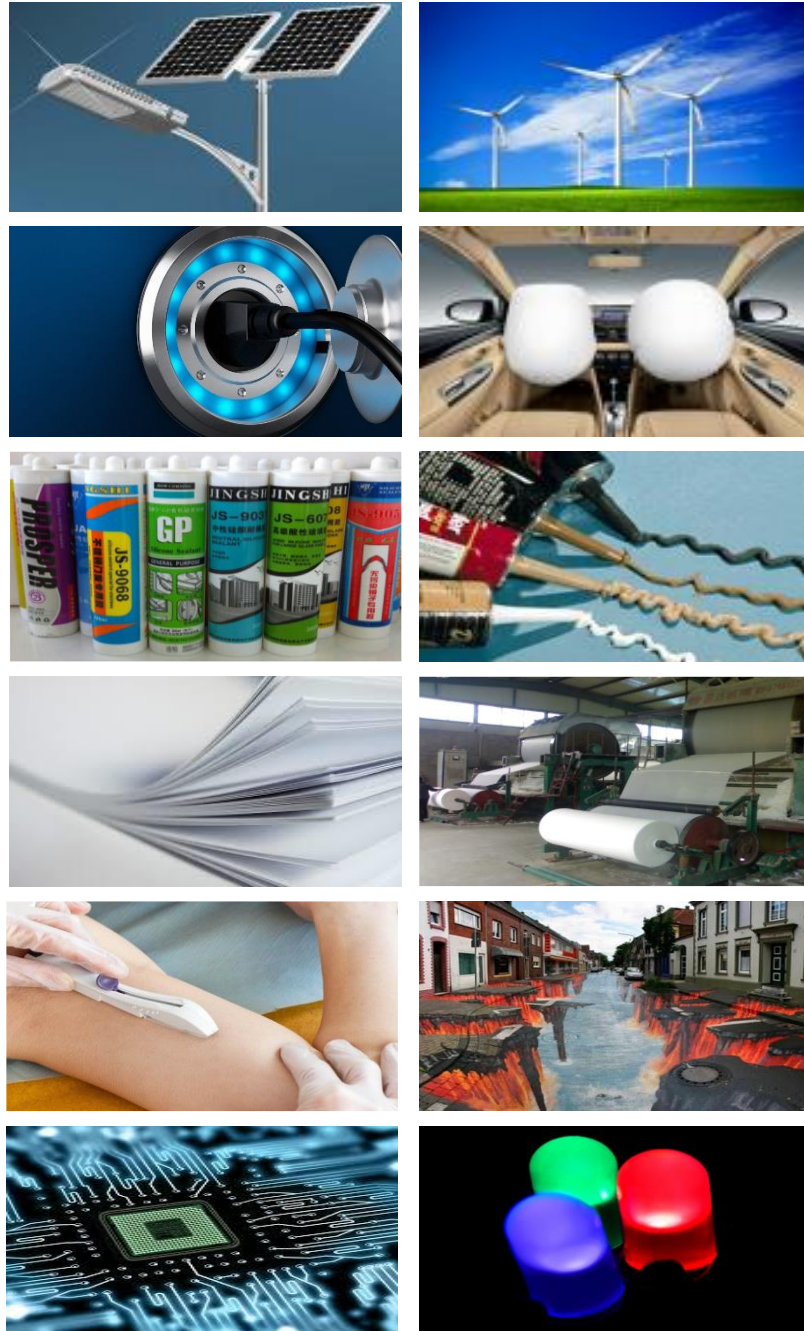


- Competitive cost position across the value chain from silicon metal to silicones over the cycle
- Capacity expansion utilizing state-of-the-art technology with ~25% lower cost than current capacity
- Better quality and improved environmental profile support downstream development with focus on specialisation

## Selected key drivers for Elkem's strong cost competitiveness

- ✓ Significant economies of scale and strong process technology
- ✓ Substantial operational track-record
- ✓ Best in class competencies and cross-border tech & knowledge sharing
- ✓ Proven ability to construct and deploy large-scale industrial facilities

# Significant investments in R&D capabilities and downstream silicones to accelerate specialisation



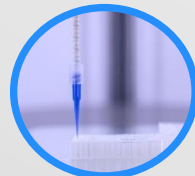
## Organic projects (examples)



- Consumer goods products for tissue softening, hygiene and labels



- Power & Mobility products for encapsulation for electronics



- New products designated for 3D printing in health care & industrials



- Ultra-high purity silicones for long-term implants in life science (Silbione®)



- New investment in organo-functional silicones manufacturing plant, as well as in low viscosity silicones fluid capacity (2021)

## Award winning products

PURESIL™ ORG01 wins 2020 Ringier Technology Innovation Award for Personal Care

## New R&D centre in Lyon

operational in 2021 bringing together 130 researchers to reinforce innovation

## Sizeable R&D centers

in all regions with +450 dedicated R&D employees working closely with customers

## Downstream M&A



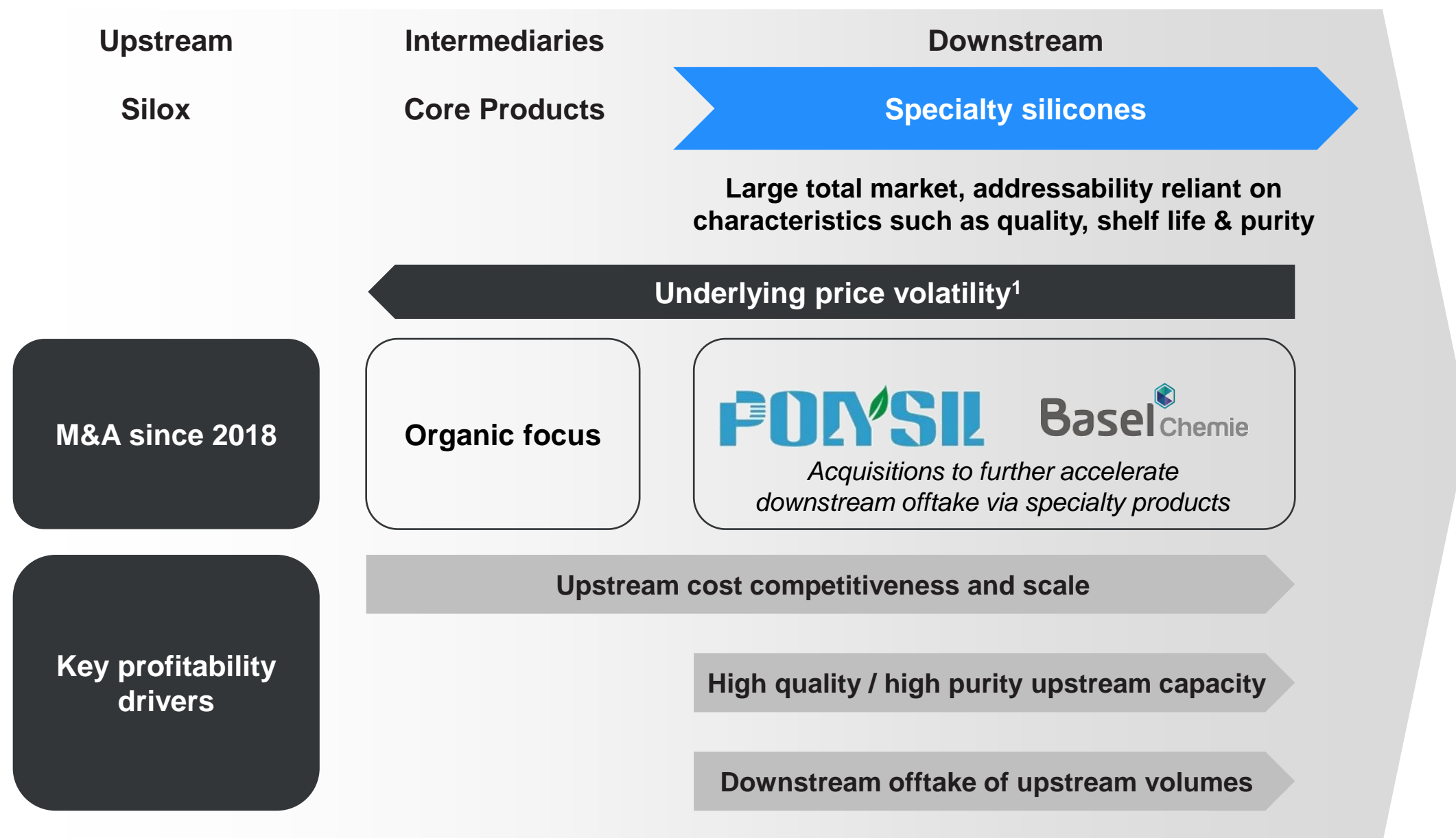
- Tech driven downstream silicones producer
- High-end specialty portfolio for skin care, cosmetic applications, and water repellents for construction industry – focus on green, sustainable products



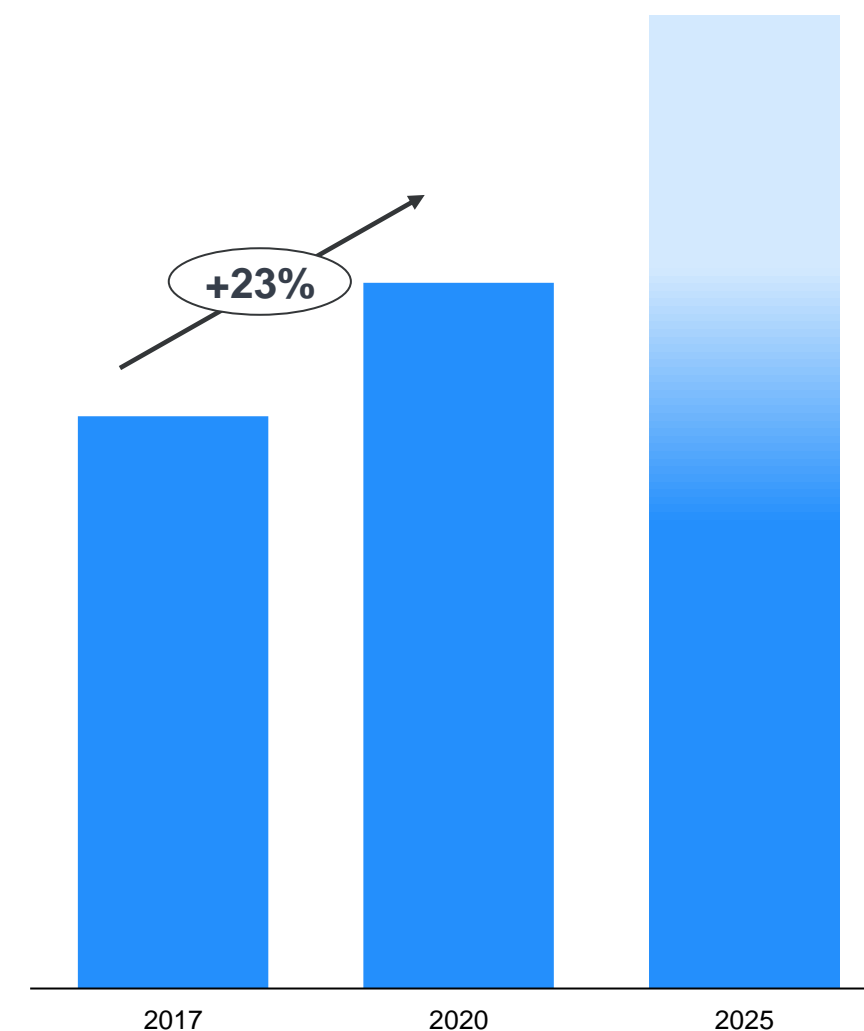
- Strong silicones production & innovation platform
- Develops Polysil – a well-known brand in South China for applications in automotive, food, power, medical devices and PSA electronic

# Clear integrated strategy and proven ability to drive volumes in downstream silicones

Focused strategy to enhance silicones growth and profitability



Silox consumed by downstream silicones (ktpa)





# Elkem holds a leading industry sustainability profile, with further focus on improving its performance



## Elkem commitment



Recognised as industry leader in sustainable production

Focus on renewable energy and energy recycling

Silicones replace demand for less sustainable alternatives

Ranked as **top 5%** of 5,800+ companies by CDP – no other major silicones players on the list



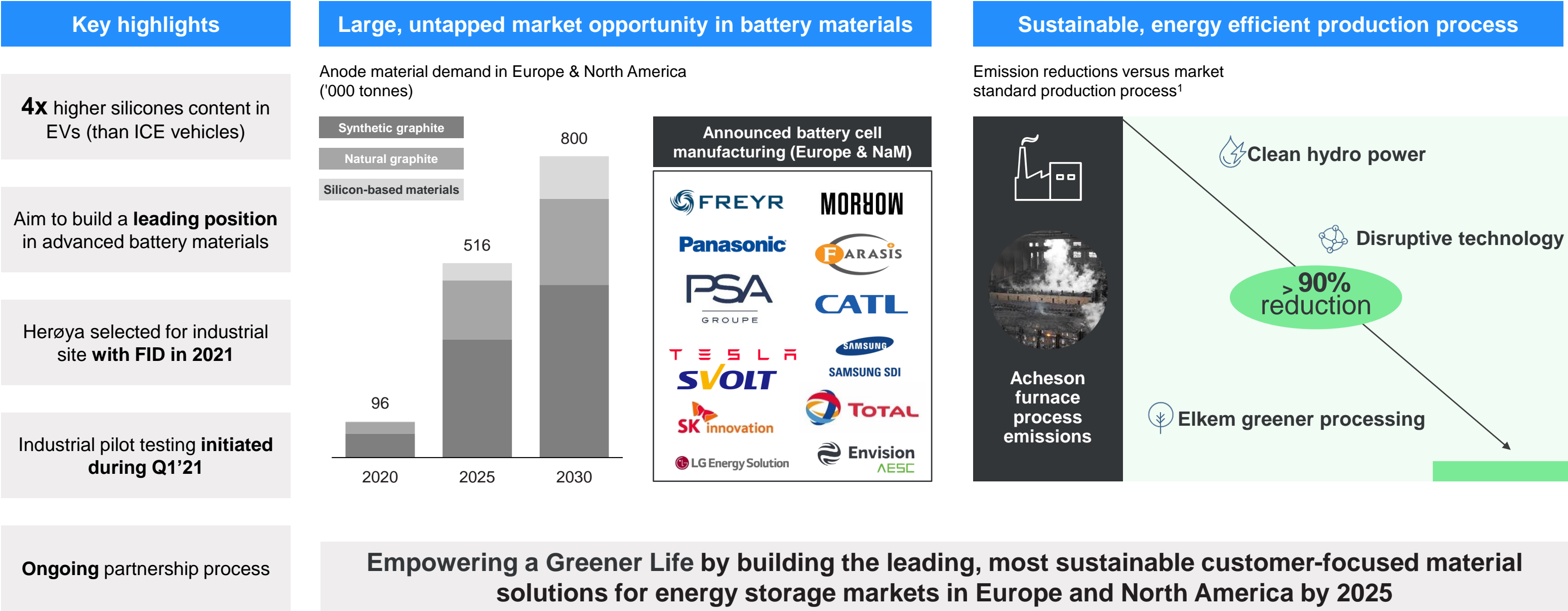
**~83%**  
renewable energy usage

**~711GWh energy recovery**  
~10% energy recovery increase since 2018

Silicones contribute to GHG reductions **~9x greater than** the emissions from silicones manufacturing driving CO2 abatement in numerous end-markets

# Electrification constitutes an important growth area for Elkem and a significant green value creation opportunity

## Elkem Advanced Battery Materials – shaping the future of batteries





- Update on Elkem – the global, integrated leader in silicon-based advanced material solutions

- Strategic capacity expansion to position Silicones for further profitable growth

- Concluding remarks

- Appendix





# Strategic investment to fortress and grow production footprint and accelerate specialisation

## Overview of expansion

### ✓ Sustainable platform for long-term growth

- Significant capacity expansion to position Elkem for future growth
- Enables expansion and development of downstream capabilities

### ✓ Leading cost position

- Among top 3 in China and world class on cost, safety and quality
- Further enhanced cost position resulting in improved over-the-cycle profitability

### ✓ Specialisation enhanced by improved quality

- Enhanced purity of output enables high-value specialisation
- Opens downstream business opportunities with long-distance transport of core products

### ✓ Reduced emissions

- Substantial improvement compared to existing technology due to energy and raw materials efficiency as well as less solid waste

**New silox  
production facility  
located within  
Elkem current site**

**117ktpa  
(net capacity)**

Xinghuo

## Key selected highlights

### Total investment

**MNOK ~3,800<sup>1</sup>**

*~2/3 of the total investment expected to be evenly distributed over the next years until end of 2022 and the remaining ~1/3 expected to also be evenly distributed over 2023 and 2024*

### EBITDA margin (%)

**+35%**

### Final investment decision

**26<sup>th</sup> of April 2021**

### Production start-up

**H1 2024**

### Capacity increase

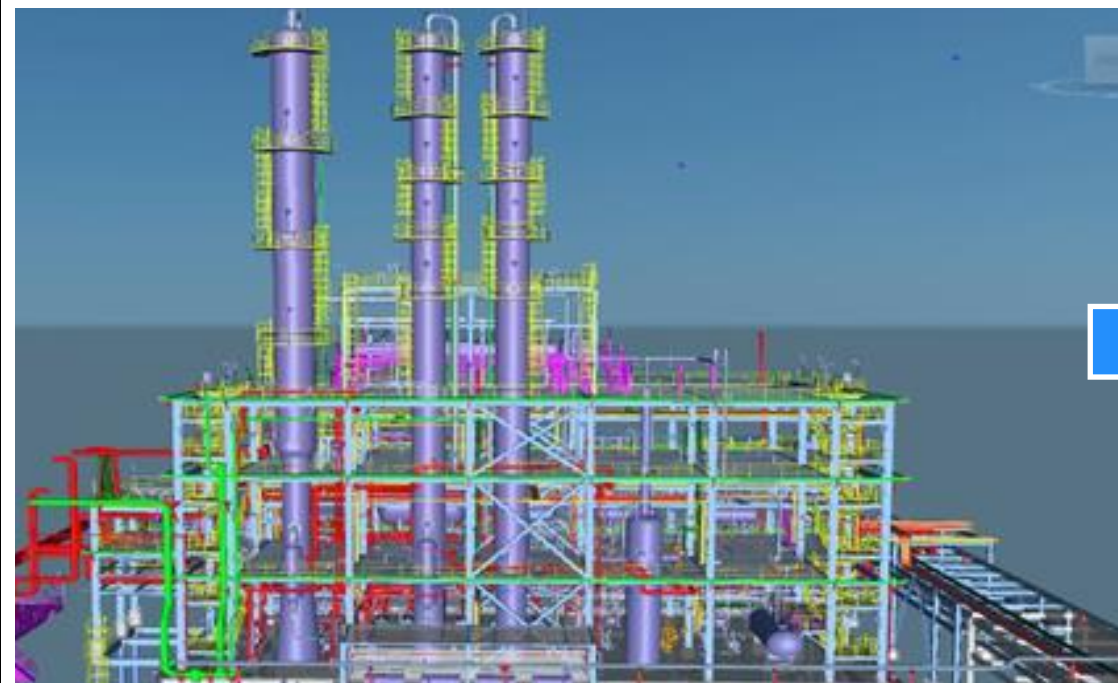
**~50% (+117ktpa)**

### Production profile

**2024: 82ktpa  
2026: 117ktpa (full capacity)**



# A highly modern facility integrated into Xinghuo Silicones – state-of-the-art process technology

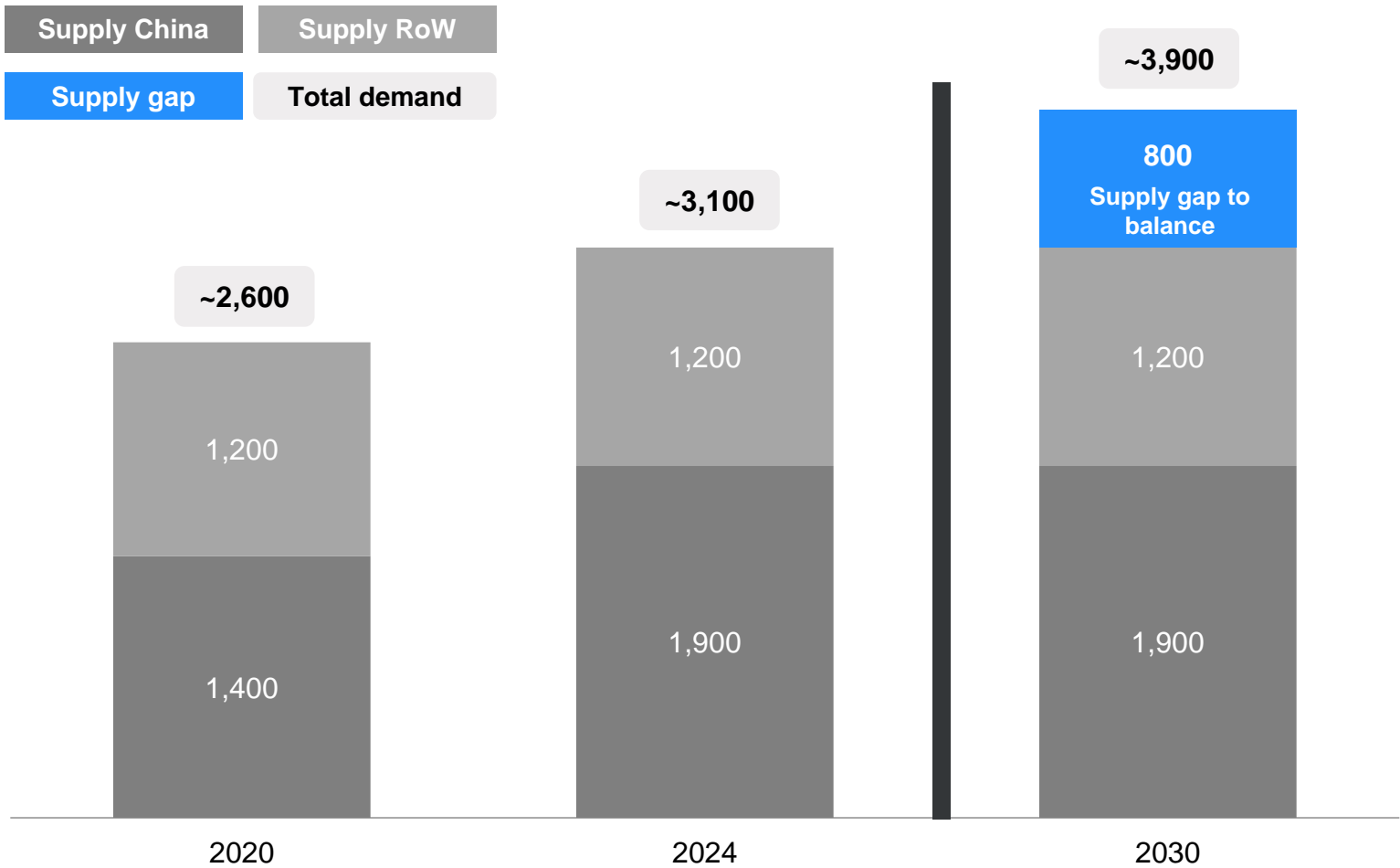




# Backdrop: Supportive fundamentals as the world needs more silicones – Elkem is preparing for profitable growth

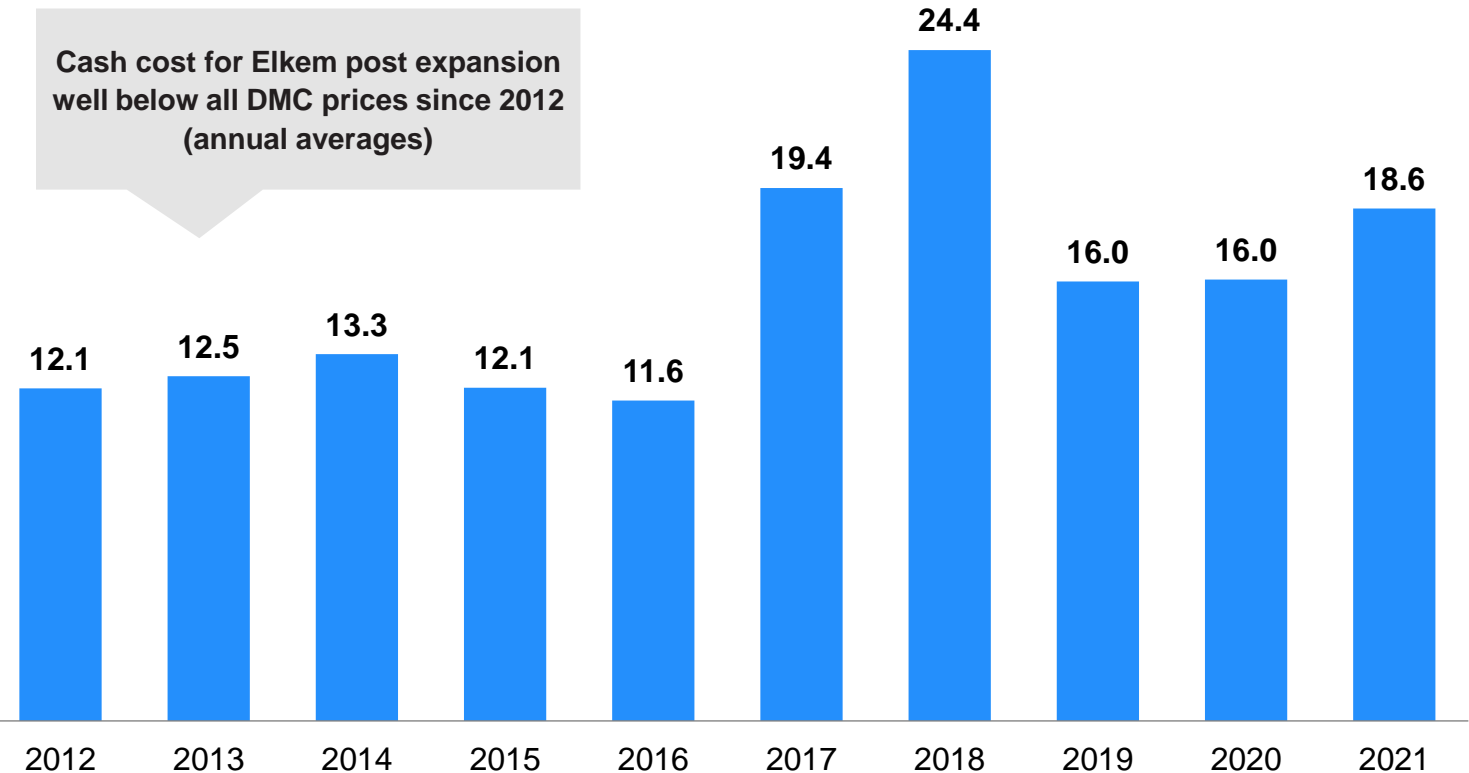
## Supply demand balance to remain balanced

Estimated '000 tonnes of silox equivalent<sup>1</sup>



## Expansion improving over-the-cycle margins

DMC Index in China ('000 RMB / mt)<sup>2</sup> | Annual average

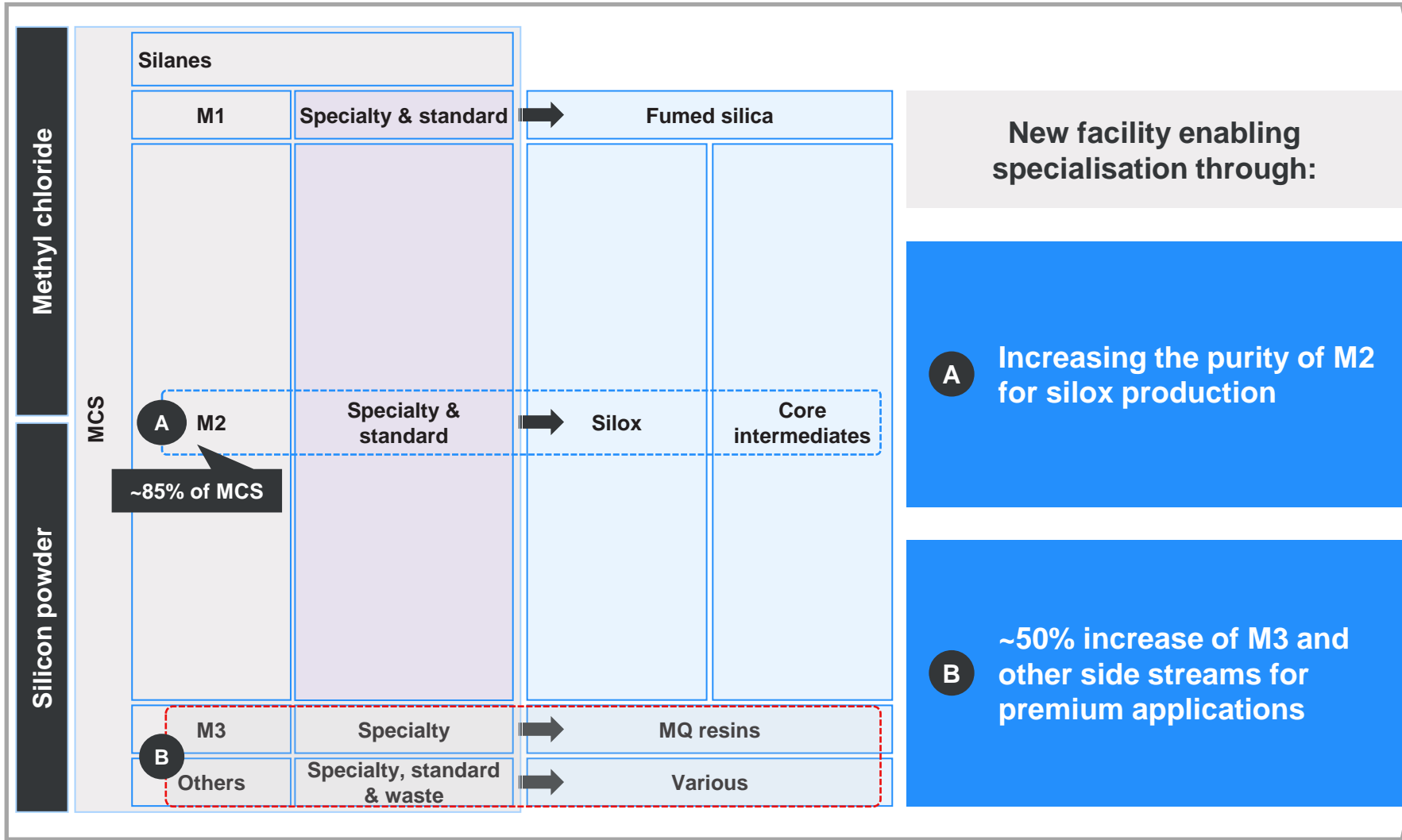


Continuing to expand in an attractive industry in need for more silicones capacity, with expansion ensuring improved profitability in core intermediaries over-the-cycle and securing growth in higher value downstream silicones



# Capacity expansion enables Elkem to increase its addressable market and position in high-value specialties

## Upstream



## Downstream

### Selected end-markets



### Key product characteristics

- High quality and long shelf-life
- Efficient and cost-effective
- Linear-based products of high quality
- Efficiency, stability and safety
- Resistance, clarify and easy assembling


Expansion allows Elkem to competitively reach a wider range of end-markets and a broader spectre of high value products within each end-market

# Elkem to build volumes in high-value segments

## Improved quality creating downstream opportunities

✓ High purity of finished product	Products towards more demanding customers
✓ High degree of linears	Substitute for cyclic (limited by new regulations in the Personal Care segment)
✓ Improved shelf life	Reach more customer groups with long-distance logistics
✓ Better access to by-products	More robust supply chain can reach more customers
✓ Lower cost	More standard downstream products become profitable

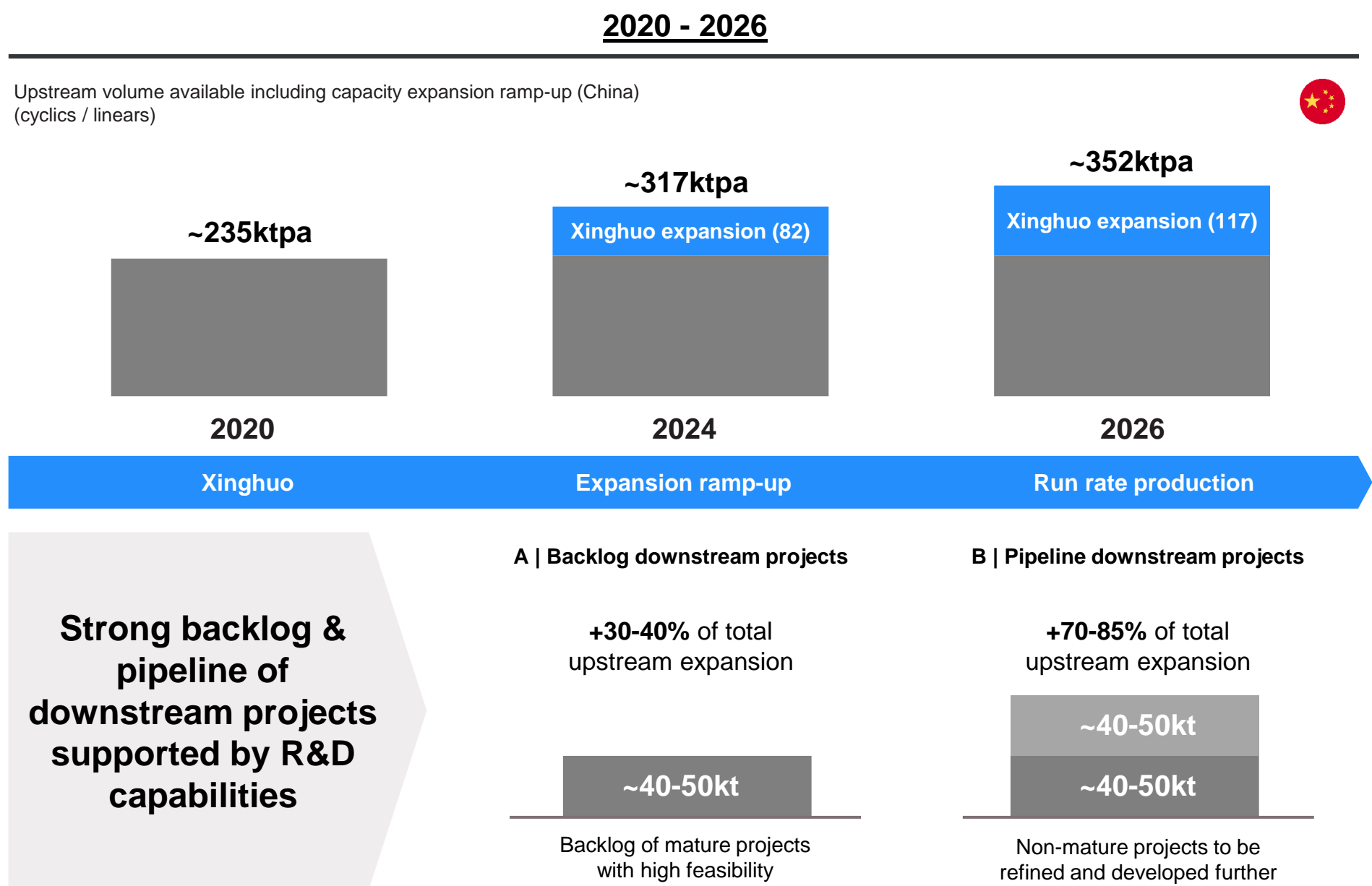
## Visible pipeline of downstream projects

Personal care project		
	<b>8 ktpa</b> Silox consumption	Low-volatiles for the personal care industry; replaces products based on cyclics, the latter considered to be substance of high concern
Sealants project		
	<b>10 ktpa</b> Silox consumption	Developing a downstream portfolio of sealants with higher quality and shelf-life, moving away from direct sale of polymer
Liquid silicones rubber		
	<b>8 ktpa</b> Silox consumption	Further expansion of capacity, following up on the successful Polysil acquisition

# Clear pipeline of downstream projects to offtake additional upstream production

## Active and advanced strategy for offtake upstream offtake

## Key takeaways



- Increased production of linears allows for further specialisations and new, higher-value formulations
- Significant backlog of high feasibility downstream projects and additional pipeline to offtake upstream production
- Improved security of supply for downstream production and key enabler to continue growth in specialised segments
- Several strategic efforts to further develop footprint, including downstream M&A opportunities

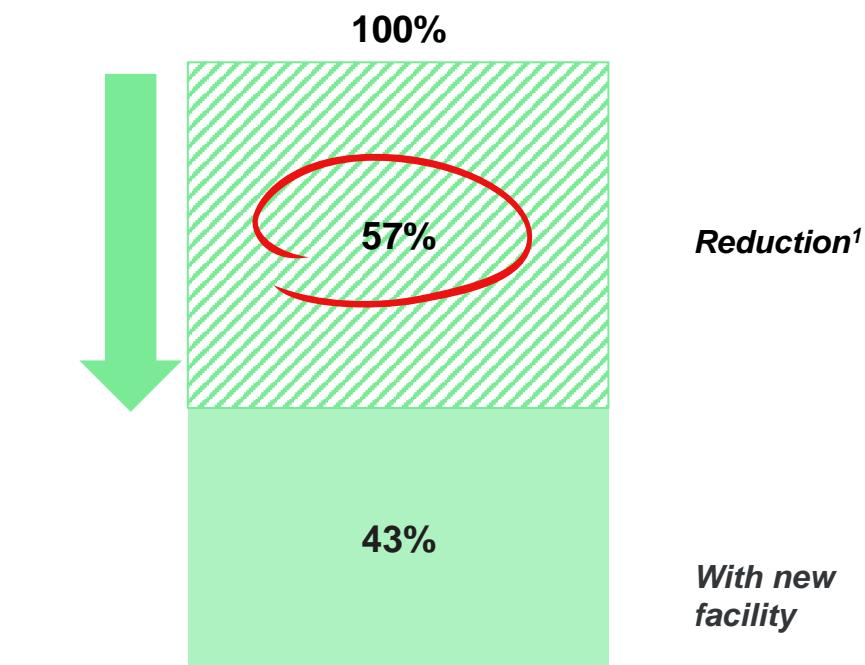


# A new and sustainable technology with higher efficiency and lower emissions

Strong improvement in environmental impact compared to current footprint and industry levels

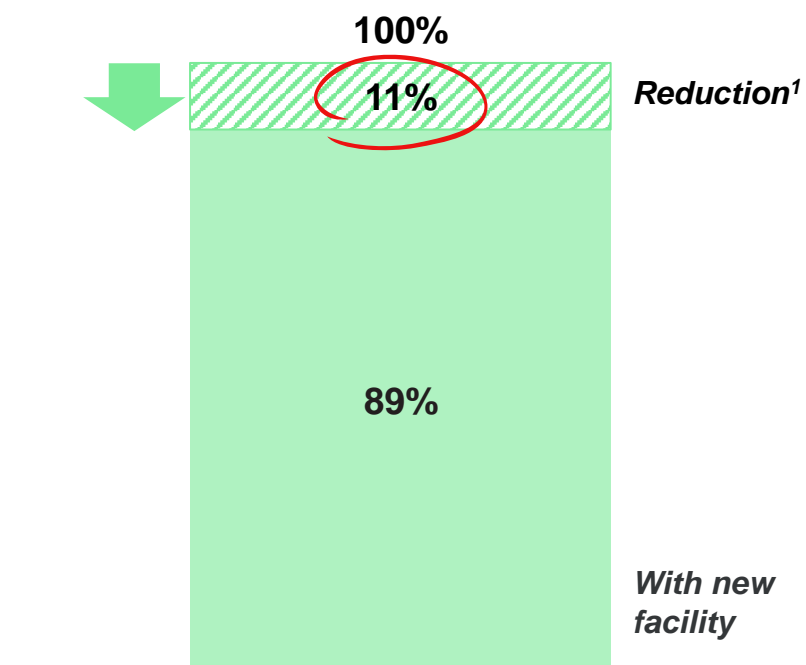
## Energy consumption

Raw materials consumption kWh / ton product



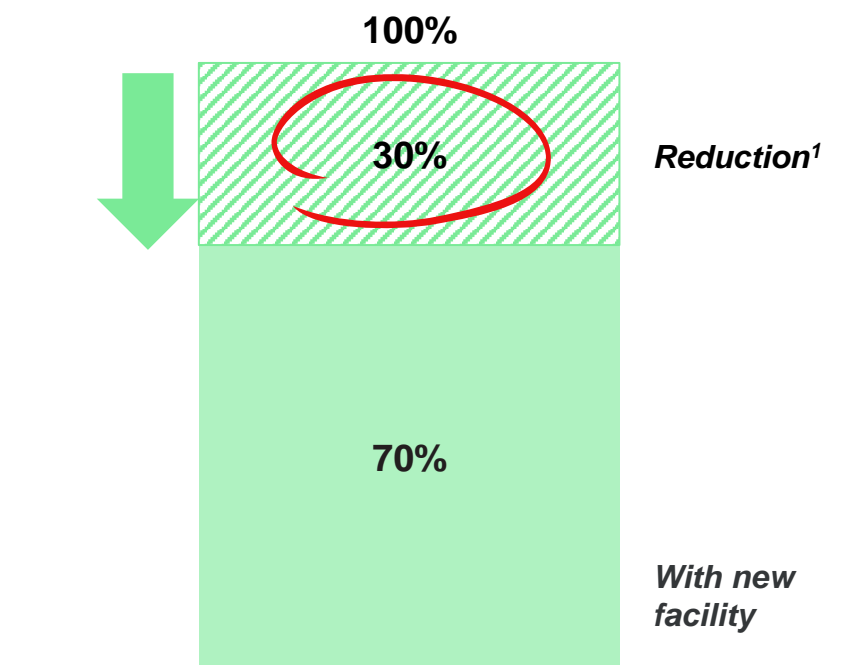
## Raw materials consumption

Ton raw materials / ton product



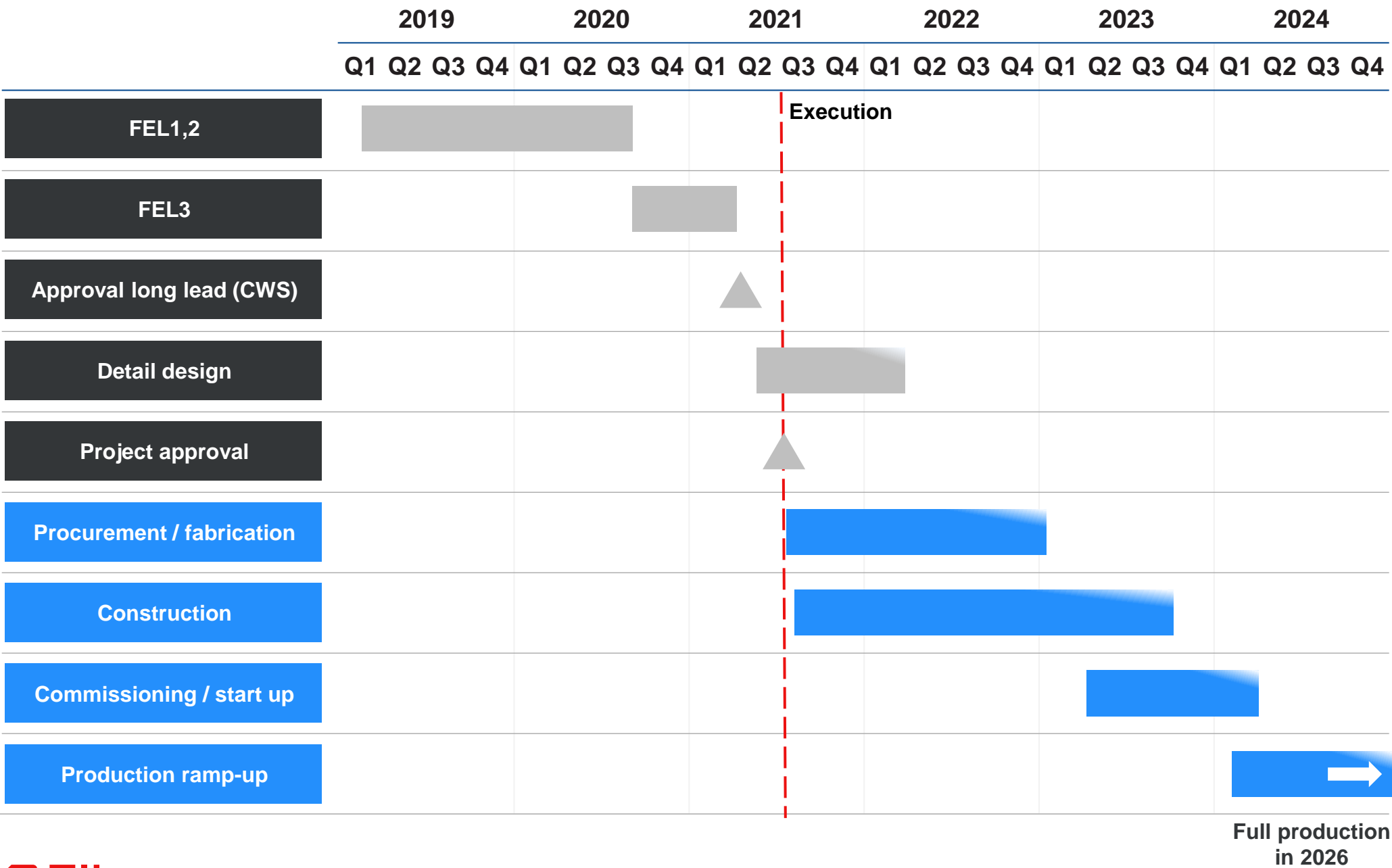
## Solid waste

Solid waste / ton product

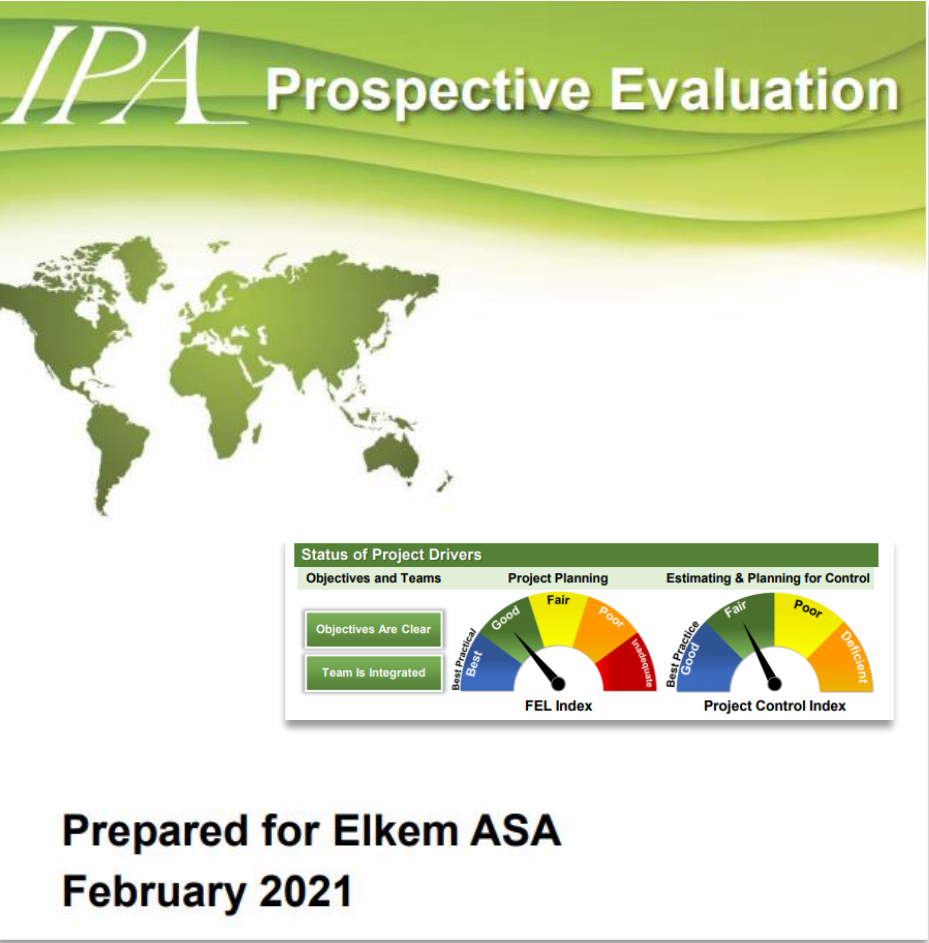


# Project schedule with planned production start-up in H1 2024

Project timeline



Highlights from evaluation<sup>1</sup>



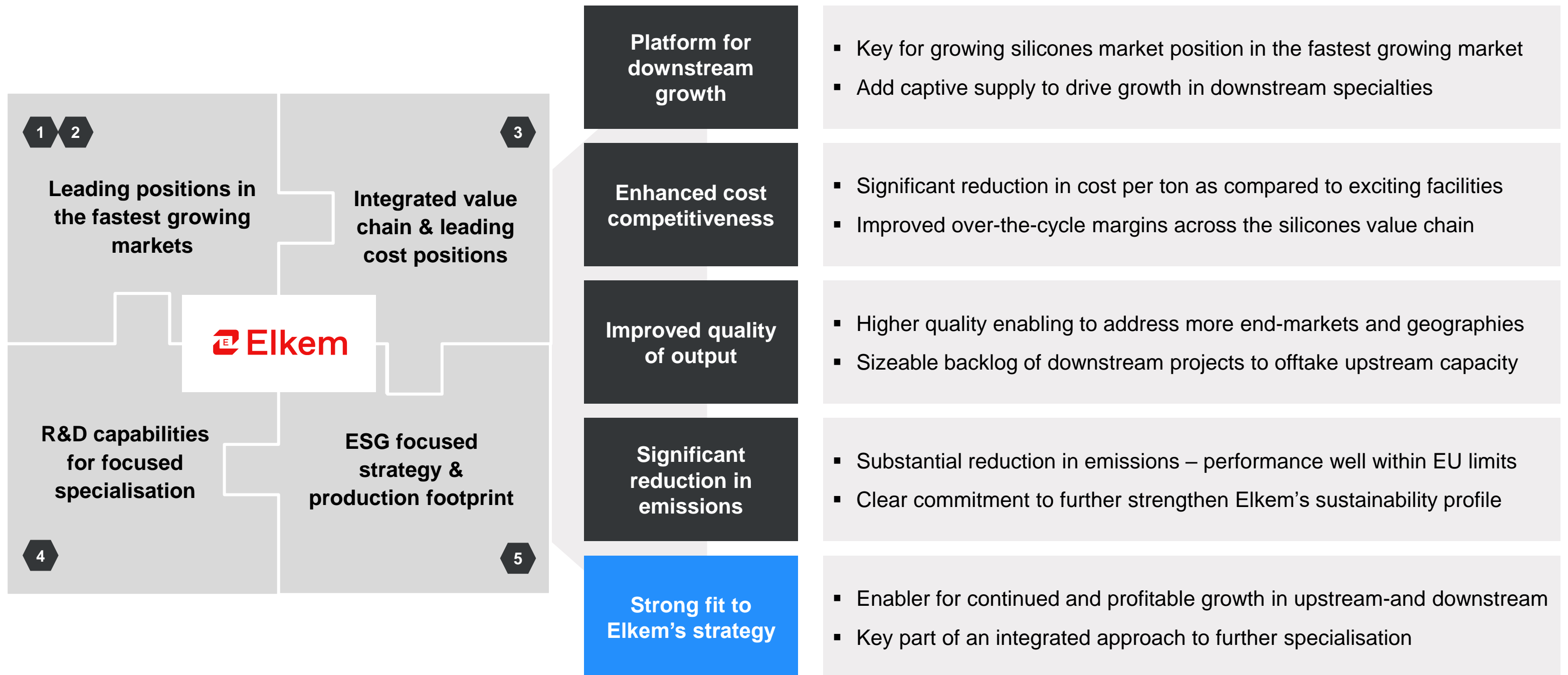
Internal assessments highly in line with the findings in the IPA – no red flags for the project

- **Update on Elkem – the global, integrated leader in silicon-based advanced material solutions**
- **Strategic capacity expansion to position Silicones for further profitable growth**
- **Concluding remarks**
- **Appendix**





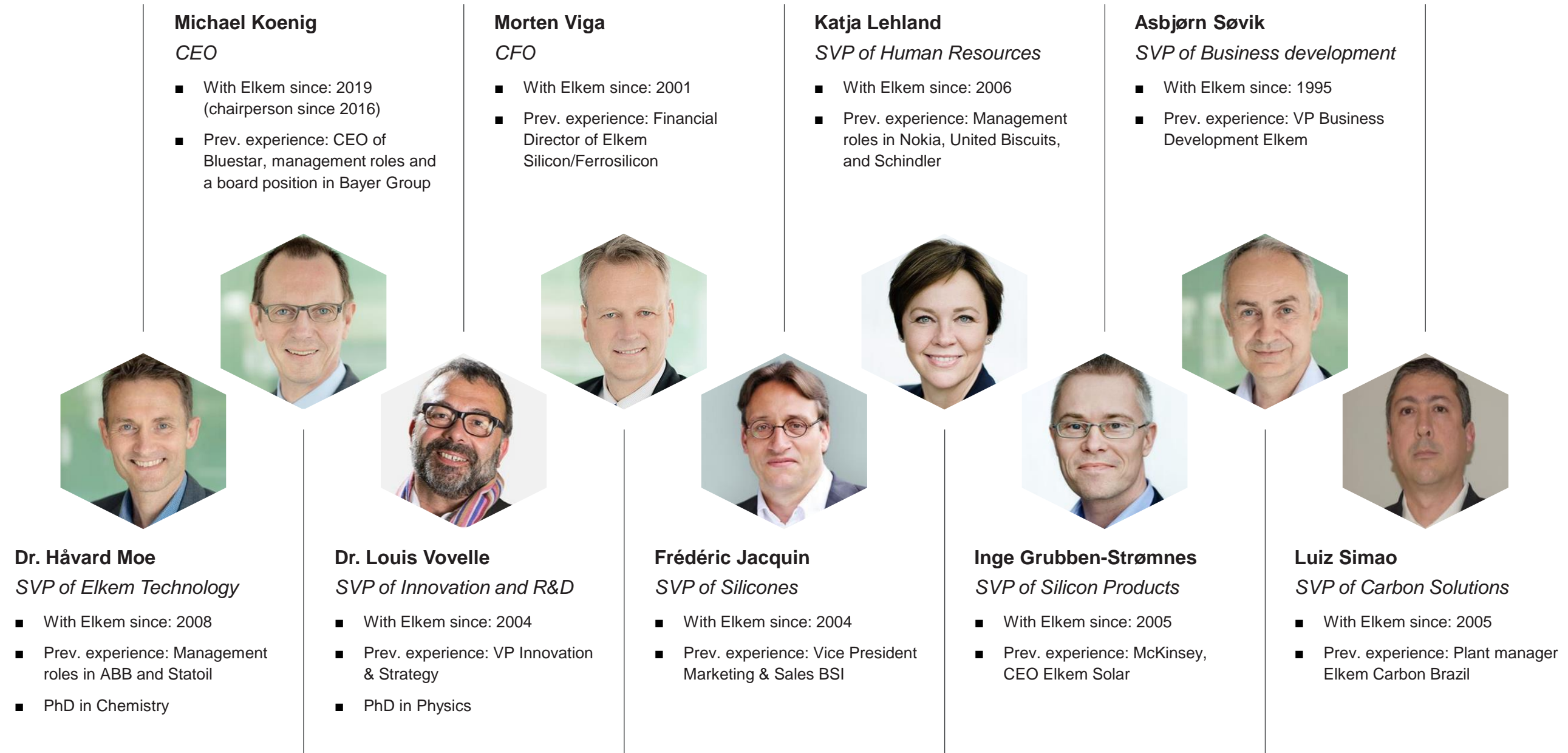
# Strategic silicones expansion plays to Elkem's strengths



- **Update on Elkem – the global, integrated leader in silicon-based advanced material solutions**
- **Strategic capacity expansion to position Silicones for further profitable growth**
- **Concluding remarks**
- **Appendix**



# Management





# Board of Directors

## Hao Zhigang

*Chairperson (representing major shareholder)*

- Board member since: 2017
- Other: Party Secretary and Chairman of Bluestar



## Dag J. Opedal

*Deputy Chair (independent)*

- Board member since: 2018
- Other: Current board member at Bertel O. Steen, Odin Forvaltning, Kavli, Isola, Lundhs, Bygimpuls, Nammo and more



## Olivier de Clermont-Tonnerre

*Board Member (representing majority shareholders)*

- Board member since: 2011
- Other: Chief Strategic and Corporate Development Officer at Bluestar



## Yougen Ge

*Board Member (representing majority shareholders)*

- Board member since: 2019
- Other: Associate VP and Director of the Planning Department at Bluechair



## Anja-Isabel Dotzenrath

*Board Member (independent)*

- Board member since: 2018
- Other: CEO of RWE Renewables



## Caroline Sainte-Marie

*Board Member (independent)*

- Board member since: 2018
- Other: Senior advisor with HIG Capital and five current directorship positions



## Marianne E. Johnsen

*Board Member (independent)*

- Board member since: 2019
- Other: Board experience from PGS, Fjord Seafood, Pharmaq, Odin Fund Management, Morpol and more



## Helge Aasen

*Board Member (representing majority shareholders)*

- Board member since: 2019
- Other: CEO of Elkem from 2009 to 2019



## Marianne Færøyvik

*Board Member (employee representative)*

- Board member since: 2016
- Other: With Elkem since 1995, currently a senior chemical engineer



## Terje Andre Hanssen

*Board Member (employee representative)*

- Board member since: 2018
- Other: Employee of Elkem since 1998 and served as an observer of the board since 2010



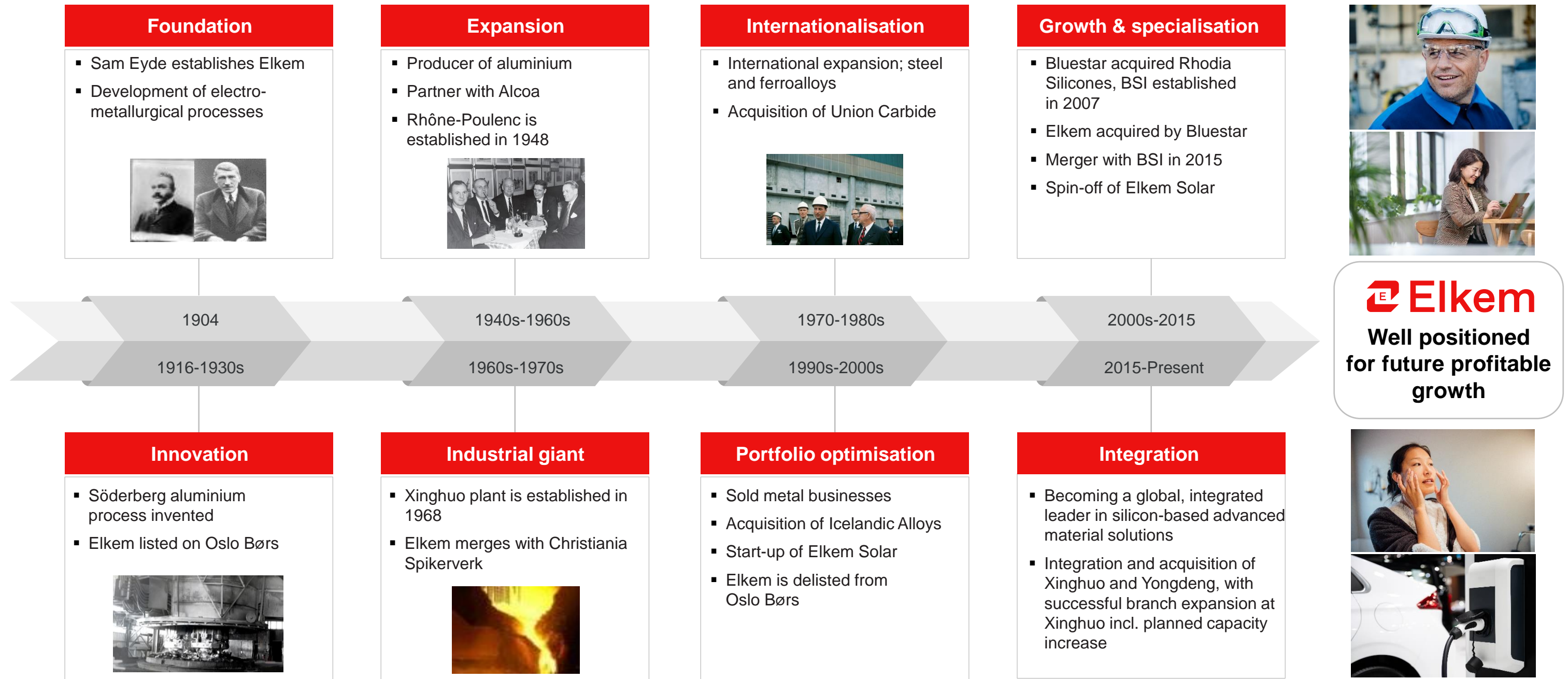
## Knut Sande

*Board Member (employee representative)*

- Board member since: 2020
- Other: Employee of Elkem since 1979 and served as an observer of the board since 2018



# Elkem history



# P&L financials – Group

MNOK	2017A	2018A	2019A	2020A
Sales revenue	20,715	24,969	22,246	24,025
Other operating revenue	236	244	392	631
Share of profit from equity accounted companies	35	18	31	35
<b>Total operating income</b>	<b>20,985</b>	<b>25,230</b>	<b>22,668</b>	<b>24,691</b>
Raw material and energy for smelting	-10,407	-11,367	-11,512	-12,859
<b>Gross profit</b>	<b>10,578</b>	<b>13,864</b>	<b>11,156</b>	<b>11,833</b>
Employee benefit expenses	-3,145	-3,449	-3,696	-4,028
Other operating expenses	-4,245	-4,622	-4,804	-5,121
<b>EBITDA / Gross operating profit (loss)</b>	<b>3,188</b>	<b>5,793</b>	<b>2,656</b>	<b>2,684</b>
D&A	-1,244	-1,263	-1,456	-1,710
Impairments	-17	-8	-11	-17
<b>EBIT / Operating profit (loss)</b>	<b>1,927</b>	<b>4,522</b>	<b>1,189</b>	<b>957</b>
Net financial items	-452	-327	-239	-229
Other gains and losses	44	-380	196	-130
Income from associates and JV	-1	-23	-12	-15
<b>EBT / Profit (loss) before income tax</b>	<b>1,519</b>	<b>3,792</b>	<b>1,134</b>	<b>584</b>
Tax	-269	-425	-237	-306
<b>Net income</b>	<b>1,249</b>	<b>3,367</b>	<b>897</b>	<b>278</b>



# P&L summary financials – Segments

MNOK	2017A	2018A	2019A	2020A
<b>Total operating Income</b>				
Silicones	10,026	13,059	11,274	12,680
Silicon Products	10,557	11,587	10,933	11,578
Carbon Solutions	1,586	1,895	1,839	1,870
Other	488	449	539	476
Eliminations	-1,671	-1,759	-1,916	-1,913
<b>Total</b>	<b>20,985</b>	<b>25,230</b>	<b>22,668</b>	<b>24,691</b>
<b>EBITDA</b>				
Silicones	1,515	3,535	1,523	1,357
Silicon Products	1,527	2,058	958	1,189
Carbon Solutions	277	335	312	438
Other	-102	-158	-155	-267
Eliminations	-29	22	18	-33
<b>Total</b>	<b>3,188</b>	<b>5,793</b>	<b>2,656</b>	<b>2,684</b>
<b>Operating profit (loss) before other items / EBIT</b>				
Silicones	840	2,864	742	373
Silicon Products	1,034	1,555	383	581
Carbon Solutions	212	268	237	349
Other	-130	-186	-190	-312
Eliminations	-29	22	18	-33
<b>Total</b>	<b>1,927</b>	<b>4,522</b>	<b>1,189</b>	<b>957</b>

# Balance sheet – Group

MNOK	2017A	2018A	2019A	2020A
<b>Assets</b>				
Property, plant and equipment	11,950	12,445	13,202	14,131
Right-of-use assets	0	0	580	875
Goodwill	326	342	466	919
Other non-current assets	1,718	1,687	1,444	2,090
<b>Total non-current assets</b>	<b>13,995</b>	<b>14,474</b>	<b>15,692</b>	<b>18,015</b>
Inventories	4,099	5,467	5,224	5,241
Trade receivables	2,518	2,391	2,269	2,796
Other current assets	3,144	1,716	1,322	1,682
Cash and cash equivalents	1,751	7,082	4,496	3,154
<b>Total current assets</b>	<b>11,513</b>	<b>16,656</b>	<b>13,311</b>	<b>12,873</b>
<b>Total assets</b>	<b>25,507</b>	<b>31,129</b>	<b>29,004</b>	<b>30,888</b>
<b>Equity &amp; Liabilities</b>				
Equity attributable to Elkem shareholders	8,463	13,622	12,855	12,528
Non-controlling interest	102	101	96	108
<b>Total equity</b>	<b>8,565</b>	<b>13,722</b>	<b>12,952</b>	<b>12,635</b>
Interest-bearing non-current liabilities	4,585	7,131	8,340	7,189
Deferred tax liabilities	105	207	243	336
Pension Liabilities	445	563	584	679
Other non-current liabilities	805	682	368	578
<b>Total non-current liabilities</b>	<b>5,940</b>	<b>8,583</b>	<b>9,536</b>	<b>8,782</b>
Trade payables	2,650	2,731	2,767	3,157
Income tax payables	139	330	51	65
Interest-bearing current liabilities	3,647	2,052	1,262	3,292
Bills payable	2,650	1,740	887	1,053
Other current liabilities	1,917	1,971	1,549	1,904
<b>Total current liabilities</b>	<b>11,003</b>	<b>8,824</b>	<b>6,516</b>	<b>9,471</b>
<b>Total equity and liabilities</b>	<b>25,507</b>	<b>31,129</b>	<b>29,004</b>	<b>30,888</b>

# Cash flow statement – Group

MNOK	2017A	2018A	2019A	2020A
Operating profit (loss)	1,971	4,142	1,384	827
Amortisation, depreciation and impairment	1,261	1,270	1,467	1,727
Changes in working capital	47	-712	649	232
Equity accounted companies	-9	14	-4	-7
Changes in fair value of commodity contracts	-79	321	-218	-196
Changes in provisions, bills receivable and other	-313	46	-671	-69
Interest payments received	24	41	38	28
Interest payments made	-446	-390	-248	-239
Income taxes paid	-198	-272	-559	-192
<b>Cash flow from operating activities</b>	<b>2,256</b>	<b>4,460</b>	<b>1,839</b>	<b>2,111</b>
Investments in property, plant and equipment and intangible assets	-1,126	-1,916	-2,107	-2,201
Acquisition of subsidiaries, net of cash acquired	4	-4,049	-206	-1,032
Acquisition/capital contribution of/to joint ventures	0	0	0	-40
Payment received on loan to related parties	0	1,303	0	0
Other investments / sales	-5	-9	28	10
<b>Cash flow from investing activities</b>	<b>-1,128</b>	<b>-4,671</b>	<b>-2,285</b>	<b>-3,262</b>
Dividends paid to non-controlling interest	-26	-33	-49	-29
Dividends paid to owners	-144	0	-1,511	-349
Capital increase	0	5,171	0	0
Net changes in bills payable	285	-445	-556	113
Repayment of lease liabilities (IFRS 16)	0	0	-78	-104
Net changes in other short term debt	0	0	0	0
New interest-bearing loans and borrowings	60	6,643	2,082	1,636
Net changes of short term loans from related parties	-30	-241	0	0
Repayment of interest-bearing loans and borrowings	-859	-5,586	-2,074	-1,433
<b>Cash flow from financing activities</b>	<b>-714</b>	<b>5,509</b>	<b>-2,187</b>	<b>-166</b>
<b>Change in Cash and cash equivalents</b>	<b>414</b>	<b>5,298</b>	<b>-2,633</b>	<b>-1,317</b>



# Risk factors (I/VIII)

**An investment in the Company, thus the Offer Shares, involves inherent risk. Prospective investors should carefully consider the risk factors contained in this presentation before making an investment decision.**

The risks and uncertainties described below are the assumed most relevant risk factors for the Company's operations. However, these risk factors are not the only risk factors relevant to the Company. Additional risks presented in the financial reports made public by the Company, and risks not presently known to the Company, or that the Company currently deems immaterial may also impair the Company's business operations and adversely affect the price of the Company's shares and/or the Company's financial position. If any such risks should actually occur, the Company's business, financial position and operating results could be materially and adversely affected. Prospective investors should carefully consider the risk factors set out below. Prospective investors are strongly encouraged to consult his or her own advisors as to the suitability of an investment in the shares of the Company. An investment in the Company is suitable only for investors who understand the risks associated with this type of investment and who can afford to lose all or part of their investment.

## **2.1 Risks related to the business of Elkem and the industry in which Elkem operates**

### **2.1.1 The silicon-based advanced materials and chemical industries, including the production and sale of silicones, silicon-based materials, foundry products and carbon, has been in the past, and may be in the future, subject to economic downturns, market disruptions and fluctuations in market price and demand which could lead to volatility in the Group's revenues**

Downturns in economic conditions, whether in the markets in which Elkem's customers are active or end markets, can result in diminished demand for, and lower selling prices of, Elkem's products, which could have a negative impact on Elkem's revenues, operating profit and growth prospects. Elkem sells its products globally to customers who are located in multiple geographic markets, including Europe, Asia and the Americas.

Elkem's customers operate in a wide range of industries, including the automotive industry, the construction industry, the renewable energy industry, the oil and gas industry, the electronics industry, consumer goods industries and the solar power and chemicals industries. Economic downturns, market disruptions, reduction in demand or otherwise uncertain economic outlooks in one or more of these markets or industries have affected Elkem in the past and could continue to do so in the future, which could in turn have a material adverse effect on Elkem's business, results of operations, financial condition and prospects.

### **2.1.2 The silicon-based advanced materials and chemical industries are cyclical and Elkem may be materially and adversely impacted by the general economic cycle**

Elkem's business is directly related to the production levels of its customers, whose businesses are dependent on highly cyclical markets, such as the automotive, construction, renewable energy, oil and gas, electronics, solar power and chemicals industries. In response to unfavourable market conditions, customers may request delays in contract shipment dates or other contract modifications or else default, terminate or not renew their contractual arrangements with Elkem, any occurrences of which could have an adverse impact on Elkem's revenues, results of operations, financial condition and prospects. Furthermore, many of the Group's products are internationally traded products with prices that are significantly affected by worldwide supply and demand. Consequently, the financial performance of the Group will fluctuate with the general economic cycle, a decline in which could have a material adverse effect on Elkem's business, results of operations, financial condition and prospects.

### **2.1.3 The outbreak of Covid-19 has had and may in the future have significant negative effects on the Group**

The outbreak of COVID-19, which was recognized as a pandemic by the World Health Organisation in March 2020, and the extraordinary measures imposed globally in response to the coronavirus pandemic have significantly disrupted the economic condition of the global markets in a number of ways and severely impacted companies and economic activity globally. The Group has been adversely impacted by the Coronavirus Pandemic. These developments have had, and may continue to have, adverse effects on the Group's operations, production, logistics and market developments. The impact of the Coronavirus Pandemic in the third and fourth quarter of 2021 and possibly in the longer term is highly uncertain and unpredictable.

It is not possible to predict all the consequences that the coronavirus pandemic may have for the Group, its business partners and the markets in which the Group operates, but the negative effects of the COVID-19 situation may be long-term. Potential investors should note that the COVID-19 situation is continuously changing and that, due to these uncertain developments of the coronavirus pandemic, governments may pass new laws and regulations, to mitigate negative impacts and consequences of COVID-19 regionally and globally, that affect the Group's operations. Continued reduction in global trade may reduce the demand for the Group's products, which could have a material adverse effect on Elkem's business, results of operations, financial condition and prospects

### **2.1.4 Any decrease in the availability, or increase in the cost, of raw materials or transportation could materially and adversely impact Elkem's business and results of operations**

The Group has long term supply contracts for most key raw materials and also buys some of them on the spot market. The Group is dependent on certain suppliers of these products in certain of the markets in which it operates. In particular, the Group relies on a few selected sources for the specialised coal and methyl chloride that it requires, and relies on certain rare earth minerals which are only available in China and which have in the past been the subject of export restrictions

To the extent there is a disruption in the supply of any of these raw materials from the Group's suppliers, or if the raw materials are not of the required quality, or are not delivered on a timely basis, the Group may not be able to obtain adequate supplies of these raw materials from alternative sources on terms as favourable as its current arrangements or at all, which may have a material adverse effect on Elkem's business, results of operations, financial condition and prospects.

Furthermore, if there is an increase in the costs of these raw materials as a result of disruptions in production, trade restrictions or any other reason, this will result in increased costs for Elkem. Because Elkem's customer contracts and the competitive environment of the markets in which Elkem operates do not generally permit increases in operating expenses to be passed on to customers, an increase in the cost of its raw materials would have a material adverse effect on Elkem's business, results of operations, financial condition and prospects.

### **2.1.5 The business of the Group is particularly sensitive to increases in electricity costs which could materially and adversely increase operating costs**

Electricity is one of the Group's largest operating costs. Accordingly, consistent access to low cost and reliable sources of electricity is essential to the Group's business. Because electricity constitutes such a significant percentage of costs, the Group is particularly vulnerable to fluctuations in electricity costs.

Termination or non-renewal of any of the Group's electricity contracts or an increase in the price of electricity generally could materially adversely affect the Group's future earnings and may prevent Elkem from effectively competing in certain of its markets.

Elkem is also exposed to changes in grid tariffs, both as a result of investments in power grids in Norway and other jurisdictions where it operates and potentially as a result of changes in the grid structure, either of which would likely cause the grid operator to raise tariffs in order to finance such investments or changes. Any such increases could in turn have a material adverse effect on Elkem's business, results of operations, financial condition and prospects.

# Risk factors (II/VIII)

## 2.1.6 Elkem operates in a highly competitive industry

The markets for silicones, silicon materials and silicon-based alloys are global, capital intensive and highly competitive. Elkem faces competition on a range of factors within all of the markets in which it operates, both from major international companies and from smaller regional competitors.

In general, any failure by Elkem to compete on the basis of price, product performance and quality or any of the other factors discussed above, or to otherwise adapt to changes in its businesses and targeted end-market applications, could have a material adverse effect on Elkem's business, results of operations, financial condition and prospects.

## 2.1.7 The costs of complying with changing environmental, health and safety laws could negatively impact Elkem's financial results

Elkem uses large quantities of hazardous substances, generates hazardous wastes and emits wastewater and air pollutants in its production operations, most notably in its Silicones division. Consequently, its operations are subject to extensive environmental, health and safety ("EHS") laws, regulations, rules and ordinances at the supranational, national and local level in multiple jurisdictions across the European, African, Asia Pacific and North and South American regions. Elkem is also required to obtain permits from governmental authorities for certain operations.

Elkem may not have been and may not be at all times in complete compliance with EHS laws, regulations and permits, and Elkem has been held liable for environmental damage in the past. If Elkem violates or fails to comply with these laws, regulations or permits, Elkem could be subject to penalties, fines, restrictions on operations or other sanctions. Under these laws, regulations and permits, Elkem could also be held liable for any and all consequences arising out of human exposure to hazardous substances or environmental damage Elkem may cause or that relates to its operations or properties.

Many EHS regulations have become more stringent over time and the trend is likely to continue, especially as regulators and government increasingly focus on human health and the safe use of chemicals and their products in commerce, as well as their potential impact on health and the environment are likely to manifest themselves in more stringent regulatory intervention. Permits necessary for Elkem's operations may not be issued or continue in effect, and any issued permits may contain more stringent limitations that restrict Elkem's operations or that require further expenditures to meet additional requirements imposed by permits. In addition, compliance with more stringent EHS regulations will likely increase Elkem's operating costs including costs related to the transportation and storage of raw materials and finished products, as well as the costs of storage and disposal of waste.

Changes in EHS regulations in jurisdictions where Elkem produces and sells its products could also lead to a decrease in demand for its products. Concerns about product safety and environmental protection could influence public perception of the Group's products and operations, the viability of some or all of its products, its reputation, and the ability to attract and retain employees. Further to regulatory changes, health and safety concerns could increase the costs incurred by the Group's customers to use its products and otherwise limit the use of the Group's products, which could lead to decreased demand for these products. Such a decrease in demand would have a materially adverse effect on the Group's business and results of operation.

## 2.1.8 Costs of compliance with climate change laws and regulations and other specific emissions-related laws, could adversely affect Elkem's operations and performance

Some of the principal environmental risks associated with Elkem's operations are emissions into the air and releases into the soil, surface water, or groundwater. In particular, the production of silicon and ferrosilicon result in significant emissions of CO<sub>2</sub>. Other air emissions from Elkem's primary production processes include SO<sub>2</sub>, NO<sub>x</sub>, PAH, MeCl and dust. Elkem's operations are subject to extensive national and international environmental laws and regulations, including those relating to the discharge of materials into the environment, waste management, pollution prevention measures and greenhouse gas emissions. If Elkem violates or fails to comply with these laws and regulations, Elkem could be fined or otherwise sanctioned. Because environmental laws and regulations are becoming more stringent and new environmental laws and regulations are continuously being enacted or proposed, such as those relating to greenhouse gas emissions and climate change, the level of expenditures required for environmental matters could increase in the future. Future legislative action and regulatory initiatives could result in changes to operating permits, additional remedial actions, material changes in operations, increased capital expenditures and operating costs, increased costs of the goods Elkem sells, and decreased demand for Elkem's products that cannot be assessed with certainty at this time.

## 2.1.9 Elkem is increasingly subject to regulations directed at the chemicals industry

Since 2015, Elkem has become more specialised in the production of chemicals, with a majority of its revenues attributable to silicones. As a consequence, its exposure to regulations directed at the chemicals industry has increased. Many of the chemical substances that Elkem relies on, as well as many applications for Elkem's products, are regulated by the EU's Registration, Evaluation, Authorisation, and Restriction of Chemicals Regulation ("REACH"). Restriction and authorisation requirements pursuant to REACH could impair Elkem's business by interfering materially with the manner in which it currently conducts its operations or with the manner in which its products can be used. There is a risk that the distribution of some of the compounds the Group imports, produces and sells currently will be prohibited in the future or be subject to an extensive, time and cost intensive authorisation process or other requirements that ultimately may not permit the Group to continue producing certain of its products.

One of the main raw materials for the production of Elkem's carbon products is coal tar pitch. Coal tar pitch has been included on the EU List of substances of very high concern. In addition, the production of certain silicone-based products, including personal care products, entails the production by Elkem of certain intermediate products such as the cyclosiloxanes D4 and D5. Certain public bodies in Europe have concluded that D4 and D5 may be regarded as unsafe, and that their use should be restricted. This means that it is likely that these substances will be subject to strict regulations within the EU in the future. So far, the regulatory focus has been on the presence of D4 and D5 in end use products, such as personal care products. If the focus moves to the silicone production process, however, this may result in restrictions on Elkem's use of these intermediates, which in turn could materially and adversely affect the Group's silicone production.

Regulations such as REACH are likely to become more stringent over time as they are designed to ensure a high level of protection for people and the environment and demand comprehensive tests for chemical products. Test procedures required by regulations such as REACH can be costly and time-intensive, and may lead to a rise in production costs. The use of chemicals in production could be restricted, which could make it impossible for Elkem to continue manufacturing certain products. In addition, the regulation or reclassification of any of Elkem's products could require it to incur increased costs to comply with notification, labelling or handling requirements. Given the complexity of the Group's global operations and the growing importance of chemical manufacturing to its business, there is an elevated risk that the Group may not always comply with REACH and similar regulations in the United States, China and other jurisdictions where the Group operates or sells its products, which could result in fines, sanctions and other penalties. Any of the foregoing could have a material adverse effect on the Group's business, financial condition and results of operations.

# Risk factors (III/VIII)

## **2.1.10 Elkem's operations are subject to the inherent hazards, disruptions to its business and other risks associated with silicones and metals manufacturing and the associated chemical production processes, as well as mining, which in turn could result in materially increased expenses and decreased production levels**

Manufacturing generally, and high temperature and chemical production processes, in particular, are inherently dangerous and subject to fire, explosion and sudden major equipment failure. Such manufacturing activities and chemical processes are also vulnerable to other potential hazards such as natural disasters, terrorist attacks, transportation interruptions, pipeline leaks and ruptures, storage tank leaks, chemical spills, discharges of toxic substances, property contamination and remediation and others. These hazards can present major risks to the health and safety of workers, neighbouring populations and the environment. Consequences of such incidents for Elkem could include an interruption, relocation or suspension of operations or disruption of sophisticated manufacturing equipment, decreases in the productivity and profitability of a particular production facility or the Group's business operations as a whole, and governmental enforcement, regulatory shutdowns, the imposition of government fines and penalties and claims brought by governmental entities or third parties.

In addition, Elkem uses contractors, over whom it may have less control than it has over its employees, who may perform duties on behalf of the Group in a manner that may cause harm to the health and safety of other workers, neighbouring populations and the environment. The costs associated with any of these events may be substantial and could exceed or otherwise not be covered by the Group's insurance coverage. Since 2015, Elkem has experienced several accidents resulting in serious injury or death of employees and contractors and production shutdowns. These incidents include three fatal accidents and several fires resulting in partial production shutdowns. Given the nature of Elkem's operations there may be further accidents, injuries and fatalities in the future.

In addition, Elkem mines quartz at open pit and surface mining operations in Norway and Spain. Quartz mining is inherently dangerous and subject to numerous hazards, including collisions, equipment failure, flooding, collapse, blasting operations and operating in extreme climactic conditions. Elkem's mining activities involve dynamite and heavy machinery, both of which can cause serious or fatal accidents. Certain factors beyond Elkem's control could disrupt its mining operations, adversely affect production and shipments and increase Elkem's operating costs. Regulatory authorities have the authority under certain circumstances following significant health and safety incidents to order a mine to be temporarily or permanently closed.

## **2.1.11 There are risks to Elkem's global business relating to the countries in which Elkem operates that could materially and adversely impact its earnings or materially and adversely affect an investment in Elkem**

Elkem has 29 production facilities worldwide, including in Europe, North and South America, Africa and Asia. In addition, Elkem sources and sells products to customers across a wide range of countries. As a result, Elkem's operations are subject to a variety of country, regulatory and political risks, particularly in connection with its operations in emerging markets, including Brazil, Paraguay, South Africa, Malaysia, India and China. These risks include potential political and economic uncertainty, application of foreign exchange controls, price controls, corruption, nationalisation, expropriation, regulatory changes, crime and the lack of enforcement thereof, political insurrection, governmental interference, currency fluctuations, restrictions and devaluations, punitive or unpredictable taxation, anti-dumping duties and trade barriers, export duties and quotas and other restrictive government actions, hostility from local populations, restrictions on the ability to repatriate dividends from subsidiaries, natural disasters and other catastrophic events, and changes in law and government policy. Particular risks in China may include periodic government measures to slow economic growth to a more manageable level and influence industrial production, bank credit and fixed investment, as well as government control over a substantial portion of productive assets, an assertive industrial policy, and the exercise of significant control over growth through the allocation of resources and providing preferential treatment to particular industries or companies. The financial risks of operating in emerging markets also include risks related to inflation, devaluation, price volatility, currency convertibility and country default.

Any of these factors could materially and adversely affect Elkem's results of operations and prospects by causing interruptions in its operations, by increasing the costs of operating in these countries or by limiting its ability to repatriate profits from these countries. These factors could have a material adverse effect on Elkem's business, results of operations, financial condition and prospects.

## **2.1.12 International and geopolitical conflicts, and trade barriers, sanctions and export control may have a negative effect on the Group's operations**

Because of the global nature of the Group's operations, it is vulnerable to trade barriers, political or legal instability in countries in which it operates, as well as to international and geopolitical conflicts, which may harm its business activities. Such conflicts, trade barriers, sanctions and export controls may interrupt the Groups business, product and supply chain, and entail reputational damage.

In particular, as the Group has production facilities and operations in China, the ongoing trade war, and any escalations, between USA and China, may significantly impact the Group's business, both in terms of potential new sanctions imposed by USA or China, or in terms of potential new export or import control restrictions and reputational damage.

The former US administration listed ChemChina (as defined below) as a Chinese Communist Military Company in 2020 and imposed restrictions on trading in securities of such companies. Elkem is, through Bluestar (as defined below), an indirect subsidiary of ChemChina and there can be no guarantee that these restrictions will not also apply, directly or indirectly, to Elkem in the future.

As of the date of this presentation, the US Treasury department has not listed Elkem as a Chinese Communist Military Company, and no restrictions have been imposed on Elkem as a result of ChemChina being listed on said list. However, should Elkem, as an indirect subsidiary of ChemChina, in the future be considered as a Chinese Communist Military Company, or be affected by new US legislation or other acts resulting from the ongoing trade war, or otherwise, there is a risk that Elkem's operations may be negatively affected due to interruptions in the Groups business, product and supply chain, and/or by reputational damage, which may have a material adverse effect on Elkem's business, results of operations, financial condition and prospects.



# Risk factors (IV/VIII)

## **2.1.13 Anti-dumping duties and laws for silicon and ferrosilicon imposed by the EU and the U.S. may expire or be further extended to the disadvantage of Elkem**

The EU has had anti-dumping duties on imported Chinese silicon since 1990. The level is currently at 16.8% for most of the Chinese production companies. The rates imposed by the European anti-dumping scheme were extended by the European Commission in July 2016 for a period of five years. By the end of July 2021 it will become clear whether the EU producers of silicon ask the EU Commission to extend the anti-dumping duties on Chinese material for a new five year period. The U.S. has had anti-dumping duties for silicon in place since 1998. The anti-dumping duties in the U.S. for Chinese silicon were last reviewed in 2019 and are currently 139.5%. Furthermore, in 2020, the U.S anti-dumping duty on Russian silicon was extended (61.6%-87.1%). From April 2021 anti-dumping duties are collected on U.S silicon imports origination in Iceland (37.8%-47.5%) and in Bosna and Herzegovina (21.4%), and countervailing duties are collected on silicon from Kazakhstan (160%). Canada and Australia also have anti-dumping duties on silicon of Chinese origin.

The EU has imposed anti-dumping duties on ferrosilicon from China, Russia and certain other countries with effect from 2008. These were last reviewed in July 2020 and the anti-dumping measures in force are 31.2% ad valorem for the majority of Chinese suppliers and 17.8-22.7% for the Russian suppliers of ferrosilicon to the EU market.

As a result of Elkem's global business model, the anti-dumping measures described above have had and likely will continue to have both positive and negative impacts on Elkem's business. Although such measures have the effect of protecting domestic producers, including Elkem's production companies in those markets, from lower-cost competition, as the case may be, such measures also impose costs on exports to those markets, if any. In addition, the expiration of anti-dumping duties could affect European silicon/ferrosilicon prices negatively, as the prices within the EU and the U.S are especially sensitive to expiration of EU or U.S. anti-dumping duties. Any such reduction of European or U.S. sales prices could in turn have a material adverse effect on Elkem's business, results of operations, financial condition and prospects. Even if such duties are extended or increased, continuing the protection of Elkem's operations in those markets, it is likely that Elkem's exports to those markets could be disadvantaged.

## **2.1.14 The Chinese market has significant excess production capacity for silicon and ferrosilicon**

In China, there is, and has been for more than a decade, idle production capacity for silicon and ferrosilicon. Such idle capacity is a result of several factors, including stricter environmental laws and regulations and government intervention designed to take excess production off the market. In addition, some Chinese production facilities are located in regions without a stable supply of electricity, as a result of which that production capacity can only be utilised periodically or at certain times of year (for example during the wet season for regions reliant on hydropower) and remains idle during the other periods.

In addition, the siloxanes production capacity in China is expected to continue to grow in the coming years. An oversupply of siloxanes overcapacity in China may compensate for undersupply in other regions of the world, but depending on demand level, trade barriers and other restrictions, periods with oversupply of siloxanes may result in lower sales prices for commodity silicones, which could have a material adverse effect on Elkem's business, results of operations, financial condition and prospects.

Any significant utilisation of such idle capacity, for example due to a change of government environmental policy or improved access to electricity in affected areas, would substantially increase the supply of silicon and ferrosilicon in the market, which could have a material adverse effect on the market price of such products and, in turn, on Elkem's business, results of operations, financial condition and prospects.

## **2.1.15 The Group may be unable to remit funds out of or inject capital into China due to exchange controls**

The Group has significant operations in China and plans to further expand its capacity at the Xinghuo Silicones plant. The Chinese government has implemented exchange controls requiring filing procedures to move capital in and out of China. Accordingly, foreign companies trying to repatriate profits, pay dividends, repay loans and remit proceeds from assets, products or services sold in China may experience difficulties on their outbound transfers, which may be disruptive to those foreign companies' operations in China. The restrictions are not always clear, especially in relation to requirements and process time, and may vary based on the companies' locations in China. The Group may be affected by the aforementioned restrictions, in particular to the extent it desires to refinance certain indebtedness in China, and may therefore experience difficulty and uncertainty in relation to its Chinese operations which may in turn have a material adverse effect on the Group's business, financial condition and results of operations.

## **2.1.16 Elkem may make acquisitions in the future that prove unsuccessful or divert the Group's resources**

Elkem may in the future consider making additional strategic acquisitions, particularly in the silicones business, to support future growth and profitability. Successful growth through acquisitions is dependent upon the Group's ability to identify suitable acquisition targets, conduct appropriate due diligence, negotiate transactions on favourable terms, obtain required licenses and authorisations and ultimately complete such acquisitions and integrate acquired entities into the Group. There can be no assurance that acquisition opportunities will be available on acceptable terms or at all or that Elkem will be able to obtain necessary financing or regulatory approvals to complete potential acquisitions. If the Group makes acquisitions, it may be unable to generate expected margins or cash flows, or realise the anticipated benefits of such acquisitions, including growth or expected synergies. Elkem's assessment of and assumptions regarding acquisition targets may prove to be incorrect, and actual developments may differ significantly from expectations. The Group may not be able to integrate acquisitions successfully and integration may require greater investment and time than anticipated. Additionally, the acquisitions may result in unintended consequences, for example, if significant liabilities are not identified during due diligence or come to light after the expiration of any applicable warranty or indemnity periods.

The process of integrating acquisitions may also be disruptive to the Group's operations, as a result of, among other things, unforeseen legal, regulatory, contractual and other issues and difficulties in realising operating synergies, which could cause the Group's results of operations to decline. Moreover, any acquisition may divert management's attention from day to day business and may result in the incurrence of additional debt. Should any of the above occur in connection with an acquisition, there could be a material adverse effect on Elkem's business, results of operations, financial condition and prospects.

## **2.1.17 Elkem is exposed to exchange rate fluctuations**

Elkem is exposed to translation risk in respect of exchange rate fluctuations. As Elkem reports its consolidated results in NOK, the value of the NOK relative to its foreign operating subsidiaries' functional currencies will affect its combined income statement and combined statement of financial position as the operating results of those subsidiaries are translated into NOK for reporting purposes.

# Risk factors (V/VIII)

## **2.1.18 Elkem receives each year substantial amounts under the EU's CO2 quotas compensation scheme which may be phased out**

Carbon dioxide is one of the main emissions resulting from Elkem's production operations. Elkem's European operations are therefore subject to the EU's CO2 Emissions Trading Scheme (the "CO2 Trading Scheme"), which was established as part of the EU's attempts to control greenhouse gas emissions and global warming. Under the scheme, industrial emitters of CO2 are obliged to surrender allowances to the authorities corresponding to their emissions on an annual basis. Depending on their industry, most companies are awarded a significant portion of their allowances for free to avoid placing them at an undue competitive disadvantage as compared to producers outside of Europe.

Elkem, which came under the ambit of the CO2 Trading Scheme in 2013, has been awarded free allowances on an annual basis for its emissions, and purchased allowances in the market to cover the remainder of its emissions in each year. The amount of free allowances as government grants is expected to decrease gradually until the current phase of the CO2 Trading Scheme ends. In the future, Elkem may not receive such allowances, or receive lower allowances than previous years, which may result in increased costs pertaining to CO2 allowances, and have a material negative cost impact on Elkem.

## **2.1.19 Elkem is exposed to significant risks in relation to compliance with anti-corruption laws and regulations and economic sanctions programs**

As a result of doing business in foreign countries, Elkem is exposed to a risk of violating anti-corruption laws and sanctions regulations applicable in those countries where Elkem, its partners or its agents operate. Some of the international locations in which the Group operates lack a developed legal system and have high levels of corruption. Elkem's continued expansion and worldwide operations, including in developing countries, its development of joint venture relationships worldwide and the employment of local agents in the countries in which it operates increases the risk of violations of anti-corruption laws, OFAC or similar laws. Violations of anti-corruption laws and sanctions regulations are punishable by civil penalties, including fines, denial of export privileges, injunctions, asset seizures, debarment from government contracts (and termination of existing contracts) and revocations or restrictions of licenses, as well as criminal fines and imprisonment. In addition, any major violations could have a significant impact on Elkem's reputation and consequently on its ability to win future business.

## **2.1.20 Elkem relies on the proper functioning of its computer and data processing systems that must be regularly upgraded or replaced, and a larger-scale malfunction could result in material and adverse disruptions to its business**

Elkem relies primarily on globally and locally functioning information technology systems across its operations, including for management, supply chain and financial information and various other processes and transactions. This applies particularly to the Group's global enterprise resource planning system, which electronically captures and controls group business and financial transactions, as well as to the operating systems at Elkem's plants. Elkem's ability to effectively manage its business depends on the security, reliability and capacity of these systems. Information technology system failures, network disruptions or breaches of security could materially disrupt its operations, cause material delays or cancellations of customer orders or impede the production or shipment of products, processing of transactions or reporting of financial results. An attack on or other problems with the Group's systems could also result in the disclosure of proprietary information about its business or confidential information concerning its customers or employees, which could result in significant damage to its business and its reputation. Any breach of the Group's security measures could result in unauthorised access to and misappropriation of its information, corruption of data or disruption of operations or transactions, any of which could materially adversely affect the Group's business, financial condition, results of operations and prospects.

## **2.1.21 Production at Elkem's facilities may be subject to planned and unplanned production interruptions, which could have a material adverse effect on its ability to produce products for sale or maintain business operations and therefore, may materially adversely affect its business**

Elkem operates multiple and complex technical processes, which may be subject to breakdowns, government shut-downs or suspensions, inefficiencies, operational human errors, sabotage and technical failures that may interrupt production operations or delay a resumption of production following a plant modification or a turnaround. Any material disruption at any of the Group's production facilities, in particular the Group's facilities with large production capacity, could impair its ability to use its facilities, have a material impact on its ability to produce products for sale or maintain business operations. Furthermore, the Group may at times enter into product swap agreements and similar arrangements with other producers to adequately supply customers. The operations of such producers are also subject to unplanned disruptions that may impact the Group's relationship with its customers.

Disruptions at one or more of Elkem's production facilities or other facilities or infrastructure upon which it relies may also interrupt production further up or down the production chain and lead to a decrease in volumes and sales, potential loss of customers and damage claims by customers. Adequate spare parts and maintenance services may not be available in a timely manner to secure the continuation of the operations, and alternative facilities with sufficient capacity or capabilities may not be available. Material disruptions at any of Elkem's production facilities could cause the Group's customer to seek alternative supply and materially adversely affect its business, financial condition, results of operations and prospects.

## **2.1.22 Losses caused by disruptions to the supply of power could have a negative impact on Elkem's operations and profitability**

Large amounts of electricity are used to produce silicon materials and foundry alloys and the Group's operations are heavily dependent upon a reliable supply of electrical power. Losses may occur due to a temporary or prolonged interruption in the supply of electrical power to the Group's facilities, which can be caused by unusually high demand, limited supply blackouts, equipment failure, natural disasters or other catastrophic events or lack of rainfall.

## **2.1.23 Elkem may not be able to successfully implement its strategy and may incur significant delays or cost overruns on major investment projects**

The successful implementation of Elkem's strategy depends on its ability to drive profitable growth by focusing on higher margin specialty products; realizing operational efficiencies and synergies through enhanced integration and continued cost reduction; and strengthening its market position through organic growth and bolt-on acquisitions. Elkem's ability to implement these initiatives consistently across the Group and within anticipated timeframes or at all could be inhibited as a result of the complexity of Elkem's operations, macroeconomic conditions, market developments, actions by competitors or other factors, many of which are out of Elkem's control.

Elkem may undertake major investment projects from time to time, such as the planned expansion of the Xinghuo Silicones plant in China, or other strategic investments to increase production capacity or to develop a new product or geographic area. Such projects are subject to the risk of delays, cost increases, availability of adequate funding and other complications. Overruns or delays for such project could have a material negative impact on Elkem's profitability and competitive position and require significant additional capital which may not be available, or available on favorable terms, which may have a material adverse effect on Elkem's financial condition and prospects.

# Risk factors (VI/VIII)

## **2.1.24 Elkem may have difficulty accessing credit in sufficient time, on acceptable terms, or at all, and is vulnerable to interest rate increases**

The industries in which Elkem operates are cyclical and highly capital intensive and Elkem is exposed to risks related to the availability and cost of funding for future growth within its business segments. The Group is dependent on timely access to sufficient funding on acceptable terms, which may be difficult to achieve if the Group faces an economic downturn in its main markets. Any difficulty the Group may encounter in securing adequate sources of short and long-term funding could hamper the Group's future merger and acquisition opportunities and/or its ability to invest in its manufacturing capacity or in new markets, thus restraining the Group's growth opportunities. Difficulty in accessing funding may also result in financial distress and creditors imposing restrictions on the business.

In addition, deterioration in Elkem's credit profile or a rise in market interest rates could increase the costs of borrowing money and limit Elkem's access to the capital markets and commercial credit. Any future difficulty accessing funding at an acceptable cost, or a significant increase in its existing debt service obligations, may have a material adverse effect on Elkem's business, results of operations, financial condition and prospects.

## **2.1.25 Elkem relies upon intellectual property, trade secret laws and contractual restrictions to protect important proprietary rights and, if these rights are not sufficiently protected, its ability to compete and generate revenue could suffer**

Elkem's ability to compete effectively in certain markets depends in part on its ability to obtain, maintain, and protect its trade secrets, proprietary information and other intellectual property rights. Elkem relies particularly on proprietary technologies and technical capabilities in order to compete effectively and produce high quality silicon, silicones, foundry alloys and carbon products. Elkem is subject to the risk that proprietary technologies may be challenged and Elkem may not be able to protect its rights to these technologies.

The global silicones market is largely patent driven and a significant portion of the Silicones division's sales are based on patented products. Elkem, and in particular the Silicones division, is dependent on its patent portfolio in order to sustain a competitive advantage for its products and processes. The other divisions of Elkem generally rely on a combination of patent, trademark, copyright, domain name registration and trade secret laws, as well as contractual restrictions and physical measures to protect Elkem's trade secrets, proprietary information and other intellectual property rights.

The fact that Elkem has intellectual property rights does not guarantee success in any attempts by it to enforce these rights against third parties, and any such attempts may result in a substantial diversion of resources and, if any dispute were to be decided unfavourably against it, could have a material adverse effect on Elkem's business, results of operations, financial condition and prospects.

## **2.1.26 Third parties may claim that Elkem's products or processes infringe their intellectual property rights**

It is Elkem's intention to avoid infringing, misappropriating, or otherwise violating the intellectual property rights of others. Elkem cannot be certain that the conduct of its business or its products or processes do not infringe or otherwise violate such rights, nor can Elkem inaccurate or unsupported from third parties. From time to time, Elkem may become subject to legal proceedings, including allegations and claims of alleged infringement or misappropriation of the patents and other intellectual property rights of third parties.

Any of the foregoing could cause Elkem to incur significant costs or prevent it from selling its products or services, which in turn could have a material adverse effect on Elkem's business, results of operations, financial condition and prospects.

## **2.1.27 Elkem could be materially adversely affected by legal proceedings or investigations**

Elkem could be included in criminal or civil proceedings related to, among others, product liability, environment, health and safety, anti-competitive, anti-corruption, trade sanctions, infringements of intellectual property rights or other similar laws or regulations or other forms of commercial disputes which could have a material adverse effect on Elkem. Violation of applicable laws and regulations could result in substantial fines or penalties, costs of corrective work and, in rare instances, the suspension or shutdown of Elkem's operations. Silicones are used in industries which are exposed to litigation, including the automotive industry (as they are used in the manufacture of airbags) and health care. Use of silicones in such industries and sectors may also entail product recalls and legal proceedings, investigations and claims for damages in connection with such product recalls. Proceedings, liabilities, product recalls or other actions could have a material adverse effect on Elkem's business, results of operations, financial condition and prospects.

## **2.1.28 Changes in rules related to accounting for income taxes, changes in tax laws in any of the jurisdictions in which Elkem operates or adverse outcomes from audits by taxation authorities could result in an unfavourable change in its effective tax rate**

Elkem operates its business in numerous tax jurisdictions and its effective tax rate is derived from a combination of the applicable tax rates in the various locations in which it operates. Elkem's effective tax rate may be lower or higher than its effective tax rates has been in the past due to numerous factors, including the sources of its income and the tax filing positions it takes. Changes in rules related to accounting for income taxes or changes in tax laws in any of the jurisdictions in which Elkem operates could result in an unfavourable change in its effective tax rate.

## **2.1.29 The terms of the Company's financing arrangements may limit its commercial and financial flexibility**

Elkem will be subject to affirmative and negative covenants contained in the Group's loan agreements, including financial covenants. There can be no assurances that Elkem will be able to meet such covenants. A breach of the financial covenants, or certain other provisions or restrictions, may cause an event of default under the loan agreements, which may result in the relevant creditors cancelling any commitments and/or elect to declare all amounts owed to them, including accrued interest, immediately due and payable.

Additionally, the loan agreements contains a mandatory prepayment clause upon a change of control relating to the ownership interest of Bluestar (as defined below). After the completion of the Private Placement, more than 50% of the Company's issued share capital will still be owned by Bluestar. If Bluestar were to cease to have the power to cast more than 50% of the maximum number of votes cast at a general meeting or beneficially own more than 50% of the issued share capital of the Company, the facility could be cancelled and all outstanding amounts owed to creditors, including accrued interest, could become immediately due and payable.

If the Group's creditors were to accelerate payments of outstanding amounts due under the loan agreement, the Group can provide no assurances that its assets would be sufficient to repay in full those amounts due and payable.

Elkem may seek to enter into future financing arrangements to refinance existing debt or finance new initiatives. There is no assurance that Elkem will be able to secure such financing on terms that are as favourable as those under the existing loan agreements, or that it will be able to secure such financing at all.



# Risk factors (VII/VIII)

## **2.1.30 Elkem's joint arrangements partners may have interests that differ from Elkem's and may take actions that adversely affect Elkem**

Elkem currently participates in several joint arrangements, and may enter into other joint arrangements or co-investment projects with third parties in the future. Such current and prospective joint ventures and co-investments involve potential risks, including: Joint ventures may require an investment of considerable management, financial and operational resources to establish sufficient infrastructure such as risk management, compliance or other processes; Joint ventures may be structurally complicated by the necessity of the parties anticipating and addressing issues of governance, control, dispute resolution and ownership of intellectual property and other assets, among many other matters; Elkem may not have the level of strategic control over the joint venture that it requires in order to fulfil its long-term goals, or may find it is restricted by the other partner in the products it can produce or the customers to whom it can sell products or services such as manufacturing capacity; Elkem may find it lacks sufficient control over the operations of the joint venture, resulting in problems with quality control, inefficiency or other operational problems; Joint ventures may have complex governance issues arising from shared control and split ownership models; Joint ventures may experience delays or other timing problems prior to launch, exacerbated by disagreements between the parties; A joint venture partner may sell its stake in the joint venture to a buyer who is unattractive to Elkem; Joint ventures may expire, potentially leading to disagreements between the parties over the ownership or future of the joint venture's business or assets; Joint ventures may have flaws in their design that cause them to experience losses and lead to their termination; The objectives of the joint venture may not be achieved in a timely manner or at all; Partners at any time may have or develop economic or business interests or goals that are inconsistent with Elkem's; Partners may (i) take actions contrary to Elkem's instructions or requests, or contrary to Elkem's policies or objectives with respect to the investment or (ii) exercise veto rights so as to block actions that Elkem believes to be in Elkem's or the joint venture's or strategic alliance's best interests; Partners may become unwilling or unable to fulfil the objectives of the joint venture due to general market conditions, financial difficulties or other circumstances beyond Elkem's control; and In the event that a joint venture fails for any of the above reasons or otherwise, Elkem may have to buy out its partner or otherwise purchase the partner's interest in the underlying asset, potentially at an unacceptably high price, which in turn could impose a material cost burden on Elkem, or alternatively Elkem may have to sell its interest in the asset to the partner or another third party at an unacceptably low price.

If any of these risks were to materialise, it could have a material adverse effect on Elkem's business, results of operations, financial condition and prospects.

## **2.1.31 Insurance costs may increase and Elkem may experience additional exclusions and limitations on coverage in the future**

Elkem currently maintains insurance coverage of a nature and in an amount that it believes to be customary in the industry, including property damage and business interruption, marine cargo/transportation, environmental liability, third-party public and product liability, workers' compensation, loss resulting from criminal acts by employees, employment practices liability, contaminated products insurance-recall, commercial general liability, umbrella liability and excess liability insurance, all of which are subject to certain limitations, deductibles and caps.

Elkem's insurance may be inadequate or unavailable to protect it in the event of a claim or other loss, or its insurance coverage may be cancelled or otherwise terminated, and Elkem may not be able to continue to obtain insurance or renew existing insurance on commercially reasonable terms or at all.

Even a partially uninsured claim, if successful and of significant size, could have a material adverse effect on Elkem's business, results of operations, financial condition and prospects.

## **2.1.32 As a large portion of Elkem's employees are parties to collective bargaining agreements and members of trade unions, Elkem faces a risk of work stoppages and strikes**

A large portion of Elkem's employees are party to collective bargaining agreements and members of trade unions. Elkem's relationship with its works councils and trade unions are therefore important to the operation of its business. The presence of works councils and trade unions may limit Elkem's flexibility in dealing with its workforce and ultimately lead to increased operating costs. The Group has experienced strikes by its unionised employees in the past, in particular in France, and may experience similar strikes in the future. A lengthy strike or other work stoppage by Elkem's employees, or by employees of a third-party which provides critical services to Elkem, could also have material adverse effect on Elkem's ability to conduct its operations, which in turn could have a material adverse effect on Elkem's business, results of operations, financial condition and prospects.

## **2.1.33 Increases in labour costs could materially impact Elkem's business and results of operations**

Elkem is subject to the risk of increases in labour costs. Any sustained increases in labour costs in Europe, China or in other geographies in which Elkem has labour intensive operations may have a material adverse effect on Elkem's business, results of operations, financial condition and prospects.

# Risk factors (VIII/VIII)

## 2.2 Risks related to the Shares

### 2.2.1 China National Chemical Corporation has significant voting power

China National Chemical Corporation (“**ChemChina**”), through its subsidiary, Bluestar Elkem International Co.Ltd S.A (“**Bluestar**”), control more than 50% of the Shares. Accordingly, Bluestar has significant ownership and voting power in Elkem, and is able to exercise significant influence over the general meeting and have influence over, inter alia, the decision to declare distribution of dividends. This concentration of ownership may not be in the best interest of Elkem's other shareholders as the interest of Bluestar may not always coincide with the interests of other shareholders, and other investors may not agree with the manner in which Bluestar acts. Additionally, 3 of the Board Members, Zhigang Hao and Yougen Ge are employed by the Bluestar. By being employed by the Bluestar, Zhigang Hao and Yougen Ge have fiduciary duties to Bluestar that may conflict with Elkem's interests.

A significant reduction in ChemChina's or Bluestar's shareholding could lead to Elkem losing future the business opportunities that it previously enjoyed because its business partners took into consideration other business opportunities relating to ChemChina or Bluestar when they entered into business relations with Elkem. Such a reduction in ownership may result in ChemChina or Bluestar being less supportive of Elkem and its strategic goals, particularly in relation to China. In addition, sale of a substantial amount of the Shares by Bluestar may adversely affect the market price of the Shares. Loss of business and/or a decline in support from Elkem's largest shareholders may have a material adverse impact on Elkem's business, financial condition and results of operations. Prospective investors should also note that the Chinese government has approved a merger of the Sinochem group and ChemChina group. There can be no guarantee that the merger will be completed, or completed successfully, and the potential impact on Elkem resulting from the merger is unclear as of the date of this presentation.

### 2.2.2 The price of the Shares could fluctuate significantly

The trading volume and price of the Shares could fluctuate significantly and the market price of the Shares may decline such that the Shares trade at prices significantly below the Offer Price. Securities markets in general have been volatile in the past. Some of the factors that could negatively affect the Share price or result in fluctuations in the price or trading volume of the Shares include, for example, changes in the Group's actual or projected results of operations or those of its competitors, changes in earnings projections or failure to meet investors' and analysts' earnings expectations, investors' evaluations of the success and effects of the strategy described in this Prospectus, as well as the evaluation of the related risks, changes in general economic conditions or the equities markets generally, changes in the industries in which the Group operates, changes in shareholders and other factors. This volatility has had a significant impact on the market price of securities issued by many companies. Those changes may occur without regard to the operating performance of these companies. The price of the Shares may therefore fluctuate based upon factors that have little or nothing to do with the Group, and these fluctuations may materially affect the price of the Shares.

### 2.2.3 Future issuances of Shares or other securities could dilute the holdings of shareholders and could materially affect the price of the Shares

The Company may in the future decide to offer additional Shares or other securities in order to finance new capital- intensive projects, in connection with unanticipated liabilities or expenses or for any other purposes. Depending on the structure of any future offering, certain existing shareholders may not have the ability to purchase additional equity securities. Accordingly, the shareholders bear the risk of any future offerings reducing the market price of the Shares and/or diluting their shareholdings in the Company.



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