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# SECOND QUARTER 2017

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PRESENTATION

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# Agenda

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REC Silicon Q2 Financial Results

T. Torvund, CEO

Financial Overview

J.A. May II, CFO

PV Market Outlook

T. Torvund

U.S. / China Trade Dispute Update

T. Torvund

Yulin JV Update

T. Torvund

Guidance

T. Torvund

Q & A

# Highlights

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**Revenues:               \$61.4M**

**EBITDA:                 \$ 1.3M**

## **FBR Cash Cost of \$11.0/kg**

- FBR Facility Continues Operation at ~50% Capacity Utilization
- Demonstrates Low Cost Capability at Reduced Production Rates

## **Strong Silicon Gas Sales Volumes**

- Sales Volume of 808MT (1.5% Decrease)
- 1.6% Silane Gas Price Increase

## **June 30, 2017 Cash Balance of \$71.4M**

- Cash Decrease of (\$9.4M)
- Increase in Working Capital Investment
- No Debt Maturities in 2017
- Draft Income Tax Ruling Could Impact Liquidity

## **Yulin JV Start-up Scheduled for Q4 2017**

# Key Metrics

## Polysilicon Sales Volume \*\*

Total	2,960MT
Inventory Increase	81MT

## FBR Production

Actual	2,380MT
Guidance*	2,350MT
Deviation	1.3%

## FBR Cash Cost

Actual	\$11.0/kg
Guidance*	\$11.0/kg
Deviation	0.0%

## Total Polysilicon Production

Actual	3,057MT
Guidance*	3,040MT
Deviation	0.6%

## Semiconductor Production

Actual	253MT
Guidance*	280MT
Deviation	-9.5%

## Silicon Gases Sales Vol.

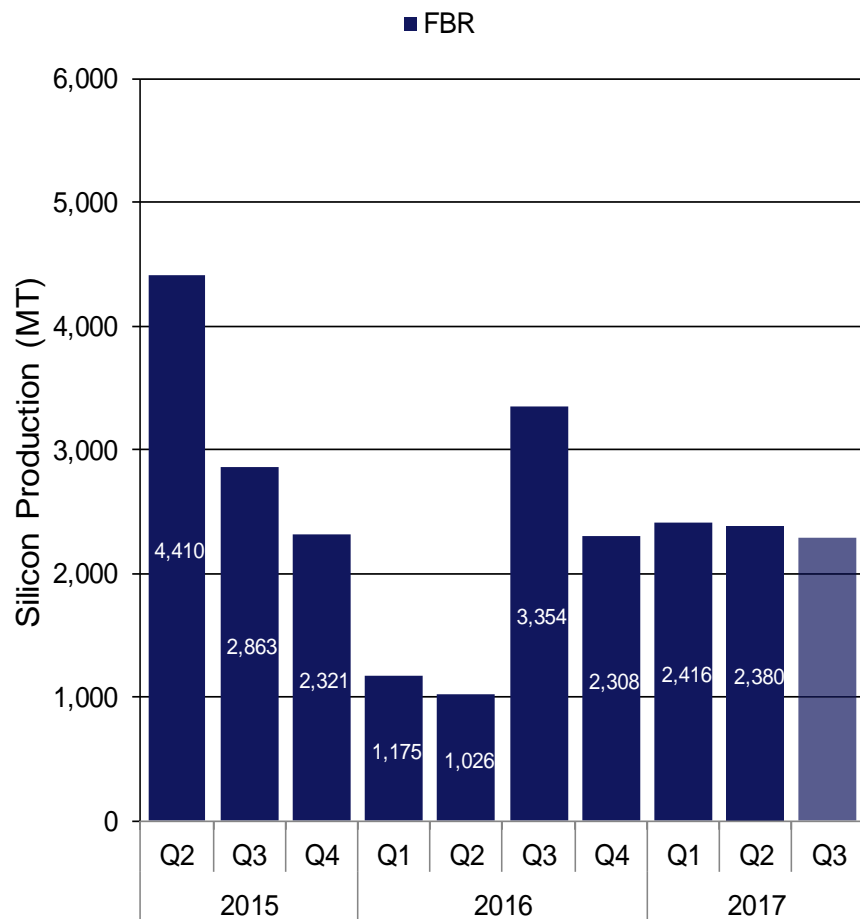
Actual	808MT
Guidance*	800MT
Deviation	0.9%

\* Guidance Presented May 3, 2017

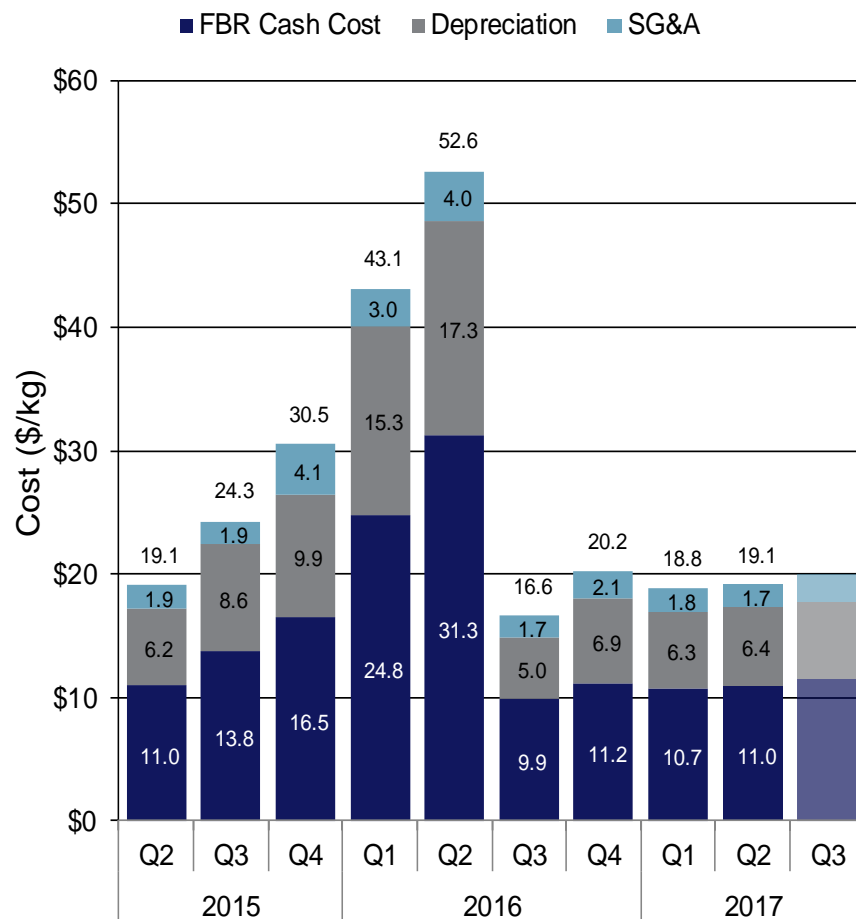
\*\* Excludes Fines and Powders

# Polysilicon Production and FBR Cost

## Polysilicon Production



## FBR Cost



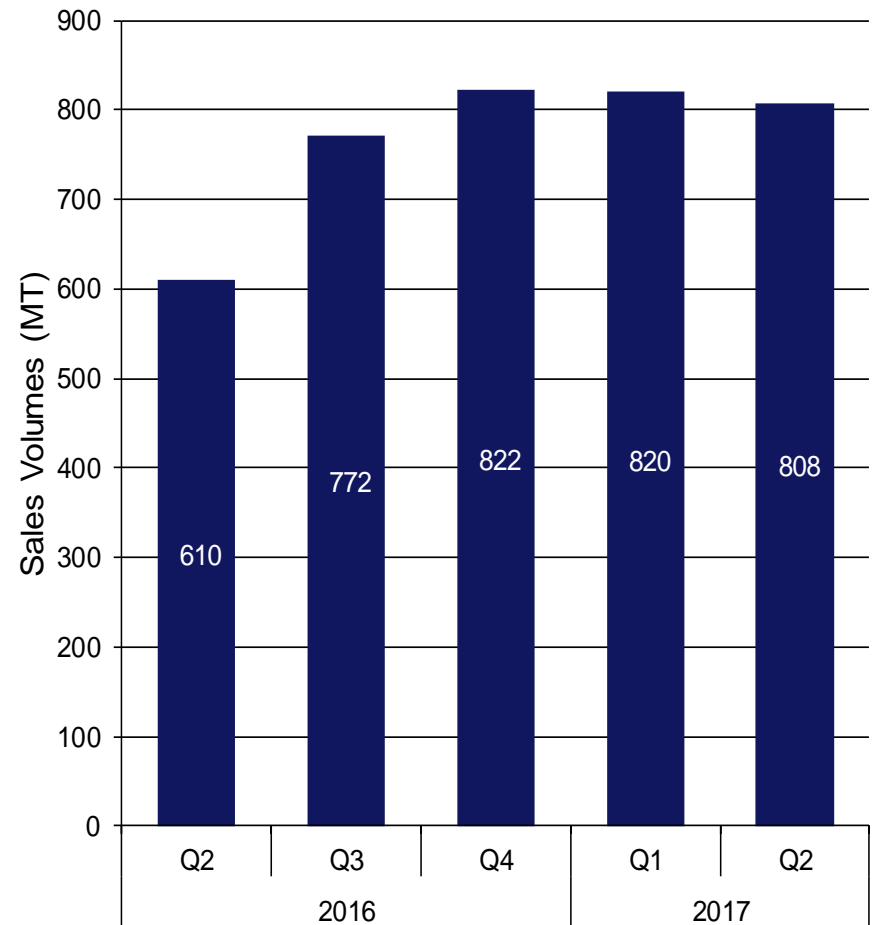
# Continued Strong Silicon Gas Sales

## › Silicon Gas Sales Volumes 808MT

- Decreased 1.5% Compared to Q1'17
- Increased 32.5% Compared to Q2'16
- Stable Silane Gas Prices

## › Q3 2017 Sales Volumes Expected to Increase to 840MT

### Silicon Gases







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## FINANCIAL REVIEW

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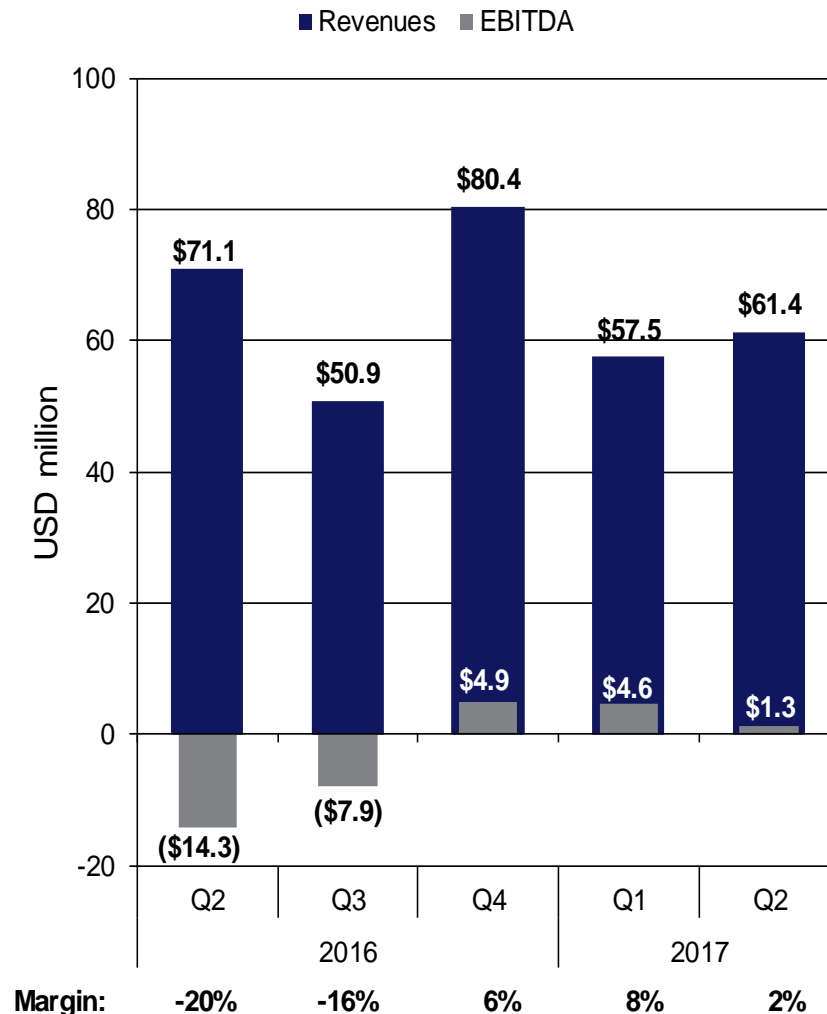
# Key Financial Results

## Revenues - \$61.4M

- › 6.8% Increase vs. Q1'17
- › Polysilicon Sales Volumes 2,960MT  
(Excluding Fines & Powders)
  - 18.0% Sales Volume Increase vs. Q1'17
  - (6.9%) Solar Grade Price Decrease vs. Q1'17
- › Silicon Gas Sales Volumes 808MT
  - Continued Strong Sales Volumes
  - 1.6% Silane Price Increase vs. Q1'17

## EBITDA of \$1.3M

- › Reflects:
  - \$2.5M Collection of Reserved Trade Receivables
  - Solar Grade Price Decrease
  - FBR Cash Cost of \$11.0/kg
  - Butte Unplanned Partial Production Interruption



# Cash Flows

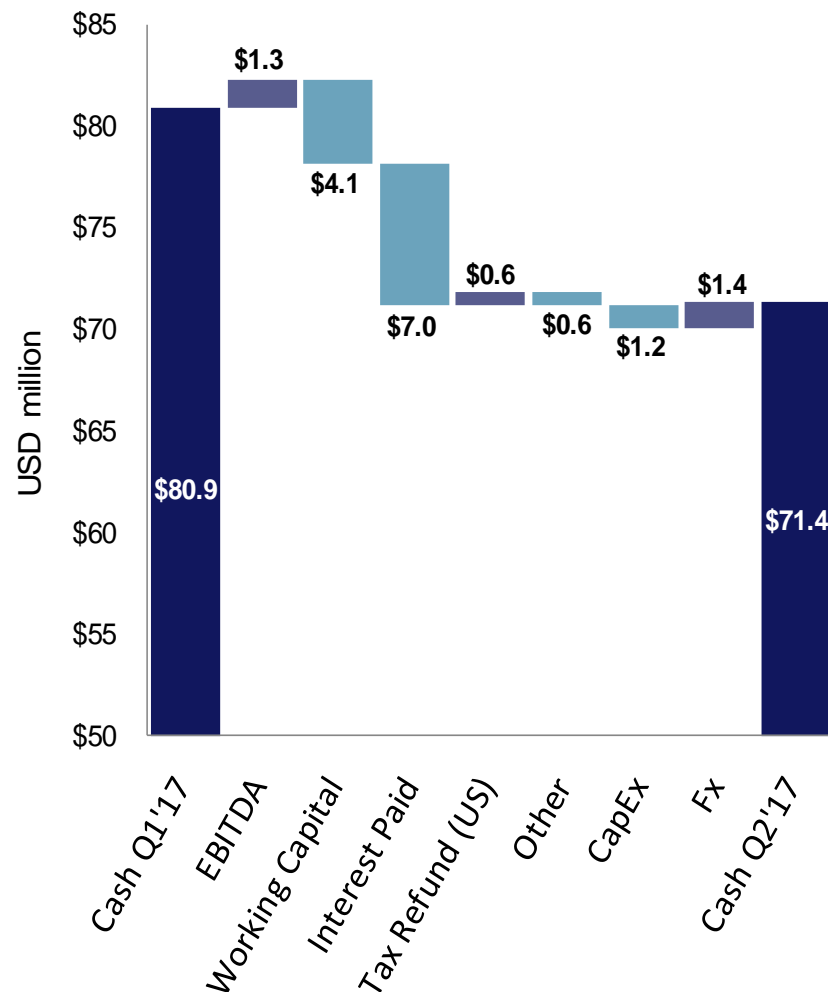
## Cash Outflows From Operating Activities (\$9.4M)

- › EBITDA of \$1.3M
- › Working Capital Increase (\$4.1M)
  - Decreased Accounts Payable (\$2.3M)
  - Increased Accounts Receivable (\$1.7M)
  - Increased Inventories (\$0.1M)
- › Interest payments (\$7.0M)
- › US Tax Refund \$0.6
- › Other (\$0.3M)

## Cash Outflows From Investing Activities (\$1.5M)

- › CapEx (\$1.2M)
- › Restricted Cash (\$0.3M)

## Currency Gain of \$1.4M



# Liquidity at June 30, 2017

## Nominal Debt - \$188M

- › Increased by \$2M in Q2'17
  - Due to Weaker USD Relative to NOK

## Nominal Net Debt - \$117M

- › Increased by \$11M in Q2'17
  - Decrease in Cash of \$9M
  - Increase in Nominal Debt of \$2M

## Reassessment of Tax

- › Draft Ruling from Norwegian Central Tax Office
- › Potential \$30M Payable with Final Ruling
- › Uncertain Timing and Outcome

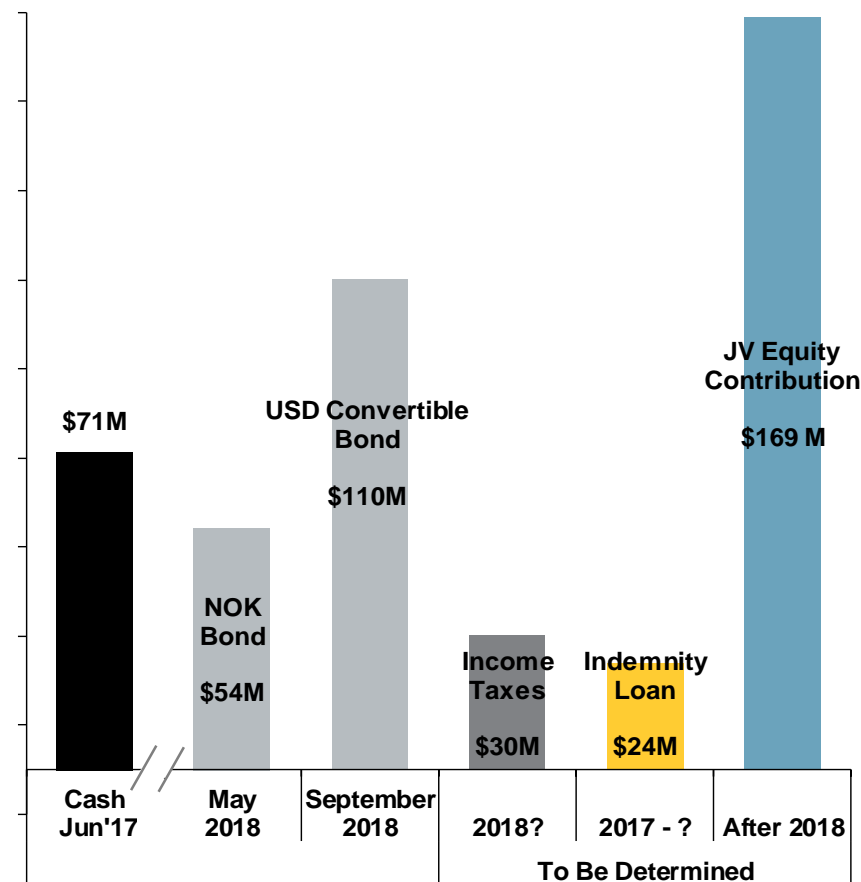
## Indemnity Loan (Included in Net Debt)

- › Callable Beginning in February 2016
- › Has not Been Called
- › Due Date is Uncertain

## JV Equity Contribution

- › Negotiations Continue to Defer Remaining Contribution
- › Agreements Allow REC to Forego Remaining Contribution if Unable to Pay

USD Million





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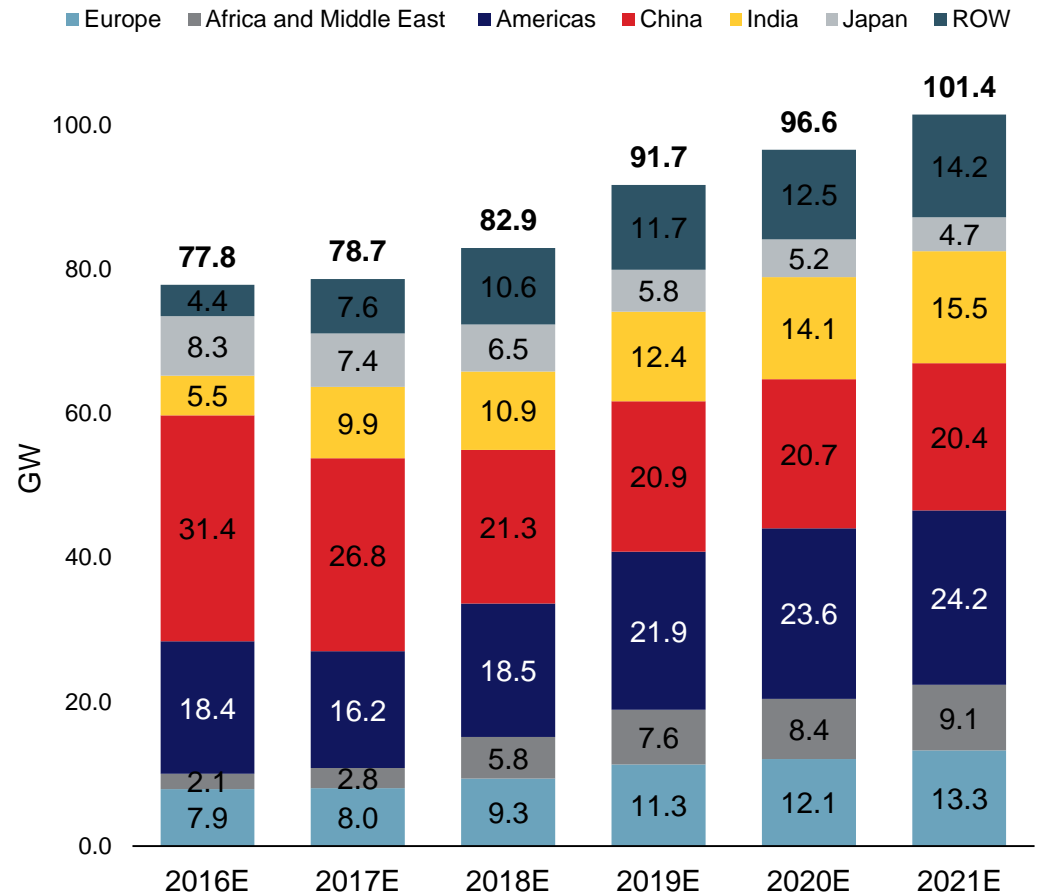
## PV MARKET OUTLOOK

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# Strong Global PV Demand Through 2021

- › Strong Chinese Demand During H1'17
  - › Uncertainty Remains for H2'17 and Following Years
- › Demand in India and Americas Expanding
  - › India Dependent Upon Incentives
  - › US Dependent Upon Trade Policy
- › Increasing Importance of Emerging Markets

2016-2021F PV Installations by Region



Source: IHS Markit, Technology Group, PV Demand Market Tracker, July 2017



# 2017 Quarterly Module Installations by Region

## › China Installed ~14.3GW During 1<sup>st</sup> Half

- Forecast ~12.4GW During 2<sup>nd</sup> Half

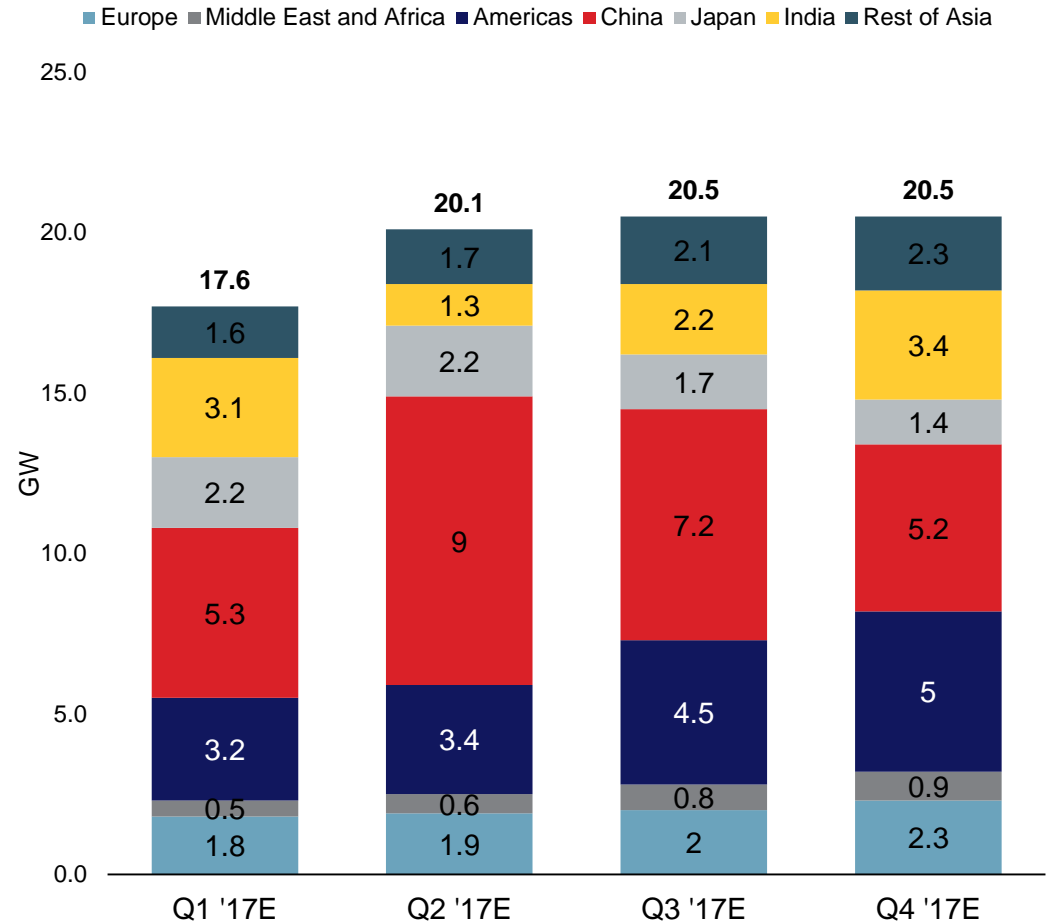
## › India Installed ~4.4GW During 1<sup>st</sup> Half

- Forecast ~5.6GW During 2<sup>nd</sup> Half

## › Americas Installed ~6.6GW During 1<sup>st</sup> Half

- Forecast ~9.5GW During 2<sup>nd</sup> Half
- US Acceleration Due to Suniva 201 Petition

IHS 2017F Quarterly Installations



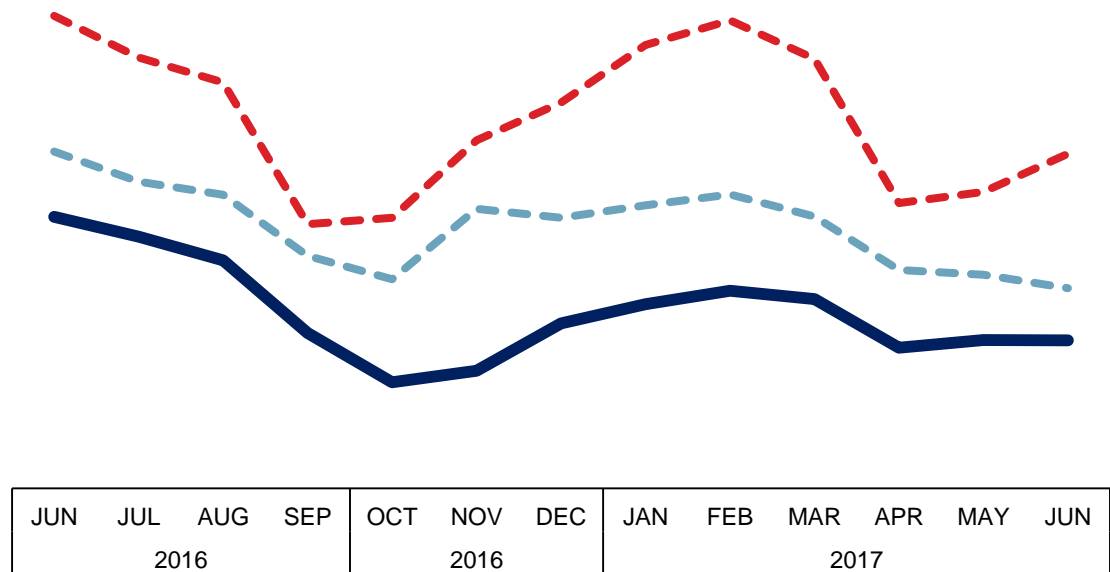
Source: IHS Markit, Technology Group, PV Demand Market Tracker, July 2017

# Polysilicon Spot Price

- › Inside China Prices Increased at the End of 2<sup>nd</sup> Quarter
- › REC FBR Prime Prices Remained Stable Through 2<sup>nd</sup> Quarter
- › Expect Stable Prices During 3<sup>rd</sup> Quarter

## FBR Prime vs. Solar Price Indices

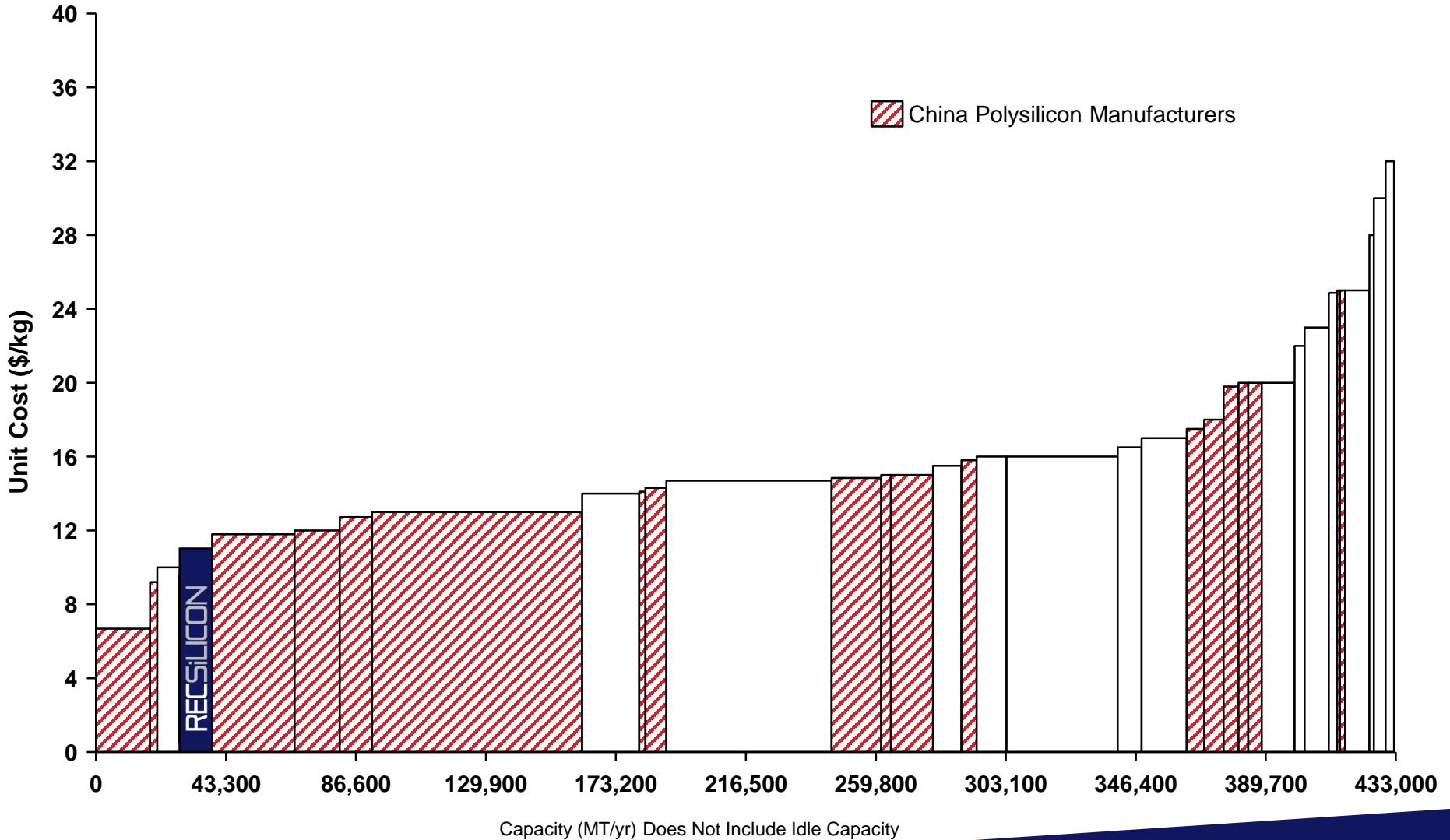
— FBR PRIME    - - - Inside China    - - - Outside China



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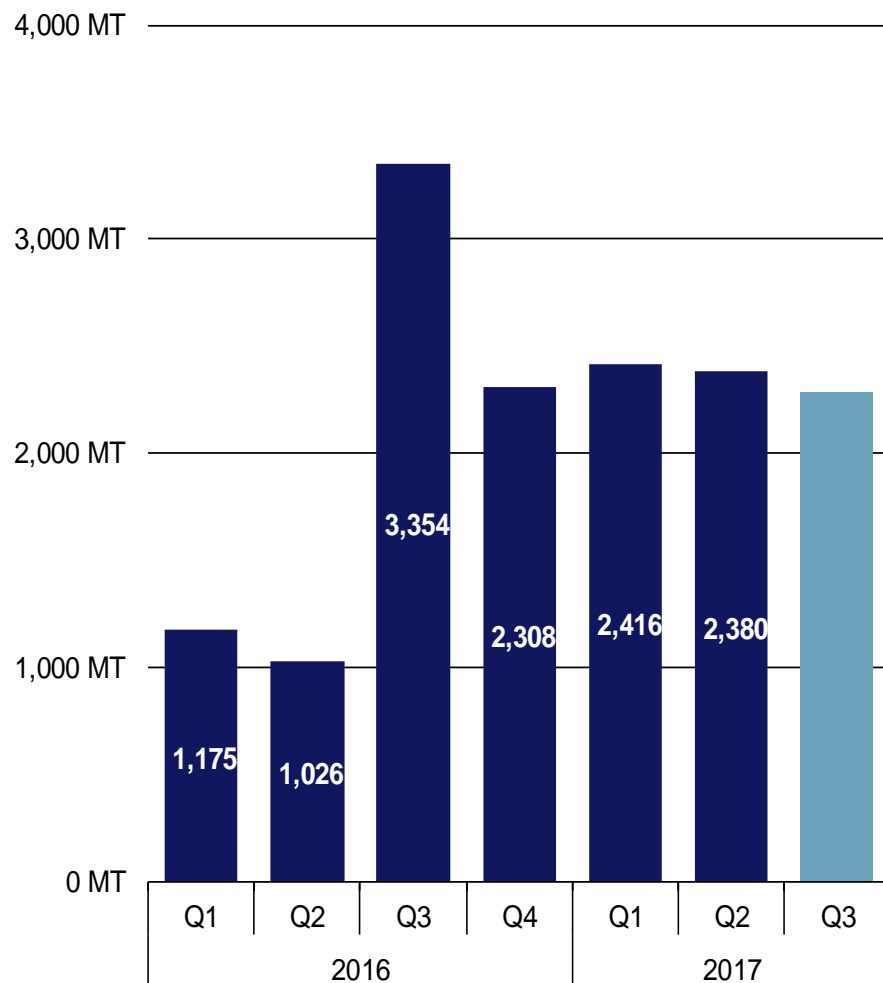
# REC Silicon Remains Cost Leader (Despite Capacity Curtailment)

SECOND QUARTER  
2017

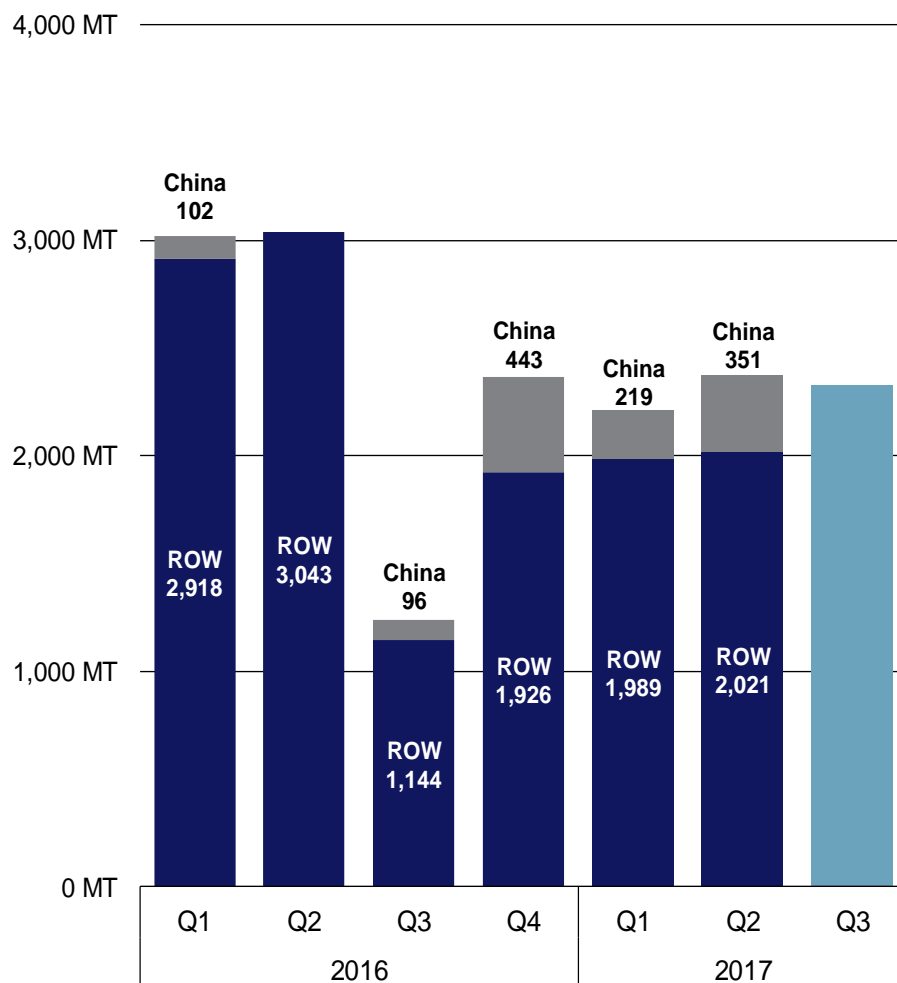


# FBR Production Aligned with Demand

FBR Production



FBR Sales



Note: Excludes Fines & Powder

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## U.S./ CHINA TRADE DISPUTE UPDATE

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# US / China Solar Trade Dispute Continues

## AD/CVD

- › US Government and MOFCOM are Working Towards a Resolution
  - US Polysilicon Companies Work Together with SolarWorld and CCCME
- › SolarWorld AG (Europe) Filed for Insolvency
  - SolarWorld Americas Inc. Not Included

## Section 201

- › Suniva Petition Could Delay Trade War Resolution
  - Industry Analyst Predict Acceleration of PV Installations in the US
  - SEIA is Actively Seeking a Resolution
  - Final Decision Expected in 2018
  - Withdrawal/Settlement is Possible



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YULIN JV UPDATE

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*youser* 天瑞硅材料  
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## Yulin JV - Start-Up Status

- › First Silane Unit and FBR Reactors Startup in Q4 2017
- › Second Silane Unit and Remaining FBR Reactors Startup in Q1 2018
- › Total Investment Within Budget of \$1.25 Billion
- › Negotiations Continue to Defer Remaining Contribution
- › Agreements Allow REC to Forego Remaining Contribution if Unable to Pay







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GUIDANCE

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# Updated 2017 Guidance

FBR Production	
Q3	2,290MT
2017	9,450MT

FBR Cash Cost	
Q3	\$11.5/kg
2017	\$11.0/kg

Total Polysilicon Production	
Q3	3,070MT
2017	12,500MT

Semiconductor Production	
Q3	230MT
2017	1,040MT

Silicon Gas Sales	
Q3	840MT
2017	3,320MT

CapEx *	
Maintenance	\$5M
Expansion	\$0M
2017 Total	\$5M

\* Additions to Property Plant and Equipment



# Liquidity Resolution Options

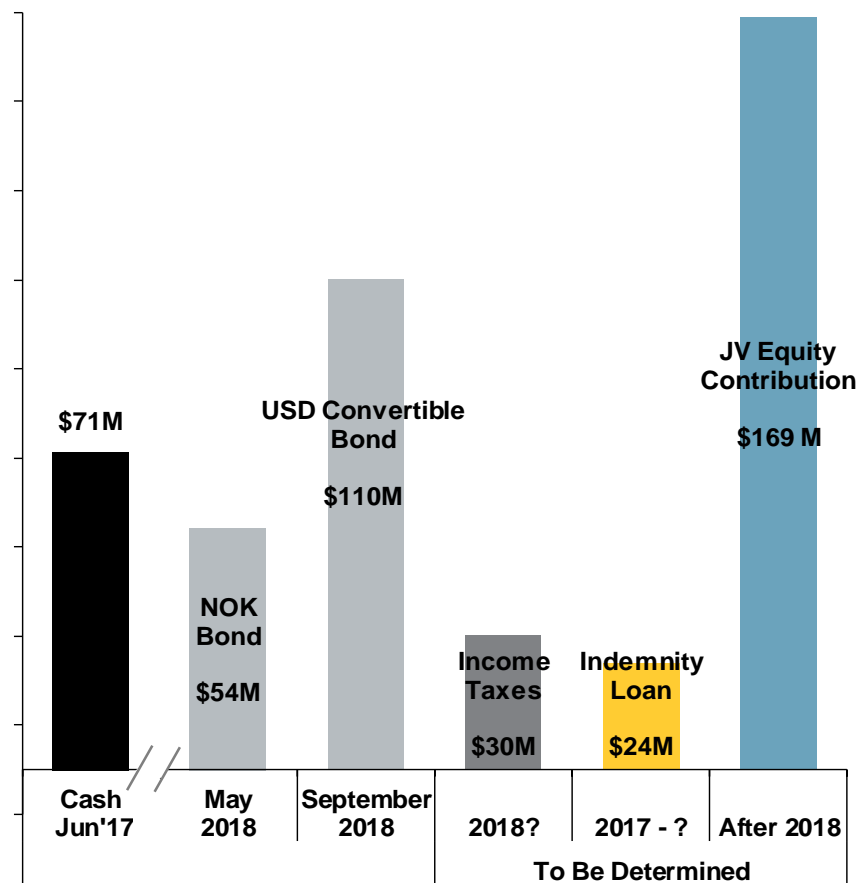
## Nominal Net Debt - \$117M

- › Several Sources will be Evaluated in H2 2017 for the 2018 Bonds and Indemnification Loan
  - I. Cash from Operation
  - II. Refinancing
  - III. Divestment of Non-core Assets
  - IV. New Equity

## JV Equity Contribution

- › Negotiations Continue to Defer Remaining Contribution
- › Agreements Allow REC to Forego Remaining Contribution if Unable to Pay

USD Million



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Have a Nice  
Summer

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